



The United Kingdom Sports Council

**Grant-in-Aid and Lottery Distribution Fund Annual Report
and Accounts for the year ended 31 March 2016**

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Grant-in-Aid and Lottery Distribution Fund Report and Accounts for the year ended 31 March 2016

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Performance Report

Chief Executive's Statement

2015/2016 has been another strong year for the United Kingdom Sports Council (UK Sport) as we build towards the Olympic and Paralympic Games in Rio de Janeiro.

The organisation received a huge vote of confidence this year at the Comprehensive Spending Review when the Chancellor increased our Exchequer funding to "*go for gold in Rio and Tokyo*". This security of funding will enable UK Sport to ensure that there will be a sustainable legacy from success in Rio and that we can continue to plan to get the very best results in both Pyeongchang 2018 and Tokyo 2020, the day from which the new Summer Olympic and Paralympic cycle begins.



On the field of play British athletes are continuing to inspire the nation. Jessica Ennis-Hill's return to the top of the podium at the World Athletics Championships, the four gold medals won this year by the dominant para-cyclist Dame Sarah Storey and the two medals won by Elise Christie in the short track speed skating were all fantastic highlights of 2015/2016.

Whilst the Games in Rio will present a challenging environment I am confident that our World Class Programme athletes will deliver medals that once again make the nation proud.

UK Sport's work to help improve the Governance of funded National Governing Bodies will step up in the coming year with the publication of a Governance Code for all funded sport. Our international relations work continues to be successful with Lord Sebastian Coe and Louise Martin CBE being elected to presidential roles within the last year at the International Association of Athletics Federation (IAAF) and Commonwealth Games Federation respectively.

Over the past four years the world has sought to learn from and better the UK high performance sporting system. Although remaining successful will become increasingly challenging I am sure that we have used the past year in the best way possible to prepare for the key few months ahead.

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 of the Organisation

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.

Strategy and Performance

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

The UK high performance sporting system remains in good health and the success of British athletes on the world stage remains high. In addition to performance on the field of play UK Sport continues to strive to ensure that governance at home and abroad is of the highest possible standard and that the British public have a chance to see their heroes in action at major sporting events held in this country.

The success in Fencing, Wheelchair Fencing and Wheelchair Rugby saw each of these sports receive additional funding in their 2015 Annual Investment Reviews whilst no sport saw a reduction in their overall funding. In 2015/2016, 43 medals were won in Summer Olympic Milestone Target events achieving within the range agreed with sports for the year and in Summer Paralympic sport 101 medals were won again achieving the agreed target for the year. In 2015/2016 a further two medals were won in Winter Olympic and 11 in Winter Paralympic Milestone Target events.

The focus for the forthcoming year is now firmly on the Olympic and Paralympic Games in Rio de Janeiro. UK Sport has contributed a total of £1.6 million to the British Olympic Association and British Paralympic Association for their preparation camp in Belo Horizonte which will open in July. The facilities are amongst the best in Brazil and the camp is set to be bigger and better than that of any other competing nation.

In the global sporting landscape UK Sport funded national governing bodies and candidates also demonstrated their influence with the Commonwealth Games Federation, International Association of Athletics Federations and World Rugby soon to be headed up by people from the UK Sporting system.

At home the #EveryRoadtoRio series held an unprecedented 17 World and European level events during 2015/2016. Over the course of the series more than 370,000 people have experienced live Olympic and Paralympic sport including 295,000 in 2015/2016, generating at least £21 million of economic impact for the local host economies. The 'performance first' approach of the series also bore fruit with the men's and women's gymnastics teams winning team medals at the same World Championships for the first time in Glasgow, both men's and women wheelchair basketball teams qualified for the Paralympic Games via the European Championships in Worcester and the women's hockey team became European Champions at the Olympic Park in London.

The 2015 Comprehensive Spending Review confirmed the continued commitment from Government to UK Sport. The Chancellor increased the Exchequer contribution by 29% to "*go for gold in Rio and Tokyo.*" In the coming years UK Sport will be held to account by DCMS against the five outcomes as set out in the new sport strategy "*A New Strategy for an Active Nation*" and is working towards demonstrating effective change against the targets and key performance indicators to which the organisation will be held in the coming years.

With the welcome increase in Exchequer funding, the National Lottery will remain a key part of UK Sport revenue in supporting the high performance sporting system and inspirational performances in the foreseeable future.

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

Principal Risks and Uncertainties

Our appetite to risk flexes according to individual circumstance and situation, and by team (due to the nature/type of their work). By nature, as a Non-Departmental Public Body operating within the wider governmental control 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 recognised and accepted then potential impacts are identified and corresponding scenario plans, with mitigating actions, developed. The significant risks have been accepted/managed through 2015/2016 include:

The preparations for a Comprehensive Spending Review commenced in May 2015 and the financial planning for a number of scenarios was developed. This work was taking place during the period in which we were at the height of our planning for the next Olympic/Paralympic cycle. Any reductions through our exchequer settlement would have had a significant impact on our ability to sustain performance into the next Cycle. Furthermore, any delay in the confirmation of our funding would have had a significant impact on our position to be able to provide guidance to sports early enough in 2015/2016 regarding their submissions to us for the Tokyo 2020 cycle. The risk was removed from the risk register following the Comprehensive Spending Review announcements in November 2015

where the Chancellor announced a settlement whereby UK Sport would have a roughly similar level of resource available for Tokyo as had been the case for Rio via an increase in Exchequer funding moving forward to offset the use of reserves over the last four years.

Lottery income remains volatile and the long term risk remains that Lottery proceeds vary significantly from the projections used for the financial forecasting. Whilst UK Sport holds reserves to manage any short term fluctuations in Lottery proceeds, any significant reductions would lead to under resourced planned activities. Lottery income is monitored closely on a monthly basis and for the 2015/2016 financial year Lottery income has exceeded forecasts, primarily due a series of Lottery rollovers which boosted ticket sales in January 2016.

Going Concern

The financial statements have been prepared on a going concern basis. Financial provision has been made for UK Sport in the following ways:

- Under the present agreement with the National Lottery, UK Sport is entitled to a percentage of the ticket sales and this is set in statute.
- Exchequer funding has been agreed for UK Sport under the Comprehensive Spending Review settlement through to 2019/2020 with an indicative baseline figure for 2020/2021.

Policy on Lottery Additionality

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

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

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

Triennial Review

In the last year UK Sport was the subject of a triennial review jointly with Sport England. This review reported in September 2015 and concluded that UK Sport remained an essential public body in its current form. The report made a number of recommendations to UK Sport which are currently being considered and acted upon. The full report is available online and can be viewed at <https://www.gov.uk/government/publications/uk-sport-and-sport-england-triennial-review-report>

The Tour de France Hub 2014 Ltd

The Tour de France Hub 2014 Ltd was incorporated as a subsidiary of UK Sport on 8 July 2013. The company was established to co-ordinate the delivery of the first three stages of the 2014 Tour de France, to deploy ten million of Government funding towards the safe and successful hosting of these stages and to liaise with Leeds City Council, Welcome to Yorkshire and many other local and regional authorities involved in staging the event.

The event concluded on 7 July 2014 and accounts for the Tour de France Hub 2014 Ltd were prepared for the period ended 30 September 2014. Having achieved its objectives steps were taken to gradually wind up Tour de France Hub 2014 Ltd. A notice to strike off the company was advertised in the official public record the London Gazette on 27 January 2015 and the company was formally struck off the record and dissolved in May 2015.

English Institute for Sport

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

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

Rod Carr CBE is currently the UK Sport Board's representative member on the EIS Board.

Performance Analysis

UK Sport is held to account by the 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 KPIs published on UK Sport's website. UK Sport attends formal quarterly meetings with the DCMS where progress against KPIs is discussed, monitored and agreed. The measures against these indicators are agreed between the two bodies and reported against on a regular basis.

The following table sets out the 2015/2016 performance targets for the year:

| Objective | 2015/2016 Performance Target | 2015/2016 Milestone Event Indicator | 2015/2016 Milestone Event Results |
|---|---|---|--|
| Performance Success – Summer Olympic | Achieve within the medal range | 38-67 | 43 |
| Performance Success – Summer Paralympic | Achieve within the medal range | 94-131 | 101 |
| Performance Success – Winter Olympic | Achieve within the medal range | 1-7 | 2 |
| Performance Success – Winter Paralympic | Achieve within the medal range | 2-7 | 11 |
| Support successful in 2015/2016 for number of major events within the agreed range | Number of events secured | 17-26 (3-4 World or European Championships) | 17 (Including 3 European or World Championship events) |
| To achieve spectator target range for supported events | Total spectators | 240,000 – 300,000 | 294,927 |
| Generate direct economic impact within the target range from UK Sport supported major events | Direct economic impact to host communities of events supported by UK Sport | £14-24 million | £21,275,509 * |
| Sports and funded bodies have strong leadership and are in a position to develop their own governance aspirations and targets | 90% of National Governing Bodies and funded partners to meet their bespoke KPIs | 90% | 94% |

| Objective | 2015/2016 Performance Target | 2015/2016 Milestone Event Indicator | 2015/2016 Milestone Event Results |
|--|---|-------------------------------------|-----------------------------------|
| To inspire the next generation through school and community sport | % of athletes on the World Class Programme completing at least one appearance per annum | 70% | 81% |
| | Total number of days completed by the whole athlete cohort in year | 5,000 | 5,875 |

**£21,275,509 is the total value for Economic Impact across the 17 major events that have been hosted this financial year and is measured via "Economic Impact and Perception Surveys" run by SIRC (Sheffield Hallam University).*

Financial Performance

UK Sport received £38.58 million of Grant-in-Aid for the year.

On the Lottery side, proceeds have been higher than 2014/2015 Lottery income at £88.06 million. The fluctuations of Lottery income month on month and the overall forecasts for the year have been a key focus of the Executive Team and Board during the year. The Lottery balance at 31 March 2016 stood at £57.48 million a reduction of £11.69m on the previous year. The balance is forecast to reduce over the remainder of the Rio investment cycle as planned as the funding requirements of the World Class Performance system in the run up to the Olympic and Paralympic Games are met. UK Sport is forecast to remain within the target operating reserves for the foreseeable future.

Administration and operating costs have continued to be an area of focus. As reflected in our end of year outturn reporting to DCMS (via our Clear Line of Sight return), in 2015/2016 UK Sport has operated within both the DCMS advised allocation for administration spend in the Exchequer accounts, DCMS advised target of 5% for grants processing in the Lottery accounts and DCMS advised target of 8% total Lottery administration costs.

The Statement of Financial Position in the Exchequer accounts showed negative net assets at 31 March 2016 as a result of the Pension Scheme accounting adjustment and the discount rate assumption under International Accounting Standard 19. The discount rate assumption under the Accounting Standard (and reflected in the Statement of Financial Position) results in a greater pension deficit than the discount rate used for the actuarial or triennial valuation. The pension scheme was subject to a triennial valuation as at March 2013 and the results were made available in January 2014. The valuation has shown that the scheme is in a marginal deficit position, and that the rate of employer contributions will remain at 12% until the outcome of the next triennial valuation. The next valuation will be as at 31 March 2016 and the results will be known in late 2016.

General Information

UK Sport funded 1,268 athletes as at 31 March 2016 with the following demographic breakdown:

| Gender | Percentage |
|--------|------------|
| Female | 44% |
| Male | 56% |

| Disability | Percentage |
|------------|------------|
| No | 73% |
| Yes | 27% |

| Age Bracket | Percentage |
|-------------|------------|
| <16 | 1% |
| 16-25 | 57% |
| 26-44 | 39% |
| 45-68 | 3% |

| Ethnicity | Percentage |
|---------------|------------|
| Asian | 1% |
| Black | 4% |
| Mixed/Other | 5% |
| Not Disclosed | 1% |
| Not Specified | 2% |
| White | 87% |

Sustainability Reporting

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



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

23 June 2016



Accountability Report

Corporate Governance Report

Structure

CEO: Liz Nicholl CBE

Liz Nicholl CBE took up the post of Chief Executive at UK Sport on 23 September 2010 and leads the Directors' team that oversees 109 staff across the business. As at March 2016:

Chief Operating Officer: Simon Morton
Director of Performance: Simon Timson
Director of Finance, Investment and Business Services: Sophie du Sautoy
Director of Commercial and Communications: Vanessa Wilson

Board and Governance

UK Sport's 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. Rod Carr CBE was appointed as Chair on 22 April 2013.

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

Board members during 2015/2016 were as follows: detailed information including date and duration of appointment is available on the UK Sport website at www.UKSport.gov.uk

| Name | Position | Start Date | Term duration |
|---------------------|--|---------------|---|
| Rod Carr CBE | Chair | April 2013 | 22 April 2013 to 21 April 2017 |
| Louise Martin CBE | Member (Chair Sport Scotland) | November 2002 | Appointed to March 2005 Extended to March 2008 Extended to March 2011 Extended to March 2014 Extended to March 2016 |
| Brian Henning | Member (Chair Sports Council for Northern Ireland) | December 2012 | Appointed to November 2016 |
| Nick Bitel | Member (Chair Sports Council England) | April 2013 | Appointed to April 2017 |
| Laura McAllister | Member (Chair Sports Council Wales) | March 2010 | Appointed to March 2013 Extended to March 2016 |
| Sarah Springman | Member (Independent) | October 2013 | Appointed to 27 October 2016 |
| Lis (Amanda) Astall | Member (Independent) | October 2013 | Appointed to 27 October 2016 |
| Neil Chugani | Member (Independent) | 1 May 2014 | Appointed to 30 April 2017 |

| Name | Position | Start Date | Term duration |
|-----------------|-------------------------|-------------------|-------------------------------|
| Nicky Roche CBE | Member (Independent) | 15 December 2014 | Appointed to 14 December 2017 |
| John Dowson | Member (Independent) | 16 March 2015 | Appointed to 15 March 2018 |

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

Remuneration Panel

The Remuneration Panel has a key role to play in ensuring that employment issues in UK Sport are dealt with professionally. As at 31 March 2016 the Panel comprised:

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

Audit Committee

The Group Audit Committee covers both UK Sport and the EIS and considers external and internal audit reports, oversees risk management processes and reviews the statutory accounts and other financial matters. As at 31 March 2016 the Committee comprised:

- John Dowson (Chair from July 2015)
- Neil Chugani (Chair until July 2015, Member from July 2015)
- Craig Hunter (Member)
- Lis (Amanda) Astall (Member)
- Anwar Ahmed (Member)

During the year Peter Rowley was a member of the Audit Committee and stepped down in June 2015 upon the end of his term.

Major Events Panel

The Panel makes recommendations to Board on National Lottery (World Class Events Programme) awards and related policy matters. As at 31 March 2016 the Panel comprised:

- Nicky Roche CBE (Chair)
- Sally Bolton (Member)
- Jane Allen (Member)
- David Bedford (Member)
- David Gordon (Member from February 2016)

During the year both Zara Hyde Peters and David Collier were members of the Major Events Panel and stepped down 31 January 2016 upon the end of their term. Within the year Neil Chugani resigned from his position on the Major Events Panel in December 2015.

Eligibility Panel

The Eligibility Panel decides application and conduct issues relating to athlete and athlete support personnel eligibility to receive public funding and meets on an as needed basis. As at 31 March 2016 the Committee comprised of:

- Nick Bitel (Chair)
- Lis (Amanda) Astall (Member)
- Louise Martin CBE (Member)
- Nicky Roche CBE (Member)
- Sarah Springman (Member)
- John Dowson (Member)

Mission 2016/2018 Panel

The Mission Control Panel reviews sports' assessments of their World Class Programmes with a view to proposing solutions to any issues that exists. As at 31 March 2016 the Panel comprised:

- Simon Timson (Chair)
- Liz Nicholl CBE (Observer)
- Chelsea Warr (Member)
- Sarah Springman (Member)
- James Bell (Member)
- Mark Jarvis (Member from June 2015)
- Raph Brandon (Member)
- Penny Briscoe (Member)
- John Derbyshire (Member)
- Mike Hay (Member)
- Steve Headington (Member)
- Dan Hunt (Member)
- Annie Panter (Member)

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

Reporting of Personal Data Related Incidents

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

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

In accordance with the Data Protection Act 1998, guidance from the Information Commissioner's Office and the Cabinet Office Guidance under the HMG Security Policy Framework (SPF), UK Sport reviewed and updated its information and data security policy and procedure in 2015. The policy requires new staff undertake a compulsory e-learning course when joining UK Sport and also existing members of staff to undertake education and awareness initiatives each year. In addition all staff receive information on data security, this year UK Sport has developed specific information and education awareness on cyber security risks with a dedicated page on its intranet. UK Sport undertakes different campaigns to raise further awareness on information, data and cyber security.

UK Sport suffered no protected personal data incidents in 2015/2016. UK Sport did suffer two incidents which do not fall within the criteria for reporting to the Information Commissioner's Office. The first incident was the accidental email of confidential information (a risk register) to a public sector official outside of UK Sport which was immediately deleted on receipt. The second incident was the accidental loss of a UK Sport mobile phone which was encrypted and a kill command was activated after the loss was reported.

Table 1: Summary of Protected Personal Data Related Incidents Formally Reported to the Information Commissioner's Office in 2015/2016

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

Table 2: Summary of Other Protected Personal Data Related Incidents in 2015/2016

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

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

Complaints Summary

UK Sport has a published complaints procedure on the website. In the 2015/2016 financial year there have been zero complaints about UK Sport staff and 16 complaints in relation to various types of sporting issues. This compares to zero complaints about staff and 13 in relation to sports in the 2014/2015 financial year. Where relevant UK Sport refers complaints directly to the sports organisation involved for resolution. 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 each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with consent of HM Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of UK Sport's state of affairs at the year end and of its income, expenditure and cash flows for the financial year.

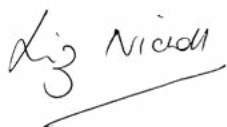
In preparing the accounts UK Sport is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

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

The Accounting Officer for the 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 as set out in "Managing Public Money" published by HM Treasury and in the Financial Directions issued by the Secretary of State for Culture, Olympics, Media and Sport under section 26(3) of the National Lottery etc. Act 1993.

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

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



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

23 June 2016



Governance Statement

1. Purpose

This statement outlines how I, as Accounting Officer, have discharged my responsibility to manage and control the organisation's resources during the course of 2015/2016. As set out in *Managing Public Money*, the Governance Statement provides a clear overview of the dynamics of UK Sport and its control structure, provides a sense of how vulnerable the organisation is or might be; and how successful it has been in coping with the challenges it has faced through the course of the year.

2. Governance Framework

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

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

2.1 Board Structure

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

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

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

- the strategic processes for risk, control and governance (and the Governance Statement)
- the accounting policies, the Annual Report and Accounts
- the planned activity and results of both internal and external audit

- the adequacy of management response to issues identified by audit activity
- the effectiveness of internal and external audit
- assurances relating to the corporate governance requirements for the organisation.

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

- Remuneration Panel – ensuring employment matters in UK Sport are dealt with professionally
- Major Events Panel – providing advice around the development/delivery of UK Sport’s Major Events Programme
- Mission Control Panel – providing oversight of UK Sport’s Mission Control process the primary function of which is to monitor the performance and facilitate the continuous improvement of Summer and Winter World Class Programmes, both Olympic and Paralympic, and the broader high performance system.

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

2.2 Subsidiary Companies

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

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

Rod Carr CBE is currently the UK Sport Board’s representative member on the EIS Board

2.3 Board/Committee Effectiveness

Our Board met six times in 2015/2016 based around business priorities and the annual calendar of Board activity. The Board was quorate for all meetings in the year. Attendance of Board members is tabulated below.

| 2015/2016 | May | June | Sept | Dec | Feb | Mar | |
|---------------------|-----|------|------|-----|-----|-----|-----|
| Rod Carr CBE | Y | Y | Y | Y | Y | Y | 6/6 |
| Louise Martin CBE | Y | N | Y | Y | N | Y | 4/6 |
| Brian Henning | N | Y | N | Y | N | Y | 3/6 |
| Laura McAllister | Y | Y | Y | Y | Y | Y | 6/6 |
| Nick Bitel | Y | Y | N | Y | Y | Y | 5/6 |
| Sarah Springman | Y | N | Y | Y | Y | Y | 5/6 |
| Lis (Amanda) Astall | Y | Y | Y | Y | Y | N | 5/6 |
| Neil Chugani | Y | Y | N | Y | Y | Y | 5/6 |
| John Dowson | Y | N | Y | Y | Y | Y | 5/6 |
| Nicky Roche CBE | Y | Y | Y | Y | Y | Y | 6/6 |

The UK Sport Board undertook a Board Effectiveness Review at their December 2015 meeting. Prior to the meeting Board members reviewed the findings from the last Board Effectiveness review conducted in June 2014 and completed an online questionnaire to review progress since 2014. At the dedicated

session, facilitated by an external consultant, the Board recognised it was particularly effective in the areas of respectful behaviour; focus and attentiveness; and listening. A number of areas to further enhance the Board's effectiveness were identified as a greater focus on meeting behaviours, more effective identification and utilisation of Board members' skills, succession planning and increased working with stakeholders. A follow up action plan has been developed and will be taken forward in 2016/2017.

The Audit Committee undertook an effectiveness review at their March 2016 meeting. The review highlighted several areas of good practice, including the terms of reference, communication with Board and attention to financial management. Areas that were identified for improvement were around the timing of the Committee's review of some elements of work, the requirement to carry out a skills audit of the Committee in the future when terms of office expire for current members and also the opportunity for the Committee to undertake a more in-depth review of the detail behind the risks on the Strategic Risk Register. These actions will be taken forward in 2016/2017.

The attendance profile for the Committee in 2015/2016 was:

| | June 2015 | September 2015 | November 2015 | March 2016 | |
|---------------------|---------------------------|-----------------------|----------------------|-------------------|-----|
| Neil Chugani | Y | N | Y | N | 2/4 |
| Lis (Amanda) Astall | N | Y | N | N | 1/4 |
| Craig Hunter | Y | Y | Y | Y | 4/4 |
| John Dowson | N | Y | Y | Y | 3/4 |
| Anwar Ahmed | Attended as an observer | Y | Y | Y | 3/3 |
| Peter Rowley | Y Peter's last meeting | - | - | - | 1/1 |

2.4 Executive Responsibilities

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

In my role as Accounting Officer I attend both Board and Audit Committee meetings to ensure any significant risks/issues of control are brought to their attention and discussed. I am therefore able to provide the assurances necessary within this statement for the period from April 2015 to the date of approval of the annual report and accounts.

Our Director of Finance, Investment and Business Services was on maternity leave from August 2014 and returned to the business in late July 2015. Interim arrangements were put in place whilst she was away, with an interim Director of Finance, Investment and Business Services being appointed.

David Cole, Chief Operating Officer (COO), left UK Sport in June 2015 and I took this opportunity to not replace the post and to redistribute his responsibilities amongst the existing Director's team. I appointed the existing Director of Major Events and International Relations as Chief Operating Officer and he also assumed responsibility for UK Sport's governance work. The Director of Finance, Investment and Business Services took on responsibility for the legal and corporate planning teams.

For any periods of absence during the year I have delegated my Accounting Officer responsibilities to the COO.

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

3. System of Internal Control

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

In order to provide evidence-based assurances on the management of risks that threaten the achievement of UK Sport's objectives a Risk Assurance Framework has also been developed. 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 and Executive team undertook a Risk Management workshop in November 2015 to review the risk management processes across UK Sport and EIS. Actions were identified as a result of the workshop including the grouping of similar risks on the register to make it easier to review, joining up the risk management processes between UK Sport and EIS and also enabling the Audit Committee to undertake a more in depth review of risks on a rolling basis.

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 our
- policy/procedure framework (incl. scheme of delegated authority).

Following an extensive joint tender with Sport England in February 2015, Mazars LLP were re-appointed as Internal Auditors for the 2015/2016 year. This contract was extended for a further year during 2015/2016 through to 31 March 2017.

3.1 Risk Profile for 2015/2016

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

Where significant risks are recognised and accepted then potential impacts are identified and corresponding scenario plans, with mitigating actions developed. A number of risks have been accepted/managed through 2015/2016. These include the risks caused by the uncertainty relating to the Comprehensive Spending review, staff turnover, the volatility of Lottery income, and the impact of an external conduct incident undermining the credibility of sport more widely.

3.2 Policies and Procedures

Beneath our overarching Policy on Internal Control sits a number of critical policies and procedures, which effectively describe to staff the detail of their responsibilities which includes the below:

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

- 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

Continued focus has been given in 2015/2016 to reviewing and updating a number of these policies to ensure they are current with both statutory/ 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. This has included raising in house awareness through initiatives such as setting up a cyber security page and working closely with other Lottery distributors as part of the Fraud Operational Group.

3.3 Independent Assurance

3.3.1 Internal Audit

Internal Audit for 2015/2016 was provided under contract by Mazars LLP. The Internal Audit Plan for 2015/2016 was considered and approved by the Group Audit Committee at its March 2015 meeting. The plan was for a total of 60 days (2014/2015, 58 days). All planned audits from the Plan were completed during the year.

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

| | |
|---------------------------------------|----------|
| EIS – National Governing Bodies | Adequate |
| EIS Corporate Governance | Adequate |
| Risk Management and Assurance Mapping | Adequate |
| Government Spending Controls | Adequate |
| Procurement | Adequate |

In addition, four 'Follow Up' audits were carried out during the year. Two of these related to follow up audits from 2014/2015; 'EIS: Contract Management of Estates' and 'EIS – Information Security' with the other two 'Follow Up' audits being to confirm progress on implementation of recommendations from previous internal audit reports. The follow up audits found that all recommendations that had been confirmed as "implemented" by management had been done so appropriately.

During the year no 'Priority 1' recommendations were made by the internal auditors.

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

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

Last year UK Sport's audit and assurance programme for funded sports and partners continued to use a blend of onsite audits, offline self-assurance, and a holistic intelligence-based approach in the assessment of compliance against governance standards. We also continued the use of tailored KPIs, bespoke for each organisation based on their governance needs, which all sports and partners were asked to achieve. The scope for onsite audits was also revised to take a more tailored approach to the needs of the sport or partner. This approach allows UK Sport to review particular areas of risk in a funded sport or partner or focus on areas where there is a need to gain further assurance in addition to the standard areas covered by onsite audits. For the year ending March 2015, 80% of KPIs were achieved on time. This year, 94% of KPIs were achieved on time against a target of 90%.

As at 31 March 2016, the overall governance Red/Amber/Green (RAG) ratings were as follows (2015 ratings in brackets):

| Green | Amber | Red |
|---------|---------|-------|
| 19 (15) | 14 (14) | 2 (5) |

UK Sport officers are working closely with those sports and partners that are currently rated red to ensure that the specific issues affecting those organisations are resolved. A red rating does not prohibit us from investing into a sport, but it means that we may choose to put in additional control mechanisms, as well as helping to develop a plan to address the issues that have led to this rating. Should serious or persistent concerns remain then we may choose to revisit our investment approach.

All NGBs regardless of their rating are the subject of continuous close scrutiny in order to drive their improvement and prevent any deterioration of their governance performance. An amber rating by definition indicates that there is a credible action plan in place to address material issues which have driven the rating. We have full sight of these issues and plans and work closely with the NGB to monitor progress.

The audit and assurance programme is delivered through Moore Stephens under a joint contract with Sport England. For 2015/2016 the programme included a revised approach to Major Event audits. During the year, Moore Stephens carried out nine onsite governance audits and four major event audits. The Moore Stephens Governance and Major Events audits highlighted some areas of non-compliance against our governance framework. This ranged from frequency of Board meetings, the need for better Board evaluation processes, improvements to internal controls and Board composition. While no major areas of concern were raised with us that showed there was a risk to our investment, where areas of noncompliance were raised, the NGB were asked to address them within an agreed timescale, which was subsequently monitored by the Governance Manager. Overall however the Moore Stephens review on the audit and assurance programme for the year noted the following improvements in the governance framework of funded sports and partners:

- Continued improvement in the make-up of Boards
- Increased focus on skills and experience as a basis for Board appointments
- Improved processes for Board and Board member evaluations
- Greater focus and understanding of succession planning.

UK Sport Governance Code

UK Sport and Sport England, together with the other Home Nations' Sports Councils, have been tasked by DCMS with agreeing a new UK Sport Governance Code by September 2016. Work on this important document is well under way. To date this work has included a detailed literature review and research and consultation both within and outside the sector. We continue to work closely with Sport England on the development of the new Code.

A review into the loss of the European Judo Championships, due to be held in April 2015 was commissioned by UK Sport with the support of the British Judo Association (BJA). The review was chaired and the report was written by Mark Gay, Partner at Hamblins LLP. The aim of this review was to establish the facts as to why the right to host this event was withdrawn and to understand whether any lessons could be learned. The review has now concluded and the report made available publically. The report clearly shows that the BJA leadership made some serious errors of judgement in the handling of this event and we are disappointed that these contributed to the removal of the championships. All public money invested into the event has now been fully recovered and all recommendations within the review will be seriously considered and acted upon. We are working with the BJA to implement the recommendations and strengthen their governance arrangements.



Remuneration and Staff Report (Audited Information)

Directors' Remuneration

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

1. Salaries

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

2. Performance Related-Pay

Performance related-pay depends on the outcome of annual performance review of objectives and competences, and on still being in post at 31 March 2016. In 2015/2016 the maximum performance related pay available was 10% of basic salary for the CEO and 15% for the other Directors. These payments are not pensionable.

3. Pension Arrangements

Directors are members of the Local Government Pension Scheme (LGPS), a tax approved defined benefit occupational pension scheme set-up under the Superannuation Act 1972. Benefits are based on final salary and duration of membership. Members accrue pension entitlement in the year at a rate of 1/49 of final pensionable salary. Death in service cover is three years' pay plus spouse's/civil partner's pension equal to 1/160 of final pensionable salary, times total membership. At 31 March 2016 all Directors, but not the Chair, were members of LGPS.

Directors' Contracts

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

Other benefits include healthy lifestyle allowance and annual leave entitlement.

Emoluments of the Chair and Directors, including performance related pay and pension benefits, for the year ended 31 March 2016 are provided in the following sections.

Remuneration (salary, benefits in kind and pensions)

| Audited Information | Single total figure of remuneration | | | | | | | | | | | |
|--|-------------------------------------|-----------|----------------|-----------|------------------------|-----------|--|-----------|------------------------------|-----------|---------------|-----------|
| | Directors | Officials | Salary (£'000) | | Bonus payments (£'000) | | Benefits in kind (to nearest £100) (5) | | Pension benefits (£'000) (6) | | Total (£'000) | |
| | | | 2015-2016 | 2014-2015 | 2015-2016 | 2014-2015 | 2015-2016 | 2014-2015 | 2015-2016 | 2014-2015 | 2015-2016 | 2014-2015 |
| R Carr CBE | Chair | 40-45 | 40-45 | 0 | 0 | 6,800 | 8,400 | - | - | 45-50 | 45-50 | |
| L Nicholl CBE | CEO | 135-140 | 130-135 | 10-15 | 10-15 | 0 | 0 | -63 | 28 | 85-90 | 170-175 | |
| D Cole (1) | COO | 20-25 | 100-105 | 0 | 10-15 | 0 | 0 | 10 | 28 | 30-35 | 135-140 | |
| S Morton (2) | COO/ Director | 100-105 | 90-95 | 10-15 | 5-10 | 0 | 0 | 54 | 42 | 165-170 | 140-145 | |
| V Wilson | Director | 80-85 | 80-85 | 5-10 | 5-10 | 0 | 0 | 23 | 25 | 110-115 | 110-115 | |
| S du Sautoy (3) | Director | 60-65 | 65-70 | 5-10 | 0-5 | 0 | 0 | 28 | 22 | 95-100 | 85-90 | |
| S Timson | Director | 125-130 | 120-125 | 10-15 | 10-15 | 21,300 | 13,200 | 28 | 50 | 185-190 | 195-200 | |
| M Duly (4) | Interim Director | 30-35 | 50-55 | 0-0 | 5-10 | 0 | 0 | 9 | 17 | 35-40 | 75-80 | |
| Band of the highest paid director's salary, bonus and benefits in kind | | 160-165 | 145-150 | | | | | | | | | |
| Median total | | 53,080 | 46,173 | | | | | | | | | |
| Remuneration ratio | | 3.06 | 3.19 | | | | | | | | | |

Notes

- 1 – David Cole left UK Sport on 25 May 2015 therefore emoluments do not reflect a full year's salary. The full time equivalent salary band for the 2015/2016 year was £100,000-£105,000.
- 2 – Simon Morton was Director of Major Events and International Relations from 1 April 2015 to 30 June 2015 and was appointed Chief Operating Officer on 1 July 2015.
- 3 – Sophie du Sautoy was Director of Finance, Investment and Business Services from 1 April 2014, and was on maternity leave from 8 August 2014, therefore prior year emoluments do not reflect a full salary however include maternity pay costs. The full time equivalent salary band for 2014/2015 was £75,000 -£80,000. Sophie du Sautoy returned from maternity leave on 29 June 2015 on a full time basis until 1 March 2016 when she reduced hours to a 0.89 FTE. The full time equivalent salary band for the 2015/2016 year was £80,000-£85,000.
- 4 – Mark Duly prior year emoluments do not reflect a full year as he was appointed Interim Director of Finance, Investment and Business Services from 4 August 2014 to 31 March 2015. The full time equivalent salary band for the 2014/2015 year is £75,000 - £80,000. As Mark Duly left UK Sport on 7 August 2015 the current year emoluments do not reflect a full year. The full time equivalent salary band for the 2015/2016 year was £75,000-£80,000.
- 5 – Benefits in kind relate to home to office travel which is a taxable benefit.
- 6 – Pensionable benefits are actuarial calculations based upon employee salary. The 2015/2016 calculation reflects pensionable salary only and therefore offsets prior year calculation which included a small amount of non pensionable benefit. In some instances this adjustment has resulted in a negative impact on the pensionable benefit for the year.

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

All UK Sport staff are entitled to claim for up to £40 each month as a healthy lifestyle allowance. This allowance has been included in the salary where applicable. Staff may sell up to 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 31/3/16 and related lump sum | Real increase in pension and related lump sum at pension age | CETV at 31/03/16 | CETV at 31/03/15 | Real Increase in CETV |
|----------------------------|--|---|-------------------------|-------------------------|------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| L Nicholl CBE | 60-65 plus lump sum of 120-125 | -0-5 plus lump sum of -5-0 | 1,213 | 1,216 | -17 |
| D Cole | 20-25 plus lump sum of 25-30 | 0-5 plus lump sum of 0 | 261 | 249 | 5 |
| S Morton | 15-20 plus lump sum of 10-15 | 0-5 plus lump sum of 0-5 | 159 | 128 | 19 |
| V Wilson | 5-10 plus lump sum of 0 | 0-5 plus lump sum of 0 | 58 | 43 | 7 |
| S Timson | 25-30 plus lump sum of 0 | 0-5 plus lump sum of 0 | 259 | 233 | 12 |
| S du Sautoy | 5-10 plus lump sum of 0 | 0-5 plus lump sum of 0 | 51 | 38 | 6 |
| M Duly | 0-5 plus lump sum of 0 | 0-5 plus lump sum of 0 | 26 | 16 | 6 |

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 (2014/2015, £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 | 2015/2016 (£) | 2014/2015 (£) |
|----------------------|---------------|---------------|
| Laura McAllister | 1,308 | 1,526 |
| Louise Martin CBE | 872 | 1,526 |
| Brian Henning | 654 | 1,090 |
| Lis (Amanda) Astall | 1,853 | 3,052 |
| Sarah Springman | 1,090 | 1,090 |
| Nicholas Bitel (1) | - | - |
| Neil Chugani | 2,180 | 2,180 |
| Nicky Roche CBE | 2,071 | 545 |
| John Dowson | 2,071 | 654 |
| Philip Kimberley (2) | - | 4,687 |
| Jonathan Vickers (3) | - | 1,526 |

Notes

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

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

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

Payments to Past Directors

Reporting bodies are required to disclose any payments made to past Directors in the financial year. Peter Keen has received £3,387 for consultancy work in 2015/2016. Peter Keen resigned from his role as Director of Performance on 1 February 2014.

Fair Pay Disclosure

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in UK Sport in the financial year 2015/2016 was £160,000 – £165,000 (2014/2015, £145,000 - £150,000). This was 3.06 times (2014/2015, 3.19 times) the median remuneration of the workforce, which was £53,080 (2014/2015, £46,173). The increase in median pay reflects the impact of new senior posts in the Performance department and a restructure in the HR department.

In 2015/2016, zero (2014/2015, zero) employees received remuneration in excess of the highest-paid director. Remuneration ranged from the £25,000 - £30,000 band to £160,000 - £165,000 (2014/2015, £20,000 - £25,000 band to £145,000 - £150,000 band).

Compensation for Loss of Office

Zero members of staff left under compulsory redundancy terms in 2015/2016 (three members of staff left under compulsory redundancy terms in 2014/2015). One severance payment was agreed during 2015/2016 (zero in 2014/2015).

Reporting of Civil Service and Other Compensation Schemes – Exit Packages

2015/2016

| Exit package cost band | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
|------------------------|-----------------------------------|-----------------------------------|--|
| £60,000 – £70,000 | 0 | 1 | 1 |

2014/2015

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

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

Staff Report

Staff Costs

| Costs | UK Sport | | Group | |
|--|--------------|--------------|---------------|---------------|
| | 2015/2016 | 2014/2015 | 2015/2016 | 2014/2015 |
| | £'000 | £'000 | £'000 | £'000 |
| Wages and Salaries (including performance related pay) | 5,530 | 5,203 | 17,340 | 16,962 |
| Other Staff Costs | 247 | 157 | 270 | 350 |
| Social Security Costs | 576 | 512 | 1,546 | 1,493 |
| Current Service Costs | 1,296 | 884 | 4,297 | 2,900 |
| Administration Expense Relating to Pension Scheme | 28 | 26 | 63 | 55 |
| Other Pension Contributions | – | – | – | 26 |
| Total Staff Costs | 7,677 | 6,782 | 23,516 | 21,786 |

The table above represents the overall staff cost for both UK Sport and the overall Group, incorporating both Exchequer and Lottery accounts. The split of staff costs between the two accounts is set out in notes 4.1 of the Exchequer accounts and note 6 of the Lottery accounts.

Staff Composition

As at March 2016 UK Sport employed 109 members of staff with a Full Time Equivalent (FTE) of 104. UK Sports average FTE for the year was 106 made up of 102 permanent FTE and 4 temporary FTE. 46% of the workforce is female and 54% male, with 94% of the workforce regarding itself as "White British" or "White Other".

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

| Employees | 2015/2016 | 2014/2015 |
|----------------------------|------------|------------|
| UK Sport (1) | 102 | 103 |
| English Institute of Sport | 342 | 304 |
| TdFHUB2014 Limited | - | 10 |
| Total | 444 | 417 |

| Other Staff (Full Time Equivalent Values) (2) | 2015/2016 | 2014/2015 |
|---|-----------|-----------|
| UK Sport | 4 | 2 |
| English Institute of Sport | 1 | 3 |
| TdFHUB2014 Limited | - | 2 |
| Total | 5 | 7 |

Notes

1 - The total UK Sport staff in the table above incorporates both Exchequer and Lottery funded positions. The split of staff numbers between the 2 accounts is set out in note 4.2 of the Exchequer accounts and note 7 of the Lottery accounts

2 - Other staff numbers include agency and seconded staff numbers.

| Gender | UK Sport Staff |
|--------|----------------|
| Male | 46% |
| Female | 54% |

| Disability | UK Sport Staff |
|------------|----------------|
| Yes | 2% |
| No | 98% |

| Age Bracket | UK Sport Staff |
|-------------|----------------|
| <16 | 0% |
| 16-25 | 3% |
| 26-44 | 74% |
| 45-65 | 23% |

| Ethnicity | UK Sport Staff |
|---------------|----------------|
| Mixed/Other | 6% |
| Asian | 2% |
| Black | 4% |
| White | 88% |
| Not Specified | 0% |
| Not Disclosed | 0% |

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 2015/2016, sickness absence averaged 3.14 days (2014/2015 – 0.51) per person. The increase in the average staff sickness days reflects a renewed focus on reporting and capturing absences. There were no individuals with long term sicknesses. Long term sickness absence is deemed to be any period of absence over four weeks.

Staff Policies Applied During the Financial Year

A review of HR policies was undertaken in conjunction with our solicitors to ensure that they are legally compliant and follow best practice. This review resulted in no major changes and employee contracts are unaffected.

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 we meet our legal duties under the Disability Discrimination Act (1995), the Disability Equality Duty (2006) and more recently the Equality Act (2010).

Expenditure on Consultancy

As at 31 March 2016 expenditure on consultancy at UK Sport was £190,453 in comparison to £72,925 for the previous year. The increase in expenditure on consultancy relates to UK Sport dealing with a variety of legal issues involving events, commercial and corporate governance related matters.

Off Payroll Engagements


As at 31 March 2016 UK Sport had two off-payroll engagements for more than £220 a day and that last for longer than six months. One of these two arrangements has lasted for less than a year whilst the other has lasted between one to two years. As at 31 March 2016 one further off-payroll engagement is in place for more than £220 but is currently less than six months in duration. 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.

Parliamentary Accountability and Audit Report

Regularity of expenditure

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

UK Sport made one special payment in 2015/2016 as disclosed in reporting on civil services exit packages. Full approval was sought and received via DCMS and HM Treasury to determine value for money for the Exchequer as a whole in advance of the special payment being made.



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

23 June 2016



Rod Carr CBE
Chair
The United Kingdom Sports Council

23 June 2016



**The United Kingdom Sports Council
Grant-in-Aid and The United Kingdom Sports
Council Group
Accounts
for the Year Ended
31 March 2016**

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 HOUSE OF COMMONS

I certify that I have audited the Grant-in-aid and Group financial statements of United Kingdom Sports Council for the year ended 31 March 2016. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Group's and of the United Kingdom Sports Council's affairs as at 31 March 2016 and of net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Royal Charter of United Kingdom Sports Council and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff 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; and
- the information given in Performance Report, Accountability Report and Parliamentary 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 Remuneration and Staff 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.

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

29 June 2016

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

Statement of Comprehensive Net Expenditure for the Year Ended 31/03/16

| | Note | UK Sport | | Group | |
|---|---------|------------------|------------------|------------------|------------------|
| | | 2015/16 £'000 | 2014/15 £'000 | 2015/16 £'000 | 2014/15 £'000 |
| INCOME | | | | | |
| Other Operating Income | 3 | 2,998 | 3,401 | 10,982 | 10,865 |
| Total | | 2,998 | 3,401 | 10,982 | 10,865 |
| EXPENDITURE | | | | | |
| Staff Costs | 4.1 | 5,569 | 5,071 | 21,408 | 20,075 |
| Grants and Other Operating Costs | 5 | 36,107 | 48,237 | 29,787 | 41,543 |
| Total | | 41,676 | 53,308 | 51,195 | 61,618 |
| NET EXPENDITURE BEFORE TAXATION AND INTEREST | | (38,678) | (49,907) | (40,213) | (50,753) |
| Net Interest on the Pension Liability | 16.3/18 | (401) | (325) | (871) | (518) |
| Interest Receivable | 7 | 1 | 1 | 4 | 4 |
| Taxation | 8 | - | - | 1 | 1 |
| Interest Payable | | - | - | (4) | (4) |
| NET EXPENDITURE FOR THE PERIOD | | (39,078) | (50,231) | (41,083) | (51,270) |
| Other Comprehensive Expenditure | | | | | |
| Pension Scheme Re-measurements | 16.4/18 | 1,843 | (3,997) | 4,497 | (12,322) |
| TOTAL COMPREHENSIVE EXPENDITURE FOR THE FINANCIAL YEAR | | (37,235) | (54,228) | (36,586) | (63,592) |

All activities relate to continuing activities.

The notes on pages 34 to 56 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 £38.583m.

Statement of Changes in Taxpayers' Equity for the Year Ended 31/03/16

| | Note | UK Sport | | | | Group | | | |
|-----------------------------------|---------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | 2015/16 | | 2014/15 | | 2015/16 | | 2014/15 | |
| | | Revenue Reserve £'000 | Pension Reserve £'000 | Revenue Reserve £'000 | Pension Reserve £'000 | Revenue Reserve £'000 | Pension Reserve £'000 | Revenue Reserve £'000 | Pension Reserve £'000 |
| Balance Brought Forward | | 2,460 | (11,801) | 2,785 | (7,361) | 4,991 | (25,898) | 5,434 | (12,188) |
| Retained Deficit for Year | | (39,078) | - | (50,231) | - | (41,083) | - | (51,270) | - |
| Transfer from the Pension Reserve | | 819 | (819) | 454 | (454) | 2,932 | (2,932) | 1,375 | (1,375) |
| Grant-in-Aid Income Received | 2 | 38,583 | - | 49,452 | - | 38,583 | - | 49,452 | - |
| Pension Scheme Re-measurements | 16.4/18 | - | 1,843 | - | (3,997) | - | 4,497 | - | (12,322) |
| Other Movements | | - | 32 | - | 11 | - | 22 | - | (13) |
| Balance at 31 March | | 2,784 | (10,745) | 2,460 | (11,801) | 5,423 | (24,311) | 4,991 | (25,898) |

The notes on pages 34 to 56 form part of these accounts.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993; and
- the information given in Performance Report, Accountability Report and Parliamentary 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 Remuneration and Staff 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.

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

29 June 2016

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

Statement of Comprehensive Net Expenditure for the Year Ended 31/03/16

| | Note | 2015/16 £'000 | 2014/15 £'000 |
|---|------|------------------|------------------|
| INCOME | | | |
| National Lottery Share of Proceeds | 2 | 87,705 | 82,223 |
| Investment Returns from NLDF | 2 | 358 | 360 |
| OLDF Proceeds | 2 | – | 6,779 |
| Other Operating Income | | – | 8 |
| Interest Receivable | | 4 | 3 |
| Total | | 88,067 | 89,373 |
| EXPENDITURE | | | |
| Accrued Grant Commitments | 3 | 2,765 | 5,701 |
| Accrued Grant De-commitments | 3 | (979) | (321) |
| Other Grant Payments | 5 | 90,161 | 78,749 |
| Staff Costs | 6 | 2,108 | 1,711 |
| Amortisation | 9 | 20 | 27 |
| Other Operating Costs | | 456 | 483 |
| Costs Apportioned from UK Sport Grant-in-Aid Account | | 2,111 | 2,459 |
| Total | | 96,642 | 88,809 |
| (DECREASE)/INCREASE IN LOTTERY FUNDS BEFORE TAXATION | | (8,575) | 564 |
| Net Interest on the Pension Liability | 12.3 | (114) | (92) |
| (DECREASE)/INCREASE IN LOTTERY FUNDS | | (8,689) | 472 |
| Other Comprehensive Expenditure | | | |
| Pension Scheme Re-measurements | 12.4 | 524 | (1,128) |
| Total Comprehensive Net Expenditure | | (8,165) | (656) |

All activities are to continuing activities.

The notes on pages 64 to 75 form part of these accounts.

Statement of Changes in Equity for the Year Ended 31/03/16

| | Note | 2015/16 | | 2014/15 | |
|---|------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | Revenue Reserve £'000 | Revenue Reserve £'000 | Revenue Reserve £'000 | Pension Reserve £'000 |
| | | | | RESTATED | |
| Balance Brought Forward | | 57,486 | (3,326) | 56,881 | (2,077) |
| Retained (Deficit)/Surplus for the Year | | (8,689) | - | 472 | - |
| Pension Scheme Re-measurements | 12.4 | - | 524 | - | (1,128) |
| Transfer from the Pension Fund | | 248 | (248) | 133 | (133) |
| Other Movements | | - | (1) | - | 12 |
| Balance at 31 March | | 49,045 | (3,051) | 57,486 | (3,326) |

The notes on pages 64 to 75 form part of these accounts.

Statement of Financial Position as at 31/03/16

| | Note | 31/03/16 £'000 | 31/03/15 £'000 |
|---|------|-------------------|-------------------|
| NON CURRENT ASSETS | | | |
| Intangible Assets | 9 | 39 | 45 |
| Total Non Current Assets | | 39 | 45 |
| CURRENT ASSETS | | | |
| Investments – Balance at NLDF | 2 | 57,479 | 69,165 |
| Trade and Other Receivables | 10 | 45 | 39 |
| Cash and Cash Equivalents | 14 | 635 | 524 |
| Total Current Assets | | 58,159 | 69,728 |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 11 | (444) | (518) |
| Grant Commitments Falling Due Within One Year | 3 | (6,264) | (6,519) |
| Total Current Liabilities | | (6,708) | (7,037) |
| Net Current Assets | | 51,451 | 62,691 |
| Non Current Assets plus Net Current Assets | | 51,490 | 62,736 |
| NON CURRENT LIABILITIES | | | |
| Grant Commitments Falling Due After One Year | 3 | (2,445) | (5,250) |
| Pension Liability | 12.2 | (3,051) | (3,326) |
| Total Non Current Liabilities | | (5,496) | (8,576) |
| Total Assets less Liabilities | | 45,994 | 54,160 |
| EQUITY | | | |
| Pension Reserve | 12.2 | (3,051) | (3,326) |
| Revenue Reserve | | 49,045 | 57,486 |
| Total Equity | | 45,994 | 54,160 |

The notes on pages 64 to 75 form part of these accounts.



Liz Nicholl CBE
Chief Executive and Accounting Officer
The United Kingdom Sports Council
23 June 2016



Rod Carr CBE
Chair
The United Kingdom Sports Council
23 June 2016

Statement of Cash Flows for the Year Ended 31/03/16

| | Note | 2015/16 £'000 | 2014/15 £'000 |
|---|------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net Cash Generated from Operations | 13 | 107 | (104) |
| Interest Received | | 4 | 3 |
| Net Cash Flow from Operating Activities | | 111 | (101) |
| Net Increase/(Decrease) in Cash and Cash Equivalents in the Year | | 111 | (101) |
| Cash and Cash Equivalents at 1 April | | 524 | 625 |
| Cash and Cash Equivalents at 31 March | 14 | 635 | 524 |

The notes on pages 64 to 75 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 2015/16 Government Financial Reporting Manual (FReM) and in a form directed by the Secretary of State with consent of Treasury in accordance with section 35(3) of the National Lottery etc. Act 1993.

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

Without limiting the information given, the accounts meet the requirements of the Companies Act 2006, the International Accounting Standards issued or adopted by the International Accounting Standards Board (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 31/03/16, in compliance with section 35 of the National Lottery etc. Act 1993.

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

There are no standards and interpretations in issue but not yet adopted that the directors anticipate 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.

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 and where they do not meet the criteria are disclosed as other grant commitments in note 4.

Note 3 provides more detail relating to those grant commitments which have been recognised as liabilities at the Statement of Financial Position date.

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 on intangible assets is charged over their useful economic life on the following basis:

Computer Software 3-5 years

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 in the Statement of Comprehensive Net Expenditure and the net interest on the pension liability is shown in the Statement of Comprehensive Net Expenditure. The change in the value of the assets and liabilities arising from asset valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members, is recognised in the Statement of Changes in Equity. The resulting pension liability or asset is shown on the Statement of Financial Position.

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

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

1.6 Charges to and from UK Sport

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

1.7 Value Added Tax

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

1.8 Investments

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

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

1.9 Cash and Cash Equivalents

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

2. National Lottery Distribution Fund

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

| | 2015/16 | 2014/15 |
|-----------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Balance Brought Forward | 69,165 | 68,312 |
| Share of Net Operator Proceeds | 87,705 | 82,223 |
| Investment Returns from NLDF | 358 | 360 |
| Proceeds Received from OLDF | - | 6,779 |
| Available for Distribution | 157,228 | 157,674 |
| Funds Drawn Down | (99,749) | (88,509) |
| Balance Carried Forward | 57,479 | 69,165 |

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

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

The market value carried forward at 31/03/16 is £57.479m (31/03/15, £69.165m).

The NLDF balance decreased during the year 2015/16 to stand at £57.479m at 31/03/16, representing 57% of outstanding commitments made at that point.

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

3. Accrued Grant Commitments

| | 2015/16 | 2014/15 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Accrued Commitments Brought Forward | 11,769 | 12,198 |
| Commitments Made in the Year | 2,765 | 5,701 |
| De-commitments Made in the Year | (979) | (321) |
| Total Accrued Grant Commitments | 13,555 | 17,578 |
| Accrued Grant Commitments Met in the Year | (4,846) | (5,809) |
| Accrued Grant Commitments Carried Forward | 8,709 | 11,769 |

Accrued Grant Commitments by Year

| | 2015/16 | 2014/15 |
|------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Amounts Falling Due During 2015/16 | - | 6,519 |
| Amounts Falling Due During 2016/17 | 6,264 | 691 |
| Amounts Falling Due During 2017/18 | 1,913 | 4,256 |
| Amounts Falling Due During 2018/19 | 532 | 303 |
| Total | 8,709 | 11,769 |

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 31/03/15 and actual amounts paid in 2015/16.

4. Other Grant Commitments

| | 2015/16 | 2014/15 |
|------------------------------------|----------------------|-----------------------|
| | £'000 | £'000 |
| Amounts Falling Due During 2015/16 | - | 85,773 |
| Amounts Falling Due During 2016/17 | 83,759 | 72,524 |
| Amounts Falling Due During 2017/18 | 5,376 | 6,602 |
| Amounts Falling Due During 2018/19 | 2,646 | 3,250 |
| | <u>91,781</u> | <u>168,149</u> |

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

5. Lottery Grant Payments

| | 2015/16 | 2014/15 |
|--|----------------------|----------------------|
| | £'000 | £'000 |
| Accrued Grant Payments | | |
| Major Events | 4,446 | 5,362 |
| International Relations | 400 | 447 |
| | <u>4,846</u> | <u>5,809</u> |
| Other Grant Payments | | |
| Athletes | 16,266 | 15,600 |
| National Governing Bodies and Partners | 73,895 | 63,149 |
| | <u>90,161</u> | <u>78,749</u> |
| Total Grant Payments | <u>95,007</u> | <u>84,558</u> |

6. Staff Costs

| | 2015/16 | 2014/15 |
|---|---------------------|---------------------|
| | £'000 | £'000 |
| Wages and Salaries | 1,632 | 1,379 |
| Social Security Costs | 164 | 138 |
| Current Service Costs | 305 | 188 |
| Administration Expense Relating to Pension Scheme | 7 | 6 |
| Total Employee Costs | <u>2,108</u> | <u>1,711</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:

| | 2015/16 | 2014/15 |
|------------------------------|----------------|----------------|
| UK Sport | 29 | 27 |
| Average Staff Numbers | 29 | 27 |

8. Lottery Funds

| | 2015/16 | 2014/15 |
|--|----------------|----------------|
| | £'000 | £'000 |
| The Lottery Fund is stated after charging for: External Auditors' Remuneration for Audit Work | 28 | 28 |

9. Intangible Assets

All intangible fixed assets are computer software.

| | £'000 |
|-----------------------|--------------|
| Cost | |
| At 01/04/15 | 630 |
| Additions | 14 |
| At 31/03/16 | 644 |
| Amortisation | |
| At 01/04/15 | 585 |
| Charge for Year | 20 |
| At 31/03/16 | 605 |
| Net Book Value | |
| At 31/03/15 | 45 |
| At 31/03/16 | 39 |

10. Trade Receivables

| | 2015/16 | 2014/15 |
|-------------------|----------------|----------------|
| | £'000 | £'000 |
| Trade Receivables | 1 | 18 |
| Prepayments | 11 | 21 |
| Other Receivables | 33 | - |
| Total | 45 | 39 |

All amounts fall due within one year.

11. Trade Payables

| | 2015/16 | 2014/15 |
|------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Trade Payables | 90 | 78 |
| Accruals and Deferred Income | 354 | 440 |
| Total | 444 | 518 |

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 £0.178m or 12% of pensionable pay (2014/15, £0.157m 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 31/03/2013. A valuation as at 31/03/16 is due, with results expected to be reported in late 2016. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

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

12.1 Pension Commitments

| Financial Assumptions | 2015/16 | 2014/15 |
|--|----------------|----------------|
| | % | % |
| Price Increases | 3.4 | 3.4 |
| Salary Increases | 4.3 | 4.4 |
| Pension Increases | 2.5 | 2.6 |
| Discount Rate | 3.8 | 3.5 |
| Average Future Life Expectancies at Age 65: | Males | Females |
| | (years) | (years) |
| Current Pensioners | 23.1 | 25.4 |
| Future Pensioners | 25.5 | 27.7 |

12.2 Fair Value of Employer's Assets

| | Fund Value at 31/03/16 £'000 | Fund Value at 31/03/15 £'000 |
|-------------------------------------|---|---|
| Equities | 1,983 | 1,809 |
| LDI/Cashflow Matching | 433 | 313 |
| Target Return Portfolio | 909 | 1,205 |
| Infrastructure | 234 | 207 |
| Commodities | 19 | 39 |
| Property | 153 | 118 |
| Cash | 540 | 480 |
| Total Fair Value of Assets | 4,271 | 4,171 |
| Present Value of Scheme Liabilities | (7,322) | (7,497) |
| Net Pension Liability | (3,051) | (3,326) |

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

| | 31/03/16 % | 31/03/15 % |
|-------------------------|-----------------------|-----------------------|
| Equities | 46 | 43 |
| LDI/Cashflow Matching | 10 | 8 |
| Target Return Portfolio | 21 | 29 |
| Infrastructure | 5 | 5 |
| Commodities | 0 | 1 |
| Property | 4 | 3 |
| Cash | 13 | 11 |

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

| | 2015/16 £'000 | 2014/15 £'000 |
|---------------------------------------|--------------------------|--------------------------|
| Service Cost | 305 | 188 |
| Net Interest on the Defined Liability | 114 | 92 |
| Administration Expenses | 7 | 6 |
| Total | 426 | 286 |

12.4 Re-measurements in Other Comprehensive Income

| | 2015/16 £'000 | 2014/15 £'000 |
|--|--------------------------|--------------------------|
| Return on plan assets in excess of interest | (181) | 82 |
| Change in financial assumptions | 691 | (1,208) |
| Experience gain/(loss) on defined benefit obligation | 14 | (2) |
| Re-measurements | 524 | (1,128) |

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

| | 2015/16 | 2014/15 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Opening defined benefit obligation | 7,497 | 5,900 |
| Current service cost | 305 | 188 |
| Interest cost | 262 | 269 |
| Change in financial assumptions | (691) | 1,208 |
| Experience (gain)/loss on defined benefit obligation | (14) | 2 |
| Estimated benefits paid net of transfer in | (131) | (147) |
| Contributions by scheme participants | 102 | 85 |
| Unfunded pension payments | (8) | (8) |
| Closing defined benefit obligation | 7,322 | 7,497 |

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

| | 2015/16 | 2014/15 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Opening fair value of employer's assets | 4,171 | 3,823 |
| Interest on assets | 137 | 178 |
| Return on assets less interest | (184) | 82 |
| Administration expenses | (7) | (6) |
| Contributions by employer including unfunded | 189 | 162 |
| Contributions by scheme participants | 102 | 85 |
| Estimated benefits paid net of transfers in including unfunded | (137) | (153) |
| Closing fair value of employer's assets | 4,271 | 4,171 |

12.7 History of Experience Gains and Losses

| | 2015/16 | 2014/15 | 2013/14 | 2012/13 | 2011/12 |
|---|----------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fair Value of Employer Assets | 4,271 | 4,171 | 3,823 | 3,624 | 3,027 |
| Present Value of Defined Benefit Obligation | (7,322) | (7,497) | (5,900) | (5,375) | (5,031) |
| Deficit | (3,051) | (3,326) | (2,077) | (1,751) | (2,004) |
| Experience Losses on Assets | - | - | - | - | (167) |
| Experience Gains/(Losses) on Liabilities | 14 | (2) | 485 | (11) | 4 |

1. In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31/03/16, 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.

2. It is not possible to assess the accuracy of the estimated liability as at 31/03/16 without completing a full valuation. However Barnett Waddingham are satisfied that the approach of rolling forward the previous valuation to 31/03/16 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions and the structure of the liabilities is substantially the same as the latest formal valuation. A valuation as at 31/03/16 is due, with results expected to be available in late 2016.

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

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

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 | 7,161 | 7,322 | 7,488 |
| Adjustment to long term salary increase | +0.10% | 0% | -0.10% |
| Present value of total obligation | 7,339 | 7,322 | 7,306 |
| Adjustment to pension increases and deferred revaluation | +0.10% | 0% | -0.10% |
| Present value of total obligation | 7,473 | 7,322 | 7,175 |
| Adjustment to mortality age rising assumption | +1 Year | None | -1 Year |
| Present value of total obligation | 7,529 | 7,322 | 7,122 |

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

| | 2015/16 £'000 | 2014/15 £'000 |
|--|------------------|------------------|
| (Decrease)/Increase in Lottery Funds Before Taxation | (8,575) | 564 |
| (Increase)/Decrease in Receivables | (6) | 139 |
| Decrease in Payables | (3,134) | (6) |
| Amortisation of Intangible Assets | 20 | 27 |
| Interest Receivable | (4) | (3) |
| Decrease/(Increase) in NLDF | 11,685 | (852) |
| Pension Scheme: Non Cash Movement | 135 | 40 |
| Purchase of Fixed Assets | (14) | (13) |
| Net Cash Inflow/(Outflow) from Operating Activities | 107 | (104) |

14. Change in Cash and Cash Equivalents

| | 2015/16 £'000 | 2014/15 £'000 |
|---|------------------|------------------|
| Opening Cash Balance | 524 | 625 |
| Net Cash Inflow/(Outflow) | 111 | (101) |
| Cash and Bank Balances at Year End | 635 | 524 |

15. Financial Instruments

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

Liquidity Risks

In the year £88.061m or 99.90% (2014/15, £89.362m or 99.99%) 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 Award 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, which invests in a narrow band of low risk assets such as government bonds and cash. UK Sport has no control over the investment of Funds in the National Lottery Distribution Fund.

At the balance sheet date the market value of UK Sport's share of investment in the National Lottery Distribution Fund was £57.479m (2014/15, £69.165m). In the year the average return on these investments was 0.57% (2014/15, 0.52%). 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 £0.635m (2014/15, £0.524m). The Fund is not exposed to significant interest rate risks.

Foreign Currency Risk

The Fund is not exposed to material foreign exchange risks.

16. Contingent Liabilities

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

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

17. Capital Commitments

As at 31/03/16, the Lottery Fund had made no commitments to purchase further capital equipment (31/03/15, £nil).

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