







The United Kingdom Sports Council

Grant-in-Aid and Lottery Distribution Fund
Report and Accounts for the Year Ended 31 March 2013

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Foreword



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

2012 was a landmark year for UK Sport with British Olympic and Paralympic sports achieving outstanding success at the London 2012 Olympic and Paralympic Games. Targeted investment helped the British Olympic team achieve its most successful Games for 100 years, winning 65 medals to finish third in the overall table against a target of at least 48 medals and top four in the medal table. The GB Paralympic team rose to the challenge in a similar fashion, securing 120 medals to also finish third in the medal table at the Paralympic Games against a target of at least 103 medals and second in the medal table.

At a Games that was widely acclaimed as the best ever, the UK's high performance system was praised around the world and UK Sport was acknowledged for its role in driving the development of the system from the time when National Lottery funding became available for elite sport in the late 1990s. In 2012 Team GB and Paralympics GB athletes provided countless moments of inspiration that will live with the nation for years to come.

UK Sport's key role in the success story was recognised by Government when it made an exceptional commitment to fund elite sport beyond the lifetime of the current parliament through to 2017. This has allowed the Rio 2016 investment cycle to target a record £355million of National Lottery and Exchequer income to 44 sports for 2016 with the bold aim of becoming the first host nation to win more medals in the next summer Olympic and Paralympic Games while building a stronger more sustainable high performance system. The investment represents an impressive 13 per cent increase overall with the most significant rise for Paralympic sports.

Preparations for the Rio Investment Cycle (2013-2017) have included significant developments in governance with recommendations for funded sports to have at least 25% of independent members on more effective and better balanced Boards by 2017.

Post the 2012 Games UK Sport also launched its Gold Event Series to build a strong major events legacy from London 2012 with the United Kingdom positioned as a world class host of major sporting events. The Gold Event Series will target 70 World and European Championships over the next 6 years. International Relations and International Development programmes also continued to deliver with the latter using sport to positively impact on the lives of millions of children around the world.

Government also announced that plans for a full merger between UK Sport and Sport England would no longer go ahead. Instead the agencies have been asked to drive efficiencies through co-location in 2014 and back-office synergies while working more closely in a number of strategic areas including talent identification.

As we move into the next financial year, the National Lottery will continue to play a vital role supporting the high performance sporting landscape, alongside exchequer funding.

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

A handwritten signature in black ink that reads "Chris Holmes". The signature is written in a cursive, slightly slanted style.

Chris Holmes MBE

Chair of Audit Committee, UK Sport

UK Sport – at a glance

Legislative Background

UK Sport (the United Kingdom Sports Council) was established by Royal Charter on 19 September 1996 and became fully operational on 1 January 1997.

Funding

UK Sport is responsible for managing and distributing public investment. It is a statutory distributor of funds raised by the National Lottery.

In 2012/13, UK Sport received £65.966m of Exchequer funds which were invested through sports bodies to support performance outcomes and international strategies including UK representatives on international sports federations and developing mutually beneficial relationships globally as well as covering staffing and running costs. National Lottery receipts for the same period were £88.743m, representing 4.56% of the National Lottery proceeds to good causes. These funds provided the primary resource to support the development of the World Class Performance system, programmes and athletes and the Gold Event Series.

Operating Environment

Operating Environment

During 2012/13 UK Sport received funding from three main sources, the Exchequer, the National Lottery and Team 2012. Following on from the success of Team GB and Paralympics GB in the London 2012 Olympics and Paralympics, the Government has made a commitment of around £125 million a year of Exchequer and Lottery funding for the forthcoming cycle.

The National Lottery has also continued to provide a vital role in support of the high performance sporting landscape. Income exceeded projections at the latter end of the London cycle and this enabled UK Sport to increase its Lottery balance in the short term to increase the investment available for the Rio cycle. UK Sport distributes 4.56% of the total funding allocated to the Lottery good causes.

In December 2012 UK Sport announced its investment and the ambition for Britain's summer Olympic and Paralympic teams to be at least as competitive in Rio 2016 as at London, 2012 and with a stronger, more sustainable high performance system. The goal is to become the first nation in recent history to be more successful in both the Olympics and Paralympics in terms of medals won. A record investment of in excess of £355 million has been announced to support Britain's summer Olympic and Paralympic athletes' preparations for Rio 2016 and beyond, thanks to support from the Government and the National Lottery.

Income for the year has also been supplemented with the final receipts from Team 2012, a partnership between UK Sport, British Olympic Association (BOA), British Paralympic Association (BPA) and LOCOG. Team 2012 secured almost £18 million over the 4 years that it has been in operation. In addition to the £6.5 million of new awards to sports made available in December 2009, £0.75 million was awarded to sports in April 2012 through the World Class Programme, specifically for athlete preparation costs in the lead up to the Games. Team 2012 is now in the process of being wound down.

Operating Environment

In January 2013 UK Sport received confirmation that the Government was content with the proposal not to proceed with the formal merger of UK Sport and Sport England. UK Sport and Sport England will instead work together to deliver the economic benefits intended from a merger, particularly bringing the two organisations under one roof in 2014, and sharing more back office services. Strategic benefits will continue to be delivered through the work on enhancing UK wide connectivity.

Mission 2016

Mission Control was established six years ago as the central mechanism by which UK Sport, as a strategic investor, formally engages with sports to ensure its investments are optimally targeted, and investees optimally supported to deliver summer and winter Olympic and Paralympic success at London 2012, Sochi 2014, Rio 2016, PyeongChang 2018 and beyond.

Mission Control was widely recognised as an excellent tracking tool that generated open dialogue and sharing of best practice throughout the London Olympiad. Mission 2012 subsequently won the Inspiration for Government award from the Institute for Government in January 2013. UK Sport now plans to build on this success when launching Mission 2016 in the autumn of 2013 and then Mission 2018 for winter sports a year later.

The Mission 2016 and 2018 tools will be based on a thorough review of the structure and function of Mission Control, the expert advisory Panel and the Element Leadership that was introduced to support every element of the performance system. This review is being undertaken in collaboration with a representative engagement group including National Governing Body (NGB) Board members, CEOs, Performance Directors (PDs), Head Coaches, Home Country Institute Directors, the British Olympic Association (BOA) and the British Paralympic Association (BPA). Our aim is to establish a more evidence based and rigorous tool that is more effective and less onerous for sports to engage with. This will be achieved through representatives from the World Class Programmes (WCP), alongside UK Sport's performance experts, actively developing Mission 2016 as a tool to drive continuous improvement.

Self-assessment facilitated by independent, expert review of how athletes, system and climate are performing will remain at the heart of the new Mission 2016 and 2018 tools. This should ensure we continue, collaboratively and transparently, to bring additional expertise to bear and deliver creative solutions to problems. This is all focused on increasing the probability of Great Britain winning more medals in Rio.

Road to Rio

Our attention for much of the 2012/13 Financial Year has been on where next after London. We have long recognised the importance of investing into an 8-year journey with our sports, the success of which was exemplified by the outstanding performances of both our Olympic and Paralympic teams at London last summer. The next stage on that journey for our summer sports is of course Rio 2016. Prior to the Games all sports put significant time and effort into drafting their Business Cases for investment from us for the Rio quadrennial. In so doing we took a fundamentally different approach to previous years, identifying that these cases should be built up from the performance profiles of named athletes with the potential to medal in either 2016 or 2020, alongside which we considered any sports specific nuances to ensure the provision of the world-class environment necessary for each sport to maximise their chances of success.

Following the Games, the Business Cases were updated and/or refined in light of their individual performances and the sports were then given the opportunity to present their arguments to an expert Panel – constituted to assess the relative merits of each case and make recommendations internally as to potential likelihood for success. Final recommendations were made by our Internal Investment Board to the full UK Sport Board in December 2012 as to funding priorities for the following four years.

In parallel to this work, significant focus was placed on developing the overall Financial Plan for the period 2013-17 to ascertain the envelope of funding that would be available to the World Class Programme. This plan needed to take account of a number of different income scenarios/sensitivities around exchequer and lottery income as well as the relative priorities for funding across all areas of UK Sport's activity. The announcement on the last day of the Games by the Prime Minister providing the exceptional advance assurance of exchequer funding for the first two years of the next CSR period (the final two years of the Rio quad) enabled planning and awards to be made with considerably more certainty which was vital to ensuring our Board's ability to commit to a target of being the first host nation to improve both its Olympic and Paralympic performance in the following Games.

Following a round of informal representations from those sports not satisfied with the initial decisions, the World Class Programme was finalised (subject to Annual Review) with £355million going directly to summer sports over the next four years.

More broadly we also considered our investment into key landscape partners such as the Home Country Sports Institutes and sports coach UK, as well as investment into those programmes managed centrally by UK Sport, such as Coaching, Research and Innovation and Athlete Development. UK Sport continues to explore opportunities to further develop a stronger, more sustainable system. Just some of the key focus areas for the Rio cycle will be:

- the establishment of a Performance Intelligence function within UK Sport to help us target both investment and activity to have maximum impact;
- a new way of working with our subsidiary the English Institute of Sport to support world class technical service provision; the launch of a Master coach programme to develop the very best, world-leading coaches within the UK;
- the need to create systemic growth of the Paralympic environment; and
- a demonstrable step-up in the standards of leadership and governance we expect from the sports we fund to drive sustainable success.

Whilst the summer programme has been our main effort for the period of this report it should also be noted that planning is underway with the winter sports for the next step of their journey following Sochi 2014 and towards PyeongChang 2018. We are also more aware than ever before, due to the continuing pressures on central government funding, of the need to look significantly further forward in our financial planning and to develop strategies beyond both Rio and PyeongChang.

Gold Event Series

UK Sport's programme of major events took a back seat in 2012/13, as London took centre stage to host an incredible Olympic and Paralympic Games.

Our six-year 'lead-in' programme was designed to help prepare the UK's athletes and to build event delivery expertise, and this work certainly played its part in contributing towards British success on and off the field of play last summer. We supported NGBs to host 118 major events throughout this period, trebling the number of events supported in the previous six years, and providing almost all Olympic and Paralympic NGBs with the opportunity to stage a world-level event on home soil.

Following the Games, UK Sport formally launched the Gold Event Series – our new major events programme for the period 2013-2019. We first started talking to NGBs about target events in 2010, and over the last three years we've worked with partners in an intense period of bidding that has resulted in the UK securing an impressive stable of events for the future, including World and European Championships in sports such as Gymnastics, Eventing, Canoe Slalom, Athletics, and Triathlon. Our strategy underpinning the Gold Event Series is to host fewer but bigger events: events that exploit the UK's incredible new event-hosting assets to establish the UK as a leading host nation.

Structure

The Gold Event Series has also seen the launch of a range of new technical support programmes to help ensure that events in the UK are hosted to a world-leading standard. We've worked closely with DCMS to identify 14 specific areas of support where we can help our event-hosting partners – seven of these will support the bidding process, including assistance towards feasibility studies, business planning, political endorsement, and technical bidding advice. The other seven areas will support sports with the delivery of major events including staging advice, equipment support, event research and knowledge transfer.

It is important to recognise the contribution of all the sporting and regional partners that come together to ensure that the UK continues to be a strong host nation. Whilst the regional funding landscape for major events has remained challenging throughout 2012/13, the UK continues to perform strongly due to the on-going commitment across our nations and regions to hosting major events, and their recognition of the social, economic and sporting benefits that they deliver.

Structure

CEO: Liz Nicholl OBE

Liz Nicholl OBE took up the post of Chief Executive at UK Sport on 23 September 2010 and leads the Directors' team that oversees approximately 103 staff across six work areas.

Chief Operating Officer:

David Cole

Director of Performance:

Peter Keen OBE (until 1 May 2012)
Simon Timson (from 14 January 2013)

Director of Finance and Investment:

Chris Walker (until 13 July 2012)
Sophie du Sautoy (Acting Director of Finance and Investment from 16 July 2012 to 5 April 2013)
Ros Francis (from 8 April 2013)

International Development Director and
International Inspiration Programme Director:

Debbie Lye

Director of Major Events and International Relations:

Simon Morton

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. Baroness Sue Campbell CBE was initially appointed as Reform Chair of UK Sport in September 2003 for an 18-month term. She was confirmed as UK Sport's Chair for an additional four-year term in March 2005 and reappointed as Chair for a further four-year term in March 2009.

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. Representatives (usually the Chair) of the Home Country Sports Councils automatically sit on UK Sport's Board. The minutes of UK Sport's Board meetings are made available on the UK Sport website.



Board members during 2012/13 were as follows, detailed information including date and duration of appointment is available on the UK Sport website at www.uk sport.gov.uk

Name	Position	Start Date	Term duration
Baroness Sue Campbell CBE	Chair	March 2005	4 years – reappointed to 19 March 2013 Reappointed for a short further term from 20 March 2013 to 19 April 2013
Rod Carr CBE	Chair	22 April 2013	21 April 2017
Rod Carr CBE	Member	September 2005	3 years – reappointed to 31 March 2008 Reappointed to 31 March 2013 Reappointed for a further term from 1 April 2013 to 31 July 2017. Stood down to take on role as Chair
Chris Holmes MBE	Member	September 2005	3 years – reappointed to 31 March 2008 Reappointed to March 2013 Reappointed for a short term from 01 April 2013 to 31 July 2013
Philip Kimberley	Member	March 2009	3 years to March 2012 Reappointed from 16 March 2012 to 15 March 2015
Louise Martin CBE	Member (Chair Sport Scotland)	November 2002	3 years – reappointed March 2005 Extended to March 2008 Extended to March 2011 Extended to March 2014
Jonathan Vickers	Member	October 2008	3 years to October 2011 Extended to October 2014
Mark Hanson	Member	July 2011	3 years – reappointed 1 April 2013 until 31 March 2016
Dominic Walsh	Member (Chair Sport Council Northern Ireland)	February 2008	Reappointed from 03 March 2012. Term of office ended 10 September 2012
Brian Henning	Member (Chair Sports Council Northern Ireland)	December 2012	Appointed 01 December 2012 to 30 November 2016
Richard Lewis	Member (Chair Sport England)	May 2009	3 years to May 2012
Nick Bitel	Member (Chair Sport England)	April 2013	22 April 2013 to 21 April 2017
Professor Laura McAllister	Member (Chair Sport Council Wales)	March 2010	3 years to March 2013 Reappointed from 01 February 2013 to 31 January 2016

Structure

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 2013 the Panel comprised:

- Baroness Sue Campbell CBE (Chair)
- Louise Martin CBE (Member)
- Rod Carr CBE (Member)

Audit Committee

The Audit Committee considers external and internal audit reports, oversees risk management processes and reviews the statutory accounts and other financial matters. As at 31 March 2013 the Committee comprised:

- Chris Holmes MBE (Chair)
- Jonathan Vickers (Member)
- Malcolm Cornberg (Independent Member)
- Peter Rowley (Independent Member)
- Joe Ryan (Independent Member)
- Philip Kimberley (Member)

Major Events Panel

The Panel makes recommendations to Board on Lottery (World Class Events Programme) awards and related policy matters. As at 31 March 2013 the Panel comprised:

- Mark Hanson (Chair)
- Paul Bush OBE
- David Collier
- Rob Holt
- Louise Martin CBE
- Nigel Walker
- Jonathan Vickers
- Karen Webb

Stakeholders and Partners

UK Sport works with a large number of partners to lead sport in the UK to world class success. Stakeholder and partner bodies include National Governing Bodies, the Home Country Sports Institutes and Councils, the British Olympic Association, the British Paralympic Association, the British Athletes Commission, sports coach UK, Sports Resolution UK, UK Anti-Doping, the Youth Sport Trust and the Sport and Recreation Alliance, SportAid and TASS. In addition UK Sport works closely with the British Council and UNICEF UK, among others, to lead the delivery of the International Inspiration programme.

The Support System – The World Class Performance Programme

UK Sport's World Class Performance Programme was introduced in 1997/98 and focussed on supporting the last four years of preparation for medal potential at major games. From April 2006 responsibilities formerly the responsibility of Sport England were incorporated and additional Government funds committed to enable the programme to expand to cover an eight year pathway to Olympic and Paralympic success.

On 31 March 2013, 1,371 athletes were funded through the Programme which essentially offers three levels of Pathway support to high performance Olympic and Paralympic athletes:

- Podium – supports athletes with realistic medal capabilities at the next Olympic/Paralympic Games;
- Development (Podium Potential) – supports athletes with realistic medal winning capabilities for 2020 and sports with the emerging potential to medal in the next Olympic/Paralympic cycle. In the period to the Home Games in 2012, additionally and exceptionally, the Development Programme also embraced those sports with realistic capabilities to be competitive in 2012 but where medal achievement was unlikely;
- Talent – designed to support the identification and confirmation of athletes who have the potential to progress through the pathway with the help of targeted investment. Olympic athletes will be a maximum of eight years away from the podium, but the timescale can be significantly shorter for Paralympic athletes.

This operates under UK Sport's 'No Compromise' principle, which targets investment at those most likely to deliver medals at Olympic and Paralympic level.

Managing Delivery

Performance

The Performance Directorate is driven by UK Sport's primary objective of medal success and creating a stronger, more sustainable system for high performance sport. UK Sport's investment strategy, built upon the established principle of 'no compromise', focusses the Directorate's activity on targeting investment and solutions at those sports and athletes most likely to deliver medals at Olympic and Paralympic Games.

Alongside the investment that goes directly to the sports through their respective World Class Performance Programmes, the Performance team works closely with Performance Directors, coaches and athletes to maximise the impact of that investment and increase the probability of success in Sochi, Rio and beyond.

Four core function teams have the strategic responsibility for adding value to the World Class Programmes by enabling sports to deliver innovative solutions in the areas of performance solutions, talent identification and confirmation, coaching and research and innovation. The focus is to increase the probability of winning more medals in Sochi and Rio.

The teams also take responsibility for working with technical partners such as the Institutes of Sport, Home Country Sports Councils, BOA and BPA to build stronger, more sustainable systems and structures to ensure the success enjoyed in London is sustained for Sochi, Rio and future Games.

Major Events and International Relations

The Major Events and International Relations Directorate ensures that the UK is a supportive and influential sporting nation that regularly hosts the world's biggest events.

Our Major Events team co-ordinates the UK's efforts to bid for and stage international sporting events. We work with sports to develop the UK's programme of target events; invest National Lottery funding to enable these events to take place; and provide technical expertise to ensure they are hosted to a world-leading standard.

In November 2012, UK Sport launched the Gold Event Series, a £27million National Lottery funded programme to help support the bidding and staging of up to 70 major international sporting events in the UK between 2013 and 2019. The Gold Event Series has been developed to ensure the UK attracts some of the most important events and builds on the successful hosting of the London 2012 Olympic and Paralympic Games.

Complementing our Major Events work, this year has also been an important one for our International Relations team, which seeks to both support and influence the international sporting system through an emphasis on providing a platform for performance and major events success.

We firmly believe that the UK's reputation in world sport has never been higher, and we have worked in partnership with NGBs to ensure that they were able to use the opportunity of being the Olympic and Paralympic host nation to further promote British interests in world sport.

We now have a window of opportunity following a successful home Games to further enhance this reputation in the international governance of sport, and the team has been working hard to put in place an enhanced investment approach for the coming cycle.

Commercial

The Commercial Team at UK Sport is responsible for establishing strategic commercial partnerships in order to realise expertise, services and revenue to benefit the high performance system, while effectively overseeing the management of key internal and external stakeholder relationships with regards to all commercial activity.

In 2012, the Commercial Team supported delivery of the Team 2012 joint venture through the servicing of rights secured by sponsors during the games period. The team also played a key role working with Sport England to support Sir Keith Mills in developing the concept of a British Sports Marketing Bureau. If established, the Bureau would aim to capitalise on the success of the London 2012 Games to sustain commercial interest and income in sport for the benefit of National Governing Bodies and landscape partners for the future. Post Games, the Commercial Team has concentrated on working with existing commercial partners to secure expertise, services and revenue as well as developing a strategy for exploring new avenues for commercial activity for the benefit of sports for the Rio Cycle.

Communications

The Communications, Public Affairs and Stakeholder Engagement teams are responsible for managing UK Sport's profile and relationship with the public, Parliament, partners and stakeholders through the effective deployment and integration of a range of communication and engagement channels and activities including the media, social media, digital, design and brand management, staff and stakeholder engagement.

2012 was a tremendous success in terms of building public profile and recognition of UK Sport's role in the development of the high performance system to enable Team GB and ParalympicsGB to achieve the great results at the London Games. Through careful strategic planning, momentum was built very early on in 2012 up to and during the games to capitalise on every media opportunity to enable us to tell UK Sport's unique story whilst at the same time maximising every opportunity and channel available to us including the media, social media, digital, stakeholders, athletes and our own staff to acknowledge and promote the significant role of The National Lottery funding. Awareness of UK Sport is now at an all-time high with interest from the public, media, parliament and stakeholders still on the increase with regular and quality coverage of all our key announcements and month on month rises to the number of visitors to our website and followers on Twitter as we now approach the forty thousand mark.

International Development

UK Sport has continued to influence the agenda of global sport development and development through sport. Our International Development strategy is centred on helping to build the capacity of sports systems and workforce within low and middle income countries. We support British students, sports professionals and NGBs of sport to enhance their profile, partnerships, skills and performance through international engagement and contribute to the knowledge economy of sport development and the use of sport as a tool for young people's social and skills development. Our work is significantly raising the profile of UK Sport – and the UK – internationally and contributing to UK Sport's drive for world class success.

Domestically, we work with a wide range of networks, sports councils, universities, government departments and NGBs. Internationally, our partners include the UN Office for Sport for Development and Peace (UNOSDP), the Commonwealth Secretariat, the IOC and IPC, International Federations, Ministries, National Sports Federations and Non-Governmental Organisations in over 30 countries.

We remain committed to the development of quality, inclusive sport. Through the International community Coach Education System (ICES), we are continuously improving children and young people's experience in sport by providing an international platform for advocacy, organisational support, and quality training and development of coaches working at community level. We also ensure that child protection and safeguarding are embedded in all our international programmes and engagement with partners. In 2012, UK Sport has been steering a group of influential organisations working in sport and development to look at how sports provision can be kept safe for children, women and vulnerable adults, including through the development and piloting of internationally agreed standards of research and mapping of existing practices, and greater coordination amongst sport and sport for development organisations.

Managing Delivery

UK Sport's ongoing and mutually beneficial partnership with our charity partner 'International Inspiration', established following the merger of the II Foundation and International Development through Sport in January 2013, enables us to generate greater impact for the benefit of children, young people and sporting communities worldwide. The charity's flagship initiative, the International Inspiration Programme (London 2012's international sport legacy initiative), is now in its final year. Delivered by UK Sport in partnership with UNICEF and the British Council, the programme has inspired and enabled over 12 million children and young people in 20 countries around the world to play sport – opening doors to leadership, health, inclusion, excellence and the joy of sports participation.

The 'International Inspiration' charity programmes we manage focus on empowering young people through sport. In Zambia, through additional five-year funding secured in 2012 from Comic Relief, we are providing over 3,000 vulnerable and disadvantaged young girls with further opportunity to participate in sport, develop as leaders and make informed decisions over health and social issues that affect their lives. In Ethiopia, again through new funding from Comic Relief, we are increasing opportunities for over 2,500 young people with disabilities to participate regularly in inclusive physical activity and sport. In Tanzania and Ghana, we are contributing through the BILD programme (in partnership with the Youth Sport Trust and with funding from the TOP Foundation) to the development of a cadre of highly qualified teachers, coaches and professionals with the skills and competencies to support sport development within their local environment.

All these initiatives are using the medium of high quality and inclusive sport to support the UN Millennium Development Goals relating to education, gender and inclusion, health and global partnerships, leading to long-term and positive social change.

Corporate Development

The Corporate Development team provides essential support and guidance to both UK Sport and its funded partners in a number of areas. The team has three broad strands of responsibility; Governance, Business Services and HR. In addition a small Directors Office oversees all aspects of corporate planning (including our formal reporting) and internal governance/legal advice for the organisation.

Key developments for the Directorate in 2012/13 have been:

- the development of leadership competence/capacity within the NGBs that UK Sport funds
- the launch of a new Governance framework in collaboration with Sport England and DCMS
- the collation of a comprehensive range of results data from London 2012 and, in conjunction with the Communications team, a real-time results and highlights service during the Games themselves
- delivered Personnel Best + to the first cohort and introduced a second cohort. Personnel Best + is UK Sport's management competency development programme.

The Directorate has also provided direct support to the Rio investment process as well as leading on the development of our 13-17 financial planning.

Along with HR and Internal Communications significant progress has been made in improving employee engagement across the organisation, with various opportunities around the London Games.

Finance and Investment

The Finance and Investment team deals with UK Sport's Lottery and Exchequer incomes – managing them to ensure as much as possible can be distributed to sport. In the 2012/13 period, these sources were supplemented by receipts from the Team 2012 fundraising joint venture, for which UK Sport also provides accounting support. The team also manages financial risk in increasingly challenging economic circumstances and provides assurance to the Accounting Officer and Audit Committee on financial matters.

Office and IT Facilities

UK Sport's 15,000 square feet (1369 m²) facility at 40 Bernard Street, opposite Russell Square Underground station in London, is leased at a competitive rate until 2015. To make best use of this space, it is shared with staff from four partner organisations; the English Institute of Sport (EIS), British Shooting, British Basketball and Youth Sport Trust (YST). The number of staff that can be accommodated in this modern, friendly and largely open-plan working environment is 151.

Customer Services Charter

Through its values of Commitment to Excellence, Integrity and Openness, and Working Together, UK Sport is committed to adhering to the service standards which are embedded in how UK Sport works with its customers and stakeholders.

Policy on Lottery Additionality

Together with the other UK and England 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 Gold Event Series 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.

UK Sport Staff and Funded Athlete Profile

UK Sport will take all necessary action to prevent individual and institutional discrimination; to comply with its statutory and legislative obligations; to meet the needs of its staff and partners and to make equality a core requirement in the development, delivery and refinement of its policies, initiatives and services.

UK Sport's Equality Strategy 2010/2013 set out our commitment to equality as a strategic investor in high performance sport, a public authority and an employer. This will be reviewed and a plan created to deliver equality in an up-to-date and modernised way during the 2013/17 funding cycle. In March 2010, UK Sport became only the third organisation in the UK, at that time, to achieve the Intermediate Level of the Equality Standard for Sport.

UK Sport will ensure that staff and Board data is collected annually for all protected characteristics covered by the Equality Act 2010, but due to low numbers, may not report publicly on all of these for the sake of anonymity. Equality profile data for all funded athletes is updated on a monthly basis.

Reporting of Personal Data Related Incidents

Table 1: Summary of Protected Personal Data Related Incidents Formally Reported to the Information Commissioner's Office in 2012/13.

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 its information and data security systems and introduced a new Information, Data Security and Communications Systems Policy and Procedure and new staff undertake a compulsory e-learning package provided by the Office for Cyber Security and Information Assurance (OCSIA).

In addition all staff received information and UK Sport undertake regular sticker campaigns to raise further awareness on information and data security.

In March 2012 we reported to DCMS that, of the 20 Mandatory Requirements within the SPF, 18 were deemed met, with the remaining two not being applicable to UK Sport.

1,371 Athletes

UK Sport Staff and Funded Athlete Profile



UK Sport suffered three protected personal data incidents in 2012/2013. The first related to an inadvertent loss of an encrypted PDA device. The second related to the temporary loss of an encrypted laptop which was found and returned immediately on discovery of the loss and the third related to the clone of a corporate visa card (all of which do not fall within the criteria for reporting to the Information Commissioner's Office). UK Sport has not suffered any protected personal data incidents that fall into the criteria for reporting to the Information Commissioner's Office.

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 2012/13

Incidents deemed by the Data Controller not to fall within the criteria for reporting 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	3

Disability Employment Policy

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).

UK Sport has striven to operate to best practice and has been recognised for its work in the area of equality. Specifically, UK Sport has been awarded the Two Ticks – Positive About Disability symbol which can only be achieved by taking positive action in advertising, recruitment and employment process to encourage disabled applicants to join the organisation. In addition, UK Sport is one of only eight organisations in the UK to have achieved the Intermediate level of the Equality Standard for Sport, which incorporates positive action schemes to address under representation by disabled people in employment and UK Sport – led programmes. Currently 2% of staff at UK Sport have a declared disability. This is an increase from 0% in 2006.

Equal Opportunity
Employer



Managing Delivery

Prompt Payment Policy

UK Sport aims to comply with the Better Payment Practice Code. Payment terms are agreed with suppliers at the outset, and invoices are paid in accordance with those terms. Any disputed invoices are referred to suppliers and are dealt with expeditiously. The target is to pay within 30 days. During 2012/13, 88% (2011/12, 87%) of invoices were paid on time.

Sustainability Reporting

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

Auditing

UK Sport is required to have its Exchequer accounts audited by a body approved by the Secretary of State, and appointed the Comptroller and Auditor General in January 1997. It is also required to have its National Lottery accounts audited by the Comptroller and Auditor General who is responsible for laying the accounts before both Houses of Parliament at Westminster and before the Scottish Parliament. Audit fees have been agreed at £31,400 + VAT and £28,600 respectively for each set of accounts.

Remuneration Report

Unaudited Information

Directors' Remuneration

Director recruitment, remuneration and employment terms and conditions are overseen by the Remuneration Panel, which comprised Sue Campbell, Louise Martin and Rod Carr 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:

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.

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 2013. In 2012/13 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.

Pension Arrangements

Directors are members of the Local Government Pension Scheme (LGPS), a tax approved benefit occupational pension scheme set-up under the Superannuation Act 1972. Benefits are based on final salary and duration of membership. Members accrued pension entitlement in the year at a rate of 1/60 of final pensionable salary. Death in service cover is three years pay plus spouses/civil partner's pension equal to 1/160 of final pensionable salary, times total membership. At 31 March 2013 all Directors, but not the Chair, were members of LGPS.

Director's Contracts

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

Other benefits include healthy lifestyle allowance and annual leave entitlement.

Remuneration Report

Audited Information

Emoluments of the Chair and Directors, including performance related pay but excluding pension arrangements, for the year ending 31 March 2013 were as follows:

Audited Information	Officials	2012/13			2011/12		
		Salary Band	Performance Related Pay	Benefits in kind (to nearest £100) ⁽⁹⁾	Salary Band	Performance Related Pay	Benefits in kind (to nearest £100) ⁽⁹⁾
		£'000	£'000		£'000	£'000	
S Campbell ⁽¹⁾	Chair	35-40	0	11,000	35-40	0	11,200
L Nicholl	CEO	130-135	10-15	0	130-135	10-15	0
D Cole	COO	100-105	5-10	0	90-95	5-10	0
T Hollingsworth ⁽²⁾	Director	0	0	0	30-35	0	0
P Keen ⁽³⁾	Director	5-10	0	0	95-100	10-15	0
D Lye	Director	80-85	5-10	0	75-80	5-10	0
C Walker ⁽⁴⁾	Director	25-30	0	0	80-85	5-10	0
S Morton ⁽⁵⁾	Director	80-85	5-10	0	55-60	5-10	0
V Wilson ⁽⁶⁾	Director	80-85	5-10	0	25-30	0-5	0
S du Sautoy ⁽⁷⁾	Acting Director	50-55	5-10	0	0	0	0
S Timson ⁽⁸⁾	Director	25-30	0-5	0	0	0	0
Band of the highest paid director's total remuneration		130-135			130-135		
Median total		37,370			38,440		
Remuneration ratio		3.55			3.45		

Notes

1. Sue Campbell left UK Sport on 18 April 2013.
2. Tim Hollingsworth's prior year emoluments do not reflect a full year as he left UK Sport on 27 July 2011. The full time equivalent salary band for the 2011/12 year is £100,000-£105,000.
3. Peter Keen's emoluments do not reflect a full year as he took up a non-directorial role as of 1 May 2012 and left UK Sport on 1 February 2013. The full time equivalent salary band for the 2012/13 year is £95,000-£100,000.
4. Chris Walker's emoluments do not reflect a full year as he left UK Sport on 13 July 2012. The full time equivalent salary band for the 2012/13 year is £85,000-£90,000.
5. Simon Morton was appointed as director on 18 July 2011, therefore emoluments do not reflect a full year for 2011/12. The full time equivalent salary band for the 2011/12 year is £75,000-£80,000.
6. Vanessa Wilson was appointed as director on 5 December 2011, therefore emoluments do not reflect a full year for 2011/12. The full time equivalent salary band for the 2011/12 year is £75,000-£80,000.
7. Sophie du Sautoy was acting Director of Finance from 16 July 2012, therefore emoluments do not reflect a full year. The full time equivalent salary band for the 2012/13 year is £70,000-£75,000.
8. Simon Timson was appointed as director on 14 January 2013, therefore emoluments do not reflect a full year. The full time equivalent salary band for the 2012/13 year is £120,000-£125,000.
9. Benefits in kind relate to home to office travel which is a taxable benefit.

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

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

The banded remuneration of the highest-paid director in UK Sport in the financial year 2012/13 was £130,000 – £135,000 (2011/12, £130,000 – £135,000). This was 3.55 times (2011/12, 3.45 times) the median remuneration of the workforce, which was £37,370 (2011/12, £38,440). The median pay is similar to that of the previous year. This is mainly due to no major changes in the staffing structure.

In 2012/13, 0 (2011/12, 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged from the £15,000 – £20,000 band to £130,000 – £135,000 (2011/12, £15,000 – £20,000 band to £130,000 – £135,000 band).

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

Pension Entitlement

Audited Information	Real Pension Increase	Real Lump Sum Increase	Value of Accrued Pension	Value of Accrued Lump Sum	CETV at 31/03/13	CETV at 31/03/12	Real Increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
L Nicholl	0-2.5	-2.5-0	50-55	115-120	1,129	1,080	19
T Hollingsworth	0	0	0	0	0	166	0
P Keen	0-2.5	-2.5-0	10-15	10-15	145	136	2
D Cole	2.5-5	2.5-5	15-20	25-30	198	159	28
C Walker	0-2.5	0	5-10	0	64	58	2
D Lye	2.5-5	2.5-5	30-35	75-80	731	647	68
S Morton	0-2.5	0-2.5	5-10	5-10	85	66	12
V Wilson	0-2.5	0	0-5	0	16	4	6
S Timson	0-2.5	0	0-5	0	4	0	2
S du Sautoy	0-2.5	0	0-5	0	17	7	4

Accrued pension represents amount payable if a Director leaves at the stated date. Cash-Equivalent Transfer Values (CETV) are not payable directly to Directors but represent the potential liability if a Director should leave the scheme and wish to transfer accrued benefits to another scheme. CETVs are worked out within the guidelines and framework prescribed by the Institute of Faculty 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.

Remuneration Report

Members' Remuneration

Members' remuneration for attending meetings was £218 per day (2011/12, £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	2012/13 (£)	2011/12 (£)
Chris Holmes MBE	2,943	3,706
Dominic Walsh ⁽¹⁾	436	1,962
Jonathan Vickers	3,706	3,379
Laura McAllister	1,199	1,308
Louise Martin CBE	981	1,090
Phillip Kimberley	1,635	1,308
Rod Carr OBE	5,123	1,635
Richard Lewis	0	0
Mark Hanson	2,071	1,090
Brian Henning ⁽²⁾	436	0

Notes

1. Dominic Walsh's board term expired in September 2012.
2. Brian Henning was appointed to the UK Sport Board as of 1 December 2012.

Compensation for Loss of Office

No members of staff left under compulsory redundancy terms in 2012/13 (2011/12, one member of staff left in May 2011 and the capitalised cost of the package received was £1,600).

Reporting of Civil Service and other Compensation Schemes – Exit Packages

2012/13

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
All bands	0	0	0

2011/12

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

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.



UK Sport's Performance

Unaudited Information

Objective	2012/13 Performance Target	Indicator	Full Year achievements
Performance Top Four in the London Olympic medal table, winning more medals in more sports than Beijing	Achievement within the agreed medal range for Summer Olympic and Paralympic sport at London 2012	Olympic ≥48 medals (range 40-70) in at least 12 sports	Ranked 3rd in the Olympic medal table (65 medals won in 17 sports)
		Paralympic ≥102 medals (range 95-145) in at least 12 sports	Ranked 3rd in the Paralympic medal table (120 medals won in 13 sports*)
World Class Events To use London 2012 and Glasgow 2014 to establish the UK as the leading host of major sporting events	To maintain a top three position for the UK on the rolling ten-year Global Events Index	Top 3 Position	2nd Position
Governance To improve the governance of NGBs including in the areas of equality and diversity, through the implementation of the joint UK Sport/Sport England Governance Framework	85% of UK Sport's funded NGBs/ funded partners to achieve an (independently audited) Green or Amber self-assurance rating	85%	98%
Merger To work with DCMS to finalise the reorganisation of UK Sport/Sport England by April 2013	Ministerial sign-off to reorganisation proposals	March 2013	Complete
	Restructure KPIs for 2013/14 developed and agreed		
	Development of a single Governance Framework for NGBs	April 2012	Complete
	Production of report outlining options for a British Sports Marketing Bureau	May 2012	Complete
	Establishment of a joint IT Programme Board to oversee IT Services strategy for shared location	July 2012	Complete
	Co-location strategy agreed	October 2012	Complete
	Agreed approach to respective talent strategies and associated investment	December 2012	Complete
	Development of a shared services (back-office) strategy to deliver savings from April 2013	March 2013	Complete
	Maximise opportunities for increasing participation through >9 selected Major Events within UK Sport's World Class Events Programme (2012-2019)	Major Events identified	Complete
	Demonstrate improved management of joint partnerships, including sports coach UK and relevant NGBs	March 2013	Achieved

*Disability Sailing/BPA are appealing a technical decision through CAS which, if successful, will raise actual performance at Games to 121.

Financial Performance

The level of Resource Grant-in-Aid for 2012/13 was determined at £65.35m in the Comprehensive Spending Review announced in October 2010. Separate allocations were made available to UK Sport for capital investment and depreciation. The Department for Culture, Media and Sport made available a further award of £0.3m for the year as a contribution towards a grant to the Rugby Football League for the Rugby League World Cup in 2013.

On the National Lottery side, the amount of money raised by the Lottery for good causes has continued to grow. £88.743m was received by UK Sport in 2012/13 against a projected £80.347m at the start of the year. This upside is welcomed and enabled UK Sport to invest an even greater sum as part of the investment decisions made in December 2012 for the Rio Olympic and Paralympic Games.

Administration costs have continued to be an area of focus. The 2010 Spending Review introduced a specific budget control total for Exchequer Administration costs and at the same time the Lottery distributors agreed to work towards a benchmark of 5% for grant processing costs and 8% for gross costs. UK Sport is pleased to report that levels of efficiency have been maintained at a high level in 2012/13 and all control totals for administration spend have been met.

In December 2012, the UK Sport Board made investment decisions for the next 4 years and Grant Funding Agreements have been entered into accordingly. These decisions are financed through both the Exchequer and Lottery accounts. Under accruals accounting, these commitments are not reflected within the main financial statements in the Exchequer accounts. However, where a Grant Funding Agreement had been issued and signed by both UK Sport and the NGB Accountable Officer by 31 March 2013, then these commitments are reflected within a note to the financial statements.

The Accounts Direction for the Lottery accounts require that UK Sport account on a commitments basis, which means that where a Grant Funding Agreement has been signed by the respective parties then the commitment is recognised in the financial statements in full. To reflect the December 2012 investment decisions, the Lottery Accounts show commitments relating to 2013/17 of £141m being made and reflected in the financial statements during the year to 31 March 2013. There were a further £134m of "soft" commitments at 31 March 2013 where a Grant Funding Agreement had not yet been signed by the NGB. These commitments will be recognised in the accounts during 2013/14. As a result of this "commitment" form of accounting, the Statement of Financial Position shows a net deficit of £57.7m at 31 March 2013. The going concern basis of preparation is considered appropriate as these commitments have been made on the basis of a financial plan, taking in to account projected lottery income over the same period which has not yet been recognised in the financial statements.

The Exchequer accounts also showed negative net assets at 31 March 2013 as a result of the Pension Scheme accounting adjustment and the discount rate assumption required under IAS 19. The Pension Scheme was subject to a triennial valuation at 31 March 2010. This reported a surplus of assets over liabilities of £0.194m in the scheme, and the rate of employer contributions for the active scheme remained unchanged. The next valuation is set for 31 March 2013, with the results expected during late 2013.

Going Concern

There is expected to be no change to the continued provision of services by UK Sport and future financial provision has been made for UK Sport through section 23 of the National Lottery etc. Act 1993 (as amended) and the Exchequer settlement agreed with DCMS, subject to continuing Parliamentary approval. As a result management considers it appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

Sickness Absence

UK Sport has policies and procedures in place to monitor sickness absence, (both long and short term) and this information is regularly considered by the Senior Management Team. During 2012/13, sickness absence (excluding long term absence) averaged 1.29 days (2011/12, 0.84) per person and 6 individuals had long term sickness absence (2011/12, 3). Long term sickness absence is deemed to be any period of absence over four weeks.



Liz Nicholl

Chief Executive and Accounting Officer
United Kingdom Sports Council
26 June 2013



Rod Carr

Chair
United Kingdom Sports Council
26 June 2013



ANNUAL REPORT AND ACCOUNTS

2012/13



The United Kingdom Sports Council Grant-in-Aid and the United Kingdom Sports Council Group Accounts for the year ended 31 March 2013



Statement of the Board and Chief Executive's Responsibilities

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

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

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

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

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



Liz Nicholl
Chief Executive and Accounting Officer
United Kingdom Sports Council
26 June 2013



Rod Carr
Chair
United Kingdom Sports Council
26 June 2013



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 2012/13. 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 as an Arm's Length Body (ALB) to the Department for Culture, Media and Sport by Royal Charter in 1996. 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*.

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. Baroness Campbell's second term as Chair finished in April 2013 and has been succeeded, following open recruitment, by Rod Carr as Chair of UK Sport. The Board consists of the Chair and nine members, five independent and four representatives of the Home Nation Sports Councils. Collectively they have the skills and experience appropriate to direct UK Sport's business.

During this reporting year there have been a number of changes of personnel on our Board. Dominic Walsh stood down from the role of Chair at SCNI and has been replaced by Brian Henning. Mark Hanson completed his first term and has successfully been extended to a second term. Both Rod Carr and Chris Holmes had their second-terms extended (to July 2013) by the Secretary of State to enable the incoming Chair to be part of the selection process for their replacements.

The Board has established an Audit Committee to support them in their responsibilities for issues of risk, control and governance. The Audit Committee 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, three formal sub-committees of the Board exist:

- Remuneration Panel – ensuring employment issues 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

Governance Statement

2.2 Subsidiary Companies

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 Institute is bound by a Funding Agreement (alongside a separate Financial Memorandum). Key Performance Indicators are agreed annually and progress against these is reviewed at formal quarterly meetings attended by the National Director and Director of Business and Finance at the EIS and the COO and PD from UK Sport – both their Risk register and minutes from their Audit Committee are also reviewed at these meetings. Separate (but reporting into) these quarterly reviews, budget/forecast meetings are held between our Investment Team and the Director of Business and Finance at the Institute.

A full review of the governance arrangements between UK Sport and the Institute was undertaken in 2012 leading to a number of recommendations being adopted to strengthen the relationship between the two bodies. These include:

- the re-profiling of the skills mix around the EIS Board to a more technical focus to better consider the specialist nature of activity undertaken by the Institute;
- the addition of both a UKS Board member and the UKS Performance Director as board members of the Institute
- that the Chair of the EIS (or their nominee) attend the UK Sport board
- that an independent Technical Advisory Panel be established against which the EIS executive can test/develop thinking
- that a single Audit Committee provide assurance and oversight for the group

Work is underway to implement these changes by September 2013.

2.3 Board/Committee Effectiveness

Our Board met six times in 2012/13 based around business priorities and the annual calendar of board activity. The Board was quorate for all meetings in 2012/13. Attendance of Board members and Audit Committee is tabulated below.

Board

2012/13	May	June	September	December	January	March	
Sue Campbell	Y	Y	Y	Y	Y	Y	6/6
Laura McAllister	Y	Y	Y	Y	N	Y	5/6
Louise Martin	Y	Y	N	Y	N	Y	4/6
Richard Lewis	Y	N	Y	in part	Y	Y	5/6
Dominic Walsh	N	N	N	term ended	–	–	0/3
Rod Carr	Y	Y	Y	Y	Y	N	5/6
Philip Kimberley	Y	Y	Y	Y	Y	N	5/6
Chris Holmes	Y	Y	Y	Y	N	Y	5/6
Jonathan Vickers	Y	Y	Y	Y	Y	Y	6/6
Mark Hanson	Y	Y	Y	Y	Y	in part	6/6
Brian Henning	–	–	–	N	Y	Y	2/3

Audit Committee

2012/13	June (1)	June (2)	September	December	March	
Chris Holmes	Y	Y	Y	Y	Y	5/5
Mark Hanson	Y	Y	Term ended	–	–	2/2
Jonathan Vickers	Y	Y	Y	Y	Y	5/5
Peter Rowley	Y	Y	N	Y	N	3/5
Joe Ryan	Y	Y	Y	N	Y	4/5
Malcolm Cornberg	Y	Y	N	Y	Y	4/5
Philip Kimberley	–	–	Term commenced	Y	Y	2/2

The Board did not undertake a review of their effectiveness in 2012/13 due to the then imminent churn of a significant proportion of its membership (4 posts) in early 2013. It was decided that this would be best undertaken once the new Chair and members were in post. The last review took place in 2011/12 and the next will take place in 2013/14. A skills audit was undertaken in the early part of 2013 to inform the recruitment/selection process for new members to the Board.

2.4 Executive Responsibilities

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

In my role as Accounting Officer I attend both Board and Audit Committee to ensure any significant risks/issues of control are brought to their attention and discussed. I am therefore able to provide the assurances necessary within this statement for the period from April 2012 to the date of approval of the annual report and accounts.

In July 2012 our then Finance Director left the organisation to take up an equivalent role at the Royal Armouries. Interim arrangements were put in place whilst we recruited to fill the vacancy, with the existing Head of Finance and Investment acting up to Director, and the COO providing additional support as required. Following an extensive search our new Director of Finance and Investment was identified in October 2012 but wasn't available to start until April 2013 with the interim arrangements being extended to that point.

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

3. System of Internal Control

No significant issues of internal control were identified/acted upon in 2012/13. A number of risks were either realised or required managing through the year. This was successfully achieved within the Internal Control processes described hereafter and through our overarching Policy on Internal Control.

The system of internal control within UK Sport seeks to mitigate rather than eliminate risk. The decision 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)

Governance Statement

has been in place since 2007 to promote focus on the most significant risks facing the organisation. The register itself is currently undergoing a significant review to reflect recent changes within our environment, most noticeably the decision by the Cabinet Office not to proceed with the proposed structural merger of UK Sport and Sport England.

An Internal Audit of Risk and Governance was undertaken by Mazars in March 2013, and no significant findings were reported concerning the adequacy and effectiveness of the controls in place regarding UK Sport's risk management and governance arrangements.

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

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

3.1. Risk Profile for 2012/13

Our appetite for risk flexes according to individual circumstance and situation, and by team (due to the nature/type of 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.

- As mentioned above, we received confirmation from the Secretary of State in January 2013 that the proposed merger between ourselves and Sport England did not need to proceed, provided that a number of conditions regarding efficiencies and closer working between the two bodies was progressed, alongside a co-location in 2014.
- Against the backdrop of centralised austerity budgeting, income to UK Sport in 2012/13 held up due, in most part, to the ability of the Lottery to outperform projections. Over the course of the year, through a combination of prudent financial management and efficiency savings, UK Sport has invested over 95% of resources in front line activity. Total lottery income for 2012/13 was £88.743m against an initial budget of £80.347m as a result of increased ticket sales and UK Sport's percentage allocation. The growth in lottery income has enabled UK Sport to ring fence a greater sum of money for the Rio Olympic Cycle – a conscious decision to build reserves to help mitigate the expected shortfall in exchequer funding for the next cycle. In December our Board agreed a Financial Plan for 2013-17, allocating c£550m over the period, this was made possible by the budgeted release of £46m from our Lottery balance over the 2013-17 period.
- UK Sport entered the 2012/13 financial year with a rolling 12-month staff turnover of 14%. Whilst the Summer Games proved to be a significant retention tool (mostly through secondment/volunteering opportunities, but also attendance where possible), we continue to prioritise work to improve staff engagement. An example of this was the launch of the "Victors" recognition programme, highlighting staff's efforts in living the values of UK Sport in how they go about their work. Rolling 12-month staff turnover, as at the end of April 2013 had reduced to a fairly constant 7%.

Looking ahead to the future the key risks to UK Sport remain significant:

- the Financial Plan for 2013/17 was made possible by the planned release of £46m from the lottery balance, unless a similar balance can be established by late 2015, and assuming all other factors remain constant, then there will be significantly less to invest in the subsequent cycle than there has been towards Rio.

- our staff remain in demand globally, probably more than ever before. Retention of their expertise and intellectual property remains a significant priority for us going forwards.

Work is currently underway to consider/evaluate the above risks and then agree how we wish to approach the risks. If accepted then mitigating action plans to ameliorate those risks will be developed and implemented.

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. Focus has been given in 2012/13 to reviewing and updating a number of these to ensure they are current with both statutory/legislative requirements and recognised best practice. The following internal policies (and associated procedures) have been reviewed within the reported year:

- Agency workers
- Anti-Fraud, Anti-Corruption and Anti-Bribery
- Budgetary Control
- Capability
- Cash Management
- Delegated Authority
- Disciplinary
- Fixed Assets
- Gifts and Hospitality
- GPC and VISA
- Grievance
- Health and Safety Policy 2010
- Information, Data Security & Communications Systems Policy (and associated procedures)
- Paternity/Maternity/Adoption
- Purchase to Pay
- Sales Invoicing
- Sickness
- Travel and Expenses

3.3 Independent Assurance

3.3.1 Internal Audit

Internal Audit for 2012/13 was provided under contract by Mazars. The Internal Audit Plan for 2012/13 was considered and approved by the Audit Committee at its meeting on 22 June 2012 (and subsequently reviewed on 21 September 2012). The plan was for a total of 70 days. Eight specific audits were scheduled of which six have been completed, one has been removed and one has been rolled forward into the 2013/14 plan.

- Validation of Income Scenarios for Rio Planning (Substantial Assurance)
- Application of Lottery directions (Substantial Assurance)
- Core Financials (Substantial Assurance)
- Risk Management (Substantial Assurance)
- Corporate Governance (Substantial Assurance)
- IT-Disaster Recovery (Substantial Assurance)
- Management of Third Parties (removed)
- InfoSec/Knowledge Management (deferred)

Further to this follow up visits on previously audited areas have also been undertaken. Across the three audits (and two follow ups) reported, only one Priority 2 recommendation has been made (and none of Priority 1 i.e. fundamental).

The overall opinion of the Head of Internal Audit for the year was that, UK Sport's governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted by the audit work, none of which were fundamental in nature. These matters have been discussed with management, and a number of recommendations have been made. All of these have been, or are in the process of being addressed.

Governance Statement

3.3.2 External Audit

The audit of UK Sport's Annual Report and Accounts for the year ended 31 March 2012 was completed in July 2012. Within the Independent Auditor's Report an Emphasis of Matter was raised concerning the application of the going concern basis to the accounts in light of the Government proposals to merge the functions and expertise of UK Sport and Sport England, suggesting there was uncertainty at the time the accounts were audited as to whether UK Sport would continue to operate in its current legal form. This issue did not have any impact on the Auditor's opinion on the truth, fairness or regularity of the financial statements.

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

Moore Stephens carry out management and governance audits (and also assess the annual self-assurance submissions) of NGBs and system partners under a joint contract with Sport England. UK Sport and Sport England officers meet quarterly with Moore Stephens staff to review progress and manage any operational issues.

A total of ten management and governance audits were undertaken by Moore Stephens during the year, the outcomes of these were as follows:

Status	No.	Green	Green/Amber	Amber/Red	Red
Final Report Issued	5	0	3	2	0
Draft Report Issued	5	0	4	1	0

The three sports rated Amber/Red in the year will be subject to a follow-up audit in 2013/14 focussing on those areas of concern raised in the previous report. In the interim they are also asked to report regularly on actions they are taking to address those issues.

Within 2012/13 all funded NGBs and system partners undertook either the Self-Assurance or Basic Assurance process.¹ The following assurance ratings were received:

Audit-type	No.	Green	Amber	Red
Self	43	25	17	1
Basic	1	0	1	0

Our agreed performance target with the DCMS was for 85% of NGBs/system partners to have achieved Green or Amber within their self-assurance process – in 2012/13, 98% (42 out of 43 organisations) achieved this.



Liz Nicholl
Chief Executive and Accounting Officer
United Kingdom Sports Council
26 June 2013




Rod Carr
Chair
United Kingdom Sports Council
26 June 2013



¹ In 2012/13 all funded NGBs/system partners will have been moved to the more thorough self-assurance process

Independent Auditor's Report

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

INDEPENDENT AUDITOR'S REPORT TO THE UNITED KINGDOM SPORTS COUNCIL

I have audited the grant-in-aid and group financial statements of the United Kingdom Sports Council for the year ended 31 March 2013. These financial statements comprise the United Kingdom Sports Council and Group Statements of Comprehensive Net Expenditure, Changes in Taxpayers' Equity, Financial Position, Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Chief Executive and auditor

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

Scope of the Audit of the Financial Statements

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

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

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the United Kingdom Sports Council's and the Group's affairs as at 31 March 2013 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Royal Charter of the United Kingdom Sports Council and Secretary of State directions issued thereunder.

Independent Auditor's Report

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Royal Charter of the United Kingdom Sports Council; and
- the information given in the Operating Environment, Structure, and Managing Delivery sections of the Annual 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General

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

Date: 3 July 2013

Grant-in-Aid Accounts

Statement of Comprehensive Net Expenditure for the year ended 31/03/13

	Note	UK Sport		Group	
		2012/13	2011/12	2012/13	2011/12
		£'000	£'000	£'000	£'000
INCOME					
Other Operating Income	3	6,814	4,489	14,155	10,749
Total		6,814	4,489	14,155	10,749
EXPENDITURE					
Staff Costs	4.1	5,202	4,689	16,089	15,077
Grants and Other Operating Costs	5	67,645	60,674	63,746	56,667
Total		72,847	65,363	79,835	71,744
NET EXPENDITURE BEFORE TAXATION & INTEREST					
		(66,033)	(60,874)	(65,680)	(60,995)
Net Return on Pension Assets		(180)	(62)	(76)	173
Interest Receivable	8	3	7	5	9
Taxation	9	-	-	-	-
NET EXPENDITURE FOR THE PERIOD		(66,210)	(60,929)	(65,751)	(60,813)
Other Comprehensive Expenditure					
Pension Actuarial Gain/(Loss)	17.4/19	855	(3,627)	2,459	(6,829)
TOTAL COMPREHENSIVE EXPENDITURE FOR THE FINANCIAL YEAR	6	(65,355)	(64,556)	(63,292)	(67,642)

All activities relate to continuing activities.
The notes on pages 45 to 72 form part of these accounts

Grant-in-Aid Accounts

Statement of Changes in Taxpayer's Equity for the year ended 31/03/13

	Note	UK Sport				Group			
		2012/13		2011/12		2012/13		2011/12	
		Revenue Reserve £'000	Pension Reserve £'000						
Balance Brought Forward		1,425	(7,087)	1,610	(3,217)	3,353	(8,828)	3,554	(1,891)
Retained (Deficit) for Year		(66,210)	–	(60,929)	–	(65,751)	–	(60,813)	–
Transfer from the Pension Reserve		320	(320)	93	(93)	554	(554)	(42)	42
Movement from Deferred Income		–	–	–	–	–	–	3	–
Grant-in-Aid Income Received	2	65,966	–	60,651	–	65,966	–	60,651	–
Recognition of Actuarial Gains/(Losses)		–	855	–	(3,627)	–	2,459	–	(6,829)
Other Movements		–	(6)	–	(150)	–	(6)	–	(150)
Balance at 31 March		1,501	(6,558)	1,425	(7,087)	4,122	(6,929)	3,353	(8,828)

The notes on pages 45 to 72 form part of these accounts

Statement of Financial Position as at 31/03/13

	Note	UK Sport		Group	
		31/03/13 £'000	31/03/12 £'000	31/03/13 £'000	31/03/12 £'000
NON CURRENT ASSETS					
Property Plant and Equipment	10	306	354	2,799	2,141
Intangible Assets	10.1	275	344	391	477
Total Non Current Assets		581	698	3,190	2,618
CURRENT ASSETS					
Trade and other Receivables	11	2,370	1,463	3,124	1,973
Cash and Cash Equivalents	12	727	1,702	1,531	2,437
Total Current Assets		3,097	3,165	4,655	4,410
Total Assets		3,678	3,863	7,845	7,028
CURRENT LIABILITIES					
Trade and other Payables	13	(1,916)	(1,975)	(3,462)	(3,212)
Total Current Liabilities		(1,916)	(1,975)	(3,462)	(3,212)
Non Current Assets plus Net Current Assets		1,762	1,888	4,383	3,816
NON CURRENT LIABILITIES					
Provisions	14	(261)	(463)	(261)	(463)
Pension Liabilities	17.2/19	(6,558)	(7,087)	(6,929)	(8,828)
Total Non Current Liabilities		(6,819)	(7,550)	(7,190)	(9,291)
Assets Less Liabilities		(5,057)	(5,662)	(2,807)	(5,475)
TAXPAYER'S EQUITY					
Pension Reserve	17.2/19	(6,558)	(7,087)	(6,929)	(8,828)
Revenue Reserve		1,501	1,425	4,122	3,353
Total Taxpayer's Equity		(5,057)	(5,662)	(2,807)	(5,475)

The notes on pages 45 to 72 form part of these accounts.

Liz Nicholl

Rodney P. Carr

Liz Nicholl
Chief Executive and Accounting Officer
United Kingdom Sports Council
26 June 2013



Rod Carr
Chair
United Kingdom Sports Council
26 June 2013



Grant-in-Aid Accounts

Statement of Cash Flows for the year ended 31/03/13

	Note	UK Sport		Group	
		2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Other Income		5,906	4,428	12,990	10,840
Staff Costs		(5,062)	(4,658)	(15,611)	(14,947)
Operating Costs		(8,838)	(8,036)	(13,958)	(13,343)
Grants	5	(58,642)	(51,347)	(48,316)	(41,055)
Cash Generated from Operations		(66,636)	(59,613)	(64,895)	(58,505)
Interest Received	8	3	7	5	9
Corporation Tax on Investment Income		–	–	–	(1)
Net Cash Flow from Operating Activities		(66,633)	(59,606)	(64,890)	(58,497)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments to acquire Property, Plant and Equipment	10	(155)	(106)	(1,812)	(815)
Payments to acquire Intangible Assets	10.1	(153)	(227)	(170)	(387)
Net Cash Flow from Investing Activities		(308)	(333)	(1,982)	(1,202)
CASH FLOWS FROM FINANCING ACTIVITIES					
Grant-in-Aid	2	65,966	60,651	65,966	60,651
Net Cash Flow from Financing Activities		65,966	60,651	65,966	60,651
Net Increase/(Decrease) in Cash and Cash Equivalents in the Period		(975)	712	(906)	952
Cash and Cash Equivalents at 1 April		1,702	990	2,437	1,485
Cash and Cash Equivalents at 31 March	12	727	1,702	1,531	2,437

The notes on pages 45 to 72 form part of these accounts.

Notes to the Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2012/13 Government Financial Reporting Manual (FReM) issued by HM Treasury and on the basis of the Accounts Direction issued by the Secretary of State for Culture, Olympics, Media and Sport, with the approval of the Treasury, in accordance with article 14 of the Royal Charter on 26 March 2002, a copy of which can be obtained from UK Sport at 40 Bernard Street, London, WC1N 1ST.

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

The financial statements have been prepared on a going concern basis. Grant Commitments and other obligations have been entered into on the basis of continuing receipt of Grant-in-Aid financing from DCMS and a four year settlement was agreed with the DCMS as part of the 2011/12 comprehensive spending agreements.

1.1 Accounting convention

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

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

1.2 Use of estimates and judgements

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

Notes to the Accounts

1.3 Basis of Consolidation

The English Institute of Sport (EIS) has been accounted for as a subsidiary entity during the period within the consolidated accounts, in accordance with the guidance set out in the Financial Reporting Manual (FRoM) issued by HM Treasury and on the basis that UKS is the sole member.

UK Sport is one of the Joint Venture partners in Team 2012 Limited, which was formally constituted as a Company Limited by Guarantee on 21 July 2009. The other Joint Venture partners are the London Organising Committee of the Olympic and Paralympic Games; British Olympic Association and British Paralympic Association. Given the nature of the agreement between the partners, UK Sport's interest in the assets, liabilities and expenditure of Team 2012 Limited is not consolidated into the UK Sport Group Accounts. Income derived from Team 2012 Limited is accounted for on a receivable basis in accordance with note 1.4.

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

1.4 Income Recognition

Grant-in-Aid Received

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

Fundraising Income

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

Investment Income

Investment income comprises interest receivable on cash balances and short term deposits. Interest receivable is credited to the Statement of Comprehensive Net Expenditure on an accruals basis.

Other Operating Income

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

1.5 Property Plant & Equipment

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

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

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

Computer equipment	2-5 years
Office refurbishment	5-7 years
Office equipment	2-5 years
Other equipment	2-5 years

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

1.6 Intangible Assets

The intangible assets of UK Sport are computer software and software licences. Intangible assets are initially measured at cost and amortised on a straight line basis over their useful lives.

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

Computer Software	2-5 years
Licences	2-5 years

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

1.7 Research and Development

Research and Development costs are written off as incurred and not carried forward as an asset as the recognition criteria of IAS 38 are not met.

1.8 Grants and Loans Awarded

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

1.9 Pension Costs

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

Further information on the pension scheme is available in Notes 17-19 to the accounts.

1.10 Leases and Provisions

A 15 year lease was signed for the office premises at 40 Bernard Street with Bloomsbury Property Investment Limited with effect from 31 January 2000. All lease payments are charged to the Statement of Comprehensive Net Expenditure.

Provision is made in the accounts to spread the estimated cost of dilapidations over the life of the lease (see Note 14).

1.11 Charges to and from UK Sport

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

1.12 Investment

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

Notes to the Accounts

1.13 Cash and Cash Equivalents

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

1.14 Value Added Tax

UK Sport is registered for VAT and makes supplies for both business and non-business purposes. Business supplies are subject to VAT at the standard rate. Recovery of input VAT is restricted by non-business activities and a suitable methodology has been agreed with HMRC.

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

1.15 Standards issued but not yet effective

There are no accounting standards issued but not yet effective that would have a material impact on the accounts of UK Sport.

2. Grant-in-Aid

	UK Sport		Group	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Received from DCMS-Revenue	65,650	60,331	65,650	60,331
Received from DCMS-Capital	316	320	316	320
Total	65,966	60,651	65,966	60,651

A total of £65.966m (2011/12, £60.651m) Grant-in-Aid was made available and drawn down in the year.

3. Other Income

	UK Sport		Group	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Funding for International Programme	357	390	357	390
Funding for World Class Programme	3,733	1,681	3,733	1,681
Costs apportioned to UKS Lottery Account	2,197	1,964	2,197	1,964
Other	527	454	526	454
EIS	–	–	7,342	6,260
Total	6,814	4,489	14,155	10,749

4. Staffing and Management

4.1 Staff Costs

	UK Sport		Group	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Wages and Salaries (including performance related pay)	3,814	3,615	12,894	12,464
Temporary and Agency Staff	234	206	249	206
Social Security Costs	402	373	1,163	1,127
Pension Costs: Current Service Cost	752	495	1,783	1,280
Past Service Cost	–	–	–	–
Total Staff Costs	5,202	4,689	16,089	15,077

4.2 Average number of staff during the year

	UK Sport	
	2012/13	2011/12
EMPLOYEES		
UK Sport	80	76
English Institute of Sport	254	256
Total	334	332
AGENCY		
UK Sport	6	7
English Institute of Sport	2	–
Total	8	7

4.3 Reporting of Civil Service and other Compensation Schemes – Exit Packages

	UK Sport		Group	
	Number of Compulsory Redundancies			
EXIT PACKAGE COST BAND	2012/13	2011/12	2012/13	2011/12
<£10,000	–	1	7	2
£10,000-£25,000	–	–	1	–
Total Number of Exit Packages	–	1	8	2
Total Value of Exit Packages	–	£1,600	£38,549	£3,908

Notes to the Accounts

5. Grants and Other Operating Costs

	UK Sport		Group	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
NATIONAL SUPPORT – GRANTS				
Sports Bodies	56,566	50,178	46,240	39,886
Performance	30	63	30	63
International Representation	1,746	1,106	1,746	1,106
Major Events	300	–	300	–
	58,642	51,347	48,316	41,055
NATIONAL SUPPORT – OTHER COSTS				
Performance	5,895	5,894	5,873	5,894
Communications	271	301	271	301
International Representation	159	230	159	230
English Institute of Sport	–	–	6,449	6,285
	6,325	6,425	12,752	12,710
FINANCE AND MANAGEMENT SERVICES				
HQ Office Costs	2,678	2,902	2,678	2,902
Total	67,645	60,674	63,746	56,667

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

	UK Sport					
	2012/13			2011/12		
	Programme £'000	Administration £'000	Total £'000	Programme £'000	Administration £'000	Total £'000
EXPENDITURE						
Staff Costs	2,424	2,778	5,202	2,371	2,318	4,689
Running Costs	6,177	1,898	8,075	6,326	1,797	8,123
Rentals under Operating Leases	–	705	705	–	701	701
Grants	58,642	–	58,642	51,347	–	51,347
Depreciation	–	203	203	–	176	176
Amortisation	–	222	222	–	258	258
Loss on Disposal	–	–	–	–	25	25
Provision provided for in year	–	(202)	(202)	–	44	44
INCOME						
Interest Receivable	–	3	3	–	7	7
Other Income	4,556	2,258	6,814	2,462	2,027	4,489
Net Expenditure after Interest	(62,687)	(3,343)	(66,030)	(57,582)	(3,285)	(60,867)
Net Return on Pension Assets	(84)	(96)	(180)	(31)	(31)	(62)
Pension Actuarial Gain/(Loss)	398	457	855	(1,834)	(1,793)	(3,627)
Total Comprehensive (Expenditure) for the Financial Year	(62,373)	(2,982)	(65,355)	(59,447)	(5,109)	(64,556)

Notes to the Accounts

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

	Group					
	2012/13			2011/12		
	Programme £'000	Administration £'000	Total £'000	Programme £'000	Administration £'000	Total £'000
EXPENDITURE						
Staff Costs	11,928	4,161	16,089	11,829	3,248	15,077
Running Costs	9,776	2,337	12,113	9,915	2,216	12,131
Rentals under Operating Leases	1,380	727	2,107	1,329	761	2,090
Grants	48,316	–	48,316	41,055	–	41,055
Depreciation	929	203	1,132	781	205	986
Amortisation	–	256	256	28	257	285
Loss on Disposal	24	–	24	52	24	76
Provision provided for in year	–	(202)	(202)	–	44	44
INCOME						
Interest Receivable	–	5	5	–	9	9
Other Income	6,051	8,104	14,155	2,568	8,181	10,749
Net (Expenditure)/Income after Interest	(66,302)	627	(65,675)	(62,421)	1,435	(60,986)
Net return on Pension Assets	8	(84)	(76)	182	(9)	173
Pension Actuarial Gain/(Loss)	1,783	676	2,459	(4,767)	(2,062)	(6,829)
Total Comprehensive (Expenditure)/Income for the Financial Year	(64,511)	1,219	(63,292)	(67,006)	(636)	(67,642)

7. Operating Results

	UK Sport		Group	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
This is stated after charging:				
Travel, Subsistence and Hospitality:				
Chair and Members	39	19	39	19
Employees	394	429	1,175	1,187
Consultants' Fees and Legal Fees	29	42	174	205
Performance Programme Delivery – Specialist Services	2,198	2,152	2,198	2,152
International Programme Delivery – Specialist Services	32	64	32	64
Operating Lease: 40 Bernard Street	705	701	705	701
Operating Lease: EIS Property	–	–	1,391	1,379
Operating Lease: Plant and Equipment	–	–	11	11
Depreciation	203	176	1,132	984
Amortisation	222	258	256	286
Loss on Disposal of Tangible Assets	–	25	24	76
Auditor's Remuneration for Audit Work	37	36	51	50

8. Investment Income

	UK Sport		Group	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Overnight and short term investment of bank balances	3	7	5	9

9. Taxation

	UK Sport		Group	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Corporation Tax payable on interest received	–	–	–	–

UK Sport has reached agreement with HMRC that payments to charitable entities may be treated as a charge on income under S.338 ICTA 1988 and offset in full against taxable investment income. Accordingly, no corporation tax liability arises.

Notes to the Accounts

10.a UK Sport – Property Plant and Equipment

	Leasehold Improvement	IT Equipment	Office Equipment	Other Equipment	Total
	£'000	£'000	£'000	£'000	£'000
AT COST					
At 01/04/11	1,006	966	84	–	2,056
Additions	36	47	5	18	106
Disposals	–	(142)	1	–	(141)
At 31/03/12	1,042	871	90	18	2,021
Additions	–	77	17	61	155
Disposals	(4)	(4)	(12)	–	(20)
At 31/03/13	1,038	944	95	79	2,156
DEPRECIATION					
At 01/04/11	711	848	65	–	1,624
Charge for year	79	76	15	6	176
Depreciation on disposal	–	(134)	1	–	(133)
At 31/03/12	790	790	81	6	1,667
Charge for year	79	85	13	26	203
Depreciation on disposal	(4)	(4)	(12)	–	(20)
At 31/03/13	865	871	82	32	1,850
NET BOOK VALUE					
At 01/04/11	295	118	19	–	432
At 31/03/12	252	81	9	12	354
At 31/03/13	173	73	13	47	306

10.b Group – Property Plant and Equipment

	Leasehold Improvement	IT Equipment	Office Equipment	Other Equipment	Total
	£'000	£'000	£'000	£'000	£'000
AT COST					
At 01/04/11	1,359	3,020	3,973	–	8,352
Additions	39	533	225	18	815
Disposals	–	(247)	(14)	–	(261)
At 31/03/12	1,398	3,306	4,184	18	8,906
Additions	55	702	994	61	1,812
Disposals	(32)	(497)	(92)	–	(621)
At 31/03/13	1,421	3,511	5,086	79	10,097
DEPRECIATION					
At 01/04/11	952	2,350	2,681	–	5,983
Charge for year	117	341	519	6	984
Depreciation on disposal	–	(190)	(12)	–	(202)
At 31/03/12	1,069	2,502	3,188	6	6,765
Charge for year	114	444	548	26	1,132
Depreciation on disposal	(32)	(480)	(87)	–	(599)
At 31/03/13	1,151	2,466	3,649	32	7,298
NET BOOK VALUE					
At 01/04/11	407	670	1,292	–	2,369
At 31/03/12	329	804	996	12	2,141
At 31/03/13	270	1,045	1,437	47	2,799

Notes to the Accounts

10.1.a UK Sport – Intangible Assets

	Information Technology
	£'000
AT COST	
At 01/04/11	1,132
Additions	227
Disposals	(225)
At 31/03/12	1,134
Additions	153
Disposals	–
At 31/03/13	1,287
AMORTISATION	
At 01/04/11	740
Charge for year	258
Depreciation on disposal	(208)
At 31/03/12	790
Charge for year	222
Depreciation on disposal	–
At 31/03/13	1,012
NET BOOK VALUE	
At 01/04/11	392
At 31/03/12	344
At 31/03/13	275

Assets in the Course of Construction

Within the closing net book value there is £0.022m worth of assets in the course of construction which are yet to be depreciated.

10.1.b Group – Intangible Assets

	Information Technology
	£'000
AT COST	
At 01/04/11	1,132
Additions	387
Disposals	(225)
At 31/03/12	1,294
Additions	170
Disposals	–
At 31/03/13	1,464
AMORTISATION	
At 01/04/11	740
Charge for year	285
Depreciation on disposal	(208)
At 31/03/12	817
Charge for year	256
Depreciation on disposal	–
At 31/03/13	1,073
NET BOOK VALUE	
At 01/04/11	392
At 31/03/12	477
At 31/03/13	391

Notes to the Accounts

11. Trade Receivables

	UK Sport		Group	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Trade Receivables	81	79	242	220
Other Receivables	37	99	32	52
Other Taxation and Social Security	41	–	41	–
Prepayments and Accrued Income	2,211	1,285	2,809	1,701
Total	2,370	1,463	3,124	1,973
INTRA-GOVERNMENT BALANCES				
Balances with Central Government Bodies	448	417	448	417
Balances with Local Authorities and Police Authorities	251	284	261	284
Balances with Public Corporations and Trading Funds	–	–	–	–
Subtotal: Intra-Government Balance	699	701	709	701
Balances with Bodies External to Government	1,671	762	2,415	1,272
Total	2,370	1,463	3,124	1,973

All amounts fall due within one year.

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

12. Cash and Cash Equivalents

	UK Sport		Group	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Balance at 1 April	1,702	990	2,437	1,485
Net Change in Cash and Cash Equivalents	(975)	712	(906)	952
Balance at 31 March	727	1,702	1,531	2,437

13. Trade and Other Payables

	UK Sport		Group	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Trade Payables	978	628	1,819	1,186
Other Payables	–	1	10	13
Corporation Tax	–	–	–	–
Other Taxation and Social Security	135	220	455	553
Accruals and Deferred Income	803	1,126	1,178	1,460
Total	1,916	1,975	3,462	3,212
INTRA-GOVERNMENT BALANCES				
Balances with Central Government Bodies	199	233	444	478
Balances with Local Authorities and Police Authorities	–	131	23	145
Balances with Public Corporations and Trading Funds	118	37	118	37
Subtotal: Intra-Government Balances	317	401	585	660
Balances with Bodies External to Government	1,599	1,574	2,877	2,552
Total	1,916	1,975	3,462	3,212

All amounts fall due within one year.

14. Provision for Liabilities

	UK Sport		Group	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Opening Balance	463	419	463	446
Charge/(Credit) in year	(202)	44	(202)	17
Closing Balance	261	463	261	463

During the year Knight Frank were commissioned to review the anticipated cost of making good any dilapidations at 40 Bernard Street at the end of the tenancy agreement. The adjustment to the provision reflects a write back of provision to bring the expected charge in line with the review.

Notes to the Accounts

15. Reconciliation of Operating Deficit to Net Cash Outflow from Operating Activities

	UK Sport		Group	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Net Expenditure before Taxation and Interest	(66,033)	(60,874)	(65,680)	(60,995)
Depreciation/Amortisation of Property Plant and Equipment	425	434	1,388	1,268
Loss on Disposal of Property Plant and Equipment	–	25	24	76
Transfer from Deferred Income Account	–	–	–	4
Notional Interest on Capital Employed	–	–	–	–
(Increase)/Decrease in Receivables	(907)	(61)	(1,151)	130
(Decrease)/Increase in Payables	(59)	788	250	863
(Decrease)/Increase in Provisions	(202)	44	(202)	17
Pension Scheme: Non Cash Movement	140	31	476	132
Net Cash Outflow from Operating Activities	(66,636)	(59,613)	(64,895)	(58,505)

16. Financial Instruments

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

Liquidity Risks

In the year £65.966m or 82% (2011/12, £60.651m or 85%) of the Group's income derived from DCMS Grant-in-Aid and £0.0m or 0% (2011/12, £0.0m or 0%) from the Lottery Distribution Fund. The remaining balance of £14.155m or 18% (2011/12, £10.749m or 15%) derived from other operating activities. UK Sport is satisfied that it has sufficient liquid resources to cover amounts due within one year and UK Sport is thus not considered to be exposed to any significant liquidity risk.

Interest Rate Risks

Cash balances, which are drawn down as Grant-in-Aid to pay grant commitments and operating costs, are held in a Treasury Deposit Account, which on average carried an interest rate of 0.20% (2011/12 0.33%) in the year. UK Sport's closing balance was £0.727m (2011/12, £1.702m).

Foreign Currency Risk

There is no exposure to foreign exchange risk.

17. Superannuation Scheme – UK Sport

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

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

The Pension Scheme is of the defined benefit type and is funded by employees and employers at actuarially determined rates. The employer's contribution for the year amounted to £0.349m or 10.2% of pensionable pay (2011/12, £0.345m or 10.2%).

An additional pension contribution of £0.267m (2011/12, £0.117m) was also made to reduce the pension liability in respect of prior years.

The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was at 31/03/10, with the next formal valuation due at 31/03/13. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

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

17.1 Pension Commitments

Financial Assumptions	2013	2012
	%	%
Price Increases	3.4	3.3
Salary Increases	4.3	4.2
Pension Increases	2.6	2.5
Discount Rate	4.7	4.6

Average future life expectancies at age 65:	Males	Female
	years	years
Current Pensioners	22.2	24.0
Future Pensioners	24.2	25.8

Notes to the Accounts

17.2 Fair Value of Employer Assets

	2013 Assets	2012 Long term return	2012 Assets
	£'000	%	£'000
Equities	9,208	6.3	7,652
Target Return Funds	1,262	4.5	1,257
Alternative Assets	1,892	5.3	1,467
Cash	252	3.0	105
Corporate Bonds	–	–	–
Total Fair Value of Assets	12,614		10,481
Present Value of Scheme Liabilities	(19,172)		(17,568)
Net Pension Liability	(6,558)		(7,087)

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost will be replaced with a single net interest cost which will effectively set the expected return equal to the IAS19 discount rate. Therefore we have not disclosed an expected return assumption for the year to March 2014.

For the year to March 2013, the expected return was 5.9% per annum, which has been used to determine the profit and loss charge for the year ended 31 March 2013.

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

	31/03/13	31/03/12
	%	%
Equities	73	73
Target Return Funds	10	12
Alternative Assets	15	14
Cash	2	1
Corporate Bonds	0	0

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

	2012/13	2011/12
	£'000	£'000
Current Service Cost	752	493
Interest Cost	856	801
Expected return on Employer Assets	(677)	(739)
Past Service Cost	–	–
Total	931	555
Actual Return on Plan Assets	1,532	103

17.4 Amounts recognised in the Statement of Changes in Taxpayers' Equity:

	2012/13	2011/12
	£'000	£'000
Actuarial Gains/(Losses)	855	(3,627)
Actuarial Gains/(Losses) recognised in SOCTE	855	(3,627)
Cumulative Actuarial Gains and Losses	(5,993)	(6,848)

17.5 Changes in the Present Value of the Defined Benefit Obligation are as follows:

	2012/13	2011/12
	£'000	£'000
Opening Defined Benefit Obligation	17,568	13,353
Current Service Cost	752	493
Interest Cost	856	801
Contributions by Members	236	226
Actuarial Loss	47	3,037
Past Service Cost	–	–
Estimated Benefits Paid	(287)	(342)
Closing Defined Benefit Obligation	19,172	17,568

17.6 Changes in the Fair Value of Plan Assets are as follows:

	2012/13	2011/12
	£'000	£'000
Opening Fair Value of Employer Assets	10,481	10,136
Expected Return on Assets	677	739
Contributions by Members	236	226
Contributions by Employer	672	448
Actuarial Gains/(Losses)	835	(726)
Benefits Paid	(287)	(342)
Closing Fair Value of Employer Assets	12,614	10,481

Notes to the Accounts

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

	2012/13	2011/12	2010/11	2009/10	2008/09
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	12,614	10,481	10,136	9,081	7,634
Present Value of Defined Benefit Obligation	(19,172)	(17,568)	(13,353)	(14,255)	(9,756)
Surplus/(Deficit)	(6,558)	(7,087)	(3,217)	(5,174)	(2,122)
Experience Gains/(Losses) on Assets	902	(591)	197	1,672	(2,685)
Experience Gains/(Losses) on Liabilities	(38)	13	(712)	316	25

1. In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31/03/13, Barnett Waddingham have rolled forward the actuarial value of the liabilities reported as at the latest formal valuation allowing for the different financial assumptions required under IAS 19. In addition, they have also considered the effect of contributions paid into, and estimated benefits paid from, the Fund by UK Sport and its employees.
2. It is not possible to assess the accuracy of the estimated liability as at 31/03/13 without completing a full valuation. However Barnett Waddingham are satisfied that the approach of rolling forward the previous valuation to 31/03/13 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions and the structure of the liabilities is substantially the same as the latest formal valuation.
3. To calculate the asset share we have rolled forward the assets allowing for investment returns, contributions paid into, and the estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

The Actuarial Valuation for IAS 19 purposes has been allocated between the Lottery and Exchequer (GIA) accounts in accordance with accounting policy note 1.

18. Superannuation Scheme – EIS

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

The Pension Scheme is of the defined benefit type and it is funded by employees and employers at actuarially determined rates. Employer contributions charged for members of the scheme amounted to £0.693m (2011/12, £0.686m).

Following advice of the consulting actuaries to the LPFA as at 31/03/11 the English Institute of Sport Limited's employer contributions (as a percentage of pensionable salary) were reduced from 12.5% to 9.1%.

A valuation for FRS17 purposes as at 31/03/13 was carried out by a qualified independent actuary.

The assumptions used by the actuary for FRS17 valuation purposes were:

18.1 Pension Commitments

Financial assumptions:	2013	2012
	%	%
Price Increases	3.4	3.3
Salary Increases	3.1	3.1
Pension Increases	2.6	2.5
Discount Rate	4.7	4.6

Average future life expectancies at age 65:	Males	Females
	years	years
Current Pensioners	22.1	24.1
Future Pensioners	24.1	26.0

Notes to the Accounts

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting surplus is:

18.2 Fair Value of Employer Assets

	2013 Long term rate of return expected	Value	2012 Long term rate of return expected	Value
	%	£'000	%	£'000
Equities	6.0	12,698	6.3	10,285
Target Return Funds	4.6	1,739	4.5	1,691
Alternative Assets	5.0	2,609	5.3	1,972
Cash	3.8	348	3.0	141
Corporate Bonds	0.0	–	0.0	–
Total Market Value of Assets		17,394		14,089
Present Value of Scheme Liabilities		(17,765)		(15,830)
Net Pension Asset/(Liability)		(371)		(1,741)

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

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

	31/03/13	31/03/12
	%	%
Equities	73	73
Target Return Funds	10	12
Alternative Assets	15	14
Cash	2	1
Corporate Bonds	0	0

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

	2012/13	2011/12
	£'000	£'000
Current Service Cost	1,032	788
Interest Cost	764	662
Expected Return on Employer Assets	(868)	(897)
Past Service Cost	–	–
Total	928	553
Actual Return on Scheme Assets	2,090	132

18.4 Amounts recognised in Statement of Changes in Taxpayers' Equity:

	2012/13	2011/12
	£'000	£'000
Actuarial Losses	1,604	(3,202)
Actuarial Losses recognised in SOCTE	1,604	(3,202)
Cumulative Actuarial losses	(4,543)	(6,147)

18.5 Changes in the Present Value of the Defined Benefit Obligation are as follows:

	2012/13	2011/12
	£'000	£'000
Opening Defined Benefit Obligation	15,830	11,357
Current Service Cost	1,032	788
Interest Cost	764	662
Contributions by Members	532	528
Actuarial (Gain)/Loss	(384)	2,436
Estimate Benefits Paid (Net of Transfers In)	(9)	59
Closing Defined Benefit Obligation	17,765	15,830

18.6 Changes in the Fair Value of Plan Assets are as follows:

	2012/13	2011/12
	£'000	£'000
Opening Fair Value of Employer Assets	14,089	12,683
Expected return on Assets	868	897
Contributions by Members	532	528
Contributions by the Employer	694	688
Actuarial (Loss)/Gain	1,220	(766)
Benefits Paid (Net of Transfers In and including Unfunded)	(9)	59
Closing Fair Value of Employer Assets	17,394	14,089

Notes to the Accounts

18.7 History of Experience Gains and Losses

	2012/13	2011/12	2010/11	2009/10	2008/09
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	17,394	14,089	12,683	10,610	6,684
Present Value of Defined Benefit Obligation	(17,765)	(15,830)	(11,357)	(10,607)	(5,024)
Surplus/(Deficit)	(371)	(1,741)	1,326	3	1,660
Experience Gains/(Losses) on Assets	1220	(766)	(147)	1,708	(2,147)
Experience Gains/(Losses) on Liabilities	–	–	(1,450)	–	–

19. Group Pension Amounts

	Note	2012/13	2011/12
		£'000	£'000
Pension (Liabilities) UK Sport	17.2	(6,558)	(7,087)
Pension (Liabilities) EIS	18.2	(371)	(1,741)
Total Pension (Liabilities) Group		(6,929)	(8,828)
Pension Actuarial Gain/(Loss) UK Sport	17.4	855	(3,627)
Pension Actuarial Gain/(Loss) EIS	18.4	1,604	(3,202)
Total Pension Actuarial Gain/(Loss) Group		2,459	(6,829)
Net Return on Assets UK Sport		(180)	(62)
Gain on Curtailments and Settlements		–	–
Net Return on Assets EIS		104	235
Total Net Return on Assets Group		(76)	173

20. Commitments under Leases

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

	UK Sport		Group	
	2012/13	2011/12	2012/13	2011/12
	£'000	£'000	£'000	£'000
Obligations under Operating Leases comprise:				
BUILDINGS				
Not later than one year	713	717	717	1,754
Later than one year not later than five years	594	1,315	594	1,333
OTHER				
Not later than one year	–	–	14	8
Later than one year not later than five years	–	–	50	9
Total	1,307	2,032	1,375	3,104

21. Grant Commitments

On the undertaking that funds are to be provided by DCMS, UK Sport at 31/03/13, had entered into commitments to pay grants to governing bodies in respect of their approved programmes in the following years (these commitments at 31/03/13 have not yet been recognised in the Statement of Comprehensive Net Expenditure Account nor the Statement of Financial Position.)

	2012/13	2011/12
	£'000	£'000
2012/13	–	55,753
2013/14	7,571	1,308
2014/15	6,234	–
2015/16	4,510	–
2016/17	4,991	–
Total	23,306	57,061

Notes to the Accounts

22. Events after the Reporting Period

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

23. Related Party Transactions

UK Sport is a Non-Departmental Public Body sponsored by DCMS. The DCMS is regarded as a related party. During the period of 01/04/12 to 31/03/13, UK Sport had various material transactions with the departments and with the Sports Councils for the home countries.

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

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

Related party	Nature of transaction	Amounts £
Debbie Lye – CEO of International Development through Sport (IDS)	Grant funding to IDS	31,500
	Management fees charged to IDS	20,493
	Recharged expenditure to IDS	12,653
Debbie Lye – Programme Director of the International Inspiration Foundation (IIF)	Recharge of programme and operational costs to IIF	378,261
	Recharged expenditure to IIF	2,014
	Grant funding to IIF	100,000
Rod Carr – Chief Executive RYA	Grant funding to the RYA	3,947,835
	Delegate fees charged to the RYA	3,250
	Recharged expenditure to UK Sport	225
Philip Kimberley – Chair of England Hockey	Grant funding to England Hockey	1,910,877
	International Influence Strategy grants awarded to England Hockey	64,900
	Delegate fees charged to England Hockey	500
	Recharged expenditure to UK Sport	1,020
Philip Kimberley – Non-executive director of SportsCoach UK	Grant funding to Sports Coach UK	1,099,350
	Fees invoiced from Sports Coach UK	42
	Delegate fees charged to Sports Coach UK	750
Professor Laura McAllister – Chair of Sport Wales	Grant funding to Sport Wales	144,596
	Recharged expenditure from Sport Wales	1,500
	Fees charged from Sport Wales	84
	Delegate Fees charged to Sport Wales	1,250

Related party	Nature of transaction	Amounts £
Professor Laura McAllister – Member of Wales Advisory Board, British Council	Grant funding to British Council	19,220
	Recharged expenditure from the British Council	591
Louise Martin – Elected Member (Honorary Secretary General) Commonwealth Games Federation	Grant funding to the Commonwealth Games Federation	75,000
Louise Martin – Chair of Sport Scotland	Grant funding to Sport Scotland	527,348
	Recharged expenditure from Sport Scotland	5,742
	Delegate fees charged to Sport Scotland	2,000
Chris Holmes – Director of the London Organising Committee for the Olympic Games (LOCOG)	Secondment costs charged to LOCOG	2,361
Liz Nicholl – Director of Team 2012 Limited	Recharged expenditure to Team 2012 Limited	752
	Management fees charged to Team 2012 Limited	63,000
	Donations drawn down from Team 2012 Limited	828,145
	Commission on donations drawn down invoiced to UK Sport	80,141
Sue Campbell – CEO of the Youth Sport Trust	Rent charged to the Youth Sport Trust	24,000
Joseph Ryan – Non-executive Board Director and Honorary Treasurer & Chair of Finance Risk & Governance Board of Badminton England	Grant funding to Badminton England	837,727
	Event Support	20,060
	Delegate fees charged to Badminton England	1,250
	International Influence Strategy grants awarded to Badminton England	37,000
Mark Hanson – Non-executive Board Director of Modern Pentathlon Association Great Britain (MPAGB)	International Influence Strategy grants awarded to Modern Pentathlon Association Great Britain (MPAGB)	29,700
	Delegate fees charged to MPAGB	500
Richard Lewis – Chair of Sport England	Recharged expenditure to Sport England	42,981
	Recharged expenditure from Sport England	25,030
Richard Lewis – Chairman of the Rugby Football League	Grant funding to the Rugby Football League	300,000
	Delegate fees charged to the Rugby Football League	42
Peter Rowley – Sport England Board Member	Recharged expenditure to Sport England	42,981
	Recharged expenditure from Sport England	25,030

Notes to the Accounts

24. Subsidiary Undertakings

English Institute of Sport

UK Sport was given responsibility for the EIS in April 2006. The following results of EIS have been included in the consolidated results:

	2012/13	2011/12
	£'000	£'000
INCOME AND EXPENDITURE		
Income and Expenditure	17,003	16,552
Administrative Expenses	(17,341)	(16,655)
Operating Surplus	(338)	(103)
Interest Receivable	105	237
Interest Payable and Similar Charges	–	–
Surplus on Ordinary Activities before Taxation	(233)	134
Tax on Surplus on Ordinary Activities	–	–
Surplus for the Financial Year	(233)	134

	31/03/13	31/03/12
	£'000	£'000
NET ASSETS AS AT 31 MARCH		
Property, Plant and Equipment	2,491	1,787
Intangible Assets	116	132
Current Assets	1,626	1,299
Payables: falling due within one year	(1,594)	(1,293)
Total Assets Less Current Liabilities	2,639	1,925
Deferred Income	(2,676)	(1,963)
Net Liabilities Excluding Pension Asset	(37)	(38)
Defined Benefit Pension Scheme Asset	(371)	(1,741)
Net Assets/Liabilities including Pension Asset	(408)	(1,779)
Reserves		
Revenue Reserve	(408)	(1,779)

ANNUAL REPORT AND ACCOUNTS

2012/13



The United Kingdom Sports Council Lottery Distribution
Fund Accounts for the year ended 31 March 2013



Statement of the Board and Chief Executive's Responsibilities

Under section 35(2) and (3) of the National Lottery etc. Act 1993 the UK Sports Council is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for Culture, Olympics, Media and Sport with the consent of the Treasury. The accounts are prepared on an accruals basis except in relation to the recognition of commitments and must show a true and fair view of the state of affairs of the UK Sport Lottery Fund distribution activities at the period end and of its income and expenditure and cash flows for the financial period.

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

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

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

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



Liz Nicholl
Chief Executive and Accounting Officer
United Kingdom Sports Council
26 June 2013



Rod Carr
Chair
United Kingdom Sports Council
26 June 2013



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 2012/13. 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 as an Arm's Length Body (ALB) to the Department for Culture, Media and Sport by Royal Charter in 1996. 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*.

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. Baroness Campbell's second term as Chair finished in April 2013 and has been succeeded, following open recruitment, by Rod Carr as Chair of UK Sport. The Board consists of the Chair and nine members, five independent and four representatives of the Home Nation Sports Councils. Collectively they have the skills and experience appropriate to direct UK Sport's business.

During this reporting year there have been a number of changes of personnel on our Board. Dominic Walsh stood down from the role of Chair at SCNI and has been replaced by Brian Henning. Mark Hanson completed his first term and has successfully been extended to a second term. Both Rod Carr and Chris Holmes had their second-terms extended (to July 2013) by the Secretary of State to enable the incoming Chair to be part of the selection process for their replacements.

The Board has established an Audit Committee to support them in their responsibilities for issues of risk, control and governance. The Audit Committee 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, three formal sub-committees of the Board exist:

- Remuneration Panel – ensuring employment issues 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

Governance Statement

2.2 Subsidiary Companies

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 Institute is bound by a Funding Agreement (alongside a separate Financial Memorandum). Key Performance Indicators are agreed annually and progress against these is reviewed at formal quarterly meetings attended by the National Director and Director of Business and Finance at the EIS and the COO and PD from UK Sport – both their Risk register and minutes from their Audit Committee are also reviewed at these meetings. Separate (but reporting into) these quarterly reviews, budget/forecast meetings are held between our Investment Team and the Director of Business and Finance at the Institute.

A full review of the governance arrangements between UK Sport and the Institute was undertaken in 2012 leading to a number of recommendations being adopted to strengthen the relationship between the two bodies. These include:

- the re-profiling of the skills mix around the EIS Board to a more technical focus to better consider the specialist nature of activity undertaken by the Institute;
- the addition of both a UKS Board member and the UKS Performance Director as board members of the Institute
- that the Chair of the EIS (or their nominee) attend the UK Sport board
- that an independent Technical Advisory Panel be established against which the EIS executive can test/develop thinking
- that a single Audit Committee provides assurance and oversight for the group

Work is underway to implement these changes by September 2013.

2.3 Board/Committee Effectiveness

Our Board met six times in 2012/13 based around business priorities and the annual calendar of board activity. The Board was quorate for all meetings in 2012/13. Attendance of Board members and Audit Committee is tabulated below:

Board

2012/13	May	June	September	December	January	March	
Sue Campbell	Y	Y	Y	Y	Y	Y	6/6
Laura McAllister	Y	Y	Y	Y	N	Y	5/6
Louise Martin	Y	Y	N	Y	N	Y	4/6
Richard Lewis	Y	N	Y	in part	Y	Y	5/6
Dominic Walsh	N	N	N	term ended	–	–	0/3
Rod Carr	Y	Y	Y	Y	Y	N	5/6
Philip Kimberley	Y	Y	Y	Y	Y	N	5/6
Chris Holmes	Y	Y	Y	Y	N	Y	5/6
Jonathan Vickers	Y	Y	Y	Y	Y	Y	6/6
Mark Hanson	Y	Y	Y	Y	Y	in part	6/6
Brian Henning	–	–	–	N	Y	Y	2/3

Audit Committee

2012/13	June (1)	June (2)	September	December	March	
Chris Holmes	Y	Y	Y	Y	Y	5/5
Mark Hanson	Y	Y	Term ended	–	–	2/2
Jonathan Vickers	Y	Y	Y	Y	Y	5/5
Peter Rowley	Y	Y	N	Y	N	3/5
Joe Ryan	Y	Y	Y	N	Y	4/5
Malcolm Cornberg	Y	Y	N	Y	Y	4/5
Philip Kimberley	–	–	Term commenced	Y	Y	2/2

The Board did not undertake a review of their effectiveness in 2012/13 due to the then imminent churn of a significant proportion of its membership (4 posts) in early 2013. It was decided that this would be best undertaken once the new Chair and members were in post. The last review took place in 2011/12 and the next will take place in 2013/14. A skills audit was undertaken in the early part of 2013 to inform the recruitment/selection process for new members to the Board.

2.4 Executive Responsibilities

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

In my role as Accounting Officer I attend both Board and Audit Committee to ensure any significant risks/issues of control are brought to their attention and discussed. I am therefore able to provide the assurances necessary within this statement for the period from April 2012 to the date of approval of the annual report and accounts.

In July 2012 our then Finance Director left the organisation to take up an equivalent role at the Royal Armouries. Interim arrangements were put in place whilst we recruited to fill the vacancy, with the existing Head of Finance and Investment acting up to Director, and the COO providing additional support as required. Following an extensive search our new Director of Finance and Investment was identified in October 2012 but wasn't available to start until April 2013 with the interim arrangements being extended to that point.

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

3. System of Internal Control

No significant issues of internal control were identified/acted upon in 2012/13. A number of risks were either realised or required managing through the year. This was successfully achieved within the Internal Control processes described hereafter and through our overarching Policy on Internal Control.

The system of internal control within UK Sport seeks to mitigate rather than eliminate risk. The decision 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)

Governance Statement

has been in place since 2007 to promote focus on the most significant risks facing the organisation. The register itself is currently undergoing a significant review to reflect recent changes within our environment, most noticeably the decision by the Cabinet Office not to proceed with the proposed structural merger of UK Sport and Sport England.

An Internal Audit of Risk and Governance was undertaken by Mazars in March 2013 and no significant findings were reported concerning the adequacy and effectiveness of the controls in place regarding UK Sport's risk management and governance arrangements.

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

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

3.1 Risk Profile for 2012/13

Our appetite for risk flexes according to individual circumstance and situation, and by team (due to the nature/type of 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.

- As mentioned above, we received confirmation from the Secretary of State in January 2013 that the proposed merger between ourselves and Sport England did not need to proceed, provided that a number of conditions regarding efficiencies and closer working between the two bodies was progressed, alongside a co-location in 2014.
- Against the backdrop of centralised austerity budgeting, income to UK Sport in 2012/13 held up due, in most part, to the ability of the Lottery to outperform projections. Over the course of the year, through a combination of prudent financial management and efficiency savings, UK Sport has invested over 95% of resources in front line activity. Total lottery income for 2012/13 was £88.743m against an initial budget of £80.347m as a result of increased ticket sales and UK Sport's percentage allocation. The growth in lottery income has enabled UK Sport to ring fence a greater sum of money for the Rio Olympic Cycle – a conscious decision to build reserves to help mitigate the expected shortfall in exchequer funding for the next cycle. In December our Board agreed a Financial Plan for 2013-17, allocating c£550m over the period, this was made possible by the budgeted release of £46m from our Lottery balance over the 2013-17 period.
- UK Sport entered the 2012/13 financial year with a rolling 12-month staff turnover of 14%. Whilst the Summer Games proved to be a significant retention tool (mostly through secondment/volunteering opportunities, but also attendance where possible), we continue to prioritise work to improve staff engagement. An example of this was the launch of the "Victors" recognition programme, highlighting staff's efforts in living the values of UK Sport in how they go about their work. Rolling 12-month staff turnover, as at the end of April 2013 had reduced to a fairly constant 7%.

Looking ahead to the future the key risks to UK Sport remain significant:

- the Financial Plan for 2013/17 was made possible by the planned release of £46m from the lottery balance, unless a similar balance can be established by late 2015, and assuming all other factors remain constant, then there will be significantly less to invest in the subsequent cycle than there has been towards Rio.

- our staff remain in demand globally, probably more than ever before. Retention of their expertise and intellectual property remains a significant priority for us going forwards.

Work is currently underway to consider/evaluate the above risks and then agree how we wish to approach the risks. If accepted then mitigating action plans to ameliorate those risks will be developed and implemented.

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. Focus has been given in 2012/13 to reviewing and updating a number of these to ensure they are current with both statutory/legislative requirements and recognised best practice. The following internal policies (and associated procedures) have been reviewed within the reported year:

- Agency Workers
- Anti-Fraud, Anti-Corruption and Anti-Bribery
- Budgetary Control
- Capability
- Cash Management
- Delegated Authority
- Disciplinary
- Fixed Asset
- Gifts and Hospitality
- GPC and VISA
- Grievance
- Health and Safety Policy 2010
- Information, Data Security & Communications Systems Policy (and associated procedures)
- Paternity/Maternity/Adoption
- Purchase to Pay
- Sales Invoicing
- Sickness
- Travel and Expenses
- Work Experience

3.3 Independent Assurance

3.3.1 Internal Audit

Internal Audit for 2012/13 was provided under contract by Mazars. The Internal Audit Plan for 2012/13 was considered and approved by the Audit Committee at its meeting on 22 June 2012 (and subsequently reviewed on 21 September 2012). The plan was for a total of 70 days. Eight specific audits were scheduled, of which six have been completed, one has been removed and one has been rolled forward into the 2013/14 plan.

- Validation of Income Scenarios for Rio Planning (Substantial Assurance)
- Application of Lottery directions (Substantial Assurance)
- Core Financials (Substantial Assurance)
- Risk Management (Substantial Assurance)
- Corporate Governance (Substantial Assurance)
- IT-Disaster Recovery (Substantial Assurance)
- Management of Third Parties (removed)
- InfoSec/Knowledge Management (deferred)

Further to this follow up visits on previously audited areas have also been undertaken. Across the three audits (and two follow ups) reported, only one Priority 2 recommendation has been made (and none of Priority 1 i.e. fundamental).

The overall opinion of the Head of Internal Audit for the year was that, UK Sport's governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted by the audit work, none of which were fundamental in nature. These matters have been discussed with management, and a number of recommendations have been made. All of these have been, or are in the process of being addressed.

Governance Statement

3.3.2 External Audit

The audit of UK Sport's Annual Report and Accounts for the year ended 31 March 2012 was completed in July 2012. Within the Independent Auditor's Report an Emphasis of Matter was raised concerning the application of the going concern basis to the accounts in light of the Government proposals to merge the functions and expertise of UK Sport and Sport England, suggesting there was uncertainty at the time the accounts were audited as to whether UK Sport would continue to operate in its current legal form. This issue did not have any impact on the Auditor's opinion on the truth, fairness or regularity of the financial statements.

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

Moore Stephens carry out management and governance audits (and also assess the annual self-assurance submissions) of NGBs and system partners under a joint contract with Sport England. UK Sport and Sport England officers meet quarterly with Moore Stephens staff to review progress and manage any operational issues.

A total of ten management and governance audits were undertaken by Moore Stephens during the year, the outcomes of these were as follows:

Status	No.	Green	Green/Amber	Amber/Red	Red
Final Report Issued	5	0	3	2	0
Draft Report Issued	5	0	4	1	0

The three sports rated Amber/Red in the year will be subject to a follow-up audit in 2013/14 focussing on those areas of concern raised in the previous report. In the interim they are also asked to report regularly on actions they are taking to address those issues.

Within 2012/13 all funded NGBs and system partners undertook either the Self-Assurance or Basic Assurance process.¹ The following assurance ratings were received:

Audit-type	No.	Green	Amber	Red
Self	43	25	17	1
Basic	1	0	1	0

Our agreed performance target with the DCMS was for 85% of NGBs/system partners to have achieved Green or Amber within their self-assurance process – in 2012/13, 98% (42 out of 43 organisations) achieved this.



Liz Nicholl
Chief Executive and Accounting Officer
United Kingdom Sports Council
26 June 2013




Rod Carr
Chair
United Kingdom Sports Council
26 June 2013



¹ In 2012/13 all funded NGBs/system partners will have been moved to the more thorough self-assurance process

The United Kingdom Sports Council and Lottery Distribution Fund

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

I certify that I have audited the financial statements of the United Kingdom Sports Council Lottery Distribution Fund for the year ended 31 March 2013 under the National Lottery etc. Act 1993. These financial statements comprise the Statements of Comprehensive Net Expenditure, Changes in Equity, Financial Position, Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Chief Executive and the auditor

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

Scope of the Audit of the Financial Statements

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

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

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the United Kingdom Sports Council Lottery Distribution Fund's affairs as at 31 March 2013 and of its decrease in lottery distribution funds for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

The United Kingdom Sports Council and Lottery Distribution Fund

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the National Lottery etc. Act 1993; and
- the information given in the Operating Environment, Structure, and Managing Delivery sections of the Annual 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
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

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

Date: 3 July 2013

Lottery Distribution Fund Accounts

Statement of Comprehensive Net Expenditure for the period ended 31/03/13

	Note	UK Sport	
		2012/13 £'000	2011/12 £'000
INCOME			
National Lottery share of proceeds	2	88,298	69,550
Investment returns from NLDF	2	445	495
Other Operating Income		93	98
Interest Receivable		2	3
Total		88,838	70,146
EXPENDITURE			
Hard commitments	3	141,135	27,123
Hard de-commitments	3	(4,993)	(11,263)
Staff costs	6	1,143	974
Depreciation	9	12	–
Other operating costs		277	239
Costs apportioned from UK Sport GIA account		2,197	1,964
Total		139,771	19,037
INCREASE/(DECREASE) IN LOTTERY FUNDS BEFORE TAXATION		(50,933)	51,109
Net Return on Pension Liabilities		(38)	(13)
Taxation		–	–
INCREASE/(DECREASE) IN LOTTERY FUNDS		(50,971)	51,096
Other Comprehensive Expenditure			
Pension actuarial gain/(loss)	12.4	241	(1,022)
TOTAL COMPREHENSIVE NET EXPENDITURE		(50,730)	50,074

All activities are to continuing activities.

The notes on pages 87 to 103 form part of these accounts.

Lottery Distribution Fund Accounts

Statement of Changes in Equity for the year ended 31/03/13

	UK Sport			
	2012/13		2011/12	
	Revenue Reserve £'000	Pension Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000
Balance Brought Forward	(5,114)	(2,004)	(56,258)	(1,094)
Retained Surplus/(Deficit) for the year	(50,971)	–	51,096	–
Recognition of Actuarial Gain/(Loss)	–	241	–	(1,022)
Transfer from the Pension Reserve	120	(120)	48	(48)
Other Movements	–	132	–	160
Balance at 31 March	(55,965)	(1,751)	(5,114)	(2,004)

The notes on pages 87 to 103 form part of these accounts.

Statement of Financial Position as at 31/03/13

	Note	UK Sport	
		31/03/13 £'000	31/03/12 £'000
NON CURRENT ASSETS			
Intangible Assets	9	72	–
Total Non Current Assets		72	–
CURRENT ASSETS			
Investments – Balance in NLDF	2	77,878	39,004
Trade and Other Receivables	10	13	17
Cash and Cash Equivalents	14	438	339
Total Current Assets		78,329	39,360
CURRENT LIABILITIES			
Trade and Other Payables	11	(400)	(459)
Hard Grant Commitments falling due within one year	3	(40,169)	(41,017)
Total Current Liabilities		(40,569)	(41,476)
Non Current Assets plus/less Net Current Assets/Liabilities		37,832	(2,116)
NON CURRENT LIABILITIES			
Hard Grant Commitments falling due after one year	3	(93,797)	(2,998)
Pension Liability	12.2	(1,751)	(2,004)
Total Non Current Liabilities		95,548	5,002
Total Assets Less Liabilities		(57,716)	(7,118)
EQUITY			
Pension Reserve	12.2	(1,751)	(2,004)
Revenue Reserve		(55,965)	(5,114)
TOTAL EQUITY		(57,716)	(7,118)

The notes on pages 87 to 103 form part of these accounts.

Liz Nicholl

Rodney P. Carr

Liz Nicholl
Chief Executive and Accounting Officer
United Kingdom Sports Council
26 June 2013



Rod Carr
Chair
United Kingdom Sports Council
26 June 2013



Lottery Distribution Fund Accounts

Statement of Cash Flows for the year ended 31/03/13

	Note	UK Sport	
		2012/13 £'000	2011/12 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash drawn down from NLDF	2	49,869	55,806
Other Income		98	81
Staff Costs		(1,061)	(939)
Operating Costs		(2,534)	(2,384)
Award Payments	5	(46,191)	(53,110)
Payments for Intangible Assets		(84)	–
Net Cash Generated from Operations		97	(546)
Interest Received		2	3
Net Cash Flow from Operating Activities		99	(543)
Net Increase/(Decrease) in Cash and Cash Equivalents in the Period		99	(543)
Cash and Cash Equivalents at 1 April		339	882
Cash and Cash Equivalents at 31 March	14	438	339

The notes on pages 87 to 103 form part of these accounts.

Notes to the Accounts

1. Accounting Policies

1.1 Accounting Policies

These financial statements have been prepared in accordance with the 2012/13 Government Financial Reporting Manual (FReM) issued by HM Treasury and on the basis of the Accounts Direction issued by the Secretary of State for Culture, Olympics, Media and Sport on 26 March 2002, a copy of which can be obtained from UK Sport at 40 Bernard Street, London, WC1N 1ST.

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 31/03/13, 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 the net assets of the group.

The financial statements have been prepared on a going concern basis. The accounts show net liabilities as at 31 March 2013. The net liability position is as a result of the recognition of hard commitments in accordance with note 1.3. The grant commitments for future years have been entered into after taking account of UK Sport's percentage of the National Lottery Distribution Fund.

1.2 Use of Estimates and Judgements

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

Notes to the Accounts

1.3 Hard and Soft Commitments

As required by the Secretary of State, a distinction is made in respect of Lottery awards between “hard” and “soft” commitments as follows:

- a “hard commitment” occurs where a firm offer of award has been made by UK Sport and this offer has been accepted, together with any conditions dependent upon which the award has been made; and
- a “soft commitment” occurs where a firm offer of award has been made by UK Sport but the offer and associated conditions have not yet been accepted.

Only “hard commitments” are recognised in the Statement of Comprehensive Net Expenditure (and shown in Note 3), soft commitments are detailed in Note 4.

1.4 Property Plant & Equipment

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

- Computer Software: 3-5 years.

1.5 Pension Costs

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

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

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

1.6 Charges to and from UK Sport

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

1.7 Value Added Tax

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

1.8 Investments

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

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

1.9 Cash and Cash Equivalents

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

2. National Lottery Distribution Fund

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

	UK Sport	
	2012/13 £'000	2011/12 £'000
Balance Brought Forward	39,004	24,765
Share of Net Operator Proceeds	88,298	69,550
Investment Returns from NLDF	445	495
Available for distribution	127,747	94,810
Funds Drawn Down	(49,869)	(55,806)
Balance Carried Forward	77,878	39,004

Balances held in the National Lottery Distribution Fund (NLDF) remain under the stewardship of the Secretary of State for Culture, Olympics, Media and Sport. However, the share of these balances attributable to UK Sport as shown in the accounts and at the Statement of Financial Position date has been certified by the Secretary of State as being available for distribution by the body 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 31/03/13 is £77.878m (2011/12, £39.004m)

The NLDF balance increased during the year 2012/13 to stand at £77.878m at 31/03/13, representing 58% of outstanding commitments made at that point.

The growth in National Lottery income due to the increased percentage of proceeds allocated to the Council has enabled UK Sport to ring-fence a greater sum of money for the Rio Olympic cycle – a conscious decision to build reserves to help mitigate the expected shortfall in Exchequer funding in this cycle.

Notes to the Accounts

3. Hard Commitments

	UK Sport	
	2012/13 £'000	2011/12 £'000
Hard Commitments Brought Forward	44,015	81,265
Hard Commitments made this year	141,135	27,123
Hard De-commitments	(4,993)	(11,263)
Total Hard Commitments	180,157	97,125
Hard Commitments met in the period	(46,191)	(53,110)
Hard Commitments carried forward as at year end	133,966	44,015
Hard Commitments by year		
Amounts falling due during 2012/13	–	41,017
Amounts falling due during 2013/14	40,169	2,766
Amounts falling due during 2014/15	31,139	232
Amounts falling due during 2015/16	34,432	–
Amounts falling due during 2016/17	28,226	–
Total	133,966	44,015

Hard commitments made in the year are shown as expenditure, but during the year some commitments will be made and paid in the same year, which accounts for the difference between outstanding hard commitments at 31/03/2012 and actual amounts paid in 2012/13.

4. Soft Commitments

	UK Sport	
	2012/13 £'000	2011/12 £'000
Soft Commitments Brought Forward	2,837	1,892
Soft Commitments made	272,745	28,759
Soft Commitments transferred to Hard Commitments	(141,135)	(27,123)
Soft De-commitments	(36)	(691)
Soft Commitments carried forward as at 31 March	134,411	2,837

Soft Commitments made in the year are not recognised in the accounts.

The accounting policies applied for National Lottery funding require commitments to be recorded in the accounts when an offer has been made and accepted. Revenue can only be recognised when funds are made available within the National Lottery Distribution Fund. With effect from 2002/03, and to provide appropriate financial security for grantees, UK Sport commits funds for a period of up to four years with the expectation that actual funds will be available from future National Lottery revenue to meet future years' expenditure.

5. Lottery Grant Payments during the Year

	2012/13 £'000	2011/12 £'000		2012/13 £'000	2011/12 £'000
TO ATHLETES:			TO GOVERNING BODIES:		
Amateur Boxing Association of England	486	513	Badminton England	623	399
Badminton England	206	269	British Amateur Boxing Association	746	1,035
British Bobskeleton Association	66	90	British Blind Sport – Goalball	87	146
British Bobsleigh Association	134	105	British Bob Skeleton Association	247	365
British Canoe Union	433	433	British Bobsleigh Association	325	338
British Curling Association	139	134	British Canoe Union	1,803	1,830
British Cycling Federation	926	869	British Cycling Federation	2,685	4,096
British Equestrian Federation	450	407	British Disabled Fencing Association	209	198
British Fencing Association	19	79	British Equestrian Federation	1,508	1,886
British Gymnastics	282	286	British Fencing Association	559	564
British Judo Association	372	356	British Gymnastics	1,581	1,455
British Rowing	1,287	1,432	British Handball Association	489	768
British Ski and Snowboard	135	–	British Judo Association	844	850
British Swimming	1,625	1,717	British Olympic Table Tennis Federation	69	185
British Table Tennis Association for the Disabled	36	27	British Performance Basketball	1,295	1,063
British Triathlon Association	151	112	British Rowing	2,296	3,373
British Volleyball Federation	51	58	British Shooting	825	753
Disability Snowsport UK	21	10	British Ski and Snowboard Federation	146	70
Disabled Target Shooting of Great Britain	86	75	British Swimming	5,991	5,341
England Hockey	719	1,025	British Table Tennis Association for the Disabled	241	271
Grand National Archery	338	358	British Triathlon Federation	547	727
Great Britain Boccia	97	96	British Volleyball Federation	502	839
Great Britain Wheelchair Basketball Association	357	311	British Wrestling Association	177	402
Great Britain Wheelchair Rugby	103	85	Disability Snowsport UK	25	71
National Ice Skating Association	109	82	Disabled Target Shooting of Great Britain	246	325
Pentathlon GB	248	229	England Hockey	1,801	1,394
Royal Yachting Association	980	949	English Institute of Sport	2	2
Sport Taekwando	233	184	Grand National Archery Society	469	396
The Tennis Foundation	142	128	Great Britain Boccia	301	352
UK Athletics	1,397	1,501	Great Britain Wheelchair Basketball Association	624	545
World Class Lifting	39	26	Great Britain Wheelchair Rugby Association	251	300
World Class Lifting (Paralympic)	29	35	National Ice skating Association	244	362
TOTAL	11,696	11,981			

Notes to the Accounts

	2012/13 £'000	2011/12 £'000		2012/13 £'000	2011/12 £'000
Pentathlon GB	592	644	FIH Women's Champions Trophy 2010	–	34
Royal Yachting Association	1,834	3,125	FINA Diving World Series 2012	10	90
Sports Taekwondo	508	599	FISA Rowing World Cup 2013	258	–
SportScotland	152	394	FITA Archery World Cup Final 2010	–	7
UK Athletics	910	2,226	GB World Cup 2010	–	20
World Class Lifting	317	396	IBSA Blind Football World Championships 2010	–	7
World Class Lifting (Paralympic)	126	119	IFDS World Championships 2011	5	28
TOTAL	32,197	38,204	International Shooting Competition – GBR	–	74
FOR EVENTS:			Invacare World Team Cup (Wheelchair Tennis) 2009	–	6
Athletics Paralympic Series 2010	–	1	ISU European Figure Skating Championships 2012	–	90
Athletics European Team Championships 2013	69	–	ITU World Championship Series 2010	–	28
Beach Volleyball U21 World Championships 2008	–	19	ITU World Championship Series Final 2013	245	–
BID-World Athletics Championships 2017	92	62	Judo GB World Cup 2011	–	125
BID-World Netball Championships 2015	–	12	LEN European Synchronised Swimming Champions Cup 2011	5	10
BMX Supercross World Cup 2011	15	135	London Disability Athletics Challenge 2012	50	–
Boccia World Cup 2011	–	133	Men's London Handball Cup 2012	12	31
Canoe Slalom World Cup 2012	–	91	Men's World Squash Championship 2013	75	–
Disability Athletics Grand Prix	9	42	Open ECVD Sitting Volleyball Continental Cup 2011	–	69
English International Open Table Tennis Championships 2011	–	10	Para Archery Tournament and Paralympic Qualifier 2011	–	22
European 470s Sailing Championships 2012	25	–	Rugby League World Cup 2013	200	–
European Fencing Championships 2011	10	27	Sail For Gold 2010	–	37
European Taekwondo Championships 2012	34	174	Sail For Gold 2011	25	95
European Tournament Water Ski Championships 2010	–	5	Sail For Gold 2012	168	–
European VI Judo Championships 2011	–	48	Taekwondo British Open 2011	–	146
Factor 40 Disability Table Tennis British Open 2011	–	25	Trampoline, Tumbling and DMT World Championships 2011	–	71
FEI European Eventing Championships 2015	35	–	UCI BMX Supercross World Cup 2013	83	100
FIG All Round World Cup 2011	14	–	UCI BMX World Championships 2012	200	–
FIG Gymnastics World Cup 2012	36	–			

	2012/13 £'000	2011/12 £'000
UCI Mountain Bike Cross Country World Cup 2011	–	151
UCI Track Cycling World Cup Classic 2011	–	11
UCI Track Cycling World Cup 2012/2013	89	–
UCI Track World Cup 2012	15	135
UIPM Modern Pentathlon World Cup Final 2011	–	80
UIPM World Cup 2010	–	9
Wheelchair Rugby GB World Cup 2011	1	34
World Badminton Championships 2011	–	150
World Championship Series Triathlon 2011	30	135
World Junior Rowing Championships 2011	–	225
World Rowing Championships 2015	–	51
World Wheelchair Basketball Championships 2010	–	69
World Youth Netball Championships 2013	68	–
TOTAL	1,878	2,924
OTHER GRANTS		
British Olympic Association	420	–
TOTAL	420	2,924
TOTAL GRANT PAYMENTS IN THE YEAR	46,191	53,110

Notes to the Accounts

6. Staff Costs

	UK Sport	
	2012/13 £'000	2011/12 £'000
Wages & Salaries	896	797
Social Security Costs	87	77
Current Service Costs	160	100
Past Service Costs	–	–
Total Employee Costs	1,143	974

7. Staffing

The average number of staff employed during the year was as follows:

	UK Sport	
	2012/13	2011/12
Operations/Planning/Development	18	16
Average Staff Numbers	18	16

8. Lottery Funds

	UK Sport	
	2012/13 £'000	2011/12 £'000
The Lottery Fund is stated after charging for:		
External Auditors' Remuneration for Audit Work	29	28

9. Intangible Assets

All intangible fixed assets are computer software.

	UK Sport	
	2012/13 £'000	2011/12 £'000
COST		
At 1 April 2012	522	535
Additions	84	–
Eliminated on Disposal	–	(13)
At 31 March 2013	606	522
DEPRECIATION		
Start of the year	522	535
Charge for year	12	–
Eliminated on Disposal	–	(13)
End of Year Net Book Value	534	522
Net Book Value		
At 1 April 2012	–	–
At 31 March 2013	72	–

Within the above cost, £0.048m relates to assets in the course of construction which are yet to be depreciated.

10. Trade Receivables

	UK Sport	
	2012/13 £'000	2011/12 £'000
Trade Receivables	–	4
Prepayments	13	3
Other Receivables	–	10
TOTAL	13	17
INTRA-GOVERNMENT BALANCES		
Balances with Central Government Bodies	–	–
Balances with Local Authorities and Police Authorities	–	–
SUBTOTAL: INTRA-GOVERNMENT BALANCES		
Balances with Bodies External to Government	13	17
TOTAL	13	17

All amounts fall due within one year.

Notes to the Accounts

11. Trade Payables

	UK Sport	
	2012/13 £'000	2011/12 £'000
Trade Payables	19	8
Accruals	381	451
TOTAL	400	459
INTRA-GOVERNMENT BALANCES		
Balances with Central Government Bodies	351	441
Balances with Local Authorities and Police Authorities	–	–
SUBTOTAL: INTRA-GOVERNMENT BALANCES	351	441
Balances with Bodies External to Government	49	18
TOTAL	400	459

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

12. Superannuation Scheme

The majority of staff of UK Sport (Grant-in-Aid and Lottery) are members of the London Pension Fund Authority (LPFA) Superannuation Scheme. UK Sport is one of several employers whose staff are scheme participants, and data given in this note refers to the whole scheme and to the identified UK Sport portion of it. There is a generic scheme for staff covered by the accounting policy note 1.5 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 £0.074m or 10.2% of pensionable pay (2011/12, £0.067m or 10.2%).

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

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

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

12.1 Pension Commitments

Financial Assumptions	2013	2012
	%	%
Price Increases	3.4	3.3
Salary Increases	4.3	4.2
Pension Increases	2.6	2.5
Discount Rate	4.7	4.6

Average future life expectancies at age 65:	Males	Females
	years	years
Current Pensioners	22.2	24.0
Future Pensioners	24.2	25.8

Notes to the Accounts

12.2 Fair Value of Employer's Assets

	UK Sport		
	Fund Value at 31/03/13 £'000	2012 Long term return %	Fund Value at 31/03/12 £'000
Equities	2,645	6.3	2,210
Target Return Funds	362	4.5	363
Alternative Assets	544	5.3	424
Cash	73	3.0	30
Corporate Bonds	–	n/a	–
Total Fair Value of Assets	3,624		3,027
Present Value of Scheme Liabilities	(5,375)		(5,031)
Net Pension Liability	(1,751)		(2,004)

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate.

Therefore an expected return assumption for the year to 31 March 2014 has not been disclosed.

For the year to 31 March 2013, the expected return was 5.9% per annum, which has been used to determine the profit and loss charge for the year ended 31 March 2013.

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

	UK Sport	
	31/03/13 %	31/03/12 %
Equities	73	73
Target Return Funds	10	12
Alternative Assets	15	14
Cash	2	1
Corporate Bonds	0	0

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

	UK Sport	
	2012/13	2011/12
	£'000	£'000
Current Service Cost	160	100
Interest Cost	182	162
Expected Return on Employers Assets	(143)	(149)
Past Service Cost	–	–
TOTAL	199	113
ACTUAL RETURN ON PLAN ASSETS	443	28

12.4 Amounts recognised in the Statement of Changes in Equity:

	UK Sport	
	2012/13	2011/12
	£'000	£'000
Actuarial Gains/(Losses)	241	(1,022)
Actuarial Gains/(Losses) recognised in SOCE	241	(1,022)
Cumulative Actuarial Gains and Losses	(1,648)	(1,889)

12.5 Changes in the Present Value of the Defined Benefit Obligation are as follows:

	UK Sport	
	2012/13	2011/12
	£'000	£'000
Opening Defined Benefit Obligation	5,031	3,938
Current Service Cost	160	100
Interest Cost	182	162
Contributions by Members	50	46
Actuarial Loss	13	854
Liabilities Extinguished on Settlements	–	–
Past Service Cost	–	–
Estimated Benefits Paid	(61)	(69)
CLOSING DEFINED BENEFIT OBLIGATION	5,375	5,031

Notes to the Accounts

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

	UK Sport	
	2012/13 £'000	2011/12 £'000
OPENING FAIR VALUE OF EMPLOYER'S ASSETS	3,027	2,844
Expected return on assets	143	149
Contributions by Members	50	46
Contributions by Employer	143	90
Actuarial Losses	322	(33)
Benefits paid	(61)	(69)
CLOSING FAIR VALUE OF EMPLOYER ASSETS	3,624	3,027

12.7 History of Experience Gains and Losses

	UK Sport				
	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000
Fair Value of Employer Assets	3,624	3,027	2,844	2,408	2,044
Present Value of Defined Benefit Obligation	(5,375)	(5,031)	(3,938)	(4,141)	(2,876)
Surplus/(Deficit)	(1,751)	(2,004)	(1,094)	(1,733)	(832)
Experience Gains/(Losses) on Assets	254	(167)	54	456	(725)
Experience Gains/(Losses) on Liabilities	(11)	4	(194)	86	7

1. In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31/03/13, Barnett Waddingham have rolled forward the actuarial value of the liabilities reported as at the latest formal valuation allowing for the different financial assumptions required under IAS 19. In addition, they have also considered the effect of contributions paid into, and estimated benefits paid from, the Fund by UK Sport and its employees.
2. It is not possible to assess the accuracy of the estimated liability as at 31/03/13 without completing a full valuation. However Barnett Waddingham are satisfied that the approach of rolling forward the previous valuation to 31/03/13 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions and the structure of the liabilities is substantially the same as the latest formal valuation.
3. To calculate the asset share we have rolled forward the assets allowing for investment returns, contributions paid into, and the estimated benefits paid from, the Fund by and in respect of the employer and its employees.

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

13. Reconciliation of increase in Lottery funds before taxation to net cash inflow/(outflow) from Operating Activities

	UK Sport	
	2012/13 £'000	2011/12 £'000
(Decrease)/Increase in Lottery funds before taxation	(50,933)	51,109
Decrease/(Increase) in receivables	4	(16)
Increase/(Decrease) in payables	89,892	(37,433)
Depreciation of intangible assets	12	–
Interest receivable	(2)	(3)
(Increase) in NLDF	(38,874)	(14,239)
Pension Scheme: Non Cash Movement	82	36
Purchase of fixed assets	(84)	–
Net cash inflow/(outflow) from operating activities	97	(546)

14. Change in Cash and Cash Equivalents

	UK Sport	
	2012/13 £'000	2011/12 £'000
Opening cash balance	339	882
Net cash inflow/(outflow)	99	(543)
Cash and bank balances at year end	438	339

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 2012/13 £88.743m or 99.9% (2011/12, £70.045m or 99.9%) of the UK Sport Lottery Fund's income was derived from the National Lottery. The remaining income derived from interest on deposits and sundry income. In previous reports, UK Sport considered that the Lottery Fund's ability to meet the Award Commitments and other liabilities in the short and longer term is dependent on adequate sales revenue from the National Lottery and on the contingency arrangements in place with the DCMS in the event that the National Lottery revenue falls short of the amounts required.

Notes to the Accounts

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 £77.878m (2011/12, £39.004m). In the year the average return on these investments was 0.76% (2011/12, 1.6%). Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in a deposit account which on average carried an interest rate of 0.24% (2011/12, 0.25%) in the year. Cash on deposit is gross of corporation tax. The cash balance at the year-end was £0.438m (2011/12, £0.339m). The Members consider that the Fund is not exposed to significant interest rate risks.

Foreign Currency Risk

There is no exposure to foreign exchange risk.

16. Contingent Liabilities

An NLDF Balance Transfer of £5m took place in 2006 for the transfer of responsibilities for English Institute of Sport from Sport England to UK Sport. This transfer has been recognised as income in a prior year. The balance may be payable 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 31/03/13, the Lottery Fund had made no commitments to purchase further capital equipment (2011/12, Nil).

18. Events after the Reporting Period

The accounts were authorised for issue on the date the C&AG certified the accounts. The financial accounts do not reflect events after this date.

19. Related Party Transactions

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

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

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

Related party	Nature of transaction	Amounts
Philip Kimberley – Chair of England Hockey	Grant funding to England Hockey	1,801,289
Rod Carr – Chief Executive RYA	Grant funding to the RYA	1,834,055
	Major Event grant funding to the RYA	373,149
Joseph Ryan – Non-executive Board Director and Honorary Treasurer & Chair of Finance Risk & Governance Board of Badminton England	Grant funding to Badminton England	623,311
Louise Martin – Chair of Sport Scotland	Grant funding to Sport Scotland	151,553
Richard Lewis – Chairman of the Rugby Football League	Major Event grant funding to the Rugby Football League	200,000



The United Kingdom Sports Council





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