

The Olympic Lottery Distributor

Annual Report and Accounts for the period 8th July 2005 to 31st March 2006

Report and Accounts
of the Olympic Lottery Distributor
2005-2006

Annual Report presented to Parliament in pursuance of Schedule 5 paragraph 17 of the Horserace Betting and Olympic Lottery Act 2004 and Accounts presented to Parliament on behalf of the Comptroller and Auditor General in pursuance of Schedule 5 paragraph 25 of the Horserace Betting and Olympic Lottery Act 2004.

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Background and Functions of the Distributor

The Government introduced the Horserace Betting and Olympic Lottery Bill to Parliament in December 2003. The Act gained Royal Assent on 28th October 2004. In the event that London was chosen to host the 2012 Olympic and Paralympic Games, the Act enabled Lottery games dedicated to the London 2012 Olympic and Paralympic Games to be established as part of the National Lottery. It also created the necessary structures for holding the proceeds from these lottery games (the Olympic Lottery Distribution Fund) and a distribution mechanism that would enable those proceeds to be used to meet expenditure in connection with staging the Olympic and Paralympic Games.

The Olympic Lottery Distributor's remit is to ensure proper, timely and effective distribution of Lottery money to fund any facility, function or service it considers necessary or expedient for the delivery of the 2012 Olympic Games. The Distributor will monitor grants to ensure they are spent effectively.

After the 6 July 2005 decision on the 2012 Olympics, Government moved quickly to get relevant organisations in place to support the delivery of the games, including the Olympic Lottery Distributor. The Distributor was legally established by a Commencement Order which came into force on 8 July 2005. DCMS appointed an interim Board whilst recruiting a permanent Board. The Interim Board comprised Sir Andrew Foster (as Chair until 28 February 2006), Janet Paraskeva (Chair from 1 March 2006) Jill Barrow, David Ross and Huw Vaughan Thomas.

The Interim Board

The interim Board met on 28th September and 18th October 2005, and also carried out work by correspondence. The work fell into two main areas. The first was to institute appropriate governance and administrative procedures to enable the Olympic Lottery Distributor to function as a Non Departmental Public Body. The second was to begin consideration of how the Distributor could best achieve its purpose. At all times the interim Board remained mindful of the temporary nature of their appointments and thus avoided taking decisions which fettered the discretion of the permanent Board (which was initially expected to be in place by the end of 2005). A register of interests is held by the Distributor and is available for inspection on request.

Internal Governance

The Board adopted procedures for Meetings, establishing a quorum of three Board members with no member holding a casting vote; and a Code of Practice for Board members. The Board appointed the Big Lottery Fund's internal audit team as the Distributor's internal auditors for the financial year.

Organisational Governance

Policy and Finance Directions were agreed with DCMS and were issued in February 2006. Copies of both Directions can be found in the Appendices.

A draft outline Funding Policy was agreed and circulated to statutory consultees.

Strategic Consideration

The interim Board discussed the question of the Distributor's role. The Board recognised that the Distributor's primary role was to fund the provision of facilities and supporting infrastructure directly related to the operation of the 2012 Olympic Games as set out in the candidate file which secured the Games for London. The Olympic Lottery Distributor intends to provide grant in the most efficient way and will

minimise procedural and administrative obstacles to the delivery of the Games. The interim Board was keenly aware of the need to ensure the proper use of lottery funds and to account to Parliament and the public for their stewardship of Lottery players' money. The Bid document set clear goals on environmental and social sustainability and for the legacy of the games. The interim Board attached particular importance to issues around social and environmental sustainability and the legacy the Games will leave behind for a range of communities. They recognised the inherent challenges of delivering these aspects of the Bid but hoped to ensure as far as possible, in investing Lottery funds, that the principles of legacy and sustainability would be maintained.

The interim Board recognised the challenges of delivering the Games in the way that met the aspirations of the Bid whilst maintaining proper accountability and wished to minimise its own expenditure and ensure that the demands it placed on grant recipients should not be onerous or cause unnecessary delay. The Olympics will be delivered by a variety of organisations in a complex network of relationships and with multiple accountabilities. This network will evolve and develop over time but it is clear that strong, open relationships with the delivery bodies will be important.

Operational delivery

The work of the Olympic Lottery Distributor has been led by an interim Chief Executive and Accounting Officer, Mike O'Connor. He has been supported by a number of other staff from the Millennium Commission (Policy, Finance and Secretariat) on a repayment basis.

For the time being the Distributor is based in the same building as the Big Lottery Fund. This is convenient because it allows the Distributor time to consider properly what its complement, structure and location should be. This is a matter for the permanent Board. However, using the Big Lottery Fund's capacity to deal with all accounting, facilities and IT issues on a cost recovery basis means that complement can be restricted and should provide a more efficient way of working.

Future business

It is for the permanent Board to review what has been done and take on the challenge of what needs to be done for the future. However we believe that now that basic systems are in place and with a significant sum of money available from lottery games dedicated to the Olympics, the Board will wish to consider making grants.

Management Commentary

The Distributor's results for the period from 8 July 2005 to 31 March 2006 and financial position at the year-end are set out in the Income and Expenditure Account, Balance Sheet and supporting notes on pages 11 to 15. The accounts have been prepared in accordance with the Accounts Direction given by the Secretary of State for Culture, Media and Sport with the approval of Treasury, in accordance with Schedule 5(14) of the Horserace Betting and Olympic Lottery Act 2004.

All the Distributor's expenditure is met from the balance held on its behalf at the Olympic Lottery Distribution Fund (OLDF). At 31 March 2006, the market value of balances held by the OLDF was £16.5m. Operating expenditure for the year was £49,000.

The Balance Sheet at 31 March 2006 shows total net reserves of £16.4m.

Cash Management

Income from the Lottery is retained in the Olympic Lottery Distribution Fund (the Fund) until required by the distributor. At 31 March 2006 the all of the balance of £16.5m in the Fund was invested in cash and cash deposits.

Funds for operating activities and other sources of cash

The Distributor receives interest earned on the balance of funds held in the Fund.

Liquidity

There was £16.5m held in the Fund on behalf of the Distributor at 31 March against Creditors of £0.02m. The majority of the uncommitted expenditure will be used to fund the London 2012 Olympic Games and Paralympic Games.

Taxation

The Olympic Lottery Distributor is liable to corporation tax on income earned from interest paid on commercial bank accounts. In 2005-06 no corporation tax was due.

Fixed assets

The Distributor has no fixed assets.

Payment of creditors

The Distributor aims to abide by the Better Payment Practice Code and to pay all its creditors within 30 days of receipt of invoice, unless alternative terms and conditions have been negotiated. In the year under review all creditors were paid within the agreed terms.

Post balance sheet events

Post balance sheet events are detailed in note 9.

Auditors

Under the Horserace Betting and Olympic Lottery Act 2004, the Distributor is required to have its financial statements audited by the Comptroller and Auditor General. The cost of the statutory audit is shown in note 4. There were no other audit services provided. The auditor's certificate on the financial statements is shown on pages 9 and 10.

Gifts

During the year no gifts were offered or received by the Distributor.

Employees

The Distributor had no employees during the year. All services were provided by the Millennium Commission and recharged to the Distributor.

The Distributor will develop policies towards equal opportunities and disabled people once it becomes fully established.

Janet Paraskeva
Chair

Date: 5th October 2006

Mike O'Connor CBE
Accounting Officer

Date: 5th October 2006

The Distributor's remuneration report

This report sets out the Distributor's policy on the remuneration of Board Members and the Chief Executive of the Distributor wherever the disclosure provisions are relevant and applicable. Only the section of the Distributor's remuneration report dealing with remuneration received is subject to audit.

Board Members: remuneration policy

The remuneration policy for members of the Board is set by the Department for Culture, Media and Sport. The Chair of the Distributor is entitled to receive an annual honorarium of £10,000. Members are entitled to receive a daily allowance determined by the Secretary of State for Culture, Media and Sport. All Members are entitled to be reimbursed for expenses incurred on the Distributor's business. Expenses regarded by the Inland Revenue as taxable are settled in full by the Distributor, including any related tax payments, and reported as benefits in the tables below.

Pensions

The Board did not operate a pension scheme during the period.

Remuneration received

The remuneration of Board Members appointed or leaving during the year is included in respect of their period of office only.

Board Members do not receive salary or pension remuneration, instead they are entitled to receive an attendance allowance in respect of their services to the Distributor. The Department for Culture, Media and Sport has determined that members should be paid a £194 per day allowance (£97 for a half day). During the period to 31 March 2006, Board members received £194 in emoluments

Interim Board	Entitled to claim	Waived entitlement to claim	Amount claimed in 2005-06 £'000
Jill Barrow	√	-	0 - 5
Sir Andrew Foster (Interim Chair)	√	√	-
Janet Paraskeva (Chair)	√	-	0 - 5
David Ross	√	√	-
Huw Vaughan Thomas	√	-	0 - 5

Notes

- (a) Sir Andrew Foster's appointment ended on 28 February 2006.
- (b) Janet Paraskeva was appointed Chair from 1 March 2006 for a term of 4 years.
- (c) The interim Board remained in place until 14 April 2006 when a new Board was appointed for a four year term. David Ross is also a member of the new Board.

Directors' remuneration disclosures

Mike O'Connor was appointed the interim Chief Executive and Accounting Officer for the Distributor from 19 September 2005 in addition to his existing responsibilities for the Millennium Commission. He continued to be employed by the Commission. During the year the Commission charged £26,000 in respect of work he performed for the Distributor.

Mike O'Connor CBE
Director & Accounting Officer

Date: 5th October 2006

Statement of the Board and the Chief Executive's Responsibilities

Under Schedule 5 (21) of the Horserace, Betting and National Lottery Act 2004, the Olympic Lottery Distributor 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, Media and Sport.

The financial statements are prepared on an accruals basis and must show a true and fair view of the Olympic Lottery Distributor's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the Distributor's accounts, the Distributor is required to:

- observe the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material differences in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Distributor will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive of the Distributor as the Accounting Officer for the Distributor. The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in 'Government Accounting' (TSO), and in the Financial Directions issued by the Secretary of State for Culture, Media and Sport under Schedule 5(14) of the Horserace Betting and National Lottery Act 2004.

Statement on Internal Control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Olympic Lottery Distributor's policies, aims and objectives, as set out by the Board. It is also my duty to safeguard public funds and Distributor assets for which I am personally responsible, in accordance with the responsibilities assigned to me in 'Government Accounting' to ensure compliance with the requirements of the Distributor's Financial Directions.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

At this stage of the Distributor's life the internal control systems are still in development. Because all of the work of the Distributor has been handled by the Millennium Commission during the period ending 31 March 2006, the Distributor has relied on the Commission's system of internal control for which I am also responsible. The system of internal control has been in place in the Millennium Commission for the year end 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The risk management process will be developed during 2006-07. It will be developed in the light of guidance from the Board on the acceptable level of exposure. The risk management processes will involve all staff in understanding and managing risks in their areas of responsibility.

The Distributor has the following processes:

- a Board responsible for strategic planning and direction;
- a set of policies and procedures agreed by the Board in line with Policy and Financial Directions set by the Secretary of State;
- procedures to ensure the disclosure of interests before discussion and decisions on the issues take place;
- an outsourced Internal Audit team, which operates to standards defined in the Government Internal Audit Manual. Internal Audit's annual plan is risk-focussed in line with the requirements of the Government Internal Audit Standards. They submit regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Distributor's developing system of internal control together with recommendations for improvement.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and executive managers within the Millennium Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external

auditors in their management letter and other reports. In producing this statement, I have reviewed and discussed with the Board the scope, authority and resourcing of Internal Audit and the Internal Audit Annual Assurance Report.

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

Mike O'Connor CBE
Chief Executive & Accounting Officer
Date: 5th October 2006

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

I certify that I have audited the financial statements of the Olympic Lottery Distributor for the period ended 31 March 2006 under the Horserace, Betting and Olympic Lottery Act 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Board, Chief Executive and auditor

The Board and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Horserace, Betting and Olympic Lottery Act 2004 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Board and Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Horserace, Betting and Olympic Lottery Act 2004 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Distributor has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 7 to 8 reflects the Distributor's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Distributor's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Background and Functions of the Distributor, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Distributor's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In

forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Horserace, Betting and Olympic Lottery Act 2004 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, of the state of the Olympic Lottery Distributor's affairs as at 31 March 2006 and of its surplus for the period then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Horserace, Betting and Olympic Lottery Act 2004 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
National Audit Office
Date *October 2006*

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Income and Expenditure Account for the period – 8 July 2005 31 March 2006

	Notes	2005-06 £'000
Proceeds from the National Lottery	2	16,315
Investment Income from the Olympic Lottery Distribution Fund	2	171
Total income		16,486
Employee costs	3	0
Other operating costs	4	49
Total expenditure		49
Increase in funds		16,437

There were no losses or gains other than those included above.
All transactions are in respect of continuing activities.

Balance Sheet as at 31 March 2006

	Notes	2005-06 £'000
Current assets		
Balance in Olympic Lottery Distribution Fund	2	16,453
Creditors: amounts falling due within one year	5	(16)
Net assets		16,437
Represented by:		
Income and Expenditure Account		16,437
Total reserves		16,437

The notes on pages 13 to 15 form part of these accounts.

Mike O'Connor CBE
Accounting Officer

Date: 5th October 2006

Cash flow statements for the period 8 July 2005 to 31 March 2006

Operating Activities	2005-06
	£'000
Cash received from Olympic Lottery Distribution Fund	33
Cash payments to suppliers	(33)
Net cash inflow from Operating Activities	<u>-</u>
Increase in Funds	16,437
Increase in Olympic Lottery Distribution Fund balance	(16,453)
Increase in creditors	16
Net cash inflow from Operating Activities	<u>-</u>
Reconciliation of net cash flow to movements in net cash	
	2005-06
	£'000
Net cash inflow for the period	-
Net cash balance at 8 July	0
Net cash balance at 31 March	0

Notes to the Accounts

1 Accounting Policies

(a) Conventions

The financial statements have been prepared under the historical cost convention as modified by the revaluation of current asset investments at their value to the business by reference to current costs where these are materially different to their value under the historical cost convention. They have been prepared in a form directed by the Secretary of State with the consent of Treasury on 31 July 2006 in accordance with Paragraph (14)(2)(f) of Schedule 5 to the Horserace betting and Olympic Lottery Act 2004. A copy of the Accounts Direction is at Appendix 3.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies Act 1985 and Accounting Standards issued or adopted by the Accounting Standards Board in so far as they are appropriate.

(b) Going concern

The annual accounts have been prepared on a going concern basis.

(c) Olympic Lottery Distribution Fund

Balances held in the Olympic Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the Olympic Lottery Distributor is as shown in the Accounts and, at the Balance Sheet date, has been certified by the Secretary for State of Culture, Media and Sport as being available for distribution by the Distributor in respect of current and future commitments.

2 Proceeds from Lottery games dedicated to the London 2012 Olympic and Paralympic Games

	2005-06
	£'000
Proceeds from the Lottery	16,315
Investment Income from the Lottery	171
Cash drawdowns	(33)
Closing balance held by the Olympic Lottery Distribution Fund at market value	16,453

3 Employee information

During the year the Distributor had no employees. The staff input provided by the Millennium Commission for the Distributor was the equivalent of 0.3 staff. The Commission charged the Distributor £36k for this support.

4. Other operating costs

	2005-06
	£'000
External Audit	8
Travel & Subsistence	1
Hospitality	1
Press cuttings	3
Support from the Millennium Commission	36
Total other operating costs	49

5. Creditors: Amounts falling due within one year

	2005-06
	£'000
Millennium Commission	8
Accruals	8
Total creditors due within one year	16

All accruals were due to Government Bodies.

6 Administrative capital commitments

There were no capital commitments for administrative purposes at 31 March 2006.

7. Financial instrument disclosures

FRS13, Derivatives and other financial instruments, requires disclosure of the role which financial instruments have during the year in creating or changing the risks the Olympic Lottery Distributor faces in undertaking its role.

Liquidity risks

In 2005-06, the Olympic Lottery Distributor's income was derived from the Olympic Lottery Distribution Fund.

At the Balance Sheet date the Distributor had liquid assets of £16,453,000 excluding short term creditors as permitted by FRS 13. These funds are earmarked for future grant awards that have yet to be formally committed.

Interest rate risks

At the Balance Sheet date the Market Value of the Olympic Lottery Distributor's share of the Olympic Lottery Distribution Fund was £16,453,472. In the year the average return on these investments was 4.5%.

8. Related party transactions

The Olympic Lottery Distributor is a non-departmental public body sponsored by the Department for Culture, Media and Sport (DCMS). The DCMS is considered to be a related party. The Millennium Commission provided the Distributor with support

services on a repayment basis. Total transactions by the Millennium Commission on behalf of the Olympic Lottery Distributor were £41,000.

9 Post balance sheet events

The new Board for the Olympic Lottery Distributor was appointed by the Secretary of State from 16th April 2006. Since the beginning of the new financial year the Board has agreed grant commitments of £77.6 million for 2006-07. Payment of grant is dependent on income being received from the Olympic Lottery Distribution Fund.

FINANCIAL DIRECTIONS ISSUED UNDER PARAGRAPH 14 OF SCHEDULE 5 TO THE HORSERACE BETTING AND OLYMPIC LOTTERY ACT 2004

The Olympic Lottery Distributor shall comply with the requirements contained within the attached Statement of Financial Requirements, which have the status of directions under paragraph 14 of schedule 5 to the Horserace Betting and Olympic Lottery Act 2004 ("the Act"). The Statement of Financial Requirements complements, and should be read in conjunction with, the Olympic Lottery Distributor's Management Statement, which deals with corporate governance and management matters.

Signed by authority of the Secretary of State for Culture, Media and Sport

ANDREW RAMSAY
Director General, Economic Impact
Department for Culture, Media and Sport

STATEMENT OF FINANCIAL REQUIREMENTS

OLYMPIC LOTTERY DISTRIBUTOR

This Statement of Financial Requirements is effective from 1 February 2006

Introduction

1. This statement complements the OLD's Management Statement (MS). Its context is the OLD's enablement to fund the running costs and the capital costs of 2012 Olympics. It also complements and should be read in conjunction with the Accounts Directions issued to the OLD under paragraph 14(2)(f) of Schedule 5 to the Act, with any policy directions issued to the OLD under paragraph 14(1) of Schedule 5 to the Act, with other appropriate guidance such as that contained in "Dear Accounting Officer" letters, and with any guidance on matters such as fraud issued from time to time by DCMS.
2. The OLD must operate within the principles of administrative law. Lottery proceeds are public monies and shall be used only to make grants and loans in connection with successful Lottery applications or with 'allocated' Lottery awards of the type referred to in paragraph 4 of this SFR, or to defray administration expenses incurred in the distribution of those funds (including those connected with delegation of Lottery distribution). The OLD should have regard to value for money, and to additionality principles, in all aspects of its administration of Lottery funds.
3. Risk management principles should be applied to all aspects of the OLD's activities. Systems of internal control deployed by the OLD should be designed to manage risk to a reasonable level rather than eliminate all risk of failure to the achievement of policies, aims and objectives. Systems of internal control should be based on an ongoing process to identify and prioritise the principal risks to the OLD not achieving its objectives, to evaluate the likelihood and impact of those risks and to manage them efficiently, effectively and economically.

Applications & Allocation of grants

4. The OLD may distribute funds in response to applications, but need not give detailed consideration to applications that are clearly outside the scope of the powers given to it by section 30, and Part 3 of Schedule 5, to the Act; nor to any application that is clearly inconsistent with the provisions of any distribution policy prepared by the distributor under section 31(1) of the Act. It should be prepared to explain these limitations clearly to potential external applicants. OLD may also, where it is clear that there are strategic benefits to be gained, distribute funds on the basis of funding arrangements without the need for open applications. In such cases, the OLD must allocate grants according to clear, set and transparent formulae or criteria agreed in advance by the OLD's Board, which should be made publicly available. Separate internal procedures, and a decision-making process, for allocating grants should be established. These procedures and processes should be designed to avoid creating a system of allocation that could be construed as being unfair, random or arbitrary and should ensure that those involved in making decisions avoid actual or perceived conflicts of interest.
5. The OLD may exercise as it sees fit, putting suitable management and accountability arrangements in place according to its estimation of the risks involved, its power under the Act to delegate, internally or externally, decisions as to whom Lottery money is to be distributed. It may solicit applications.
6. The OLD should ensure that, where appropriate, applicants are informed of the circumstances in which they will have to satisfy European Union (EU) and World Trade Organisation (WTO) procurement rules. Links to the appropriate websites are included in the schedule attached to this SFR listing relevant Government and other guidance.
7. The OLD should adopt appropriate policies for the appraisal of applications or the issue of 'allocated' grants depending on the nature, size and complexity of the project proposed. These should follow the best current practice and utilise, where appropriate, the Treasury "Green Book" and the Office of Government Commerce's Project Profile Model (PPM), used to determine the need for Gateway reviews. Where consistent with purposes of a proposed award, OLD may rely on appraisals undertaken by ODA, provided OLD is satisfied with the adequacy of ODA's procedures in this respect.
8. The OLD should collect what information it considers appropriate on each application it receives, and on each successful application. It should supply such information to the Secretary of State as and when requested. OLD should also supply whatever financial information the Secretary of State requests, provided it is in OLD's power to do so. This should include information on a quarterly basis on expected future drawdown requirements from the Olympic Lottery Distribution Fund (OLDF). It should have effective measures in place to detect and counteract fraud in relation to all its distribution activities, and it should share information on applications with other distributing bodies where it judges that there is a significant risk that an applicant could fraudulently apply to more than one body. The OLD should keep a record of all frauds and thefts discovered and report them to the Department as specified in any guidance of the type referred to in paragraph 1 of this SFR.

Successful applications and payments of grant

9. The terms and conditions with which each grant or loan recipient must comply should be clearly set out. These should include a provision that the grant can be clawed back if there is a change of use from the one originally intended, and/or that an appropriate proportion of the value of the asset should be repaid; and a provision that Lottery finance can be guaranteed only to the extent that the National Lottery continues to operate and the OLD continues to receive sufficient funds from it. They should also include a provision for access by the Comptroller and Auditor General; requirements for the applicant to pay to the OLD a share of the proceeds from the disposal of assets (including their transfer to the private sector) purchased or enhanced with the assistance of Lottery funding; and for the

applicant to repay the grant in full or in part if any of the grant conditions are breached, including instances where the purpose for which the grant was made is not fulfilled, or seems unlikely to the OLD to be fulfilled. The OLD may vary the terms and conditions of a grant or loan by written agreement with the recipient.

10. The OLD may waive such requirements and 'write off' the grant if it considers that this would be appropriate having regard to all the circumstances. However, write-offs totalling £50,000 or more in a single financial year must be reported to the Secretary of State.
11. Grants paid to successful applicants must come from a separate bank account(s) maintained specifically for the transfer of funds from OLDF to approved projects. This, the Distributing Body's Lottery Account(s) (DBLA(s)), should also be used to cover any costs incurred in administering the Lottery by the OLD or any delegates.
12. The OLD may hold funds for a short time in DBLA(s) (which may be an interest-bearing instant access account) but may not otherwise invest Lottery money on its own behalf. Draw down requests should reflect the OLD's best estimate of the amount needed during the following period, and should normally be made once per month, though OLD may vary this period by agreement with its sponsor division in DCMS if OLD considers that this would better meet business needs. The DBLA(s) should not be overdrawn at any time. The OLD must not have a bank overdraft or borrow money in any other way.
13. Grants should not normally be issued to successful applicants in advance of need. However, the OLD can and should have regard to the flexibility provided for in relevant DCMS and other Government advice and guidance. The OLD should also bear in mind the need to release funds without undue delay so that the applicant can pay bills promptly in accordance with best commercial practice.
14. Funds may be paid in advance to successful applicants to meet anticipated costs where the applicant would not (or it can be reasonably assumed that the applicant would not) otherwise have sufficient working capital to carry out the project in question. The OLD should develop internal guidelines on the periods for which funds may be advanced, which should ensure that once funds are advanced they are not left unused for long periods.
15. The OLD should set up appropriate arrangements for monitoring and evaluating projects both while they are in progress and after completion.

General administrative & financial matters

16. The Chief Executive of the OLD is normally designated as the Accounting Officer for the Lottery funds under the OLD's control, and the responsibilities are set out in the Accounting Officer's appointment letter. In addition to satisfying him/herself on an ongoing basis of the adequacy of the OLD's internal control systems, as reflected in the annual Statement on Internal Control, the Accounting Officer should seek assurance at appropriate intervals that the OLD's administrative and financial systems as a whole remain adequate for the purpose of discharging the OLD's Lottery distribution functions. He/she should notify the Head of the OLD's sponsoring division in DCMS if he/she has any reason to doubt that this is the case. The Accounting Officer is also responsible for signing the accounts for the OLD's Lottery distribution activities, and for ensuring that:
 - Lottery money is distributed with due regard to regularity and propriety;
 - Bodies engaged as partners or agents for the purpose of processing Lottery applications and paying funds, or delegated to make decisions on the OLD's behalf, are fit and proper and have established appropriate management arrangements;

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- Lottery money is used economically, efficiently, and effectively even though grant decisions may have been delegated to an outside person, organisation or committee.
 - Cases of significant fraud are reported to the police, and, as appropriate to the Serious Fraud Office and other authorities.
17. The OLD will devise and implement appropriate indicators for analysing its own administrative efficiency and performance. These should be agreed with its sponsor division in DCMS. Performance measures, and targets for them, should be included in the annual business/operational plans.
 18. In making forward commitments the OLD must have due regard to past and projected income flows and, to the extent that these are within its control, to the need to keep its cash balance in the OLDF to a level which is consistent with safeguarding its commitments.
 19. The Accounting Officer should make sure an effective internal audit service for the OLD is in place, operating to standards defined in the Government Internal Audit Manual. He/she should send a copy of the OLD's Annual Internal Audit Report to its sponsoring division in DCMS by 30 June each year.
 20. The Comptroller and Auditor General is the statutory auditor of the OLD's accounts. The OLD's statement of accounts, along with the books, documents or papers of the OLD that relate to them, shall be open to inspection by the Comptroller and Auditor General and to any persons so authorised by the Secretary of State.
 21. The Accounting Officer is responsible for ensuring that the OLD's banking arrangements meet the requirements of Government Accounting and are carried out efficiently, effectively, and economically.
 22. The OLD must maintain an asset register for its Lottery related operations, which should include details of those capital assets valued above the capital threshold agreed with the NAO that are employed in the administration of the Lottery.
 23. The OLD must not issue any guarantee, indemnity, or letter or statement of comfort which creates a financial commitment, nor incur any other contingent liability (whether or not in legally binding form) except as approved by the Department. Liabilities entered into in the normal course of the OLD's business (see Government Accounting for definitions) will not be classed as contingent liabilities for this purpose.
 24. The OLD must not use Lottery funds for the purpose of giving gifts, except where the total value of gifts to any one person in a financial year is £50 or less. Board members or members of staff should only accept gifts given to them as individuals where they are worth less than £25.

POLICY DIRECTIONS ISSUED UNDER PARAGRAPH 14 OF SCHEDULE 5 TO THE HORSERACE BETTING AND OLYMPIC LOTTERY ACT 2004

The Olympic Lottery Distributor shall comply with the attached statement of Policy Directions, which has the status of directions given to the Distributor by the Secretary of State under section 31(1) of, and paragraph 14 of Schedule 5 to, the Horserace Betting and Olympic Lottery Act 2004.

Signed by authority of the Secretary of State for Culture, Media and Sport

NICOLA ROCHE

Director, Sports Division

Department for Culture, Media and Sport

Policy Directions for the Olympic Lottery Distributor

The Secretary of State for Culture, Media and Sport in exercise of the powers conferred on her by section 31(1) of, and paragraph 14 of Schedule 5 to, the Horserace Betting & Olympic Lottery Act 2004, hereby gives the following Directions to the Olympic Lottery Distributor.

In these Directions:

- (1) any reference to a section is a reference to a section of the Horserace Betting & Olympic Lottery Act 2004; and
- (2) “the Distributor” means the Olympic Lottery Distributor established under section 29.

The Secretary of State hereby requires the Distributor, under section 31, to prepare a policy for the distribution of money under section 30. The preparation of that policy is to be informed by the content of these Directions.

The Distributor shall, in particular, take into account the following matters in determining the persons to whom, the purposes for which, and the conditions subject to which, it distributes money under section 30:

- (1) The need to ensure that money is distributed for Olympic projects which promote the public good and which are not intended primarily for private gain.
- (2) The need to ensure that money is distributed only if the Distributor considers it necessary or expedient for the purpose of or in connection with the following:
 - (i) the provision of facilities which are necessary or expedient for London to host the 2012 Olympic and Paralympic Games; or
 - (ii) any other service or function which it is necessary or expedient to provide or undertake for London to host the 2012 Olympic and Paralympic Games.

(3) The priorities set out in, and the requirements of: the Olympic Delivery Plans as agreed by the Olympic stakeholders, namely, the Secretary of State for Culture, Media and Sport, the Mayor of London, and the British Olympic Association; the Candidature File; the Host City Contract; and the Olympic Charter.

(4) The need to liaise, as appropriate, with the other Olympic and infrastructure funding bodies – the Greater London Authority, the London Development Agency, and HM Government – and, in addition, the London Organising Committee of the Olympic Games, to help ensure the effective co-ordination of the funding streams and the timely delivery of Olympic projects.

(5) The desirability of working with other Lottery distributors, where this is an effective means of delivering elements of the Distributor's strategy.

(6) Such information as the Distributor considers necessary to make decisions on each grant request, including expert independent advice when required.

(7) The need to further, where appropriate, the objectives of regeneration and sustainable development.

(8) The desirability of legacy planning.

OLYMPIC LOTTERY DISTRIBUTOR

LOTTERY ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR CULTURE, MEDIA & SPORT, with the approval of the Treasury, in accordance with PARAGRAPH (14)(2)(f) of SCHEDULE 5 TO THE HORSE RACE BETTING AND OLYMPIC LOTTERY ACT 2004

1. This direction applies to the Olympic Lottery Distributor (OLD).
2. The OLD shall prepare accounts for the period ended 31 March 2005 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ("the FreM") which is in force for the financial year for which the accounts are being prepared.
3. The accounts shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2005 and subsequent financial year-ends, and of the income and expenditure, total recognised gains and losses and cash flows for the financial year then ended; and
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. Provide disclosure of commitments and additional details as required in Annex A.
5. Compliance with the requirements of the FreM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed with HM Treasury.

Signed

Andrew Lean

Director, Government Olympic Executive

31 July 2006

ANNEX A

ADDITIONAL DISCLOSURE REQUIREMENTS

1. The **Balance Sheet** shall show, inter alia:
 - a. under the heading "Current assets": shown as an investment the balance held on behalf of the body at the Olympic Lottery Distribution Fund;
 - b. Hard Commitments falling due for payment within one year should be

disclosed under the heading “Creditors falling due within one year”.

- c. Hard Commitments falling due for payment after more than one year should be disclosed under the heading “Creditors falling due after more than one year”, (see note 7 below on commitments);
 - d. under the heading “Represented by”:
 - i. the balance on the Income and Expenditure Account, including other reserves, such as revaluation and donation reserves.
2. The **Cash Flow Statement** shall, inter alia:
- a. use the direct method when presenting “Cash flow from Operating Activities” and
 - b. under the heading “Operating Activities” disclose details of payments, categorised by staff, operating costs and awards.
3. The **Notes to the Accounts** shall, inter alia, include:
- a. the amounts committed in respect of Olympic Lottery grants split between hard and soft commitments identifying the amount falling due (see note 4 below). Where these commitments exceed available resources shown on the Balance Sheet, there should also be a note explaining the rationale for the over-commitment in terms of the benchmark being applied and the assumptions behind it, taking into account any advice received from the Department as appropriate.
 - b. a statement that the Accounts have been prepared in a form directed by the Secretary of State with the consent of Treasury in accordance with Paragraph (14)(2)(f) of Schedule 5 to the Horserace betting and Olympic Lottery Act 2004. The reference should state where a copy of the Accounts Direction can be obtained.
 - c. an analysis of the income and expenditure, to include:
 - i. the total amount of Lottery proceeds receivable, split between the share of Lottery proceeds, and the investment income from the Olympic Lottery Distribution Fund;
 - ii. any other income (detailed between bank interest, recoveries of grant and other income).
4. The nature of the Distributing Bodies' Lottery activities means that they will be making commitments for future expenditure which will need to be shown in the annual financial statements. Commitments should be categorised and shown as follows:
- a. Soft Commitments**
- These will occur when there is agreement in principle by the OLD to fund a scheme. Once a formal offer and acceptance of the terms and conditions of the grant has been concluded this will become a hard commitment. The total of soft commitments will be shown in a note to the Balance Sheet. Changes in soft to hard commitments which arise after the accounting year end and before publication of the Accounts will not be adjusting events in terms of SSAP 17 (Accounting for Post Balance Sheet Events). A tabulation should accompany the Notes to the Accounts and show:
- i. Soft commitments brought forward;
 - ii. Soft commitments transferred to hard commitments;
 - iii. Soft de-commitments;

- iv. Soft commitments made;
- v. Balance of soft commitments outstanding carried forward.

b. Hard Commitments

A hard commitment is analogous to a commitment arising from a legally binding contract, carrying with it an obligation on the distributor to pay the agreed Olympic Lottery grant provided only that all the conditions of grant are met, and that the Olympic Lottery continues to operate. For the purposes of recording a charge in the Income and Expenditure Account, a hard commitment arises when a firm offer of a grant from the Olympic Lottery proceeds has been made by the OLD and accepted in writing by the recipient. A firm offer will only be made if there is a reasonable expectation that conditions attached to the offer will be met.

A tabulation should accompany the Notes to the Accounts and show:

- vi. Hard commitments brought forward;
- vii. Hard commitments met in the last year;
- viii. Hard de-commitments (withdrawal of an offer);
- ix. Hard commitments made;
- x. Balance of hard commitments outstanding carried forward;
- xi. A breakdown of hard commitments for each year up to and including 5 years and over 5 years.

c. De-commitments

- i. Soft Commitments

If a soft commitment fails to become hard for any reason and there is no prospect of a formal offer letter being issued and accepted then the soft commitment should be deleted from the OLD's records. It will be shown in the table accompanying the notes to the Balance Sheet in the soft de-commitments line.

- ii. Hard Commitments

Should a hard commitment fail to become a cash payment within the expected time frame, and there is little possibility of it crystallising, the OLD may withdraw the offer formally in writing. A reverse entry to the commitment should then be made in the Income and Expenditure Account, and disclosed separately as follows:

<u>Expenditure</u>	<u>£000</u>
Grant commitments made in year	xxx
Less lapsed and revoked commitments	(xxx)
	xxx

The table in the Notes to the Accounts will correspondingly be reduced.

d. Balances at the OLDF

A note reconciling the opening and closing balance of investments held at the OLDF should be included. This should disclose income received from the Lottery, investment in earned income, any unrealised loss on investment, and cash drawn down.

In respect of any unrealised losses on current asset investments the loss should be disclosed against expenditure as a "loss on the revaluation of investments".