



The United Kingdom Sports Council

**Grant-in-Aid and Lottery Distribution Fund Annual Report
and Accounts for the year ended 31 March 2018**

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Grant-in-Aid and Lottery Distribution Fund Annual Report and Accounts for the year ended 31 March 2018

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Introduction by the Chair

It has been an exceptionally busy year for The United Kingdom Sports Council (UK Sport), with historic success and challenges in equal measure.

A record number of medals won by Great Britain at the Olympic and Paralympic Winter Games held in PyeongChang marked the culmination of Lottery and Exchequer investment since Sochi 2014 to inspire the nation and build on previous successes. Our athletes secured their best ever number of podium places and achieved the ambitious target of five Olympic and seven Paralympic medals at the Winter Games. Looking to the future UK Sport already has investment and plans in place for Tokyo 2020 and early planning has started for the Paris 2024 Cycle.

UK Sport also supported major sporting events hosted in the UK to showcase inspirational performances, and to drive economic and engagement objectives. These events were delivered to a high standard and included the London 2017 World Para Athletics and Athletics Championships. The events were a huge success from a visitor and economic perspective, as well as for the athletes who took part from across the world, building on the positive legacy of London 2012. Work is already well underway for both the 2019 World Road Cycling Championships in Yorkshire and the 2021 Rugby League World Cup. The former has involved the establishment of a new subsidiary within the UK Sport Group with a board and staff recruited during the year to deliver the event. UK Sport's support of Birmingham's successful bid for the 2022 Commonwealth Games will result in another mega sporting event being hosted in the UK.

Alongside these high profile events UK Sport has supported other local initiatives. One such initiative was the successful #teamparkrun event held in August 2017. This involved UK Sport Lottery funded athletes working with parkrun UK to encourage the nation to get active.

The year has not been without its challenges though. UK Sport has continued to take forward important work around addressing culture shortcomings that have emerged within some high performance sports. We are also mindful of the need to encourage greater support for athletes both in helping them achieve their performance potential, as well as preparing for future careers once they have retired from competing. Alongside this, mental health is another key area where further work is being supported.

Work has continued in driving world-leading standards of governance in our sector through confirmation of National Governing Body (NGB) compliance with the *Code for Sports Governance* published in 2016. It was pleasing that summer sport NGBs in receipt of investment for the Tokyo Cycle have made huge strides to ensure compliance with the Code. All funded national bodies are now compliant with the exception of a single body where the final assessment is not yet completed. I place on record our thanks to NGBs for their commitment to the Code, and their hard work in order to become compliant with it. Winter sport NGBs were given a slightly longer target date of May 2018 to ensure they were not distracted in preparing for the PyeongChang Games. A plan has been agreed to achieve 100% compliance for all funded NGBs in the near future, with agreed procedures to assure continued compliance.

Maximising the effectiveness and efficiency of UK Sport has been enhanced by embedding the new Vision, Mission, Objectives, Strategies and Tactics (VMOST) methodology across all our operational teams. This has already proved to be highly effective in supporting decision making and the prioritisation of limited resources. This is now especially important with lower than originally planned Lottery receipts.

We are grateful for the National Lottery and Exchequer funding provided during the year, and for the exceptional additional funding provided by DCMS to meet the needs in this Cycle, but risks on funding will continue to be a key consideration when planning ahead through Tokyo 2020 and in the 2024 Paris Cycle. Thanks are also due to all those who support us in helping to deliver sporting achievements that inspire the nation. UK Sport is fortunate in having a team of dedicated skilled staff to build on recent successes and meet the challenges that lie ahead. To build on the unprecedented success of recent

years is a huge task, but I am confident everybody at UK Sport will continue to effectively support our athletes to deliver their best.



Dame Katherine Grainger DBE
Chair
The United Kingdom Sports Council

27 June 2018

Performance Report

Legislative Background

UK Sport 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.

Purpose and Structure

UK Sport provides strategic investment to enable Great Britain's Olympic and Paralympic sports and athletes to achieve their full medal winning potential. We have a very clear remit at the 'top end' of Britain's sporting pathway supporting athletes and sports to compete and win medals at the Olympic and Paralympic Games. UK Sport also leads the UK's major sporting events programme.

We receive funding from the Lottery Distribution Fund together with Grant-in-Aid from the Department for Digital, Culture, Media and Sport (DCMS). A small amount of commercial income is also generated mainly from sponsorships.

Funding is distributed through the UK Sport Group which comprises UK Sport, the English Institute of Sport (EIS) and Yorkshire 2019 Limited. While UK Sport primarily provides strategic investment to National Governing Bodies (NGBs) and elite athletes, EIS provides sport science, medicine, technology and engineering services to elite athletes predominantly in World Class Programme funded sports. Yorkshire 2019 Limited was created in November 2016 to deliver the 2019 UCI World Road Cycling Championships to be based in Yorkshire.

Strategy and Performance

It has been a challenging but very fulfilling year for UK Sport. We have helped to secure record British success in winter sports at the PyeongChang Olympic and Paralympic Games. Through actions taken across the UK high performance system we have put ourselves on the right track to inspire the nation once again with more success at the Tokyo 2020 Summer Games, and to further enhance public confidence in what we do.

Team GB's record breaking and inspirational performances in PyeongChang showed that Britain is becoming ever more competitive in winter sports thanks to continued National Lottery and Exchequer funding. One Gold and four Bronze medals meant Britain had its best ever Winter Olympic medal haul and achieved its UK Sport target of five podium places, bettering the four medals won in Sochi 2014 and Chamonix in 1924. Team GB also secured more fourth and fifth place finishes than ever before, with ten top five and medal places in PyeongChang, compared to six in Sochi, showing that an improvement in medal prospects as well as medals was achieved. ParalympicsGB also hit its UK Sport target of seven medals, with Menna Fitzpatrick and Millie Knight - along with their guides Jen Kehoe and Brett Wild - winning four and three medals respectively, including a Gold for Fitzpatrick and Kehoe in the Women's Visually Impaired Skiing programme. This was Britain's biggest winter medal haul since 1984 and since National Lottery funding was introduced in the 1990s. ParalympicsGB also recorded more top eight finishes in PyeongChang across all sports than they did in Sochi 2014.

The athletes thanked the National Lottery players for their support and paid tribute to the exceptional training, preparation and support that the World Class Programmes and whole high performance system provides, including UK Sport, National Governing Bodies (NGBs), Home Country Sports Councils and Institutes, and the British Olympic and British Paralympic Associations. These inspirational performances were also watched by record audiences and sparked an upsurge in interest in snowdomes and dry slope skiing centres, and in UK Sport's talent identification campaign #DiscoverYourGold. It was a remarkable few weeks in South Korea, which showed once again the truly inspirational power of Olympic and Paralympic sport.

For our summer sports it was also a busy year of competition as the countdown to Tokyo began in earnest. Across 2017 British teams collectively won more major World and European level medals this

year than the equivalent years in the run up to London 2012 (2009) and Rio 2016 (2013). In our annual investment review for summer sports we were also able to announce increased investment of more than £1 million in new Olympic events for Tokyo such as BMX freestyle and more than £2 million in new Paralympic events including para taekwondo, para badminton and the para canoeing Va'a boat classes. More than £2.5 million was also provided for new innovative medal support plans to provide National Lottery funding to world-level athletes in badminton, archery, and the new Olympic disciplines of karate and sport climbing. Overall our Tokyo Olympic medal target range increased to 54-92 (from 51-85) and our Tokyo Paralympic medal target range increased to 119-168 (from 115-162).

UK Sport supported a number of major sporting events, including the London 2017 World Para Athletics and Athletics Championships which, across both events, were attended by more than a million people and had a direct economic impact of more than £100 million. We were also pleased to announce that more Olympic and Paralympic sport will be available to viewers between Games years, with the BBC committing to screening more than 1,000 more hours of sport per year on its digital channels, including all UK Sport-funded major events where no broadcast deal is in place. This partnership supports UK Sport's ambitions to raise the profile of Olympic, Paralympic and Commonwealth sports and in particular to showcase the diversity of sport played at a world class level by female, disabled and elite athletes from diverse communities and ethnic backgrounds thereby driving greater connectivity and engagement with a greater spectrum of the nation in order to inspire wider social positive outcomes.

UK Sport also supported Birmingham's successful bid for the 2022 Commonwealth Games. Important progress was made in supporting the planning for upcoming global events in the UK including the Women's Hockey World Cup, World Boccia Championships, World Road Cycling Championships, Netball World Cup, World Taekwondo Championships, Euro 2020 Football and the Rugby League World Cup. We published research from Sheffield Hallam University showing that these events contribute towards an overall impact of Olympic and Paralympic sports on the UK economy of £19 billion per year, accounting for 2.1% of all employment.

The impact of our work was also shown in the successful #teamparkrun event in August 2017 when 100 of UK Sport's National Lottery funded athletes teamed up with parkrun UK to encourage the nation to get active. With elite athletes acting as inspirational 'tailwalkers' for runners and ambassadors for the local events, parkrun was able to report a 43% increase in participation on the equivalent weekend from the year before together with a 6% increase in first time runners compared to the two Saturdays either side of the #teamparkrun event.

We continue to help the UK develop and maintain a strong and respected voice in the international sporting community, and support the spread of the inspirational power of sport through development projects with international partners. We are committed to help strengthen the global institutions that run world sport, most notably as a founding partner of IPACS (International Partnership against Corruption in Sport) alongside organisations such as the International Olympic Committee, the Association of Summer Olympic International Federations, the Organisation for Economic Co-operation and Development and the United Nations.

At home, 2017/18 was also a landmark year for how sport in the UK is run. In partnership with Sport England and NGBs, UK Sport delivered on its commitment to implement a pioneering new *Code for Sports Governance* with all funded national bodies for summer sports now compliant with the exception of a single body where the final assessment is not yet completed. This is the most exacting set of sports governance reforms implemented anywhere in the world and contains important changes to the governance of sport, including: greater transparency; reforms to board composition; commitments to greater diversity, including at least 30% of each gender on boards; establishing boards as the ultimate decision-making authority within a sport; and tighter term limits for board and council members to ensure a regular renewal of ideas and expertise. This is a very significant achievement that NGBs have accomplished and represents considerable work by them in a relatively short space of time, and is the first stage on a journey to ensure ongoing implementation of the Code particularly in relation to the values and behaviours of all those involved in sport.

This is particularly true in relation to our duty of care to all those involved in sport, including athletes, staff and volunteers. The year began with the publication of the Cycling Independent Report, which shone an important light on some of the past failings in this regard, and both British Cycling and UK Sport's action plans as to how culture and integrity would be improved now and in the future, both in that particular World Class Programme and across the high performance sport system as a whole. Since then, in partnership with NGBs, UK Sport has begun to implement a series of significant steps in this area including the establishment of a dedicated Sport Integrity function within UK Sport; the development of a 'Culture Health Check' process across our funded programmes; establishing a framework of values and behaviours for the high performance system; reviewing and revising our people development strategy; strengthening our case management of World Class Programmes; using funding agreements to drive improved leadership and governance; and reviewing athlete voice, support and representation across the system. Challenged by our new Chair Dame Katherine Grainger, improving culture was also a major theme of our World Class Performance Conference held in Manchester in November 2017.

Where issues have continued to arise within sports, UK Sport has helped to deal with them robustly and effectively through its new Sport Integrity function. We do not pretend that concerns will not continue to be raised in the future, but we are confident that we now have both much stronger preventative measures and much better systems for dealing with them appropriately when they do.

We also continue to work ever more closely with the Home Country Sports Councils and Institutes of England, Scotland, Wales and Northern Ireland to ensure a coordinated approach to helping our future Olympians and Paralympians realise their full potential.

Overall 2017/18 leaves us in a position not just to inspire the nation through more British Olympic and Paralympic success and hosting more major sporting events, but also by setting world-leading standards of culture, governance and integrity within our sports, giving the public confidence that not only do we win, but we win in the right way and for the right reasons.

Performance Analysis

UK Sport is held to account by DCMS against a number of key performance indicators. At the beginning of the year formal KPIs between UK Sport and DCMS are agreed with results of previous years published on UK Sport's website. UK Sport attends formal quarterly meetings with DCMS where progress against KPIs is discussed, monitored and agreed.

The following table sets out our performance against the 2017/18 targets agreed for the year:

Objective	Performance Target	Milestone Event Indicator	Milestone Event Result
Performance Success – Summer Olympic	Achieve within the medal range	Range 28-55	41
Performance Success – Summer Paralympic	Achieve within the medal range	Range 54-81 (originally 84-121) ¹	88
Performance Success – Winter Olympic	Achieve within the medal range	4-10	5
Performance Success – Winter Paralympic	Achieve within the medal range	6-12	7

¹ Reduced medal target reflects the postponement of the World Para Swimming Championships in Mexico City in September 2017 following an earthquake there.

Support successful bids to host strategically targeted international sporting events	Achieve within the bid success ratio range	75%-90%	78%
To drive attendance at supported international sporting events in 2017/18	Achieve within the total attendance range	1,000,000-1,200,000	1,164,664
Generate direct economic impact within the target range from UK Sport supported major events	Achieve within the economic impact range	£80m-£130m	£116.9m
Funded organisations exhibit the highest standards of governance	Percentage of Tokyo 2020 funded bodies that have implemented the new Governance Code by agreed deadlines	100%	All funded summer sport NGBs compliant by 31 October 2017 with exception of one body where the assessment is on-going. The deadline for funded winter sport NGBs was delayed to the end of May 2018 so they were not distracted in preparation for the PyeongChang Games. Further background has been provided in relevant sections of this Performance Report.
To inspire the next generation through school and community sport	% of athletes on UK Sport's World Class Programme completing at least one appearance per annum	85%	94%
	% of athletes on UK Sport's World Class Programme completing five or more appearances per annum	50%	59%
	Total number of days completed by the whole athlete cohort in year	6,000	5,964 Reflects the lower number of funded athletes than forecast on the programme.
To contribute to the delivery of the UK Government's Sporting Future Strategy	Development of a UKS strategy for 2017/21 that encompasses KPIs linked to the Government Strategy	An agreed UK Sport 2017/21 strategy with KPIs aligned with Government expectations re impact	2017/21 strategy agreed with DCMS and objectives embedded within UKS/DCMS management agreement.

To develop a more sustainable mixed funding model aimed at reducing dependency on public funding	To increase the levels of non-public investment in World Class Programmes (WCPs) for the 2017/21 period	Co-funding contributions from NGBs for 2017/18 exceed £3m cash and valuation in kind	£3.8m cash with an additional projected valuation in kind of £3.7m.
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Principal Risks and Uncertainties

Our appetite to risk flexes according to individual circumstance and situation, and by operational team depending on both the nature and type of their work. By nature, as an Arm’s Length Body (ALB) operating within the wider governmental control framework, 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 identified and accepted then potential impacts are identified and corresponding scenario plans, with mitigating actions, developed. The significant risks managed during 2017/18 included:

(i) Cyber Security

Loss or theft of corporate data or intellectual property remained an operational and reputational risk throughout the year. Controls were further strengthened during the year with UK Sport becoming Cyber Essentials Plus compliant in August 2017. While no data breaches arose, UK Sport remains vigilant and continues to develop its processes and procedures to combat the constantly evolving threat.

(ii) Code for Sports Governance

All summer sport NGBs funded by UK Sport for the Tokyo Cycle (2017-2021) have been deemed to be compliant with the Code, with the exception of one. In respect of this single body, UK Sport and Sport England have agreed a short delay in the process of completing our assessment of compliance in order to enable the outcome of an independent review into governance-related matters around that body to be published and considered. Winter sport NGBs funded by UK Sport were to be assessed at the end of May 2018, with the later compliance timetable reflecting their involvement in the PyeongChang Games.

Our joint working arrangements with Sport England concerning the governance of organisations that are funded by both UK Sport and Sport England are now embedded and mature. This first assessment of compliance has, given the short time frame for implementation of the Code, meant that we could not undertake full qualitative assessment of certain aspects of the Code, which is both wide and deep in the range of what it asks NGBs to undertake. We plan to continue this work, and work with funded bodies to ensure that their ongoing governance policies, procedures and behaviours represent “gold standard” best practice.

It is a condition of funding for the Tokyo cycle that each funded body must continue to comply with the Code.

(iii) Integrity and Culture of World Class Programmes

UK Sport established a Sport Integrity function in May 2017. The purpose of this function is to provide a central resource and expertise for the high performance system in strengthening efforts to identify, investigate, implement and learn from issues that threaten its integrity.

Through this function, UK Sport has worked with NGBs to help improve the handling of existing integrity issues within their World Class Programmes, and to develop new processes to enhance the confidence of athletes and their support personnel in the efficient and fair operation of all aspects of the high performance system. UK Sport has worked in conjunction with the British Athletes' Commission (BAC) and Sport Resolutions UK (SRUK) to help resolve issues in a constructive and timely manner.

Concurrently, and as a complementary measure, UK Sport established an expert 'Cultural Advisory Group' to provide strategic level cultural advice to World Class Programmes and develop the online Cultural Health Check (CHC). The CHC is designed to provide an objective assessment of the culture in each of the performance programmes, to support continuous improvement and programme optimisation.

Both UK Sport's Integrity and Culture work are playing a key role in helping to address the recommendations made by Baroness Tanni Grey Thompson in the Duty of Care in Sport Review.

(iv) General Data Protection Regulations

Along with all organisations, UK Sport is required to comply with the General Data Protection Regulations 2016 and Data Protection Act 2018 from May 2018. Complying with the new data protection legislation has required a review of personal data held by UK Sport and its data flows. Compliance has required UK Sport to change some of its current practices to ensure it handles personal data in a more transparent and accountable manner. As well as employee data UK Sport also processes significant amounts of athlete personal data which is where the key risk lies in UK Sport's activities. New enforcement powers available to the Information Commissioner's Office and the level of fines present a higher risk in respect of the impact on key strategic activity, and the wider impact on reputation. In order to mitigate the risks of non-compliance a project has been established to implement the requirements of the data protection legislation. The project is overseen by the Acting Director of Finance, Investment and Business Services with a project team including the Heads of IT, HR, Legal and the Data Protection Officer. The Data Protection Officer has a direct reporting line to the Chair of the Audit Committee who is a UK Sport Board Member.

(v) Income

UK Sport's income is broadly equally derived from Grant-in-Aid and National Lottery proceeds with planned activity in the Tokyo cycle heavily reliant upon proceeds meeting projected levels.

By its nature, Lottery income is inherently volatile, and this has lent itself to a long standing risk on the corporate risk register. UK Sport holds reserves to manage short term fluctuations in Lottery income together with peaks and troughs in expenditure profiles.

DCMS understand the importance of maintaining the planned levels of investment and agreed in December 2016 to provide an annual underwrite facility of up to £25m for three years. This coincides with the previous Spending Review period which ends in 2019/20. While this covers the majority of the period leading up to the Olympic and Paralympic Games in Tokyo in 2020, the settlement for the final year is still subject to the outcome of HM Treasury's Spending Review in 2019.

Lottery proceeds were below previously forecast levels in the first half of 2017/18. As a consequence a Grant-in-Aid adjustment of £13.86 million was agreed with DCMS. This was formally recognised in the Supplementary Estimate laid before Parliament on 7 February 2018 (HC808). Lottery proceeds in the latter part of the year appear to have partially recovered. It has been agreed that a corresponding adjustment to bring the underwrite back into line with the actual position at the year end will be made during 2018/19.

Future planning will remain dependent upon the forecast of Lottery proceeds being met and a successful outcome on the 2019 Spending Review settlement.

Social responsibility

UK Sport has appropriate operational policies and procedures in place to meet its legal requirements. Those on whistleblowing, anti-corruption and anti-bribery matters were updated during the year.

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

Sustainability Reporting

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

Triennial Review

UK Sport continues to review and act upon the recommendations made from both the 2015 Triennial Review and Sporting Future Strategy. UK Sport hold regular formal oversight meetings with DCMS (six times a year, two of which are a combined meeting with Sport England) to discuss the progress being made towards implementing both the specific recommendations aimed solely at UK Sport and joint recommendations covering both UK Sport and Sport England.

Financial Statements

The Accounts section of this report is separated into two distinct areas in line with statutory requirements, namely Grant-in-Aid and Lottery Distribution Fund accounts.

They include accounts for UK Sport as well as a consolidated Group position including EIS and Yorkshire 2019 Limited. Accounts for the two subsidiaries are also published separately.

Policy on Lottery Additionality

With funding derived from two primary sources, Grant-in-Aid and Lottery, UK Sport is required to have a policy on "additionality" that sets out what is funded through each source.

Historically, UK Sport has funded Major Events and Athlete Performance Awards exclusively through Lottery funding. This approach is expected to continue. The World Class Programmes have been funded by a mix of Lottery and Exchequer funding in a proportion determined at the start of each Olympic Cycle. Our approach has been that once a grant commitment for World Class Programmes has been recorded through the Grants Management System as a proportion of Lottery and Exchequer funding then these allocations will remain in place for the duration of the programme. However, having the ability to replace Lottery grant commitments with Exchequer funding has been necessary to manage fluctuations in income and re-profiling of expenditure within some programmes.

The 'additionality' policy agreed with the Lottery team at DCMS and the National Audit Office (NAO) provides a clear set of guidelines under which funding can be reallocated:

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.

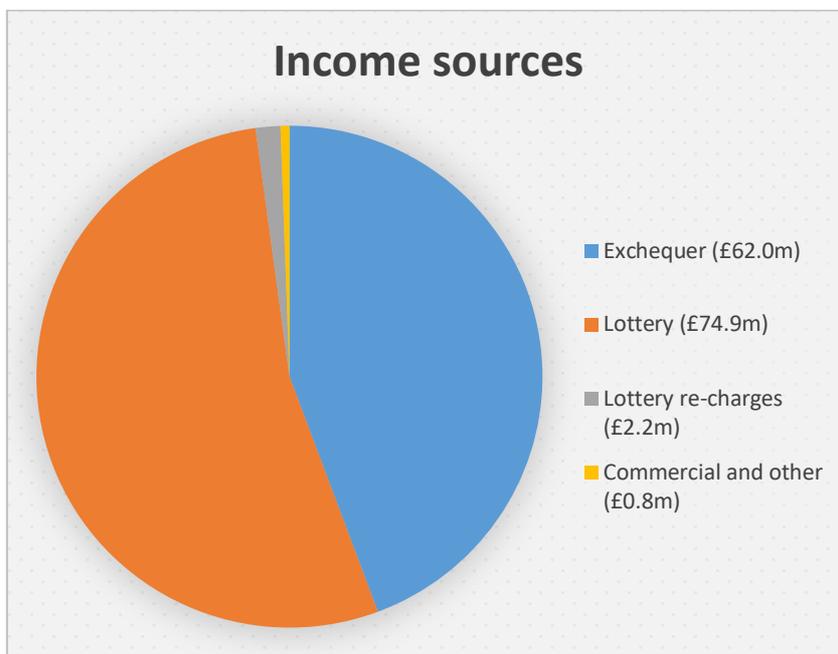
UK Sport has regard to the principles of additionality and this definition when progressing its investment strategies and programmes. Where appropriate, Lottery funding complements investment strategies such as the World Class Performance Programmes, which are geared to achieving long-term Olympic and Paralympic success.

Awards for the World Class Performance Programmes are committed at the start of each Olympic and Paralympic cycle using a combination of Exchequer and Lottery funding. In the event that additional Exchequer funding is made available to UK Sport or there is a reduction in planned Exchequer financed activity elsewhere in the business, the awards may be adjusted to reflect a greater proportion of Exchequer funding.

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.

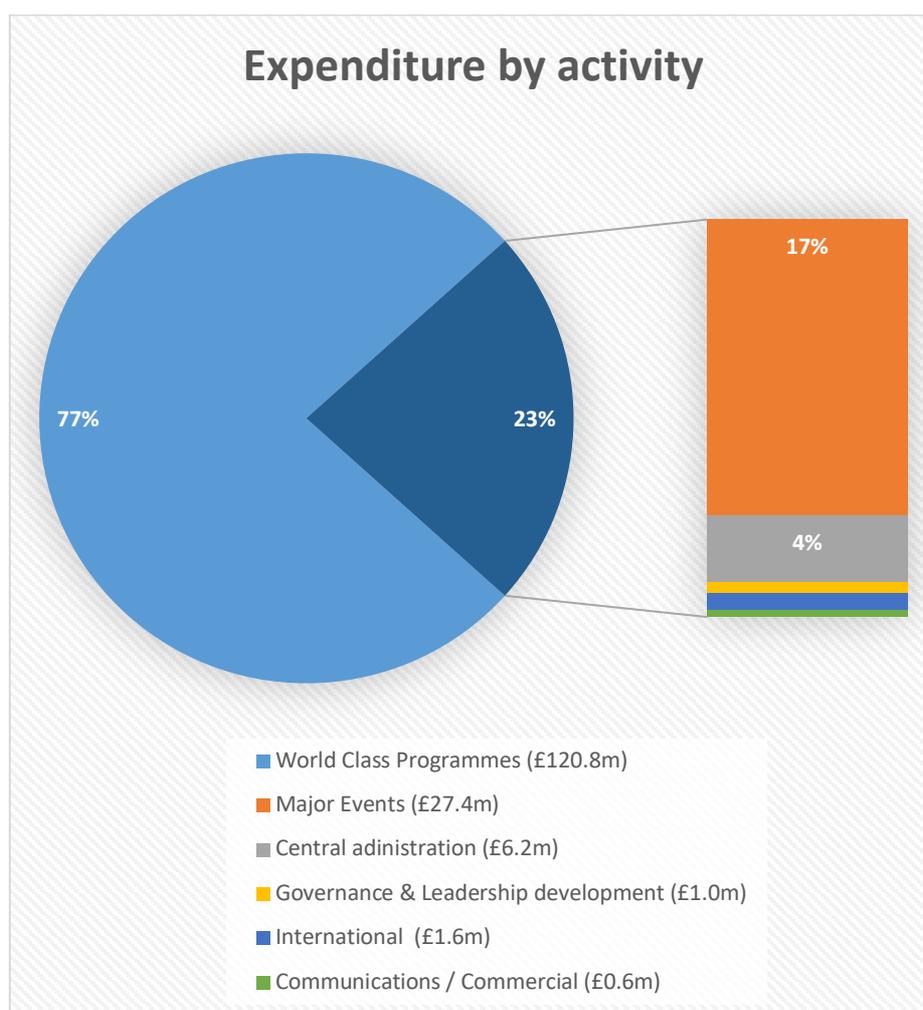
Financial Performance

UK Sport as an entity received total income of £139.9 million (2016/17: £131.0 million) during the year. This comprised DCMS Grant-in-Aid £62.0 million (2016/17: £53.5 million), National Lottery Fund £74.9 million (2016/17: £74.6 million), Lottery re-charges £2.2 million (2016/17: £2.0 million), and commercial and other income £0.8 million (2016/17: £0.8 million).



There were two significant adjustments to income agreed with DCMS towards the year end. With Lottery income falling below the levels originally forecast, the underwrite facility was invoked providing £13.9 million additional Grant-in-Aid. Agreements to fund two Major Events, the 2019 World Road Cycling Championships and 2021 Rugby League World Cup, were formally signed off during the year. These committed UK Sport to provide funding in future years which together gave rise to accrual adjustments of £17.4 million. As non-cash adjustments these two grants were excluded from the Grant-in-Aid provided and are primarily responsible for the change in taxpayer equity (£16.0 million) shown in the accounts. The remaining difference representing a £1.4 million transfer from the pension reserve.

Total expenditure of £157.7 million (2016/17: £145.4 million) was incurred, the significant increase over the previous year again primarily representing the two Major Event accrual adjustments. Nearly 94% of the expenditure represents grants and related operational payments made to National Governing Bodies (NGBs), athletes and major events. UK Sport staff related costs of £9.8 million (2016/17: £8.0 million) include notional pension service costs of £2.2 million (2016/17: £1.2 million). The balance of increase on the previous year includes additional resources to deliver new initiatives such as the Sports Governance Code, culture and integrity work streams.



UK Sport shows an operating deficit of £15.2 million (2016/17: £21.5 million) after adjusting for the Grant-in-Aid contribution shown in the Statement of Changes in Taxpayers' Equity and notional pension adjustments. As this includes the impact of the Major Event accrual adjustments it will be reversed by additional Grant-in-Aid cash payments that will need to be made in forthcoming financial years.

Administration and operating costs have continued to be closely monitored. The Exchequer resource outturn was within 0.06% of budget, meeting the DCMS performance target of 1%. The DCMS Lottery performance targets of 5% for grants processing and 8% for administration spend were met with 3.48% and 6.56% performances achieved respectively.

The Statement of Financial Position on the Exchequer Account shows negative overall Taxpayers' Equity of £29.4 million (2016/17: £14.4 million). This arises from pension scheme liabilities of £15.3 million and the non-cash Major Event accrual. The Exchequer deficit is offset by a surplus on the Lottery account giving a positive net position of £1.4 million (2016/17: £16.6 million).

Expenditure on Consultancy

During 2017/18 expenditure on consultancy at UK Sport was £138,225 (2016/17: £121,655). The expenditure on consultancy relates to UK Sport dealing with a variety of legal issues involving the development of the Funding Agreement and decision making process for the Tokyo World Class Programme investments and the development of the Governance Code.

Funded Athlete Demographics

UK Sport funded 1,125 athletes as at 31 March 2018 (1,124 athletes at 31 March 2017) with the following demographic breakdown:

Gender	31/3/18	31/3/17
Female	45%	45%
Male	55%	55%

Disability	31/3/18	31/3/17
No	75%	77%
Yes	25%	23%

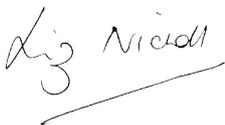
Age range	31/3/18	31/3/17
<16	1%	1%
16 - 25	62%	59%
26 - 44	34%	38%
45 - 68	3%	2%

Ethnicity	31/3/18	31/3/17
Asian	1%	1%
Black	4%	4%
Mixed/Other	5%	5%
Not disclosed	1%	1%
Not specified	1%	1%
White	88%	88%

Going Concern

The financial statements have been prepared on a going concern basis. Grant commitments and other obligations have been entered into on the basis of the continuing receipt of financial provision in the following ways:

- UK Sport has a statutory entitlement to a set percentage of the Lottery Distribution Fund in accordance with the National Lottery Act 1993 as amended.
- Grant-in-Aid financing from DCMS. A four year settlement to 2019/20 has been agreed with DCMS with a further settlement for the period to 2023/24 planned to be agreed in 2019.
- The liabilities shown in the Statement of Financial Position mainly arise from staff membership of the public sector pension scheme (LPFA). These fall within the scope of Section 39 of the Public Service Pensions Act 2013 which allows all future liabilities to be met from the Consolidated Fund.



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

27 June 2018

Accountability Report

Corporate Governance Report

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 currently consists of the Chair and nine members, seven independent and two representatives of the Home Nation Sports Councils (Sports England and Sport Scotland). Approval is awaited from the Secretary of State on the appointment of representatives of the other two Home Nation Sports Councils (Sport Wales and Sport NI). Additionally there are two Observers, the Chair of the English Institute of Sport (EIS) and the Head of Sport at DCMS.

Independent Board members are appointed for a fixed term of three years and may be re-appointed for one further term of three years as agreed by the Secretary of State for Digital, Culture, Media and Sport. The Board Chair has been appointed for four years. The appointment process set by Government permits representatives (usually the Chair) of the Home Country Sports Councils to automatically sit on the UK Sport Board for the duration of their term.

The Board normally meets 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. The minutes of UK Sport Board meetings are made available on the UK Sport website.

Dame Katherine Grainger was appointed the new Chair from 1 July 2017 with Lis Astall appointed as Interim Chair prior to that date in place of the former Chair Rod Carr who stood down on 21 April 2017. In accordance with the Royal Charter, the Secretary of State considered and agreed during the year that the Board membership should extend to 12 members to enable the Board to meet the requirements of the organisation and provide an appropriate balance of skills. As a result, two new independent members, Annie Panter and Sally Bolton, were appointed towards the year end following a recruitment campaign. Following the resignation of an independent member, Martyn Worsley was appointed to the Board from 12 March 2018. Collectively the Board has the skills and experience appropriate to direct UK Sport's operational activities. Further information on the Board can be found on the UK Sport website at www.uk sport.gov.uk.

Board membership during 2017/18 was:

Name	Position	Start Date	Term duration
Rod Carr CBE	Chair	April 2013	22 April 2013 to 21 April 2017
Dame Katherine Grainger DBE	Chair	July 2017	4 year appointment to 30 June 2021
Nicholas Bitel	Member (Chair, Sports Council England)	April 2013	Appointed to April 2017 Re-appointed to 21 April 2021
Mel Young MBE	Member (Chair, Sport Scotland)	June 2016	4 year appointment to 1 May 2020
Vacant	Member (Chair, Sport Wales)	n/a	Awaiting appointment by Secretary of State
Vacant	Member (Chair, Sport Northern Ireland)	n/a	Awaiting appointment by Secretary of State

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Lis Astall	Member (Interim Chair 22 April 2017 to 30 June 2017)	October 2013	3 year appointment to 28 October 2016 Re-appointed to 27 October 2019
Sally Bolton OBE	Member	March 2018	3 year appointment to 14 March 2021
Neil Chugani	Member	May 2014	3 year appointment to 30 April 2017 Re-appointed to 30 April 2020 Resigned 31 January 2018
John Dowson	Member	March 2015	3 year appointment to 15 March 2018 Re-appointed to 15 March 2021
Annie Panter	Member	January 2018	3 year appointment to 30 January 2021
Nicola Roche CBE	Member	December 2014	3 year appointment to 14 December 2017 Re-appointed to 14 December 2020
Professor Sarah Springman CBE	Member	October 2013	3 year appointment to 27 October 2016 Re-appointed to 27 October 2019
Martyn Worsley	Member	March 2018	3 year appointment to 11 March 2021

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

- Chair, a UK Sport Board member appointed by the UK Sport Board;
- Not less than two other non-executive UK Sport Board members appointed by the UK Sport Board;
- One external member nominated by the EIS Board and approved by the UK Sport Board who may be a non-executive member of the EIS Board; and
- Up to two other external members nominated by the Audit Committee and approved by the UK Sport Board.

At least one member has significant recent accounting experience. This Committee has oversight of both UK Sport and EIS and met four times during the year to advise the Board and Accounting Officers on the:

- Strategic processes for risk, control and governance (and the Governance Statement);
- Accounting policies, Annual Report and Accounts;
- Both internal and external audit planned activity, results and effectiveness;
- Adequacy of management response to issues identified by audit activity;
- Level of assurance provided on the management of corporate governance obligations.

Further to this arrangement the Board is advised by a number of additional standing sub-committees:

- Remuneration Panel – ensuring employment matters in UK Sport are dealt with professionally. The Panel, consisting of the UK Sport Board Chair and two other members, met once during the year.
- Major Events Panel – makes recommendations to UK Sport Board on National Lottery investment into major events. The panel, currently consisting of two UK Sport Board Members (one of whom acts as the Panel Chair) and four independent members, met four times during the year.

A third sub-committee, the Eligibility Sub-Committee, only meets when necessary. The Committee did not convene during 2017/18.

Director Team

Liz Nicholl took up the post of Chief Executive at UK Sport on 23 September 2010 and leads the Executive team that oversees 114 full time equivalent permanent staff and 9 fixed term contract staff across the business at 31 March 2018. Sophie du Sautoy took maternity leave at the end of August 2017 and Jonathan Bennetts was appointed as Interim Director to cover her absence. A new post, Group Director of HR, was agreed during the year with Jaqui Perryer appointed to the position on 1 February 2018.

Name	Position
Liz Nicholl CBE	Chief Executive
Simon Morton	Chief Operating Officer
Sophie du Sautoy	Director of Finance, Investment and Business Services (on maternity leave from 31 August 2017)
Jonathan Bennetts	Interim Director of Finance, Investment and Business Services (since 1 September 2017 to cover maternity leave)
Jaqui Perryer	Group Director of HR for UK Sport and English Institute of Sport
Chelsea Warr	Director of Performance
Vanessa Wilson	Director of Commercial and Communications

Subsidiary bodies

(i) *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.

UK Sport is entitled to appoint three Directors to the Board of EIS, one of whom is appointed as the Chair. John Steele is currently the Chair of the EIS. In addition UK Sport has agreed that a Board Member and its Director of Performance should be the remaining two appointments to the EIS Board.

At the heart of the EIS four-year 2020 Tokyo cycle strategy is the drive to ensure that its service provision is specifically tailored to achieve maximum performance impact for each World Class Programme (WCP) and is delivered as effectively and efficiently as possible. Eight strategic priorities have been identified each with supporting actions to drive delivery and KPIs to monitor performance. These KPIs are agreed by both the UK Sport and the EIS Boards.

The EIS is bound by funding agreements which are applied alongside a separate Financial Memorandum.

The Group Audit Committee advises both the EIS and UK Sport Boards through an annual programme of audit reviews agreed by the Boards.

(ii) Yorkshire 2019 Limited

In October 2016, the UK was awarded the right to host the 2019 UCI World Road Cycling Championships in Yorkshire. The event will be funded principally through DCMS and UK Sport, with the balance coming from local authorities and commercial income. DCMS is channeling its funding through UK Sport, and relies on UK Sport to provide assurance of that investment and of the event more generally. DCMS is underwriting the event. For these reasons, it was agreed during the business planning and bidding phase that a special purpose vehicle (SPV) be established by UK Sport as the organisation to oversee and coordinate the delivery of the event. As such Yorkshire 2019 Limited is a wholly-owned subsidiary with the financial results of the company appearing within the Group financial statements. Given the timing of the company’s incorporation its first set of accounts cover a 17 month extended accounting period to 31 March 2018 and are subject to external audit by KPMG. Transactions prior to 1 April 2017 were consolidated within UK Sport’s 2016/17 Group accounts

Yorkshire 2019 Limited has a Board of 12 directors, with seven of these independent (including the Chair) and five nominated by stakeholders. The five stakeholders with the right to nominate a director are British Cycling, DCMS, UK Sport, Welcome to Yorkshire and a Host Local Authority. Chris Pilling is currently the Chair of Yorkshire 2019 Limited.

The UK Sport Board has established a ‘line of sight’ to Yorkshire 2019 Limited through a Major Events Assurance Group, chaired by the Major Events Panel Chair. The Yorkshire 2019 Board is supported by an Audit Committee, Remuneration Committee, Tender Approvals Committee and Yorkshire 2019 Management Team. Recruitment into the Senior Management Team was complete as at January 2018.

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. There are robust and specific measures in place to ensure information security applies to such information.

In accordance with the General Data Protection Regulations 2016, guidance from the Information Commissioner’s Office and the Cabinet Office Guidance under the HMG Security Policy Framework (SPF), UK Sport is reviewing its information and data security policy and procedures. As part of the implementation of the new requirements all staff were required to undertake a compulsory e-learning course on information security and data protection. In addition they have received information on data security and have been subject to a wider security education and awareness campaign.

UK Sport suffered three protected personal data incidents in 2017/18. One incident involved the loss of an encrypted device (mobile phone) as the result of a burglary. The other two losses were temporary with the encrypted devices (e.g. mobile phone and laptop) both being found and returned to UK Sport. 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 2017/2018

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

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 local incidents are not recorded centrally and are not cited in these figures.

Table 2: Summary of Other Protected Personal Data Related Incidents in 2017/18

Category	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	None
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	None
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	None
IV	Unauthorised disclosure	None
V	Other	3

Complaints Summary

UK Sport has a published complaints procedure on the website. In the 2017/18 financial year there have been zero complaints about UK Sport staff and 19 complaints in relation to various types of sporting issues. This compares to zero complaints about staff and 21 in relation to sport in 2016/17. Where relevant UK Sport refers complaints directly to the sports organisation involved for resolution and, where appropriate, to UK Sport's Head of Integrity. It should be noted UK Sport is not a regulator of sport or prescribed regulator for whistleblowing purposes under the Public Interest Disclosure Act 1998, nor does UK Sport have legal powers of investigation into internal sporting disputes or the affairs of sport governing bodies.

Statement of Accounting Officer's Responsibilities

The Royal Charter and 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 both UK Sport and its consolidated Group for each financial year in the form and on the basis determined by the Secretary of State for Digital, Culture, Media and Sport with consent of HM Treasury. In addition the Exchequer accounts are prepared in conjunction with the Government Resources and Accounts Act 2000. 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, expenditure and cash flows for the financial year.

In preparing the accounts UK Sport 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 Digital, Culture, Media and Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Ensure that UK Sport has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- Make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by subsidiary organisations;
- 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 a going concern basis.

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

In my role as Accounting Officer I am supported by the National Director of EIS and Chief Executive Officer of Yorkshire 2019 Limited, both of whom have been appointed as the Accounting Officer for their organisation with reporting responsibilities to myself. They are required to prepare an annual assurance report as well meeting the requirements of their respective governance and financial frameworks.

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.

As Accounting Officer, I confirm that the annual report and accounts as a whole are fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.



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

27 June 2018

Governance Statement

Introduction

As Accounting Officer, I am required to prepare an annual governance statement which records the stewardship of UK Sport, drawing together evidence on governance and risk management. The statement is intended to give a clear overview of the dynamics of the organisation and its control structure, providing a sense of potential vulnerabilities and how successful it has been in coping with the challenges faced during the year.

Governance Framework

UK Sport was established in 1996 by Royal Charter as an Arm's Length Body (ALB) of DCMS. The formal relationship between DCMS and UK Sport is encapsulated in a number of framework documents, most recently the *UK Sport Management Agreement 2016-2020* dated 8 March 2017. Copies of relevant documents 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 1 of the Royal Charter, with the Secretary of State (and other members of DCMS ministerial team) accounting for the organisation in Parliament. My respective responsibilities as Accounting Officer are set out in Chapter 3 of *Managing Public Money*. UK Sport is also compliant with the Corporate Governance Code as applied to an ALB via the relevant principles set out in *Corporate Governance in Central Government Departments: Code of Good Practice 2017* and Lottery Financial Directions issued under *Sections 26(3), (3a) and (4) of the National Lottery etc. Act 1993* (as amended by the *National Lottery Act 1998*, and the *National Lottery Act 2006*).

A *Code for Sports Governance* sets out the governance requirements that all organisations funded by Sport England and UK Sport are required to meet. It provides for three tiers of compliance with Tier 3 representing the highest level of compliance.

UK Sport Board and Committee Effectiveness

The Board met seven times in 2017/18 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 was as follows:

	May 2017 Special	June 2017	Sept 2017	Dec 2017	Jan 2018	Mar 2018	Mar 2018 Special	Overall
Dame Katherine Grainger DBE	Observer	Observer	Y	Y	Y	Y	Y	5/5
Nick Bitel (Sport England)	Y	Y	Y	Y	Y	Y	Y	7/7
Mel Young MBE (Sport Scotland)	Y	Y	Y	Y	Y	Y	Y	7/7
Vacant (Sport Wales)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Vacant (Sport NI)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lis Astall	Y	Y	N	N	Y	Y	Y	5/7
Sally Bolton OBE	n/a	n/a	n/a	n/a	n/a	Y	Y	2/2
Neil Chugani	Y	N	Y	N	Y	n/a	n/a	3/5
John Dowson	Y	Y	Y	Y	Y	Y	Y	7/7
Annie Panter	n/a	n/a	n/a	n/a	Y	Y	Y	3/3
Nicola Roche CBE	Y	Y	Y	Y	Y	Y	Y	7/7
Sarah Springman CBE	N	Y	Y	Y	Y	Y	Y	6/7

Dame Katherine Grainger was appointed as the Chair of UK Sport from 1 July 2017, with Lis Astall fulfilling the role of Acting Chair in the interim period. Lis Astall subsequently missed two Board meetings following a riding accident, but was in attendance for the final three Board meetings of the year.

Neil Chugani served on the Board for part of the year until 31 January 2018. Two existing vacancies were taken up by Annie Panter on 31 January 2018 and Sally Bolton 15 March 2018. Martyn Worsley was appointed to the remaining Board vacancy on 12 March 2018. The two Home Nation Sports Council representative posts remained vacant for the whole of the year. Meanwhile regular dialogue and relevant papers continue to be shared with senior management at these two Home Country Sport Councils to maintain effective working relationships.

In addition to five Board meetings, a workshop focused on addressing the funding shortfall for the next Olympic/Paralympic cycle replaced the May 2017 Board meeting. An additional day dedicated to early development of the strategy for the Paris cycle (2020 to 2024) was held in March 2018.

A Board Effectiveness Review together with a review of the most recent Board Skills Matrix is planned for early 2018/19. The last Board Effectiveness Review was undertaken in December 2015 and Board Skills Matrix review in November 2016.

The Board is supported by advisory bodies including the Group Audit Committee for UK Sport and EIS, the Audit Committee for Yorkshire 2019 Limited, the Remuneration Panel, Major Events Panel and the Eligibility Sub-Committee. Reports of appropriate quality to meet the information needs of both the Group Audit Committee who advise the Board, and the Board themselves have been provided. These have comprised regular updates as well as individual papers on specific issues.

The Group Audit Committee met four times during the year. Regular agenda items included agreement of the Internal Audit work plan for 2017/18 followed by the outcome of reviews and progress on responding to the recommendations made, management of risk, and the review of financial and legal policies and procedures. In addition, the Committee reviewed the 2016/17 Annual Reports and Accounts, received presentations on risk deep dives undertaken on Major Events and EIS Strategy, progress on both UK Sport and EIS compliance with the Governance Code, preparations for the new General Data Protection Regulations (GDPR) coming into force from May 2018, development of assurance reporting on risk, developments on cyber security measures, and the standards applied to grants following a cross-government review into grant giving following the collapse of Kids Company.

The attendance profile for the Committee in 2017/18 was:

	June 2017	Sept 2017	Nov 2017	Mar 2018	Overall
John Dowson (Chair)	Y	Y	Y	Y	4/4
Anwar Ahmed	Y	Y	Y	Y	4/4
Lis Astall	Y	N	N	Y	2/4
Craig Hunter	Y	Y	Y	Y	4/4
Mel Young MBE	n/a	n/a	Y	n/a	1/1

Mel Young is not a permanent member of the Audit Committee but substituted for Lis Astall while she was on sick leave.

The remaining bodies meet as required. During 2017/18 the Remuneration Panel met once, the Major Events Panel met four times and the Eligibility Sub-Committee was not required to meet.

Executive Responsibilities

My responsibilities as Accounting Officer for UK Sport are set out in full in the DCMS 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 meetings to ensure any significant risks or 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 2017 to the date of approval of the annual report and accounts.

For any periods of absence during the year I have delegated my Accounting Officer responsibilities to the Chief Operating Officer (COO). I have further been supported in my role as Accounting Officer by the National Director of EIS and Chief Executive Officer of Yorkshire 2019 Limited, who have both been appointed as Accounting Officer for their organisation with reporting responsibilities to myself.

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

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) helps promote focus on the most significant risks facing the organisation and its subsidiaries. EIS has adopted an equivalent approach. The system of internal control for Yorkshire 2019 Limited is overseen by its own Board and Audit Committee with a UK Sport nominee on both. This representation together with formal reporting arrangements set out in a Governance and Finance Memorandum ensures appropriate oversight of their governance arrangements, including the effective management of risk and their system of internal control.

In order to provide evidence-based assurances on the management of risks that threaten the achievement of UK Sport's objectives a Risk Assurance Framework has been adopted. An assurance mapping exercise takes place every six months. 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. The Audit Committee reviewed the Risk Assurance Maps for UK Sport and the EIS at its November 2017 meeting.

Work was undertaken during the year around how the current assurance template might be further developed to provide a greater level of detail on the sources of assurance in place. This work was taken forward alongside an Internal Audit review of the assurance process. The Audit Committee reviewed progress on this work at the November 2017 meeting and suggested the developments were progressed as an additional management tool. This work is being taking forward in conjunction with the Internal Audit team.

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:

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

For 2018/19 Budget Allocation Letters, which are required to be signed by budget holders, have been introduced to provide further transparency on budgetary controls and the responsibilities attached to managing a budget.

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. The policies include:

- Adoption Policy
- Anti-Fraud, Anti-Corruption and Anti-Bribery
- Budgetary Control
- Business Continuity
- Cash Management
- Delegated Authority
- Document Retention
- Fixed Asset
- Gifts and Hospitality
- Health and Safety
- Healthy Lifestyle
- Home Based Working Policy
- Maternity Policy
- Parental Leave Policy
- Personal Information
- Probation Period
- Procurement Policy and Procedure
- Recruitment Procedures
- Travel and Expenses
- Whistleblowing

These policies and procedures are regularly reviewed and updated to ensure they are current with both statutory and legislative requirements and recognised best practice. Particular emphasis has been given to ensure that the organisation is robust and resilient to detecting and countering fraud, by issuing new guidance during the year on whistleblowing. A reporting of unacceptable behaviours policy was in the process of being developed at the end of the year and was finalised in early 2018/19. No significant instances of direct fraud have been reported during the year. No cases of whistleblowing have arisen during the year.

In-house awareness has been maintained through initiatives such as setting up a cyber-security page, management presentations and working closely with other lottery distributors as part of the Fraud Operational Group. The majority of these policies were reviewed in 2017/18 with updated versions signed off by the Audit Committee in November 2017.

Risk Profile

Where significant risks are recognised the potential impacts are identified and corresponding scenario plans with mitigating actions developed. A number of risks have been accepted/managed through 2017/18. Further background on key risks which included cyber security, compliance with the Code for Sports Governance, Culture of the World Class Programme, introduction of new General Data Protection Regulations and uncertainties around Lottery income have been outlined in the Principal Risks and Uncertainties section of the Performance Report.

The EIS Risk Register is aligned to strategic objectives and is reviewed and updated by the EIS Senior Management Team (SMT) on at least a quarterly basis. This is reported to both the Group Audit Committee and EIS Board. Their primary risks during the year were around staff retention and the loss of talent due to restrictions on pay increases, recruitment and the difficulties in attracting new practitioners of the required standard, practices going beyond boundaries of ethical acceptability, failure to meet the performance expectations and requirements of the sports to whom services are provided, and the changing operational environment. The latter includes staff safety, such as travel for training and competition to countries at risk of terrorist activity.

Risks attached to delivering the 2019 World Road Cycling Championship have been captured by Yorkshire 2019 Limited and will be further refined as planning for the event proceeds.

Subsidiary Companies

A number of measures are in place to provide me with assurance on both EIS and Yorkshire 2019 Limited's activities and operations.

The EIS is bound by funding agreements which are applied alongside a separate Financial Memorandum. A committee was set up in March 2017 to oversee and monitor EIS performance against its strategic goals with the Director of Performance from UK Sport attending meetings on behalf of the UK Sport Board. Strategic KPIs are monitored and reported back to the Boards of both EIS and UK Sport. The EIS Senior Management team monitor all strategic risks under the headings of People, Reputation, Finance/Governance and Performance. These include staff retention, budgetary compliance, cyber security, performance impact and data protection. This is reviewed regularly within EIS and reported to the Group Audit Committee quarterly.

Governance and financial arrangements for Yorkshire 2019 Limited were set out in the DCMS letters of 11 August 2016 and 23 November 2016, with additional requirements contained in my letter to Andy Hindley, the Chief Executive Officer, of 11 December 2017. As the latter part of 2017/18 was primarily concerned with the setting up of the organisation and appointment of key staff, these arrangements have only recently become pertinent.

Code for Sports Governance

(i) Group compliance

Following the publication of *A Code for Sports Governance* ("the Code") in 2016, both UK Sport and EIS undertook a gap analysis to map their own governance arrangements against the requirements of the Code. This utilised exactly the same process as that undertaken by funded organisations. Some areas where further work was required were identified, and were detailed in Governance Action Plans.

Mazars were asked to review the self-assessment undertaken by UK Sport and recorded in its Governance Action Plan, in order to give further comfort on the assessment and underlying methodology followed. Mazars' findings broadly matched those of the self-analysis. Where appropriate further enhancements were made to the Governance Action Plan. All areas of non-compliance have been addressed. UK Sport's revised Governance Action Plan, showing the analysis of its compliance with each of the 58 requirements of Tier 3 of the Code, has been published on the UK Sport website.

Mazars also reviewed the work undertaken by EIS to address the requirements of Tier 3 of the Code. Their findings were fully incorporated into EIS's Governance Action Plan. EIS achieved full compliance with the Code in October 2017.

Yorkshire 2019 Limited, in accordance with the approach taken to UK Sport's investments into major event delivery companies, has been assessed against Tier 2 of the Code. Not all the requirements of Tier 3 of the Code are deemed to be appropriate for major event delivery companies as they tend to be time-bound organisations, and accordingly some of the requirements of Tier 3 which look ahead into longer-term planning are not considered relevant. A Governance Action Plan has been agreed with the Board of Yorkshire 2019 Limited. Yorkshire 2019 Limited has made robust progress in meeting most of the outstanding Tier 2 Code requirements. Final outstanding requirements relate to known delays (as a new organisation) in procuring website development and to items such as finance policy suite development which have been dependent on recruitment of the full staff complement. Once these areas have further evolved, a target date for completion of the governance action plan will be agreed and communicated.

Mazars undertook an advisory review, on behalf of UK Sport, of the governance and management arrangements in place in advance of the lead up to the 2019 World Road Cycling Championships. This did not include a review of the effectiveness of Board members given the newness of the organisation. While no overall assurance rating was provided given the nature of the review, three housekeeping recommendations were made. These have been agreed and will be followed up by the Yorkshire 2019 Limited Board.

Pursuant to the Code, all funded organisations are required to identify proportionate and appropriate actions to support the diversity targets set out in the Code. UK Sport accordingly prepared a Diversity Action Plan in respect of its Board and senior leadership recruitment. This was approved by the Board and will be regularly monitored by it. A copy of the Diversity Action Plan has been published on the UK Sport website.

(ii) NGB compliance

Previously, an external and independent governance audit and assurance programme had been delivered through Moore Stephens under a joint contract with Sport England. No such external audit work was undertaken in the year because both UK Sport and Sport England were working closely with their funded organisations in order to support them to achieve compliance with the new Code for Sports Governance, and assess whether they had done so. We considered that an external audit would not have added value during this time of intense activity and assessment. Work is now underway to design the external audit programme for the remainder of the cycle.

Key themes emerging from our considerable work with funded organisations during the year were:

- Organisations have, where necessary, successfully amended their constitutions to ensure that the board is the ultimate decision-making body;
- Boards are now Code compliant (e.g. with regard to size, term limits and number of independent non-executive directors);
- While the shift to greater diversity on boards continues, at least in respect of gender, there remains considerable work to do. All funded organisations have committed to greater diversity but it has become clear that they will need support in order to achieve this.

Through its Sport Integrity function UK Sport has developed a range of 'template policies' to help enhance their oversight of the rights and responsibilities of their athletes and their support personnel. These policies, based on ACAS processes, have been developed in consultation with the British Athletes Commission (BAC), Sport Resolutions UK (SRUK) and employment lawyers.

Independent Assurance

Following an extensive joint tender with Sport England in February 2015, Mazars LLP were re-appointed as Internal Auditors. This contract has been extended through to March 2019 when a full re-tender for a future internal audit provider will be undertaken.

The Internal Audit Plan for 2017/18 was considered and approved by the Group Audit Committee at its March 2017 meeting. The plan was for a total of 60 days (2015/16, 60 days). All planned audits from the Plan were completed during the year. The Audit Plan for 2018/19 of similar duration was agreed by the Committee at its March 2018 meeting.

On the basis of their audit work, Mazars LLP considered that UK Sport's governance, risk management and internal control arrangements are generally adequate and effective, but gave limited assurance in the period for HR – Pre Employment and Qualification Checks at both UKS and EIS. Certain weaknesses and exceptions were highlighted by their audit work and were discussed with management. The recommendations have now been resolved, or are in the process of being addressed.

Other reviews included a review of the Code for Sports Governance, National Governing Bodies (NGB) Management of Investments and the Management of Corporate Performance Data: KPIs. All these reports received a substantial level of assurance with only housekeeping recommendations being made. A further review of planning for the 2019 World Road Cycling Championships was only advisory in nature, but again no fundamental or significant recommendations emerged. Finally a study of Risk Assurance Mapping commenced although this remains work in progress.

Remuneration and Staff Report

Directors' Remuneration

Director recruitment, remuneration and employment terms and conditions are overseen by the Remuneration Panel. Remuneration of the CEO and any higher earners is subject to DCMS approval. The remuneration policy adopted follows recommendations of the Senior Salaries Review Body. The Remuneration package comprises three elements:

(i) 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.

(ii) 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 2018. In 2017/18 the maximum performance related pay available was 10% of basic salary for the CEO and 15% for the other Directors. These payments are pensionable.

(iii) Pension Arrangements

Directors who were previously members of the Local Government Pension Scheme (LGPS) were automatically enrolled into the London Pensions Fund Authority (LPFA) Superannuation Scheme on 1 April 2014. A further collaboration between the LPFA and Lancashire County Pension Fund (LCPF) led to the setting up of the Local Pensions Partnership (LPP) in April 2016 to administer the day to day running of the fund, although the LPFA remains the administering authority. The arrangement is registered as a public service pension scheme under the Finance Act 2014 and complies with the relevant provisions of the Pension Schemes Act 1993, Pensions Act 1995 and the Pensions Act 2014. As such it is a tax approved defined benefit occupational pension scheme.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out at 31 March 2019 and will inform contributions for the period from 1 April 2020 to 31 March 2023.

Members currently have contribution rates which vary between 5.5% and 12.5% depending on the level of pay band. Members can opt to contribute at 50% of the normal contribution rate reducing their accrued benefits by half.

Benefits are based on pensionable salary and duration of membership. Members accrue pension entitlement at an annual rate of 1/49th of pensionable pay. Pensionable pay is a career average. Members prior to 31 March 2008 accrued benefits of 1/80th of final pay up to that date with an automatic lump sum of three times pension on retirement, while membership between 1 April 2008 and 31 March 2014 accrued benefits of 1/60th of final pay with no automatic lump sum although there was the facility to exchange some of the pension entitlement for lump sum.

A lump sum worth three times the assumed pensionable pay is paid if death occurs whilst still in service together with a spouse, civil partner or eligible cohabiting partner entitlement equal to half the member's accrued pension benefits.

The existing pension arrangements available to staff comply with the Government's new workplace pension scheme requirements. At 31 March 2018 all Directors, but not the Chair, were members of the pension scheme.

Directors' Contracts

Directors are on permanent employment contracts and are required to give three months' notice of their intention to leave. 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 ended 31 March 2018 are provided in the following sections.

Remuneration (salary, benefits in kind and pensions)

Audited information	Single total figure of remuneration											
	Official	Position	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits ² (£'000)		Total (£'000)	
			2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
R Carr CBE	Chair (to 21 April 2017)	0 - 5	40 - 45	-	-	-	5,400	-	-	0 - 5	45 - 50	
L Astall ³	Interim Chair	6 - 10	-	-	-	-	-	-	-	6 - 10	-	
K Grainger DBE	Chair (from 1 July 2017)	25 - 30	-	-	-	-	-	-	-	25 - 30	-	
L Nicholl CBE	CEO	135 - 140	135 - 140	10 - 15	10 - 15	-	-	145	29	295 - 300	175 - 180	
S Morton	Director	100 - 105	100 - 105	10 - 15	10 - 15	-	-	79	41	195 - 200	155 - 160	
S du Sautoy ⁴	Director	80 - 85	75 - 80	10 - 15	5 - 10	-	-	45	36	135 - 140	120 - 125	
J Bennetts ⁵	Interim Director	70 - 75	-	0 - 5	-	-	-	32	-	105 - 110	-	
J Perryer ⁶	Group Director	15 - 20	-	-	-	-	-	5	-	20 - 25	-	
C Warr	Director	130 - 135	50 - 55	10 - 15	10 - 15	34,200	9,000	95	142	270 - 275	215 - 220	
V Wilson	Director	80 - 85	80 - 85	10 - 15	5 - 10	-	-	37	27	130 - 135	115 - 120	

² The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 plus the real increase in lump sum, 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, and 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.

LPFA scheme rules require bonus payments to be treated as pensionable remuneration. The figures shown for 2017/18 incorporate the bonus payment for the first time, which has contributed to the large increase in pension benefits for those individuals who were members of the original pension scheme prior to 1 April 2014 that had benefits based on final salary rather than career average revalued earnings.

³ The Chair of UK Sport was held by Rod Carr until 21 April 2017. Lis Astall was then Interim Chair until Dame Katherine Grainger was appointed Chair from 1 July 2017.

⁴ On maternity leave from September 2017. The figures shown reflect remuneration for the full year, including maternity and other related pay.

⁵ Appointed Interim Director to cover Sophie du Sautoy maternity leave from 1 September 2017. The figures shown reflect remuneration for the full year.

⁶ Appointed to the Director Team with effect from 1 February 2018. Prior to that date she was working in a different role on secondment from the Department for Work and Pensions.

All UK Sport staff are entitled to claim 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 five days of unused annual leave allowance per year; salary is also inclusive of any monies paid in lieu of this.

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 (CETV).

Pension Entitlement

Audited Information	Accrued pension at pension age as at 31/3/18 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/18 £'000	CETV at 31/03/17 £'000	Real Increase in CETV £'000
L Nicholl CBE	70-75 plus lump sum of 135-140	5-10 plus lump sum of 5-10	1,463	1,303	103
S Morton	25-30 plus lump sum of 10-15	0-5 plus lump sum of 0-5	249	199	30
S du Sautoy	10-15 plus lump sum of 0-5	0-5 plus lump sum of 0-5	94	73	9
J Bennetts	5-10 plus lump sum of 0-5	0-5 plus lump sum of 0-5	63	46	7
J Perryer	0-5 plus lump sum of 0-5	0-5 plus lump sum of 0-5	4	0	2
C Warr	30-35 plus lump sum of 30-35	5-10 plus lump sum of 0-5	332	290	18
V Wilson	10-15 plus lump sum of 0-5	0-5 plus lump sum of 0-5	107	80	15

Accrued pension represents amount payable if a Director leaves at the stated date. 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 don't 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 (2016/17, £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:

Audited Information	2017/18 (£)	2016/17 (£)
Nicholas Bitel ⁷	-	-
Mel Young MBE	1,962	1,526
Lis Astall	1,090	3,052
Sally Bolton OBE ⁸	436	n/a
Neil Chugani ⁹	436	1,090
John Dowson	2,834	2,616
Annie Panter ¹⁰	654	n/a
Nicola Roche CBE	2,834	4,033
Sarah Springman CBE	1,308	1,090
Martyn Worsley	-	n/a

Figures shown include a number of late payments from 2016/17 which were not claimed before the previous year accounts were signed off.

⁷ Has elected not to take fees

⁸ Appointed from 15 March 2018

⁹ Resigned 31 January 2018

¹⁰ Appointed from 31 January 2018

Staff Report

Staff Costs

Costs	UK Sport		Group	
	2017/18 £000s	2016/17 £000s	2017/18 £000s	2016/17 £000s
Wages and Salaries (including performance related pay)	6,427	5,790	20,128	18,326
Other staff costs	302	223	302	223
Social Security costs	810	723	2,322	2,031
Current Service pension costs	2,247	1,201	7,644	3,781
Administration expense relating to pension scheme	32	25	76	58
Yorkshire 2019 Pension costs	–	–	8	–
Total staff cost	9,819	7,962	30,429	24,419

Further details of the split of costs between both the Exchequer and Lottery accounts can be found at Note 4.1 of the Exchequer Accounts and Note 6 of the Lottery accounts.

Compensation for Loss of Office

Redundancy and other departure costs where paid are in accordance with statutory requirements. Exit costs are accounted for in full in the year of departure. Where DCMS 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.

Two members of staff left under compulsory redundancy terms with severance costs of £6,087 incurred. There were no redundancies or costs in 2016/17.

Payments to Past Directors

There have been no payments to past directors in 2017/18.

Fair Pay Disclosure

The relationship between the remuneration of the highest paid director in UK Sport and the median remuneration of staff, and the range of remuneration paid, based on annualised full time equivalent figures at 31 March 2018 is shown below.

	2017/18	2016/17
Band of the highest paid Director's salary, bonus and benefits in kind (£000s)	150 - 155	150 - 155
Median equivalent of workforce (£)	54,645	50,510
Remuneration ratio	2.8	3.0

	2017/18	2016/17
Highest remuneration paid (£000s)	150 - 155	150 - 155
Lowest remuneration paid (£000s)	20 - 25	20 - 25

UK Sport has a small number of employees. This can give rise to shifts in the median remuneration figure year on year depending on the number of staff in post at 31 March.

Off Payroll Engagements

As at 31 March 2018 there were three off-payroll engagements for more than £220 a day and that last for longer than six months. One of these has been employed for more than one year. These off-payroll engagements have 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 and received.

Apprenticeship Levy

The government introduced the Apprenticeship Levy from 1 April 2017. UK Sport contributed £18,684, but no claims to fund apprenticeships were made during the year.

UK Sport Staff Composition

As at March 2018 UK Sport employed 118 members of staff with a full time equivalent (FTE) of 113.9. The FTE total was made up of 108 permanent and 10 temporary staff.

Gender	UK Sport Staff
Male	46%
Female	54%

Disability	UK Sport Staff
Yes	Not disclosed
No	Not disclosed

Ethnicity	UK Sport Staff
Black, Minority, Ethnic	13%
White	87%
Not Specified	0%
Not Disclosed	0%

Age	UK Sport Staff
<16	0%
16-24	2%
25-34	40%
35-44	37%
45-55	11%
55- 64	10%
65+	0%

Average Number of Staff during the Year (FTE)

UK Sport Staff	2017/18	2016/17
Employees ¹¹	114	108
Other staff (includes agency/seconded staff)	5	4
Total	119	112

Increase in staff numbers reflects additional requirements arising from the Code for Sports Governance, culture and integrity work initiatives outlined in the Performance Report.

UK Sport does not recognise any Trade Union and no facility time has therefore been claimed by Union officials.

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 2017/18, sickness absence averaged 1.5 days (2016/17 - 3.8 days) per person.

Staff Policies Applied During the Financial Year

HR Policies are reviewed regularly by members of the team. Processes around HR management including career management and employability are embedded across the organisation.

Parliamentary Accountability and Audit Report

Regularity of expenditure

UK Sport is required to report on the regularity of expenditure including losses and special payments in line with managing public money requirements.

For 2017/18 UK Sport has no matters to report in relation to irregular expenditure or special payments.



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

27 June 2018



Dame Katherine Grainger DBE
Chair
The United Kingdom Sports Council

27 June 2018

¹¹ The total UK Sport staff in the table above incorporates both Exchequer and Lottery funded positions. The split of staff numbers between the two sets of accounts is set out in Note 4.2 of the Exchequer accounts and Note 7 of the Lottery accounts.



**The United Kingdom Sports Council
Grant-in-Aid and The United Kingdom Sports
Council Group
Accounts
for the Year Ended
31 March 2018**

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

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

Opinion on financial statements

I have audited the financial statements of The United Kingdom Sports Council Grant-in-Aid for the year ended 31 March 2018. The financial statements comprise: the Group and Parent Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of The United Kingdom Sport Council Grant-in-Aid's affairs as at 31 March 2018 and of the group's and the parent's net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Royal Charter of The United Kingdom Sports Council and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

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

Responsibilities of the Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements of The United Kingdom Sports Council.

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and The United Kingdom Sports Council Grant-in-Aid's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on of the group's and The United Kingdom Sports Council Grant-in-Aid's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

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

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Royal Charter of The United Kingdom Sports Council;
- in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Annual 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 KCB
Comptroller and Auditor General

5 July 2018

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

Statement of Comprehensive Net Expenditure for the Year Ended 31/03/18

	Note	UK Sport		Group	
		2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
INCOME					
Other Operating Income	3	3,047	2,823	9,601	11,004
Total		3,047	2,823	9,601	11,004
EXPENDITURE					
Staff Costs	4.1	7,067	5,686	27,729	22,143
Grants and Other Operating Costs	5	75,025	51,724	60,839	44,328
Total		82,092	57,410	88,568	66,471
NET EXPENDITURE BEFORE TAXATION AND INTEREST		(79,045)	(54,587)	(78,967)	(55,467)
Net Interest on the Pension Liability	17.3/19	(452)	(396)	(1,331)	(897)
Interest Receivable	7	1	1	5	2
Taxation	8	-	-	(1)	-
Interest Payable		-	-	-	(4)
NET EXPENDITURE FOR THE PERIOD		(79,496)	(54,982)	(80,294)	(56,366)
Other Comprehensive Expenditure					
Unrealised foreign exchange (loss)/gain		-	-	(22)	36
Pension Scheme Re-measurements	17.4/19	2,580	(5,040)	8,696	(21,978)
TOTAL COMPREHENSIVE EXPENDITURE FOR THE FINANCIAL YEAR		(76,916)	(60,022)	(71,620)	(78,308)

All activities relate to continuing activities.

The notes on pages 41 to 64 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 £61.957m.

Statement of Changes in Taxpayers' Equity for the Year Ended 31/03/18

	Note	UK Sport				Group			
		2017/18		2016/17		2017/18		2016/17	
		Revenue Reserve £'000	Pension Reserve £'000						
Balance Brought Forward		2,053	(16,465)	2,784	(10,745)	5,019	(48,618)	5,423	(24,311)
Retained Deficit for Year		(79,496)	-	(54,982)	-	(80,294)	-	(56,366)	-
Transfer from the Pension Reserve		1,420	(1,420)	715	(715)	6,180	(6,180)	2,390	(2,390)
Grant-in-Aid Income Received	2	61,957	-	53,536	-	61,957	-	53,536	-
Pension Scheme Re-measurements	17.4/19	-	2,580	-	(5,040)	-	8,696	-	(21,978)
Unrealised foreign exchange movements		-	-	-	-	(22)	-	36	-
Other Movements		-	(42)	-	35	-	77	-	61
Balance at 31 March		(14,066)	(15,347)	2,053	(16,465)	(7,160)	(46,025)	5,019	(48,618)

The notes on pages 41 to 64 form part of these accounts.

Statement of Financial Position as at 31/03/18

	Note	UK Sport		Group	
		31/03/18	31/03/17	31/03/18	31/03/17
		£'000	£'000	£'000	£'000
NON CURRENT ASSETS					
Property Plant and Equipment	9	555	716	2,225	2,719
Intangible Assets	10	1,007	1,108	2,032	2,154
Restricted Cash	12	-	-	187	200
Total Non Current Assets		1,562	1,824	4,444	5,073
CURRENT ASSETS					
Trade and Other Receivables	11	2,537	2,117	3,530	3,213
Cash and Cash Equivalents	12	2,021	469	4,257	1,864
Restricted Cash	12	-	-	-	2,636
Total Current Assets		4,558	2,586	7,787	7,713
Total Assets		6,120	4,410	12,231	12,786
CURRENT LIABILITIES					
Provisions	14	-	-	-	(69)
Trade and Other Payables	13.1	(6,752)	(2,123)	(6,957)	(7,464)
Net Current Assets		(2,194)	463	830	180
Non Current Assets plus Net Current Assets		(632)	2,287	5,273	5,253
NON CURRENT LIABILITIES					
Provisions	14	(234)	(234)	(234)	(234)
Trade and Other Payables	13.2	(13,200)	-	(12,200)	-
Pension Liabilities	17.2/19	(15,347)	(16,465)	(46,025)	(48,618)
Total Non Current Liabilities		(28,781)	(16,699)	(58,459)	(48,852)
Assets less Liabilities		(29,413)	(14,412)	(53,185)	(43,599)
TAXPAYERS' EQUITY					
Pension Reserve	17.2/19	(15,347)	(16,465)	(46,025)	(48,618)
Revenue Reserve		(14,066)	2,053	(7,160)	5,019
Total Taxpayers' Equity		(29,413)	(14,412)	(53,185)	(43,599)

The notes on pages 41 to 64 form part of these accounts.



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

27 June 2018



Dame Katherine Grainger DBE
Chair
The United Kingdom Sports Council

27 June 2018

Statement of Cash Flows for the Year Ended 31/03/18

		UK Sport		Group	
	Note	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Generated from Operations	15	(59,963)	(52,665)	(60,977)	(47,623)
Interest Received	7	1	1	5	2
Corporation Tax Paid		-	-	-	
Interest Paid		-	-	-	(4)
Net Cash Flow from Operating Activities		(59,962)	(52,664)	(60,972)	(47,625)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments to Acquire Property Plant and Equipment	9	(56)	(148)	(483)	(1,178)
Payments to Acquire Intangible Assets	10	(387)	(853)	(739)	(1,246)
Receipts from Sale of Fixed Assets		-	-	3	-
Net Cash Flow from Investing Activities		(443)	(1,001)	(1,219)	(2,424)
CASH FLOWS FROM FINANCING ACTIVITIES					
Grant-in-Aid	2	61,957	53,536	61,957	53,536
Financing Lease		-	-	-	(18)
Net Cash Flow from Financing Activities		61,957	53,536	61,957	53,518
Net Decrease in Cash and Cash Equivalents in the Period		1,552	(129)	(234)	3,469
Cash and Cash Equivalents at 1 April		469	598	4,700	1,221
Change in cash and cash equivalents due to exchange rate movements	12	-	-	(22)	10
Cash and Cash Equivalents at 31 March	12	2,021	469	4,444	4,700

The notes on pages 41 to 64 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies

1.1 Accounting Policies

These financial statements have been prepared in accordance with the 2017/18 Government Financial Reporting Manual (FReM) issued by HM Treasury and on the basis of the Accounts Direction issued by the Secretary of State for Digital, Culture, Media and Sport, with the approval of the Treasury, in accordance with article 14 of the Royal Charter of 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 DCMS. A four year settlement to 2019/20 has been agreed with DCMS with a further settlement for the period to 2023/24 planned to be agreed in 2019. The liabilities shown in the Statement of Financial Position mainly arise from staff membership of the public sector pension scheme (LPFA). These fall within the scope of Section 39 of the Public Service Pensions Act 2013 which allows all future liabilities to be met from the Consolidated Fund.

1.2 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. No entries have been made in the current period as adoption of MHCA would not have a material impact on 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 and HM Treasury guidance on accounts of Non-Departmental Public bodies in so far as those requirements are appropriate.

1.3 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.

1.4 Basis of Consolidation

The English Institute of Sport (EIS) and Yorkshire 2019 Limited have been accounted for as subsidiary entities during the current and prior year within the consolidated accounts. This treatment is in accordance with the guidance set out in the Financial Reporting Manual (FReM) issued by HM Treasury. Yorkshire 2019 Limited became a subsidiary of UK Sport on its incorporation on 24 November 2016 and will be in existence for a limited period to stage the 2019 World Road Cycling Championships.

Yorkshire 2019 Limited has produced its first set of accounts for the 17 month period to 31 March 2018. The transactions occurring in the period 1 April 2017 to 31 March 2018 have been consolidated into the current year Group accounts, while transactions prior to 1 April 2017 were consolidated into the 2016/17 Group accounts.

1.5 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 Statement of Comprehensive Net Expenditure 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.

1.6 Property Plant and Equipment

The assets of UK Sport are computers, leasehold improvements and other office equipment. All property occupied by UK Sport is leased. All assets are stated in the Statement of Financial Position at depreciated historical cost as proxy to current value in existing use, as the useful economic lives are short and are a realistic reflection of the consumption of the assets. Yorkshire 2019 Limited do not hold any property plant and equipment and given the short term nature of their operations are not likely to do so in the future.

The minimum capitalisation threshold is £2,500 for UK Sport whilst for EIS it is £500. Where staff work on capital projects, attributable salary costs are capitalised.

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

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	5-9 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.

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

1.7 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
Software Licences	Over the life of the licence

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

Yorkshire 2019 Limited do not hold any intangible assets for the reason already stated above.

1.8 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.

1.9 Grants and Loans Awarded

Grants payable are charged to the Statement of Comprehensive Net Expenditure on an accruals basis. UK Sport may give financial assistance by way of grants and loans to any person or organisation in furtherance of its objectives.

1.10 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 which is shown in the Statement of Comprehensive Net Expenditure together with the interest on scheme assets and liabilities. 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.

1.11 Leases and Provisions

A lease was signed for 9 years and 3 months at 21 Bloomsbury Street WC1B 3HF with DCMS 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 made in the accounts for the estimated cost of dilapidations at lease expiry.

1.12 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 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 Lottery distribution activity have been calculated on a full cost recovery basis in accordance with HM Treasury's "*Managing Public Money*".

1.13 Investment

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

1.14 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.

1.15 Restricted Cash Asset

In 2017/18 Yorkshire 2019 Limited placed CHF 3,550,000 into an Escrow account established and operated by Pinsent Masons LLP on behalf of Yorkshire 2019 Limited and the Union Cycliste Internationale (UCI).

This is in line with the agreement between the UCI and Yorkshire 2019 Limited to host the 2019 World Road Cycling Championships. As at 31 March 2018, a balance of CHF 250,000 (£187,000) remains.

The cash held in the Escrow account is not immediately accessible to Yorkshire 2019 Limited due to contractual restrictions and therefore it has been separated from the Cash and Cash Equivalent balance on the Statement of Financial Position.

Further information on the asset is available in Note 12 to the accounts.

1.16 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.

Yorkshire 2019 Limited is also registered for VAT but is not part of the UK Sport/EIS VAT group. All costs incurred by Yorkshire 2019 Limited are fully recoverable for VAT.

1.17 Standards Issued but not yet Effective

IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments are to be adopted from 1 April 2018. There will be no material impact from adopting these new standards due to the simple nature of UK Sport's financial instruments and commercial revenue. No cumulative catch up adjustments are anticipated.

IFRS 16 Leases will be adopted from 1 April 2019. Work on preparing for the adoption of this new standard will be taken forward during 2018/19.

2. Grant-in-Aid

	UK Sport		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Received from DCMS-Revenue	57,623	49,735	57,623	49,735
Received from DCMS-Capital	4,334	3,801	4,334	3,801
Total	61,957	53,536	61,957	53,536

A total of £61.957m (2016/17, £53.536m) Grant-in-Aid was made available and drawn down during the year.

3. Other Operating Income

	UK Sport		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Costs Apportioned to UK Sport Lottery Account	2,205	2,019	2,205	2,019
Other	842	804	835	793
EIS	-	-	6,561	8,192
Total	3,047	2,823	9,601	11,004

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 apportioned to the National Lottery distribution activities are paid from the UK Sport Lottery Fund to the Grant-in-Aid account.

No external income was received by Yorkshire 2019 Limited during the year.

4. Staffing and Management

4.1 Staff Costs

	UK Sport		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Wages and Salaries (including performance related pay)	4,486	4,027	18,187	16,563
Other Staff Costs	302	223	302	223
Social Security Costs	571	499	2,083	1,807
Current Service Costs ¹²	1,684	918	7,081	3,498
Administration Expense Relating to Pension Scheme	24	19	68	52
Yorkshire 2019 Pension costs ¹³	-	-	8	-
Total Staff Costs	7,067	5,686	27,729	22,143

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

	2017/18	2016/17
Employees		
UK Sport	80	77
English Institute of Sport	359	355
Yorkshire 2019 Limited	3	-
Total	442	432
Other Staff (Full Time Equivalent Values)		
UK Sport	5	5
English Institute of Sport	-	-
Total	5	5

Other staff numbers include agency and seconded staff.

¹² The pension current service cost represents the increase in the present value of a defined benefit obligation resulting from employee service in the period, as calculated by the actuary. The employer contributions to the scheme in 2017/18 are shown in Notes 17.6 and 18.6.

¹³ Staff employed by Yorkshire 2019 Limited are not members of the LPFA.

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

EXIT PACKAGE COST BAND	Number of Compulsory Redundancies			
	UK Sport		Group	
	2017/18	2016/17	2017/18	2016/17
< £10,000	2	–	5	20
£10,001 - £20,000	–	–	2	2
£20,001 - £30,000	–	–	1	2
> £30,001	–	–	–	–
Total Number of Exit Packages	2	–	8	24
Total Value of Exit Packages	£6,087	–	£70,070	£127,741

5. Grants and Other Operating Costs

	UK Sport		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
National Support – Grants				
Sports Bodies ¹⁴	61,139	37,311	40,680	20,926
Performance	85	5	85	5
International Representation	414	662	414	662
Yorkshire 2019 Limited	4,559	4,441	–	–
	66,197	42,419	41,179	21,593
National Support – Other Costs				
Performance	5,147	5,521	5,148	5,511
Communications	548	527	548	527
International Representation	14	50	14	50
English Institute of Sport	–	–	9,558	7,941
Yorkshire 2019 Limited	–	–	157	4,441
	5,709	6,098	15,425	18,470
Finance and Management Services				
HQ Office Costs	2,552	2,636	2,552	2,636
Depreciation/Amortisation	567	571	1,683	1,629
	3,119	3,207	4,235	4,265
Total	75,025	51,724	60,839	44,328

¹⁴ The significant increase in 2017/18 reflects the Exchequer Lottery underwrite of £13.86m together with accruals for Mega Events including 2021 Rugby League World Cup (£13.4m) and Yorkshire 2019 Limited (£4.06m).

6. Further Disclosure

Additional detail on figures already included in Notes 4 and 5 is given below.

The operating result is stated after charging:

	UK Sport		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Travel, Subsistence and Hospitality:				
Chair and Members	13	20	17	20
Employees	615	575	2,235	2,020
Consultants' Fees and Legal Fees	138	122	1,024	816
Contingent Labour	299	223	299	223
Performance Programme Delivery – Specialist Services	1,225	1,828	1,224	1,817
International Programme Delivery – Specialist Services	85	53	85	53
Operating Lease – 21 Bloomsbury	553	499	553	499
Other operating leases	9	–	12	–
Provisions Released/Provided for in Year	–	–	(5)	69
Operating Lease: EIS Property	–	–	1,584	1,543
Operating Lease: Plant and Equipment	–	–	–	15
Depreciation	172	250	920	997
Amortisation	395	321	762	632
Loss on Disposal of Tangible Assets	–	–	14	8
Loss on Disposal of Intangible Assets	10	4	10	12
Auditor's Remuneration for Audit Work ¹⁵	34	34	57	47

7. Investment Income

	UK Sport		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Interest Receivable	1	1	5	2

8. Taxation

	UK Sport		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'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. No corporation tax liability arose for UK Sport in 2017/18.

¹⁵ No amounts are due to external auditors for non-current work.

9.1 UK Sport – Property Plant and Equipment

	Leasehold Improvement £'000	Fixtures & Fittings £'000	IT Equipment £'000	Office Equipment £'000	Other Equipment £'000	Total £'000
At Cost						
At 01/04/17	940	145	526	92	49	1,752
Additions	-	8	-	3	-	11
Disposals	-	-	-	-	-	-
At 31/03/18	940	153	526	95	49	1,763
Depreciation						
At 01/04/17	406	49	446	86	49	1,036
Charge for Year	103	21	44	4	-	172
Depreciation on Disposal	-	-	-	-	-	-
At 31/03/18	509	70	490	90	49	1,208
Net Book Value						
At 31/03/17	534	96	80	6	-	716
At 31/03/18	431	83	36	5	-	555

9.2 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
At Cost							
At 01/04/17	1,195	6,119	1,838	92	49	70	9,363
Additions	8	228	200	2	-	-	438
Disposals	(107)	(647)	(323)	-	-	-	(1,077)
At 31/03/18	1,096	5,700	1,715	94	49	70	8,724
Depreciation							
At 01/04/17	641	4,179	1,617	88	49	70	6,644
Charge for Year	109	650	158	3	-	-	920
Depreciation on Disposal	(101)	(644)	(320)	-	-	-	(1,065)
At 31/03/18	649	4,185	1,455	91	49	70	6,499
Net Book Value							
At 31/03/17	554	1,940	221	4	-	-	2,719
At 31/03/18	447	1,515	260	3	-	-	2,225

10.1 UK Sport – Intangible Assets

	Information Technology £'000
At Cost	
At 01/04/17	2,384
Additions	303
Disposals	(29)
At 31/03/18	2,658
Amortisation	
At 01/04/17	1,276
Charge for Year	395
Amortisation on Disposal	(20)
At 31/03/18	1,651
Net Book Value	
At 31/03/17	1,108
At 31/03/18	1,007

Within the closing net book value there are no assets under the course of construction which are yet to be depreciated (2016/17, £0.602m).

10.2 Group – Intangible Assets

	Information Technology £'000
At Cost	
At 01/04/17	4,202
Additions	655
Disposals	(114)
At 31/03/18	4,743
Amortisation	
At 01/04/17	2,048
Charge for Year	762
Amortisation on Disposal	(99)
At 31/03/18	2,711
Net Book Value	
At 31/03/17	2,154
At 31/03/18	2,032

Within the closing net book value there are no assets under the course of construction which are yet to be depreciated (2016/17, £0.602m).

11. Trade and Other Receivables

	UK Sport		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Trade Receivables	160	256	738	869
Other Receivables	759	201	552	95
VAT	-	37	43	47
Prepayments and Accrued Income	1,618	1,623	2,197	2,202
Total	2,537	2,117	3,530	3,213

All amounts fall due within one year.

The Other Receivables balance at 31 March 2018 includes the intercompany receivable of £0.5m with the UK Sport Lottery account

12. Cash and Cash Equivalents

	UK Sport		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Balance at 1 April	469	598	4,700	1,221
Net Change in Cash and Cash Equivalents	1,552	(129)	(234)	3,469
Foreign exchange gain on Cash and Cash Equivalents	-	-	(22)	10
Balance at 31 March	2,021	469	4,444	4,700

Government Banking Services

Balances Held with Government Banking Services	449	250	449	250
Balances Held with Restricted Escrow Account	-	-	-	-
- Current Asset	-	-	-	2,636
- Non Current Asset	-	-	187	200
Balances Held with Commercial Banks	1,572	219	3,808	1,614
Total	2,021	469	4,444	4,700

Yorkshire 2019 Limited holds a balance in a restricted Escrow account. This security deposit is held in Escrow to cover any eventual liabilities that arise to Yorkshire 2019 Limited post the hosting of the 2019 World Road Cycling championships.

13.1 Trade and Other Payables

	UK Sport		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Trade Payables	794	532	2,258	1,925
Other Payables	(3)	33	39	39
VAT	146	-	146	-
Corporation Tax	-	-	1	-
Other Taxation and Social Security	221	192	1,014	707
Accruals and Deferred Income	5,594	1,366	3,499	4,793
Total	6,752	2,123	6,957	7,464

Within the UK Sport Accruals and Deferred Income balance of £5.6m, £1.2m relates to funding committed to support the 2021 Rugby League World Cup together with a further £3.1m committed to support the 2019 World Road Cycling Championships.

13.2 Non Current Trade and Other Payables

	UK Sport		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Accruals and Deferred Income	13,200	-	12,200	-
Total	13,200	-	12,200	-

Within the UK Sport Accruals and Deferred Income balance of £13.2m, £12.2m relates to funding committed to support the 2021 Rugby League World Cup due for payment from 2019/20 to 2021/22. The remaining £1m relates to funding committed to support the 2019 World Road Cycling Championships, due for payment in 2019/20.

14. Provision for Liabilities

	UK Sport		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Opening Balance	234	234	303	234
Provision Made in Year	-	-	-	69
Provision Paid in Year	-	-	(64)	-
Provision Released in Year	-	-	(5)	-
Closing Balance	234	234	234	303

Provision was made in the accounts in a prior year for the anticipated cost of making good any dilapidations at 21 Bloomsbury at the end of the tenancy agreement.

15. Reconciliation of Operating Deficit to Cash Generated from Operations

	UK Sport		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Net Expenditure Before Taxation and Interest	(79,045)	(54,587)	(78,967)	(55,467)
Depreciation/Amortisation of Property Plant and Equipment	567	571	1,682	1,629
Loss on Disposal of Property Plant and Equipment	10	4	24	20
(Increase)/Decrease in Receivables	(420)	698	(317)	1,177
Increase in Payables ¹⁶	17,957	330	11,821	3,457
(Decrease)/Increase in Provisions	-	-	(69)	69
Pension Scheme: Non Cash Movement	968	319	4,849	1,492
Net Cash Outflow from Operations	(59,963)	(52,665)	(60,977)	(47,623)

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.

¹⁶ The large movements in 2017/18 again relate to the Mega Event accruals (see Notes 13.1 and 13.2)

Liquidity Risks

In the year £61.957m or 87% (2016/17, £53.536m or 83%) of the Group's income derived from DCMS Grant-in-Aid. The remaining balance of £9.601m or 13% (2016/17, £11.004m or 17%) is 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. The Group's unrestricted cash balance at 31 March 2018 was £4.257m (2016/17, £1.864m).

Foreign Currency Risk

During the year ended 31 March 2017 cash was placed into an Escrow account in Swiss Francs, in line with contractual obligations for the 2019 World Road Cycling Championships. This balance is subject to exchange rate variances. Any further calls on these funds will be in Swiss Francs, and the balance remaining after the event has been held is expected to be small.

17. Superannuation Scheme – UK Sport

The majority of staff at 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 whilst Note 18 provides equivalent details for EIS. There is a generic scheme for staff covered by the accounting policy Note 1.10. Staff employed by Yorkshire 2019 Limited are not members of the LPFA but instead hold personal pension plans into which pension contributions are paid.

The amounts disclosed in these accounts are the portion deemed to be 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 £0.551m or 12.0% of pensionable pay (2016/17, £0.446m or 12.0%). An additional pension contribution of £0.167m (2016/17, £0.172m) 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 March 2016, with the next formal valuation due at 31 March 2019, with results expected in late 2019. 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 for us 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

	2017/18	2016/17
	%	%
Price Increases	3.3	3.6
Salary Increases	3.8	4.2
Pension Increases	2.3	2.7
Discount Rate	2.6	2.8

Average Future Life Expectancies at Age 65:

	Males	Females
	(years)	(years)
Current Pensioners	22.3	24.6
Future Pensioners	24.6	26.9

17.2 Fair Value of Employers Assets

	31/03/18	31/03/17
	£'000	£'000
Equities	12,513	11,312
Target Return Funds	4,592	4,037
Infrastructure	896	1,006
Property	1,474	974
Cash	998	1,768
Total Fair Value of Assets	20,473	19,097
Present Value of Scheme Liabilities	(35,820)	(35,562)
Net Pension Liability	(15,347)	(16,465)

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

	31/03/18	31/03/17
	%	%
Equities	61	59
Target Return Funds	23	21
Infrastructure	4	5
Property	7	5
Cash	5	10

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

	2017/18	2016/17
	£'000	£'000
Current Service Cost ¹⁷	1,684	918
Net Interest on the Defined Liability	452	396
Administration Expenses	24	19
Total	2,160	1,333

17.4 Re-measurements in Other Comprehensive Income:

	2017/18	2016/17
	£'000	£'000
Return on plan assets in excess of interest	258	2,588
Other actuarial gains	-	111
Change in financial assumptions	2,322	(8,515)
Change in demographic assumptions	-	142
Experience gain on defined benefit obligation	-	634
Re-measurements	2,580	(5,040)

¹⁷ The change in current service cost reflects a number of factors including changes to financial assumptions together with bringing bonus payments into pensionable salary with effect from 2017/18.

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

	2017/18	2016/17
	£'000	£'000
Opening defined benefit obligation	35,562	25,856
Current service cost	1,684	918
Interest cost	995	984
Change in financial assumptions	(2,322)	8,515
Change in demographic assumptions	-	(142)
Experience (gain) on defined benefit obligation	-	(634)
Estimated benefits paid net of transfers in	(464)	(265)
Contributions by scheme participants	390	355
Unfunded pension payments	(25)	(25)
Closing defined benefit obligation	35,820	35,562

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

	2017/18	2016/17
	£'000	£'000
Opening fair value of employers assets	19,097	15,111
Interest on assets	543	588
Return on assets less interest	258	2,588
Other actuarial gains	-	111
Administration expenses	(24)	(19)
Contributions by employer including unfunded	698	653
Contributions by scheme participants	390	355
Estimated benefits paid net of transfers in including unfunded	(489)	(290)
Closing fair value of employer assets	20,473	19,097

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

	2017/18	2016/17	2015/16	2014/15	2013/14
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	20,473	19,097	15,111	14,738	13,503
Present Value of Defined Benefit Obligation	(35,820)	(35,562)	(25,856)	(26,539)	(20,864)
Deficit	(15,347)	(16,465)	(10,745)	(11,801)	(7,361)
Experience Losses on Assets	-	-	-	-	-
Experience Gains/(Losses) on Liabilities	-	634	51	(6)	1,701

In order to assess the actuarial value of the LPFA's liabilities as at 31 March 2018, 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 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.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2018 without completing a full valuation. However Barnett Waddingham are satisfied that the approach of rolling forward the previous valuation to 31 March 2018 should not introduce any material distortions in the results provided that the actual experience of UK Sport 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.

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

The actuarial valuation for IAS 19 purposes has been allocated between the Lottery and Exchequer accounts in accordance with accounting policy Note 1.10.

17.8 Sensitivity

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

	£'000	£'000	£'000
Adjustment to discount rate	+0.10%	0%	-0.10%
Present value of total obligation	34,970	35,820	36,691
Adjustment to long term salary increase	+0.10%	0%	-0.10%
Present value of total obligation	35,901	35,820	35,739
Adjustment to pension increases and deferred revaluation	+0.10%	0%	-0.10%
Present value of total obligation	36,611	35,820	35,047
Adjustment to mortality age rising assumption	+1 Year	None	-1 Year
Present value of total obligation	37,071	35,820	34,612

18. Superannuation Scheme – EIS

EIS participates in the LPFA 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 EIS. The majority of EIS'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 £1.560m (2016/17, £1.440m).

Following advice of the consulting actuaries to the LPFA as at 31 March 2013 EIS'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 2018 was carried out by a qualified independent actuary. The assumptions used by the actuary for IAS 19 valuation purposes were:

18.1 Pension Commitments

Financial Assumptions:	2017/18	2016/17
	%	%
Price Increases	3.3	3.6
Salary Increases	3.8	4.2
Pension Increases	2.3	2.7
Discount Rate	2.6	2.8
Average Future Life Expectancies at Age 65:	Males	Females
	(years)	(years)
Current Pensioners	22.4	24.9
Future Pensioners	24.7	27.2

18.2 Fair Value of Employer Assets

	31/03/18	31/03/17
	£'000	£'000
Equities	23,023	19,912
Target Return Portfolio	8,438	7,101
Infrastructure	1,647	1,769
Property	2,709	1,713
Cash	1,834	3,109
Total Market Value of Assets	37,651	33,604
Present Value of Scheme Liabilities	(68,329)	(65,757)
Net Pension Liability	(30,678)	(32,153)

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:

	31/03/18	31/03/17
	%	%
Equities	61	59
Target Return Portfolio	23	21
Infrastructure	4	5
Property	7	5
Cash	5	10

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

	2017/18	2016/17
	£'000	£'000
Service Cost ¹⁸	5,397	2,580
Net Interest on the Defined Liability	879	501
Administration Expenses	44	33
Total	6,320	3,114

18.4 Re-measurements recognised in Other Comprehensive Income:

	2017/18	2016/17
	£'000	£'000
Return on plan assets in excess of interest	461	4,372
Other actuarial gains on assets	-	811
Change in financial assumptions	5,655	(20,600)
Change in demographic assumptions	-	(326)
Experience gain/(loss) on defined benefit obligation	-	(1,195)
Re-measurements	6,116	(16,938)

¹⁸ The change in current service cost reflects a number of factors including changes to financial assumptions.

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

	2017/18	2016/17
	£'000	£'000
Opening defined benefit obligation	65,757	38,782
Current service cost	5,285	2,580
Interest cost	1,857	1,527
Change in financial assumptions	(5,655)	20,600
Change in demographic assumptions	-	326
Experience loss on defined benefit obligation	-	1,195
Estimated benefits paid in excess of transfers in	(97)	(189)
Past service costs, including curtailments	112	-
Contributions by scheme participants	1,070	936
Closing defined benefit obligation	68,329	65,757

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

	2017/18	2016/17
	£'000	£'000
Opening fair value of employers assets	33,604	25,216
Interest on assets	978	1,026
Return on assets less interest	461	4,372
Other actuarial gains/(losses)	-	811
Administration expenses	(44)	(33)
Contributions by employer including unfunded	1,679	1,465
Contributions by participants	1,070	936
Estimated benefits paid plus unfunded net of transfers in	(97)	(189)
Closing fair value of employers assets	37,651	33,604

18.7 History of Experience Gains and Losses

	2017/18	2016/17	2015/16	2014/15	2013/14
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	37,651	33,604	25,216	23,005	19,520
Present Value of Defined Benefit Obligation	(68,329)	(65,757)	(38,782)	(37,102)	(24,347)
Deficit	(30,678)	(32,153)	(13,566)	(14,097)	(4,827)
Experience Losses on Assets	-	-	-	-	-
Experience Losses on Liabilities	-	(1,195)	-	-	(1,305)

18.8 Sensitivity:

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

	£'000	£'000	£'000
Adjustment to discount rate	+0.10%	0%	-0.10%
Present value of total obligation	66,194	68,329	70,535
Adjustment to long term salary increase	+0.10%	0%	-0.10%
Present value of total obligation	68,612	68,329	68,049
Adjustment to pension increases and deferred revaluation	0.10%	0%	-0.10%
Present value of total obligation	70,258	68,329	66,465
Adjustment to mortality age rising assumption	+1 Year	None	-1 Year
Present value of total obligation	70,531	68,329	66,169

19. Group Pension Amounts

	Note	2017/18 £'000	2016/17 £'000
Pension Liabilities UK Sport	17.2	(15,347)	(16,465)
Pension Liabilities EIS	18.2	(30,678)	(32,153)
Total Group Pension Liabilities		(46,025)	(48,618)
Pension Scheme Re-measurements UK Sport	17.4	2,580	(5,040)
Pension Scheme Re-measurements EIS	18.4	6,116	(16,938)
Total Group Pension Re-measurements		8,696	(21,978)
Net Interest on the Defined Liability UK Sport	17.3	(452)	(396)
Net Interest on the Defined Liability EIS	18.3	(879)	(501)
Total Net Interest on the Group Defined Liability		(1,331)	(897)

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	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Obligations under operating leases comprise:				
Buildings				
Not later than one year	438	406	1,173	704
Later than one year not later than five years	1,579	1,750	3,026	2,251
Later than five years	-	264	-	264
Other				
Not later than one year	-	-	1	9
Later than one year not later than five years	-	-	1	6
Total	2,017	2,420	4,201	3,234

21. Grant Commitments

On the undertaking that funds are to be provided by DCMS, UK Sport at 31/03/18 had entered into commitments to pay grants to governing bodies in respect of their approved programmes in the following years (these commitments at 31/03/18 have not yet been recognised in the Statement of Comprehensive Net Expenditure Account nor Statement of Financial Position).

	UK Sport		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
2017/18	-	32,041	-	11,102
2018/19	52,375	39,844	33,287	22,086
2019/20	26,377	37,560	8,563	20,006
2020/21	25,576	22,745	7,358	4,926
	104,328	132,190	49,208	58,120

Grant commitments are based on the assumption that Exchequer funding will continue at the planned rate to 2020/2021.

22. Contingent liabilities

During the year ended 31 March 2017 Yorkshire 2019 Limited (a subsidiary of UK Sport) entered into a contract entitling a third party to a Performance Security in the event of debts or liabilities caused by Yorkshire 2019 Limited. This security amounted to £187,000 as at 31 March 2018.

23. Capital Commitments

As at 31 March 2018 UK Sport had made no commitments to purchase further capital equipment (31 March 2017, £68,695).

24. Events After the Reporting Period

The accounts were authorised for issue on the date the Comptroller and Auditor General certified the accounts. There are no post balance sheet events requiring disclosure.

25. Related Party Transactions

UK Sport is an Arm's Length Body sponsored by DCMS, who are regarded as a related party. During 2017/18 UK Sport had various material transactions with DCMS and with the Sports Councils for the Home Countries. It further provided grants to two subsidiaries EIS and Yorkshire 2019 Limited.

As a matter of policy and procedure the Board, and Committee members, Award Panel members and staff maintain publically available registers of interest. In these they are required to declare any interests, both direct and indirect, of commercial interests with the UK Sport together with interests associated with grant applications. Where a member has an interest they are required to declare it and exclude themselves from relevant grant appraisal discussions and other commercial decisions.

The following table details those related party transactions that arose during the year:

Person	Other related appointments	Transaction (e.g. grant)	Amounts (£)
English Institute of Sport	Subsidiary	Grant paid	20,458,753
		Recharged income	508,502
		Recharged costs	99,128
Yorkshire 2019 Limited	Subsidiary	Grant paid	496,000
DCMS	Parent department	Grant-in-Aid received	61,597,000
Lis Astall	Board / Group Audit Committee	Meeting attendance allowance	1,090
UK Sport Board (member, also Interim Chair 22 April 2017 to 30 June 2017)	British Equestrian Federation (member and Council Chair until August 2017)	Grant	2,148,942
Group Audit Committee member	Paragon Identity (Non-Executive)	Service provision	1,288
Nicholas Bitel UK Sport Board (member)	Sport England (Chair)	Grant	4,000
		Recharged income	417
		Recharged costs	79,138

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Sally Bolton OBE UK Sport Board (member from 15 March 2018)	Board / Group Audit Committee	Meeting attendance allowance	436
Rod Carr CBE UK Sport Board (Chair to 21 April 2017)	Royal Yachting Association (former CEO, Performance Director and Coach)	Grant	3,433,177
Neil Chugani UK Sport Board (member to 31 January 2018)	Board / Group Audit Committee	Meeting attendance allowance	436
	British Rowing (CEO from February 2014 until March 2015 and member thereafter)	Grant	3,305,740
John Dowson UK Sport Board member Group Audit Committee (Chair)	Board / Group Audit Committee	Meeting attendance allowance	2,834
	UK Boccia Federation Ltd (Chair)	Grant	425,110
	British Paralympic Association (National Paralympic Committee Member)	Service provision	19,740
		Grant	9,500
Dame Katherine Grainger DBE UK Sport Board (Chair from 1 July 2017)	British Rowing (Member working panel for Internal Culture Review).	Grant	See above
	Youth Sport Trust (Trustee).	Service provision	1,332
Craig Hunter Group Audit Committee	English Institute of Sport (Director)	Grant and recharges	See above
	British Swimming (Director)	Grant	5,292,261
Simon Morton UK Sport (Chief Operating Officer)	Yorkshire 2019 Limited (Director)	Grant	See above
Annie Panter UK Sport Board (member from 31 January 2018)	Working Groups	Meeting attendance allowance	654
	England Hockey (Member of Athletes' Commission)	Grant	1,800,590
	International Hockey Federation (Executive Board Member & Chair of Athletes' Committee).	Grant	35,000
	British Rowing (partner is a Member)	Grant	See above

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Nicola Roche CBE	Board / Group Audit Committee	Meeting attendance allowance	2,834
UK Sport Board (member to 14 December 2017)	Dame Kelly Holmes Trust (Trustee)	Grant	50
Sarah Springman CBE	Board / Group Audit Committee	Meeting attendance allowance	1,308
UK Sport Board (member)	British Rowing (fiancée is Director of Pathways)	Grant	See above
	British Triathlon Board (Board member / President: 2005 – 2012)	Grant	1,339,733
John Steele	English Institute of Sport (Chair)	Grant and recharges	See above
UK Sport Board (observer);	British Rowing (Consultant)	Grant	See above
	England Hockey (Consultant)	Grant	See above
	Unforgiving Minute Ltd (Director)	Service provision	3,793
	Loughborough University (Executive Director of Sport)	Consultancy	16,442
	Loughborough University Enterprises Ltd (Executive Director)	Service provision	5,039
Chelsea Warr	English Institute of Sport (Non-Executive Director)	Grant and recharges	See above
Director of Performance			
Mel Young MBE	Board	Meeting attendance allowance	1,962
UK Sport Board (member)	Sport Scotland (Chair)	Grant	60,000
		Other charges	5,270

26.1 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:

	2017/18	2016/17
	£'000	£'000
Statement of Comprehensive Net Expenditure		
Income	27,306	24,225
Administrative Expenses	(30,998)	(25,442)
Operating Deficit before Interest and Taxation	(3,692)	(1,217)
Interest Receivable	5	1
Interest Payable and Similar Charges	(879)	(505)
Deficit on Ordinary Activities Before Taxation	(4,566)	(1,721)
Tax on Surplus on Ordinary Activities	(1)	
Deficit for the Financial Year	(4,567)	(1,721)
Re-measurement of the Net Defined Benefit Liability	6,622	(16,938)
Total Comprehensive Net Income/(Expenditure) for the Year	2,055	(18,659)
	2017/18	2016/17
	£'000	£'000
Statement of Financial Position		
Property Plant and Equipment	1,669	2,002
Intangible Assets	1,024	1,045
Current Assets	3,375	2,700
Payables: Falling Due Within One Year	(3,302)	(2,739)
Total Assets less Current Liabilities	2,766	3,008
Deferred Income	(2,819)	(3,066)
Provision for other Liabilities	-	(69)
Net Liabilities Excluding Pension Liability	(53)	(127)
Defined Benefit Pension Scheme Liability	(30,172)	(32,153)
Net Liabilities Including Pension Liability	(30,225)	(32,280)
Reserves		
Revenue Reserve	(30,225)	(32,280)

The above figures have been presented on a gross basis as per the EIS annual accounts prior to intercompany eliminations and alignment adjustments. The pension figures contained in the 2017/18 accounts produced by EIS were prepared on the basis of FRS 102. A separate actuarial valuation based on IAS 19 was commissioned to provide the pension figures in line with the accounting policy adopted for the UK Sport accounts which are presented in Note 18.

26.2 Subsidiary Undertakings

Yorkshire 2019 Limited

Yorkshire 2019 Limited has produced one set of accounts covering a period of 17 months to 31 March 2018. The results for the period from incorporation to 31 March 2017 were included in the consolidated results of the UK Sport group in the year then ended. The results for the 12 months to 31 March 2018 have been consolidated into the UK Sport group in the current financial year.

	2017/18	2016/17
	£'000	£'000
Statement of Comprehensive Net Expenditure		
Income	357	4,441
Operating and Administrative Expenses	(357)	(4,441)
Deficit for the period	-	-
Unrealised foreign exchange (loss)/gain	(48)	36
Total Comprehensive Net Expenditure for the period	(48)	36
	2017/18	2016/17
	£'000	£'000
Statement of Financial Position		
Restricted cash	187	2,836
Current assets and other receivables	132	11
Current Liabilities	(331)	(2,811)
Total Assets less Liabilities	(12)	36
Reserves		
Revenue Reserve	(12)	36

Yorkshire 2019 Limited received £0.496m of grant income from UK Sport during 2017/18. In line with the recognition criteria of IAS 20, £0.139m of this balance has been deferred in Yorkshire 2019 Limited's single entity accounts.

The above summary has been presented on a gross basis prior to inter-company eliminations and alignment adjustments taking place within the group accounts.



**The United Kingdom Sports Council
Lottery Distribution Fund
Accounts for the Year Ended
31 March 2018**

The United Kingdom Sports Council Lottery Distribution Fund

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

Opinion on financial statements

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

In my opinion:

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

Opinion on regularity

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

Basis of opinions

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

Responsibilities of Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

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

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993;
- in the light of the knowledge and understanding of the UK Sports Council Lottery Distribution Fund and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Sir Amyas C E Morse KCB
Comptroller and Auditor General

5 July 2018

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

Statement of Comprehensive Net Expenditure for the Year Ended 31/03/18

	Note	2017/18 £'000	2016/17 £'000
INCOME			
National Lottery Share of Proceeds	2	74,560	74,325
Investment Returns from NLDF	2	215	242
Interest Receivable		2	2
Other Operating Income		100	28
Total		74,877	74,597
EXPENDITURE			
Accrued Grant Commitments	3	4,397	5,960
Accrued Grant De-commitments	3	(74)	(1,310)
Other Grant Payments	5	66,072	78,561
Staff Costs	6	2,751	2,276
Amortisation	9	22	20
Other Operating Costs		340	496
Costs Apportioned from UK Sport Grant-in-Aid Account		2,205	2,019
Total		75,713	88,022
DECREASE IN LOTTERY FUNDS BEFORE TAXATION		(836)	(13,425)
Net Interest on the Pension Liability	12.3	(128)	(112)
DECREASE IN LOTTERY FUNDS		(964)	(13,537)
Other Comprehensive Expenditure			
Pension Scheme Re-measurements	12.4	738	(1,438)
Total Comprehensive Net Expenditure		(226)	(14,975)

All activities relate to continuing activities.

The notes on pages 73 to 84 form part of these accounts.

Statement of Changes in Equity for the Year Ended 31/03/18

		2017/18		2016/17	
	Note	Revenue Reserve £'000	Pension Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000
Balance Brought Forward		35,718	(4,688)	49,045	(3,051)
Retained (Deficit)/Surplus for the Year		(964)	-	(13,537)	-
Pension Scheme Re-measurements	12.4	-	738	-	(1,438)
Transfer from the Pension Fund		457	(457)	210	(210)
Other Movements		-	(9)	-	11
Balance at 31 March		35,211	(4,416)	35,718	(4,688)

The notes on pages 73 to 84 form part of these accounts.

Statement of Financial Position as at 31/03/18

	Note	31/03/18 £'000	31/03/17 £'000
NON CURRENT ASSETS			
Intangible Assets	9	10	26
Total Non Current Assets		10	26
CURRENT ASSETS			
Investments – Balance at NLDF	2	43,412	41,586
Trade and Other Receivables	10	23	31
Cash and Cash Equivalents	14	887	2,323
Total Current Assets		44,322	43,940
CURRENT LIABILITIES			
Trade and Other Payables	11	(713)	(176)
Grant Commitments Falling Due Within One Year	3	(7,199)	(4,878)
Total Current Liabilities		(7,912)	(5,054)
Net Current Assets		36,410	38,886
Non Current Assets plus Net Current Assets		36,420	38,912
NON CURRENT LIABILITIES			
Grant Commitments Falling Due After One Year	3	(1,209)	(3,194)
Pension Liability	12.2	(4,416)	(4,688)
Total Non Current Liabilities		(5,625)	(7,882)
Total Assets less Liabilities		30,795	31,030
EQUITY			
Pension Reserve	12.2	(4,416)	(4,688)
Revenue Reserve		35,211	35,718
Total Equity		30,795	31,030

The notes on pages 73 to 84 form part of these accounts.



Liz Nicholl CBE
Chief Executive and Accounting Officer
The United Kingdom Sports Council
27 June 2018



Dame Katherine Grainger DBE
Chair
The United Kingdom Sports Council
27 June 2018

Statement of Cash Flows for the Year Ended 31/03/18

	Note	2017/18 £'000	2016/17 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Generated from Operations	13	(1,438)	1,686
Interest Received		2	2
Net Cash Flow from Operating Activities		(1,436)	1,688
Net Increase in Cash and Cash Equivalents in the Year		(1,436)	1,688
Cash and Cash Equivalents at 1 April		2,323	635
Cash and Cash Equivalents at 31 March	14	887	2,323

The notes on pages 73 to 84 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 2017/18 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 a 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 (except in relation to the recognition of commitments as detailed below), 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 period to which it relates (except in relation to the recognition of commitments as detailed below).

The accounts cover the year to 31 March 2018, 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 Accounts Direction and other instructions issued by the Secretary of State. Consolidated accounts have not been prepared because The English Institute of Sport Limited and Yorkshire 2019 Limited are subsidiaries of UK Sport Exchequer only.

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

The financial statements have been prepared on a going concern basis. UK Sport has a statutory entitlement to a set percentage of the Lottery Distribution Fund in accordance with the National Lottery Act 1993 as amended. Grant commitments reflect the forecast distribution expected from the Fund.

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

Grants payable are charged to the Statement of Comprehensive Net Expenditure on an accruals basis. The reporting of grants has been aligned with the FReM. Where the recognition criteria is met, commitments are reflected in the Statement of Financial Position as a liability (see Note 3) and where they do not meet the criteria are disclosed as other grant commitments (see Note 4).

1.4 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 3-5 years
Software Licences over the life of the licence

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

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, which is shown in the Statement of Comprehensive Net Expenditure together with the net interest on the pension liability. 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 including the valuation of the pension funds and recharges is provided in Note 12 to the accounts.

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 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 (NLDF) 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.

1.10 Standards Issued but not yet Effective

IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments are to be adopted from 1 April 2018. There will be no material impact from adopting these new standards due to the simple nature of UK Sport's financial instruments and commercial revenue. No cumulative catch up adjustments are anticipated.

IFRS 16 Leases will be adopted from 1 April 2019. Work on preparing for the adoption of this new standard will be taken forward during 2018/19.

2. National Lottery Distribution Fund

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

	2017/18	2016/17
	£'000	£'000
Balance Brought Forward	41,586	57,479
Share of Net Operator Proceeds	74,560	74,325
Investment Returns from NLDF	215	242
Available for Distribution	116,361	132,046
Funds Drawn Down	(72,949)	(90,460)
Balance Carried Forward	43,412	41,586

Balances held in the National Lottery Distribution Fund (NLDF) remain under the stewardship of the Secretary of State for Digital, Culture, Media and Sport. However, the share of these balances attributable to UK Sport is 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 UK Sport in respect of current and future commitments.

The market value carried forward at 31 March 2018 is £43.412m (31 March 2017, £41.586m) representing 23% of outstanding commitments made at that point. The balance of outstanding commitments will be met by anticipated future NLDF revenue receipts.

Funds are drawn down from the NLDF 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.

3. Accrued Grant Commitments

	2017/18	2016/17
	£'000	£'000
Accrued Commitments Brought Forward	8,072	8,709
Commitments Made in the Year	4,397	5,960
De-commitments Made in the Year	(74)	(1,310)
Total Accrued Grant Commitments	12,395	13,359
Accrued Grant Commitments Met in the Year	(3,987)	(5,287)
Accrued Grant Commitments Carried Forward	8,408	8,072

Accrued Grant Commitments by Year

	2017/18	2016/17
	£'000	£'000
Amounts Falling Due During 2017/18	–	4,878
Amounts Falling Due During 2018/19	7,199	2,048
Amounts Falling Due During 2019/20	859	853
Amounts Falling Due During 2020/21	350	293
Total	8,408	8,072

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, or de-committed, which accounts for the difference between outstanding accrued commitments at 31 March 2017 and actual amounts paid in 2017/18.

4. Other Grant Commitments

	2017/18	2016/17
	£'000	£'000
Amounts Falling Due During 2017/18	–	65,699
Amounts Falling Due During 2018/19	47,468	53,487
Amounts Falling Due During 2019/20	64,217	51,032
Amounts Falling Due During 2020/21	67,030	66,134
	178,715	236,352

The accounting policies applied for National Lottery funding require commitments to be accrued in the accounts when an offer has been made and 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. 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.

The risk of sufficient funding being available up to the end of 2019/20 is mitigated by the DCMS Exchequer underwrite facility. The final year (i.e. 2020/21) of the Tokyo cycle is subject to the 2019 Spending Review settlement.

5. Lottery Grant Payments

	2017/18	2016/17
	£'000	£'000
Accrued Grant Payments		
Major Events	3,987	4,919
International Relations	–	368
	3,987	5,287
Other Grant Payments		
Athletes	16,218	17,033
National Governing Bodies and Partners	49,608	61,528
International Relations	246	–
	66,072	78,561
Total Grant Payments	70,059	83,848

6. Staff Costs

		2017/18	2016/17
		£'000	£'000
Wages and Salaries		1,941	1,763
Social Security Costs		239	224
Current Service Costs	12.3	563	283
Administration Expense Relating to Pension Scheme	12.3	8	6
Total Employee Costs		<u>2,751</u>	<u>2,276</u>

7. Average Number of Staff During the Year (Full Time Equivalent Values)

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

	2017/18	2016/17
UK Sport		
Average Staff Numbers	<u>34</u>	<u>31</u>

8. Lottery Funds

	2017/18	2016/17
	£'000	£'000
The Lottery Fund is stated after charging for:		
External Auditors' Remuneration for Audit Work	<u>28</u>	<u>28</u>

No amounts are due to external auditors for non-current work.

9. Intangible Assets

All intangible fixed assets are computer software.

	£'000
Cost	
At 01/04/17	651
Additions	6
At 31/03/18	<u>657</u>
Amortisation	
At 01/04/17	625
Charge for Year	22
At 31/03/18	<u>647</u>
Net Book Value	
At 31/03/17	<u>26</u>
At 31/03/18	<u>10</u>

10. Trade Receivables

	2017/18	2016/17
	£'000	£'000
Trade Receivables	8	7
Prepayments	15	24
Total	<u>23</u>	<u>31</u>

All amounts fall due within one year.

11. Trade Payables

	2017/18	2016/17
	£'000	£'000
Trade Payables	29	47
VAT	9	-
Accruals and Deferred Income	675	129
Total	<u>713</u>	<u>176</u>

The accruals and deferred income balance includes a £0.5m intercompany balance with the UK Sport Exchequer account.

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 above.

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 period amounted to £0.242m or 12% of pensionable pay (2016/17: £0.191m or 12%).

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 March 2016. A revaluation will be undertaken at 31 March 2019, with results in late 2019. 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) 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

Financial Assumptions	2017/18	2016/17
	%	%
Price Increases	3.3	3.6
Salary Increases	3.8	4.2
Pension Increases	2.3	2.7
Discount Rate	2.6	2.8
 Average Future Life Expectancies at Age 65:	 Males	 Females
	(years)	(years)
Current Pensioners	22.3	24.6
Future Pensioners	24.6	26.9

12.2 Fair Value of Employer's Assets

	Fund Value at 31/03/18 £'000	Fund Value at 31/03/17 £'000
Equities	3,573	3,212
Target Return Portfolio	1,304	1,143
Infrastructure	255	285
Property	419	276
Cash	284	500
Total Fair Value of Assets	5,835	5,416
Present Value of Scheme Liabilities	(10,251)	(10,104)
Net Pension Liability	(4,416)	(4,688)

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

	31/03/18 %	31/03/17 %
Equities	61	59
Target Return Portfolio	23	21
Infrastructure	4	5
Property	7	5
Cash	5	10

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

	2017/18 £'000	2016/17 £'000
Service Cost ¹⁹	563	283
Net Interest on the Defined Liability	128	112
Administration Expenses	8	6
Total	699	401

12.4 Re-measurements in Other Comprehensive Income

	2017/18 £'000	2016/17 £'000
Return on plan assets in excess of interest	73	732
Other actuarial gains	-	31
Change in financial assumptions	665	(2,421)
Change in demographic assumptions	-	40
Experience gain/(loss) on defined benefit obligation	-	180
Re-measurements	738	(1,438)

¹⁹ The change in current service cost reflects a number of factors including changes to financial assumptions together with bringing bonus payments into pensionable salary with effect from 2017/18.

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

	2017/18	2016/17
	£'000	£'000
Opening defined benefit obligation	10,104	7,322
Current service cost	563	283
Interest cost	282	278
Change in financial assumptions	(665)	2,421
Change in demographic assumptions	-	(40)
Experience loss/(gain) on defined benefit obligation	-	(180)
Estimated benefits paid net of transfer in	(155)	(82)
Contributions by scheme participants	130	110
Unfunded pension payments	(8)	(8)
Closing defined benefit obligation	10,251	10,104

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

	2017/18	2016/17
	£'000	£'000
Opening fair value of employer's assets	5,416	4,271
Interest on assets	154	166
Return on assets less interest	73	732
Other actuarial gains	-	31
Administration expenses	(8)	(6)
Contributions by employer including unfunded	233	202
Contributions by scheme participants	130	110
Estimated benefits paid net of transfers in including unfunded	(163)	(90)
Closing fair value of employer's assets	5,835	5,416

12.7 History of Experience Gains and Losses

	2017/18	2016/17	2015/16	2014/15	2013/14
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	5,835	5,416	4,271	4,171	3,823
Present Value of Defined Benefit Obligation	(10,251)	(10,104)	(7,322)	(7,497)	(5,900)
Deficit	(4,416)	(4,688)	(3,051)	(3,326)	(2,077)
Experience Losses on Assets	-	-	-	-	-
Experience Gains/(Losses) on Liabilities	-	180	14	(2)	485

In order to assess the actuarial value of the LPFA's liabilities as at 31 March 2018, 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 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.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2018 without completing a full valuation. However Barnett Waddingham are satisfied that the approach of rolling forward the previous valuation to 31 March 2018 should not introduce any material distortions in the results provided that the actual experience of UK Sport 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. A valuation as at 31 March 2019 is due, with results expected to be available in late 2019.

To calculate the asset share Barnett Waddingham 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 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
Adjustment to discount rate	+0.10%	0%	-0.10%
Present value of total obligation	10,008	10,251	10,500
Adjustment to long term salary increase	+0.10%	0%	-0.10%
Present value of total obligation	10,274	10,251	10,228
Adjustment to pension increases and deferred revaluation	+0.10%	0%	-0.10%
Present value of total obligation	10,478	10,251	10,030
Adjustment to mortality age rising assumption	+1 Year	None	-1 Year
Present value of total obligation	10,609	10,521	9,905

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

	2017/18	2016/17
	£'000	£'000
(Decrease) in Lottery Funds Before Taxation	(836)	(13,425)
Decrease in Receivables	8	14
Increase/(Decrease) in Payables	873	(905)
Amortisation of Intangible Assets	22	20
Interest Receivable	(2)	(2)
(Increase)/Decrease in NLDF	(1,826)	15,893
Pension Scheme: Non Cash Movement	329	98
Purchase of Fixed Assets	(6)	(7)
Net Cash Inflow/(Outflow) from Operating Activities	(1,438)	1,686

14. Change in Cash and Cash Equivalents

	2017/18	2016/17
	£'000	£'000
Opening Cash Balance	2,323	635
Net Cash Inflow/(Outflow)	(1,436)	1,688
Cash and Bank Balances at Year End	887	2,323

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 DCMS's expected purchase and usage requirements. UK Sport is therefore exposed to limited credit, liquidity or market risk.

Liquidity Risks

In the year £74.78m or 99.86 % (2016/17, £74.57m or 99.95%) of the UK Sport Lottery Fund's income was derived from the National Lottery. The remaining income is derived from interest on deposits and sundry income. In previous reports, UK Sport considered that the Lottery Fund's ability to meet the grant commitments and other liabilities in the short and longer term is dependent on adequate sales revenue from the National Lottery and on the contingency arrangements in place with the DCMS in the event that the National Lottery revenue falls short of the amounts required.

Interest Rate Risks

The financial assets of the Fund are invested in the National Lottery Distribution Fund (NLDF), 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 NLDF.

At the balance sheet date the market value of UK Sport's share of investment in the NLDF was £43.412m (2016/17, £41.586m). In the year the average return on these investments was 0.51% (2016/17, 0.42%). Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in a deposit account. The cash balance at the year-end was £0.887m (2016/17, £2.323m). 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

An athlete has made a legal claim seeking employment status with UK Sport and / or their National Governing Body. This will be determined at an Employment Tribunal hearing currently scheduled for December 2018. At this early stage, it would be inappropriate to attempt to pre-judge the outcome of the hearing or to attempt to quantify the impact of any adverse judgement if one is made.

17. Capital Commitments

As at 31 March 18, the Lottery Fund had made no commitments to purchase further capital equipment (31/03/17, £nil).

18. Related Party Transactions

UK Sport is an Arm's Length Body sponsored by DCMS, who are regarded as a related party. During 2017/18 UK Sport had various material transactions with DCMS and with the Sports Councils for the Home Countries.

As a matter of policy and procedure the Board, and Committee members, Award Panel members and staff maintain publically available registers of interest. In these they are required to declare any interests, both direct and indirect, of commercial interests with the UK Sport together with interests associated with grant applications. Where a member has an interest they are required to declare it and exclude themselves from relevant grant appraisal discussions and other commercial decisions.

The following table details those related party transactions that arose during the year:

Person	Other related appointments	Transaction (e.g. grant)	Amounts (£)
Lis Astall UK Sport Board (member, also Interim Chair 22 April 2017 to 30 June 2017) Group Audit Committee member	British Equestrian Federation (member and Council Chair until August 2017).	Grant	2,569,742
Sally Bolton OBE UK Sport Board (member from 15 March 2018)	London 2017 (Managing Director) employed by UK Athletics	Grant	2,250,520
Rod Carr CBE UK Sport Board (Chair to 21 April 2017)	Royal Yachting Association (former CEO, Performance Director and Coach)	Grant	3,484,668
Neil Chugani UK Sport Board (member to 31 January 2018)	British Rowing (CEO from February 2014 until March 2015 and member thereafter)	Grant	4,266,938
John Dowson UK Sport Board (member). Also Group Audit Committee (Chair)	UK Boccia Federation Ltd (Chair)	Grant	585,972
Dame Katherine Grainger DBE UK Sport Board (Chair from 1 July 2017)	British Rowing (Member working panel for Internal Culture Review)	Grant	See above
Craig Hunter Group Audit Committee	British Swimming (Director) English Institute of Sport (Director)	Grant Recharged income	6,434,192 1,333

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Simon Morton UK Sport (Chief Operating Officer)	London 2017 Ltd (Director)	Grant	See above
Annie Panter UK Sport Board (member from 31 January 2018)	England Hockey (Member of Athletes' Commission) British Rowing (partner is a Member)	Grant Grant	2,631,109 See above
Sarah Springman CBE UK Sport Board (member)	British Rowing (fiancée is Director of Pathways) British Triathlon Board (Board member / President: 2005 – 2012)	Grant Grant	See above 2,041,934
John Steele UK Sport Board (observer)	British Rowing (Consultant) England Hockey (Consultant) English Institute of Sport (Chair)	Grant Grant Recharged income	See above See above See above
Chelsea Warr Director of Performance	English Institute of Sport (Non-Executive Director)	Recharged income	See above
Mel Young MBE UK Sport Board (member)	Sport Scotland (Chair)	Grant	1,743,526

19. Events After the Reporting Period

The accounts were authorised for issue on the date the Comptroller and Auditor General certified the accounts. There are no post balance sheet events requiring disclosure.

