

National Lottery Distribution Fund Account 2010-11

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

Presented to Parliament pursuant to section 33(3) of the National Lottery etc. Act 1993
as amended by the National Lottery Act 1998

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Management Commentary

The 2010-11 financial statements

The National Lottery Distribution Fund (NLDF) was established in 1994 at the time the National Lottery was launched, to receive and hold monies generated by the National Lottery for good causes. Section 21 of the National Lottery etc Act 1993 places the Fund under the control and management of the Secretary of State for the Department for Culture, Olympics, Media and Sport (DCMS).

This is the seventeenth set of accounts to be prepared for the National Lottery Distribution Fund. These financial statements account to Parliament for the receipt of lottery income and its allocation and distribution to the distributing bodies. The Income and Expenditure Account shows income from the lottery and investments as well as the amounts drawn down and operating expenses for the year; the statement of financial position shows the position at the year-end, and the statement of cash flows shows the movement in cash over the year.

Where the money comes from

Camelot Group plc has held licences to operate the National Lottery since 1994. In 2007 Camelot successfully bid for the 3rd Lottery Licence that runs for ten years from 1 February 2009, with the possibility of an extension for a further five.

The principal categories of income into the NLDF for the period to 31 March 2011 comprise:

- a proportion of lottery ticket sales, as determined by the licence granted to Camelot Group plc;
- any prizes which are not claimed within 180 days of the draw date for National Lottery Games, or 180 days of the close of any Scratchcard or Interactive Instant Win game.
- income from National Lottery ancillary activities e.g. income from commercial transactions which utilise the existence of the National Lottery for profit. In this way the NLDF shares in the benefits of any commercial activities which are derived from their connection with the National Lottery; and
- interest earned on unclaimed prizes while they remain in the Players Trust Fund (a trust account which receives all prizes due and only reimburses Camelot when Camelot has paid out prizes to lottery participants), together with the reclaim of tax deducted on interest when received by the Fund's corporate Trustee.

Under the current licence, the main portion of the money passing to the NLDF is no longer linked directly to sales. Instead it is calculated as the major share of the pool that is left after deducting from sales the value of prizes, lottery duty, and a retention by Camelot. The Camelot retention includes an index-linked flat rate on the excess of annual sales over £4billion. This aligns Camelot's interests with those of the NLDF.

Until 31 March 2007, interest received on the investments was allocated to the distributing bodies in proportion to the share of the balance on the fund held by each body. The National Lottery Act 2006 altered the allocation so that from 1 April 2007 it would be divided between distributors in the same fixed proportions as operator-related income to the NLDF.

Where the money goes

The share of funds to be received by each of the distributing bodies is set by statute and is shown in note 14. At present the Arts, Sports and National Heritage good causes receive 50% of the income. With effect from 1 December 2006 the charitable, health, education and environment good causes were merged to form a single good cause administered by the Big Lottery Fund (BLF). The Big Lottery Fund receives the other 50% of the funds. The separate balances held in the NLDF on behalf of the previous bodies distributing charitable, health, education and environmental funding were combined to form the Big Lottery Fund.

On 1 July 2010 the Scottish Arts Council and Scottish Screen ceased to exist and merged into one new distributing body called Creative Scotland. Creative Scotland now receives the combined share of the National Lottery ticket sales income that was due to Scottish Arts Council and Scottish Screen. The share of funds to be received by each of the distributing bodies is set by statute and is shown in Note 14.

On 26 July 2010 the Secretary of State announced as part of the new Government's policy of reducing the number of public bodies that proposals have been put forward to abolish the UK Film Council bringing its responsibilities under the auspices of the British Film Institute. Following the passing of Statutory Instrument 2011/685 laid before Parliament in March 2011 and coming into force on 1 April 2011, the British Film Institute (BFI) became the recipient of lottery funding previously paid to the UK Film Council. Also proposed is a merger of the UK Sports Council and Sport England to help create a more effective structure to deliver elite sport success and a wider sports legacy from the 2012 games. Work on this continues and no formal date for completion has as yet been agreed.

On 15 October 2010 the Secretary of State announced a reform in the allocation of the share of lottery income to the distributing bodies so that more money goes into sport, the arts and heritage. Their share of lottery funding will increase to 60%. This will happen in two stages, the first stage taking effect from 01 April 2011 and the second stage in April 2012, the arts, sport and heritage share of proceeds will be set at 20% each.

In a press release of 04 January 2011 lottery minister John Penrose announced that lottery distributors will be required to cut their admin costs to 5% by 2014 and to cap their running costs to 8% in line with the best practice of charities carrying out similar activities.

Financial Commentary

Income

By 31 March 2011, £26 billion had been raised for good causes since the launch of the National Lottery (including money raised by Olympic Lottery products), £1.7 billion of which was raised during 2010-11. These figures include investment returns on the unused balances. £1.6 billion was drawn down during the year to be passed to the good causes.

The trend over the last five years for income, expenditure and fund balance for the NLDF only is as follows.

£million:	2006-07	2007-08	2008-09	2009-10	2010-11
Income	1,296	1,301	1,316	1,496	1,569
Draw down by lottery distributors	1,612	1,420	1,436	1,399	1,194
Fund Balance	1,825	1,708	1,510*	1,307*	1,382*

*The fund balance is shown after the transfer to the Olympic Lottery. The amount transferred to OLDF in 2010-11 was £292m.

Distributing Bodies Grant Commitments

In line with the government's December 2005 response to the Public Accounts Committee's report on NLDF balance management, the department has continued to work with the lottery distributing bodies to manage their NLDF balances to realise the public benefits of lottery funding more quickly. At the same time, balances must be maintained at a prudent level to ensure commitments already made by distributors can be met. At the year end the balance was £1.382 billion. Against this, distributors had made commitments of £1.9 billion, and expect that £1.0 billion would be drawn down by recipients within one year of 31 March 2011.

The Lottery distributors are deemed to have 'committed' Lottery funds once they have a signed contract in place between themselves and a grant recipient. Once an award contract is signed, the Lottery distributor becomes legally obliged to pay over the funds on condition that the terms of the grant contract are met.

The figures shown are based on amounts recorded in the National Lottery Distributors' accounts. At the time of preparing these accounts, distributors figures marked * are from draft accounts, and not from final, signed accounts.

	2011		2010	
	Commitments falling due within one year £000	Commitments falling due in over one year £000	Total £000	Total £000
Arts Council of England*	60,887	34,250	95,137	120,071
Arts Council of Wales	7,381	1,782	9,163	8,700
Creative Scotland	13,207	2,233	15,440	25,423
Arts Council of Northern Ireland	7,542	683	8,225	11,754
British Film Institute	5,243	–	5,243	11,149
Sport England	127,963	86,332	214,295	269,245
Sports Council for Northern Ireland	5,882	591	6,473	10,432
Sport Scotland	6,475	877	7,352	5,492
Sports Council for Wales	5,535	58	5,593	6,129
UK Sport	48,163	33,102	81,265	100,760
Heritage Lottery Fund	221,794	332,691	554,485	538,737
Big Lottery Fund	450,550	447,177	897,727	1,116,404
	960,622	939,776	1,900,398	2,224,296
NLDF Balance Available			1,381,991	1,307,043
(Over committed)/Under committed Balance (see below)			(518,407)	(917,253)

At 31st March 2011, in addition to these hard commitments, the total level of 'soft'¹ and 'other'² commitments by all Distributors was around £548m (£364m at March 2010).

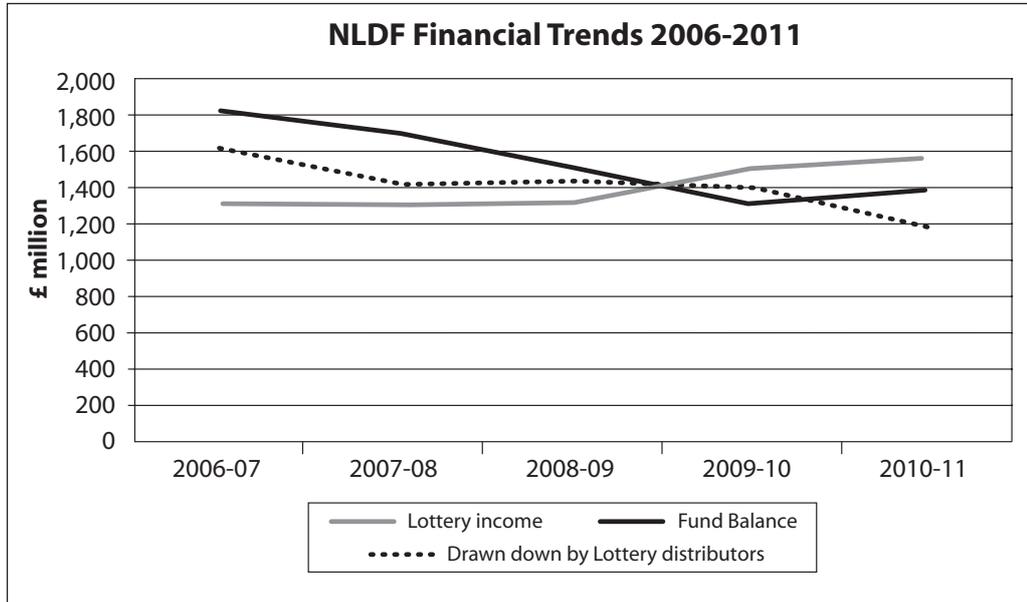
¹ - A soft commitment is where a distributing body has decided in principle to fund a project.

² - The term 'other commitments' includes:

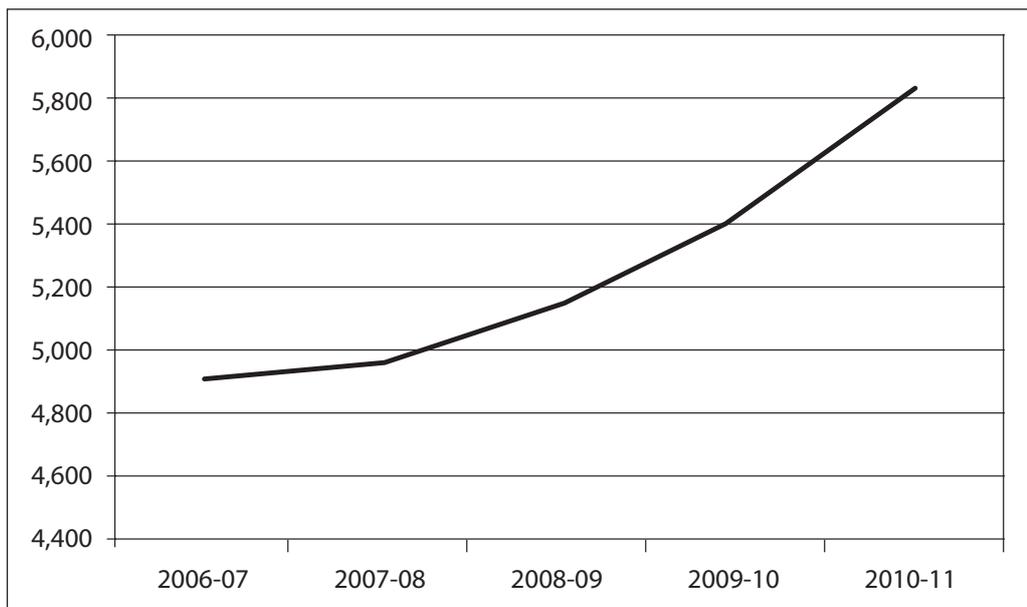
- Stage one approvals which are likely (but not certain) to go on to receive approval for funding at stage 2. Stage 1 approvals more likely to fail at stage 2 are excluded.
- Money set aside by a distributing body to fund a specific future project in advance of a formal decision being taken.

* Where an estimate of the commitment value was used last year, this has been amended so that the actual value is now shown.

The balance on the fund at 31 March 2011 is held in investments by the Commissioners for the Reduction of the National Debt (CRND) as set out in Note 8 to these accounts. The allocation of these funds across the thirteen distributing bodies can be seen in Note 10 to these accounts.



Sales over the period 2005-10 are shown in the table below.



Because of the complex operation of the lottery licence, there is not a linear relationship between ticket sales and income generated for the NLDF. Also the investment climate affects the levels of investment income achieved on the amounts waiting to be drawn down from the fund.

Operating costs

Expenses incurred in operating the fund by DCMS and CRND and by the National Lottery Commission (NLC) for regulating the National Lottery are met from the fund and totalled £4.6 million for the year of which £4.2 million related to the NLC. The table below provides a breakdown of costs. The NLC 2010-11 accounts provide further information on this as well as their continuing role as regulator of the lottery. These can be found on their website, www.natlotcomm.gov.uk

The Commissioners for the Reduction of National Debt (CRND) publish an annual report and account for the National Lottery Fund Investment Account, which it administers. Copies can be requested directly from CRND. Further information on the investment management role of the CRND can be found on their website, www.dmo.gov.uk

£million	2006-07	2007-08	2008-09	2009-10	2010-11
DCMS	0.3	0.2	0.2	0.2	0.3
National Lottery Commission	8.0	9.8	4.7	3.6	4.2
CRND	0.1	0.1	0.1	0.1	0.1

London Olympic and Paralympic Games 2012

The Horserace Betting and Olympic Lottery Act 2004 had provided for the creation of an Olympic Lottery Distribution Fund (OLDF) – to hold the proceeds of the new lottery games – and of a new Olympic Lottery distributing body. Following the success of London's bid for the 2012 summer Olympic and Paralympic Games, the OLDF came into existence from 7 July 2005. The OLDF is the subject of a separate annual accounting process, and the Department for Culture, Media & Sport (DCMS) prepares a separate set of financial statements for the OLDF which are presented to Parliament as a House of Commons paper.

In February 2008 a statutory Instrument (SI 2008 No.255 *The payments into the Olympic Lottery Distribution Fund etc.*) was passed which allowed for the transfer of up to £1,085m of future lottery income from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games. The transfer is in addition to £750m to be raised through dedicated Olympic lottery games and comprises £410m as originally envisaged when the government decided to support London's Olympic bid in 2003, and a further £675m arising from the establishment of the final public sector funding budget of £9.325 billion, announced by the government in March 2007. Of the additional £675m, £250m will be transferred from the arts, sport and national heritage good causes and £425m from the funds currently allocated to the Big Lottery Fund.

The payments into the Olympic Lottery Distribution Fund etc. Order 2008 made on 2 February 2008, enables £1,085m to be transferred as thirteen instalments of £73m each (paid quarterly), followed by two instalments of £68m each. The first transfer was made on 2 February 2009, and the last will be on or after 1 August 2012. A total of £292m was transferred from the NLDF to the OLDF during 2009-10 (four payments of £73m).

Following the General Election of May 2010 the coalition government committed itself to reducing the level of government expenditure. As part of this programme the Olympic Delivery Authority was asked to find savings of £27m in 2010-11. The public sector funding package was reduced by £27m and now stands at £9.298bn.

Governance of the Fund

Sound management of the NLDF plays a pivotal role in managing the flow of funds between Camelot – the operator of the National Lottery – and the distributing bodies which issue the funds to the good causes.

In managing the NLDF, the department works closely with the National Lottery Commission (NLC) which regulates the lottery and ensures, among other things, that the operator makes the correct payments to the NLDF. Within the framework of regulation set by the government, the role of the NLC is to monitor and report on the performance of Camelot (the current operator) and to enforce the terms of its Section 5 licence. This includes ensuring that Camelot complies with licence terms relating to the banking, record keeping and security of monies received, as well as their remittance to the NLDF. The NLC also selects the operator of the lottery. It does not handle any applications for lottery funds or distribute any lottery money.

The Cabinet Office confirmed on 24 September 2010 that the National Lottery Commission and the Gambling Commission will be merged as part of the government's review of public bodies. Work is ongoing with regard to this proposed merger, and the date for this has yet to be announced.

In addition, the department works with the Commissioners for the Reduction of the National Debt (CRND) whose role is to invest the funds held in the NLDF, in accordance with directions issued by HM Treasury, until such time as they are required by the bodies to make payments to successful grant applicants (or to meet administrative expenses). The department distributes funds to the bodies on request and accounts to Parliament for the flow of funds.

The statement of financial requirements for each distributor establishes a financial framework within which their lottery distribution activities are to be conducted. Individual distributors are sponsored either by DCMS or by one of the devolved administrations in Scotland, Wales or Northern Ireland. The statement of financial requirements is issued by the Secretary of State or by ministers in the devolved administrations. Statements issued by a Minister in a devolved administration also require the consent of DCMS. Statements issued by DCMS to distributors with responsibilities covering Scotland, Wales or Northern Ireland also require the consent of the Minister in the devolved administration.

The accounting officer of the NLDF seeks annual assurances from the accounting officer of each lottery distributor that they have in place adequate systems of internal control for the efficient, effective and equitable distribution of lottery monies. In particular, distributing bodies' accounting officers are expected to satisfy themselves on an annual basis that the body has complied with its current lottery financial directions; has adequate internal and external audit arrangements in place; has adequate arrangements for detecting and responding to inefficiency, conflict of interest and fraud and for minimising losses of lottery grant, and maintains risk assessment and control procedures and risk registers.

The accounting officer of the NLDF obtains independent confirmation of the reliability of the assurances provided by each accounting officer on the adequacy of their systems from the work of my department's sponsor branches, from liaison with sponsors in the relevant devolved administrations, and from the department's internal audit unit.

Liquidity Risks

The NLDF receives its income from the national lottery and from returns accruing on funds, which have not been drawn down by distributors. The income into the NLDF is available to the distributors for drawdown to pay grant commitments, less any operating expenses. Distributors can only draw down funds which are in their share of the portfolio. The investment strategy for the fund is informed by the department's review of quarterly returns from distributors on their forward commitment profiles. As a result of the policies and procedures outlined above, the department considers that all significant liquidity risks are appropriately managed.

Interest Rate Risks

The financial assets of the NLDF are invested with the CRND which manages its investments. The investments made by the CRND are made in accordance with directions made by HM Treasury. The average return on the investments in the financial year was 1.13%. The Department does not consider that the NLDF is exposed to any significant interest rate risks because of the nature of the assets held.

Foreign Currency Risks

The NLDF is not exposed to any foreign exchange risks, as all the NLDF holdings are in sterling.

Investment risk

HM Treasury has directed CRND that NLDF may hold investments specified in the Trustee Investments Act 1961. This restricts investments to mainly government issues such as gilt edged stock and limits the amount that can be invested outside cash and cash equivalents.

DCMS strategy is to avoid negative income returns over a three month period and each quarter DCMS reviews its investments in partnership with CRND.

Staffing and Organisation

Members of both DCMS Finance and the Programmes team were engaged on NLDF matters. Their staff costs are charged to the NLDF in proportion to the amount of time staff spend on NLDF duties.

During the financial year, the NLDF invested its funds with the Commissioners for the Reduction of the National Debt (CRND) whose operations are carried out by the UK Debt Management Office (DMO). The CRND make a charge for their investment management, shown in Note 6 of these financial statements.

DCMS is an equal opportunities employer, which does not discriminate against staff or eligible applicants for posts on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religion, disability, age or sexual orientation.

Disclosure of Relevant Audit Information

As far as the accounting officer of the NLDF is aware there is no relevant audit information of which the NLDF's auditors are unaware, and he has taken all the steps that he should to make himself aware of any relevant audit information, and to establish that the NLDF's auditors are aware of that information.

Reporting of personal data related incidents

In the Cabinet Office Interim Progress Report on Data Handling Procedures, published on 17 December 2007, Official Report, column 98WS, government made a commitment that departments would cover information risk management in their annual reporting:

"Government should commit to enhanced transparency with Parliament and the public about action to safeguard information and the results of that action. Departments should cover information assurance issues in their annual reports."

As the NLDF is managed and operated within DCMS then full disclosure can be found set out in Table 2 on page 49 of the 2010 DCMS Annual Report and Accounts. The DCMS Annual Report and Accounts is available on the DCMS website at <http://www.culture.gov.uk>.

Protected personal data is defined as data that meets the definition of the minimum scope of protected personal data or data that departments consider should receive a similar level of protection because it would put those affected at significant risk of harm or distress.

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

Important events which have occurred since the year end

These are shown in note 15 to the accounts.

Signed:

Jonathan Stephens

Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

1 November 2011

Remuneration Report

REMUNERATION POLICY

Administration of the National Lottery Distribution Fund (NLDF) is undertaken on a part-time basis by a small number of officials in the Department for Culture, Media and Sport (DCMS), whose costs are reimbursed by the NLDF. DCMS does not recharge the NLDF for the remuneration costs of Departmental Ministers or the DCMS Board.

Management and control of the NLDF is vested in the Secretary of State for Culture, Olympics, Media and Sport. Details of the composition of the DCMS Ministers and Board and remuneration information may be found in the Remuneration Report of the DCMS Resource Accounts 2010-11 (HC1002) which has been subject to audit, and is available on the DCMS website at www.culture.gov.uk.

Owing to revised [guidelines released by Cabinet Office](#), corporate governance across Whitehall has changed. In addition to cross-Whitehall changes in the composition and role of departmental boards, DCMS has also changed the structure and membership of its other committees. For more details of these changes please refer to the DCMS Annual Report and Accounts.

Signed:
Jonathan Stephens
Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

1 November 2011

Statement of Responsibilities of Secretary of State, Accounting Officer and the National Lottery Commission

Under section 33(1) of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998), the Secretary of State for Culture, Media and Sport is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Treasury. A copy of the Accounts Direction may be obtained from the finance team, within the Department for Culture, Media and Sport. The accounts are prepared on an accruals basis and must give a true and fair view of the National Lottery Distribution Fund's state of affairs at the year-end and of its income and expenditure and cash flows for the period.

In preparing the accounts the Secretary of State is required to:

- observe the Accounts Direction issued by the Treasury, 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 departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the fund will continue in operation.

The Treasury has appointed the Permanent Secretary of the Department for Culture, Media and Sport as the Accounting Officer for the National Lottery Distribution Fund. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of public finances and for the keeping of proper records, are set out in "Managing Public Money" – during the year of account the standards in force were set out in the Accounting Officers' Memorandum issued by the Treasury and published in the "Financial Reporting Manual".

The Permanent Secretary's responsibilities over the National Lottery Distribution Fund extend to the receipt of lottery revenues from Camelot Group plc, their placement with the Commissioners for the Reduction of the National Debt and disbursements to the lottery distributing bodies. The National Lottery Commission is responsible, using the powers set out in the National Lottery etc. Act 1993, as amended by the National Lottery Act 1998, and in the licence granted to Camelot Group plc under section 5 of the 1993 Act, for ensuring that Camelot Group plc meet their obligations under the licence, including their financial obligations to the National Lottery Distribution Fund. The Permanent Secretary has no locus in operational matters related to the licence.

The Department is notified of amounts due to be paid to the National Lottery Distribution Fund by Camelot; this is overseen by the National Lottery Commission. The National Lottery Commission's Commissioners are also required to report after the end of each financial year to the Secretary of State on the exercise of their functions during the year. The Accounting Officer of the National Lottery Commission has provided me with a Statement of Assurance and in this he outlines the compliance work undertaken at Camelot Group plc during the year ended 31 March 2011 which has led him to be satisfied that the payments to the National Lottery Distribution Fund during the year to 31 March 2011 are complete and accurate in all material respects.

Signed:

Jonathan Stephens

Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

1 November 2011

Statement on Internal Control

Scope of responsibility

1. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the operation of the National Lottery Distribution Fund (NLDF), whilst safeguarding NLDF funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *"Managing Public Money"*.
2. Financial Directions have been given by the Secretary of State (or by Ministers in Scotland, Wales and Northern Ireland with the Secretary of State's consent) under the National Lottery etc. Act 1993 (as amended) to Lottery Distribution Bodies (LDBs) covering a Statement of Financial Requirements (SFR). The Statement of Financial Requirements includes requirements that:
 - i) the Accounting Officers of the Lottery Distribution Bodies satisfy themselves on a continuing basis of the adequacy of their bodies' systems of internal control, as reflected in their annual Statements on Internal Control;
 - ii) those systems of internal control are designed to identify risks and manage them to a reasonable level;
 - iii) the Accounting Officers of the Lottery Distribution Bodies seek assurance at appropriate intervals that their bodies' administrative and financial systems as a whole remain adequate for the purpose of discharging its lottery distribution functions, and that they inform the department if they have any reason to doubt that this is the case;
 - iv) the Lottery Distribution Bodies have regard to value for money in their administration of lottery funds.
3. The National Lottery Commission is responsible, using the powers set out in the National Lottery etc Act 1993 as amended, and the licence granted to Camelot Group plc under section 5 of that Act, for ensuring that Camelot meets its obligations under the licence, including financial obligations to the NLDF. Camelot, as the lottery operator, notifies the department of the amounts due to be paid to the NLDF. The Commission reviews the notifications and checks that the payments made are in accordance with the licence conditions. The Accounting Officer of the Commission provides me with a statement of assurance in which the compliance work undertaken at Camelot Group plc during the year is outlined and which provides confirmation that the payments to the NLDF during the year are complete and accurate in all material respects. The Commission publishes an Annual Report at the end of each financial year, which fulfils its requirement to report to the Secretary of State on the exercise of its functions during that year.

The purpose of the system of internal control

4. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve the fund's purposes; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuing process designed to identify and prioritise the risks to the fund, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

Capacity to handle risk

5. As Accounting Officer I acknowledge my overall responsibility for ensuring the department is committed to high standards of corporate governance, including the effective management of risk throughout the department.
6. The NLDF follows the DCMS risk management policy and process, as agreed by the DCMS Audit and Risk Committee, which reports to the Board. Both the policy and the guidance are available to all staff via the Department's intranet.
7. The DCMS Risk Management Policy Statement and Guidance defines what "risk" and "risk management" mean and outlines the key principles underpinning the approach to risk management, the hierarchy for managing risks, the risk identification and management process, the roles and responsibilities of staff etc.

8. The Board sets the Department's risk appetite (i.e. the level of risk considered tolerable in the absence of controls) through a grid showing a range of possible impacts and probabilities, and that is used as a guide to help formulate actions to be taken in response to individual risks.

9. The Department has a Risk Improvement Manager (RIM) who ensures that risk management guidance is fit for purpose and implemented across the Department. The RIM introduces best practice to the Department's risk policy as a result of attending the Risk Improvement Group coordinated by HM Treasury and identifying good practice from internal audit contacts in other bodies, results of internal audit reports and discussions with our ALBs. Risk management features in Departmental training courses and one-to-one training sessions on risk for Risk Champions, who promote best practice across the business areas where they work.

The risk and control framework

10. The NLDF maintains a risk register for the fund that is reviewed by the head of financial operations. A self-assessment approach to risk identification is used with risks evaluated in respect of both impact and likelihood. As part of the business planning process risks are evaluated and necessary controls identified. Guidance is available on the types of risk that the fund could face. Each significant risk is required to have a contingency plan which identifies the risk trigger points which give early warning of the risk materialising. All risks are assigned risk owners i.e. someone with sufficient authority to ensure the risk is addressed and that clear responsibility to manage the risk is allocated to specific offices.

11. Staff within DCMS co-ordinate the department's annual lottery assurance review. The department derives assurance primarily from the Statements on Internal Control (SICs) submitted annually by each distributing body. The SICs are required to incorporate specific references to measures being taken by each distributing body to prevent and detect conflicts of interest and fraud. In addition separate letters of representation are requested from each lottery distributor stating their compliance with these measures. Internal audit monitors and audits this process.

12. The NLDF's objective is to provide for the distributing bodies' liquidity needs, and to maximise returns over the medium term. The range of permitted investments is restricted to those contained within a direction made by HM Treasury. The financial assets of the NLDF are invested at arm's length with the CRND which manages its investments. The investments made by the CRND are made in accordance with directions made by HM Treasury. The investment strategy for the fund is informed by the department's review of quarterly returns from distributors on their forward commitment profiles. Each quarter, DCMS reviews the investments in partnership with CRND. There is a Memorandum of Understanding between CRND and DCMS. As a result of these policies and procedures the department considers that all significant liquidity risks are appropriately managed. The Department does not consider that the NLDF is exposed to any significant interest rate risks because of the nature of the assets held. The investment stance of the fund will remain under review.

Review of effectiveness

13. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control, key elements of which are set out above. My review is informed by:

- Key elements of the Department's governance: the DCMS Ministerial Board, the Executive Board (which has replaced the Executive Committee that was in place at the start of the year) and the Audit and Risk Committee (which supports the Board in its responsibilities for risk, control and governance)
- The work of the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework
- Review of distributing bodies' SICs and letters of representation and comments made by internal audit in respect of them
- Comments made by the external auditors in their management letter and other reports.

14. The following bodies also inform my view regarding the system for the Department as a whole, which also includes the management of the fund:

- The Audit and Risk Committee meets four times a year and supports me in my responsibilities for risk management, control and governance. The chairman sits on the Board, which takes decisions based on the advice received. During the reporting year, the Committee comprised a non-executive chairman and three other non-executive members. Others in attendance include the finance director, National Audit Office directors and the head of internal audit.
- The internal audit unit operates to government internal audit standards, and is provided by Communities and Local Government. The unit submits regular reports, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the arrangements for risk management, control and governance, together with recommendations for improvement.

15. Despite all the systems, processes and controls that I have put in place, and which should similarly have been put in place by Accounting Officers appointed for the Department's sponsored bodies, exceptions do occur from time to time. I have emphasised the need to be promptly alerted to them, when that is deemed appropriate, by the respective Accounting Officer and/or by DCMS staff. All such control issues are considered on their own merits for potential inclusion in this statement. When I conclude that they relate to events that occurred at the sponsored body but which are not within DCMS's direct control, nor likely to be identified when following normal Departmental monitoring and oversight procedures, then I do not consider that they need to be included in this statement – unless their significance is so great as to potentially affect the interpretation of these accounts. Otherwise, I am made aware of their nature and whether they are being reported in the NDPBs' accounts – and will consider whether a general communication on the nature of such control issues is appropriate to inform the Department's sponsored bodies, with a view to improving their overall controls and minimising the likelihood of similar issues arising elsewhere.

16. I continue to attach importance to developing and embedding our risk management framework, to ensuring that the assurance process is fully understood by the department and the board, to increasing awareness of the importance of robust and internal controls that are monitored throughout the year – and so to increasing the overall reliability that I can place upon the overall system of internal control.

Signed:
Jonathan Stephens
Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

1 November 2011

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 National Lottery Distribution Fund for the year ended 31 March 2011 under the National Lottery etc. Act 1993. These comprise the Statement of Comprehensive Net Income, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Secretary of State, Accounting Officer and auditor

As explained more fully in the Statement of Responsibilities of Secretary of State, Accounting Officer and the National Lottery Commission, the Secretary of State for Culture, Olympics, Media and Sport is 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, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Lottery Distribution Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Lottery Distribution Fund; and the overall presentation of the financial statements.

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

Opinion on Regularity

In my opinion, 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Lottery Distribution Fund's affairs as at 31 March 2011 and of its increase in funds available for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and HM Treasury's directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Management Commentary 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 or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control 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

24 November 2011

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

Statement of Comprehensive Net Income for the Year Ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
Income			
National Lottery	2	1,550,950	1,484,463
Investment Income	3a	11,686	10,523
Net gain (loss) on Sale of Investments	3b	6,301	1,477
Total Income		1,568,937	1,496,463
<i>Less: Operational Costs</i>			
Department for Culture, Media and Sport	4	292	241
National Lottery Commission	5	4,217	3,635
Other Expenses	6	116	116
		4,625	3,992
Net Realised Income for Distribution		1,564,312	1,492,471
Amounts authorised for payment to Distributing Bodies	10	(1,194,317)	(1,399,693)
Transfer to OLDF		(292,000)	(292,000)
Increase/(decrease) in realised amount held for distributing bodies		77,995	(199,222)
Increase/ (decrease) for the year brought forward		77,995	(199,222)
Net gain/(loss) on revaluation of investments	11	(3,045)	(3,777)
Total recognised comprehensive income/(expenditure)		74,950	(202,999)
Balance brought forward from previous year		1,307,041	1,510,040
Amount held for distributing bodies at 31 March		1,381,991	1,307,041

All transactions are in respect of continuing operations.

The notes on pages 19 to 29 form an integral part of these accounts.

Statement of Financial Position as at 31 March 2011

	Note	2010-11 £000	2009-10 £000
Current Assets			
Receivables	7	17,981	19,102
Investments held by CRND at fair value	8	1,364,565	1,288,019
Cash at Bank and in Hand		–	–
Total current assets		1,382,546	1,307,121
Current liabilities			
Payables: Amounts falling due within one year	8	(555)	(80)
Total assets less liabilities		1,381,991	1,307,041
Represented by:			
Revaluation Reserve	11	(2,112)	933
Statement of comprehensive net income: realised amount held for distributing bodies		1,384,103	1,306,108
Amounts held for Distributing Bodies	10	1,381,991	1,307,041

The notes on pages 19 to 29 form an integral part of these accounts.

Signed:
Jonathan Stephens
Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

1 November 2011

Statement of Cash Flows for Year Ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
Cash flows from operating activities			
Cash received from Lottery operator		1,552,071	1,473,593
Cash paid for operating expenses		(4,150)	(4,636)
Cash paid to OLDF		(292,000)	(292,000)
Cash paid to Distributing Bodies	10	(1,194,317)	(1,399,693)
Net cash inflow/(outflow) from operating activities	9	61,604	(222,736)
Cash flows from investing activities			
Cash Paid to CRND for Investment		(1,547,921)	(1,497,161)
Cash transferred by CRND to OLDF		292,000	292,000
Cash received from CRND for distribution		1,194,317	1,427,897
Net cash inflow/(outflow) from management of liquid resources		(61,604)	222,736
Change in cash		-	-

All investment income is re-invested by the Commissioners for the Reduction of the National Debt.

The notes on pages 19 to 29 form an integral part of these accounts.

Notes to the Financial Statements

1 Statement of Accounting Policies

Basis of Accounting

These accounts have been prepared in accordance with the Accounts Direction given by the Treasury. This Direction has been applied consistently in dealing with items that are considered material to the accounts. The accounting policies apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector by the 2010-11 Government Financial Reporting Manual.

The particular policies adopted by the fund are described below.

Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of assets at fair value,

Nature of Account Balances

Balances held in the NLDF remain under the stewardship of the Secretary of State for Culture, Olympics, Media and Sport. The share of the fund attributable to each Distributing Body at the date the Statement of Financial Position was signed, and shown in these accounts, has been certified by the Secretary of State for Culture, Olympics, Media and Sport as being available for distribution by each body in respect of current and future commitments.

Recognition of Lottery Income

Proceeds from the lottery due to the NLDF from the operator, Camelot Group plc, are calculated on an annual basis as set out in the Section 5 Licence. Payments are made to the NLDF each week on the basis of actual sales and prizes. The amounts recognised in these accounts for the Lottery Primary Contribution include income receivable on ticket sales from 1 April 2010 in respect of all draws within the year up to and including 31 March 2011.

Actual prizes, together with lottery duty and an element of Camelot's fixed costs relating to sales, are deducted from weekly sales. The balance is pooled, to be shared between Camelot and the good causes.

Camelot must seek the NLC's approval for any promotional events, such as 'Superdraws' with guaranteed jackpot prize levels, that may reduce the net weekly proceeds into the NLDF. The NLC will only permit these promotions if they are satisfied that they are likely to increase proceeds for the good causes over a longer period.

The Lottery Primary Contribution also includes income due to the NLDF from the sale of Scratchcards. Under the terms of the licence, income is collected by Camelot and paid to the NLDF on packs of cards once a pack becomes settled. The retail value of each pack is £120. This occurs 30 days after a pack is activated or once 60% of the low tier prizes have been won, whichever is the sooner.

The Secondary Contribution relates to the profits of Camelot. When Camelot makes a profit, greater than the one that it had predicted in its bid, it will share these profits with the Good Causes. The amount is based on a formula that varies depending on how much the actual profit before interest and tax varies from the forecast. This secondary contribution is recognised when it becomes payable.

Lottery prizes that remain unclaimed for 180 days after a draw, or closure of a scratchcard game or Interactive Instant Win game, are paid to the NLDF. Accruals have been made for prizes expiring on or before 31 March but not yet paid to NLDF.

Interest on the Players Trust Fund is recognised in the accounts on an accruals basis. Tax refunded on this is recognised when the refund is receivable.

Payments for ancillary activities and adjustments for the National Lottery Promotion Unit are recognised when the cash is receivable by the department.

Transfer of funds to the Olympic Lottery Distribution Fund

In February 2008 a statutory instrument (SI 2008 No. 255 *The Payments into the Olympic Lottery Distribution Fund etc.*) was passed, which allowed for the transfer of up to £1,085m of future lottery income from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund (OLDF) in order to meet some of the costs of hosting the London 2012 Games. This transfer consists of thirteen instalments of £73m (paid quarterly), followed by two instalments of £68m.

The first transfer was made on 2 February 2009 and the last will be on or after 1 August 2012.

Transfers from NLDF are accounted for when each instalment becomes due and disclosed in the statement of comprehensive net income.

Recognition of Amounts Drawn by Distributors

The amounts recorded as drawn down by the Distributing Bodies represent their actual cash claims.

Investments

Investments held by the Commissioners For The Reduction of National Debt (CRND) are valued in these accounts at market value at 31 March 2011, these accounts only disclose the cash flows for the movement of cash between CRND, NLDF and the lottery distributors.

HM Treasury has directed CRND, under sections 32(1) and 32 (2) of the 1993 ACT that the NLDF may be invested in those investments specified in paragraphs 1,2,3,5,5A,5B,9 and 9A of Part II of Schedule 1 of the Trustee Investments Act 1961 in such manner as CRND shall, at their absolute discretion, determine.

Having taken account of DCMS's wish to avoid negative income returns over a 3-month period, but without prejudice to their absolute discretion, CRND intend to exercise their investment powers in accordance with the investment framework.

Each quarter, DCMS reviews the investments in partnership with CRND.

Investment income

Investment income is recognised when it is receivable.

Cash and cash equivalents

Cash and cash equivalents are cash in hand and cash at bank. It is the policy of the NLDF to hold a nil cash balance whenever possible and to transfer all funds to the CRND for investment on the day of the receipt. For the purpose of the cash flow statement highly liquid cash equivalents are treated as an investment rather than cash in accordance with IAS7.

Financial Instruments

The fund accounts for financial instruments in accordance with IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments: Disclosures.

A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability in another. Financial assets, liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. IAS 39 requires financial instruments to be measured in a way that reflects the fair value of the asset or liability.

Balances held at the NLDF are adjusted to fair value with any revaluation posted to a revaluation reserve. Any premium or discount on cost is amortised in the income and expenditure account as an adjustment to the interest account.

Receivables are recognised at carrying value, reduced by appropriate allowances for estimated irrecoverable amounts. Payables are short term and are stated at carrying value in recognition that these liabilities fall due within one year.

Impact of new IFRS and Financial Reporting Manual Amendments

The following new, revised or amended IFRS and FReM amendments will become effective for future reporting periods, and have not been adopted early in these financial statements:

The following new, revised or amended IFRS and FReM amendments will become effective for future reporting periods, and have not been adopted early in these financial statements:

- IFRS 9 Financial Instruments (effective date 1 January 2013)
- FRAB(98)06B and FRAB(103)05: Alignment of budgets, Estimates and accounts
- FRAB(101)05: IAS20 and IAS 16: Accounting for Capital Government Grants and Similar Financing

Under IFRS9 financial assets should be classified on the basis of the entity's business model for their management and their contractual cash flow characteristics. They should be measured at fair value and subsequently at either fair value or amortised cost. IFRS9 simplifies the clarification and measurement of financial assets, removing the numerous categories of financial assets specified in IAS 39 and resulting in one impairment method.

There are no other standards and interpretations in issue but not yet adopted that the department anticipates will have a material effect on future reporting periods.

2 Income from Lottery Activities

	2010-11	2009-10
	£000	£000
		(re-stated)
Basic contribution from lottery operator under licence	1,462,760	1,378,980
Less adjustments relating to :		
Camelot adjustments ¹	(6,091)	-
National Lottery Promotion Unit	(1,679)	(1,282)
New Media Sales	-	(1,911)
Primary contribution (see note below)	1,454,990	1,375,787
Secondary contribution	2,521	2,521
Unclaimed prizes ²	89,110	74,021
Interest on Players Trust Fund	2,460	2,227
Equalisation Trust Payment ³	-	28,204
Income from ancillary activities and other items	1,869	1,703
	1,550,950	1,484,463

¹ This adjustment was made in accordance with the conditions of the third licence competition. Flexibility around recharge arrangements was included in the tender contract to ensure a fair competition, and with the aim of enhancing future yields to maximise value to good causes. Further details can be found in the tender document for the third licence, available at www.natlotcomm.gov.uk/assets-uploaded/documents/Invitationtoapplyforthethirdlicence

² Unclaimed prizes has increased due to a combination of increased sales and larger prizes.

³ This was a one-off payment relating to the first two licences, where theoretical percentages were made to some games. With the end of these games an adjustment was required.

3 Investment income

	2010-11	2009-10
	£000	£000
3a <i>Investment Income</i>		
Interest Received on investments	11,686	10,523
3b Net gain on sale of investments		
Gain on sales of investments	6,301	1,477
(Losses) on sales	-	-
	6,301	1,477

The NLDF's objective is to provide for the distributing bodies' liquidity needs, and to maximise returns over the medium term. The range of permitted investments is restricted to those contained within a direction made by HM Treasury, and is implemented by CRND.

Gilts purchased by CRND are normally intended to be held until their redemption dates. Profits and losses realised on the disposal of gilts reflect the differences between the original market prices paid and the disposal/redemption values.

In March 2010 a total of £250m was placed in 2 gilts with maturity dates of March 2014 and January 2015. In December 2010 these holdings were switched by CRND for 2% Treasury Gilts maturing in 2016.

The investment stance of the fund will remain under review by CRND and DCMS.

4 Operational Costs: Department for Culture, Media and Sport

	2010-11	2009-10
	£000	£000
Staff costs	161	122
Accommodation and central services	41	34
IT, consultancy, and training	31	23
Charge for the use of DCMS assets	26	28
Internal and external auditor's remuneration	30	29
Bank of England charges	3	5
	292	241

The external auditor's remuneration for the year was £23,500 (2010 - £26,500 including £2,500 for IFRS) including £2,000 (2010 - £1,100) for Whole of Government Accounts work.

In 2010-11 eight members of DCMS Finance Division and Programmes Team were engaged on NLDF matters. Their staff costs are charged to the NLDF in proportion to the amount of time they spend on NLDF duties.

A share of the accommodation costs of the building occupied by DCMS has been charged to the NLDF, on the basis of the floor area occupied by DCMS staff engaged on NLDF matters as a proportion of the building as a whole. Similarly a share of the Central Service Costs incurred by DCMS has been charged on the basis of the number of DCMS staff engaged on NLDF matters as a proportion of the total number of DCMS staff.

5 Reconciliation of National Lottery Commission Operational Costs

DCMS recover the net costs of running the National Lottery Commission (NLC) from the NLDF and the Olympic Lottery Distribution Fund (OLDF). The net cost consists of the grant in aid paid to NLC less the licence fee income received by NLC and surrendered to DCMS in appropriations-in-aid.

The licence fee income is the sum of payments made by the lottery operator, Camelot, for each new Section 6 licence granted for new lottery games. In 2010-11, licence fee income of £48,400 relating to new NLDF games was received by DCMS.

	2010-11	2009-10
	£000	£000
Gross share of costs	4,255	3,759
Lottery Operator licence fee income	(38)	(125)
Amount payable to DCMS	4,217	3,634

The total grant in aid paid to the National Lottery Commission was £4,521; with a total of £48k received by DCMS in operator licence fee income. The split between the NLDF and the OLDF is as follows:

	NLDF	OLDF	Total
	£000	£000	£000
Grant in aid paid to NLC by DCMS	4,255	266	4,521
Lottery operator licence fee income	(38)	(10)	(48)
Amount recoverable by DCMS	4,217	256	4,473

6 Other expenses:

	2010-11	2009-10
	£000	£000
Commissioners for the Reduction of the National Debt (CRND)*	116	116

*The above represents the amounts paid to the CRND for management of the NLDF Investment Fund Account.

7 Receivables

	2010-11	2009-10
	£000	£000
Ticket sales income due as a result of draws prior to year end	17,981	19,102
	17,981	19,102
Intra-government balances		
Other central government bodies	-	-
Balances with bodies external to government	17,981	19,102
	17,981	19,102

8 Investments held by CRND at fair value

	at 31 March 2011		at 31 March 2010	
	Cost	Fair Value	Cost	Fair Value
	£000	£000	£000	£000
Investments held by the CRND	1,366,677	1,364,565	1,287,086	1,288,019
Receivables (note 7)	17,981	17,981	19,102	19,102
Payables	(555)	(555)	(80)	(80)
Balance held	1,384,103	1,381,991	1,306,108	1,307,041
Payables: Intra-government Balances				
Other central government bodies	(555)	(555)	(80)	(80)

Payables are in respect of accruals for DCMS recharges and the NLC fees.

A summary analysis of the investments held on behalf of the NLDF at 31 March 2011, is shown below.

	Fair Value £000
Cash held in CRND ways and means account ⁽¹⁾	1
Call notice deposits ⁽¹⁾	1,103,880
Fixed deposits	–
Subtotal – “cash funds”	1,103,881
UK Government Gilts classified as available for sale – due within 1-5 years – non marketable	260,684
Subtotal – gilts	260,684
Total balance invested with CRND	1,364,565

⁽¹⁾ Under s32 of the National Lottery etc Act 1993, all monies held by the CRND are regarded as “Investments by the Secretary of State”.

The call notice deposits are demand deposits with the Debt Management Account & the National Loans Fund (NLF).

Funds held by CRND in ways and means and call notice deposits would meet the definition of cash under IAS 7 if they were held directly under the control of the Secretary of State as they are repayable on demand within one working day.

The funds are held at arm’s length by CRND in a revolving investment fund i.e. investment returns re-invested directly into the fund.

For further details on the investing activities of CRND please refer to the National Lottery Distribution Fund Investment Account published by CRND.

9 Reconciliation of decrease in Amounts Held for Distributing Bodies as disclosed in Income and Expenditure Account with Net Cash Outflow from Operating Activities.

	2010-11 £000	2009-10 £000
Decrease in realised amounts held for distributing bodies	77,995	(199,222)
Investment income	(11,686)	(10,523)
(Gain) / Loss on Sale of Investments	(6,301)	(1,477)
	60,008	(211,222)
(Increase)/decrease in lottery operator receivables	1,121	(10,871)
Increase/(decrease) in payables for operating expenses	475	(643)
Net cash outflow from operating activities	61,604	(222,736)

10 Amounts Available to Distributing Bodies at 31st March 2011

BENEFICIARY SECTORS	Arts	Sports	Heritage Lottery Fund	Big Lottery Fund	TOTAL	
	£000	£000	£000	£000	£000	
National Lottery proceeds						
Share of income from lottery	258,492	258,492	258,492	775,474	1,550,950	
Less share of operational costs	(772)	(771)	(771)	(2,311)	(4,625)	
	<u>257,720</u>	<u>257,721</u>	<u>257,721</u>	<u>773,163</u>	<u>1,546,325</u>	
Amount authorised for payment to distributing bodies	(182,110)	(223,983)	(228,583)	(559,641)	(1,194,317)	
Transfer to OLFDF	(43,388)	(33,495)	(43,388)	(171,729)	(292,000)	
Investment Income	1,947	1,949	1,948	5,842	11,686	
(Loss) on sale of investments	1,050	1,050	1,050	3,151	6,301	
	<u>35,219</u>	<u>3,242</u>	<u>(11,252)</u>	<u>50,786</u>	<u>77,995</u>	
Increase/ (decrease) in balance available						
Amounts held for distributing bodies at market value at 1 April 2010	177,437	276,174	378,822	473,675	1,306,108	
Revaluation Reserve	(352)	(352)	(352)	(1,056)	(2,112)	
	<u>177,085</u>	<u>275,822</u>	<u>378,470</u>	<u>472,619</u>	<u>1,304,000</u>	
Amounts held for distributing bodies at market value at 31 March 2011	212,304	279,064	367,218	523,405	1,381,991	
ARTS BODIES	Arts Council of England	Creative Scotland	Arts Council of Wales	Arts Council of N. Ireland	UK Film Council	SUBTOTAL ARTS
	£000	£000	£000	£000	£000	£000
National Lottery proceeds						
Share of income from lottery	180,375	23,006	12,925	7,238	34,948	258,492
Less share of operational costs	(538)	(69)	(39)	(22)	(104)	(772)
	<u>179,837</u>	<u>22,937</u>	<u>12,886</u>	<u>7,216</u>	<u>34,844</u>	<u>257,720</u>
Amount authorised for payment to distributing bodies	(123,205)	(16,499)	(8,715)	(8,827)	(24,864)	(182,110)
Transfer to OLFDF	(30,276)	(3,862)	(2,169)	(1,215)	(5,866)	(43,388)
Investment Income	1,359	173	97	55	263	1,947
(Loss) on sale of investments	733	93	53	29	142	1,050
	<u>28,448</u>	<u>2,842</u>	<u>2,152</u>	<u>(2,742)</u>	<u>4,519</u>	<u>35,219</u>
Increase/ (decrease) in balance available						
Amounts held for distributing bodies at market value at 1 April 2010	97,254	26,577	11,986	10,416	31,204	177,437
Revaluation Reserve	(245)	(31)	(18)	(10)	(48)	(352)
	<u>97,009</u>	<u>26,546</u>	<u>11,968</u>	<u>10,406</u>	<u>31,156</u>	<u>177,085</u>
Amounts held for distributing bodies at market value at 31 March 2011	125,457	29,388	14,120	7,664	35,675	212,304

SPORTS BODIES	Sports Council of England £000	Scottish Sports Council £000	Sports Council of Wales £000	Sports Council of N.Ireland £000	UK Sports Council £000	SUBTOTAL SPORTS £000
National Lottery proceeds						
Share of income from lottery	160,265	20,938	11,632	6,721	58,936	258,492
Less share of operational costs	(478)	(62)	(35)	(20)	(176)	(771)
	<u>159,787</u>	<u>20,876</u>	<u>11,597</u>	<u>6,701</u>	<u>58,760</u>	<u>257,721</u>
Amount authorised for payment to distributing bodies	(138,200)	(15,110)	(8,250)	(6,211)	(56,212)	(223,983)
Transfer to OLDf	(26,901)	(3,514)	(1,952)	(1,128)	0	(33,495)
Investment Income	1,208	158	88	51	444	1,949
(Loss) on sale of investments	652	85	47	27	239	1,050
Increase/ (decrease) in balance available	<u>(3,454)</u>	<u>2,495</u>	<u>1,530</u>	<u>(560)</u>	<u>3,231</u>	<u>3,242</u>
Amounts held for distributing bodies at market value at 1 April 2010	186,980	46,748	10,414	10,419	21,613	276,174
Revaluation Reserve	(218)	(29)	(16)	(9)	(80)	(352)
Amounts held for distributing bodies at market value at 31 March 2011	<u>183,308</u>	<u>49,214</u>	<u>11,928</u>	<u>9,850</u>	<u>24,764</u>	<u>279,064</u>

Some totals in this note may not agree precisely to figures shown elsewhere in the account due to different roundings arising from the use of percentages in allocating National Lottery proceeds to the distributing bodies.

11 Revaluation reserve

	2010-11 £000	2009-10 £000
Balance at 1st April	933	4,710
Realised gains transfer to income	(6,302)	–
Fair value adjustment: gain/(loss)	3,257	(3,777)
Balance at 31st March	<u>(2,112)</u>	<u>933</u>

Gains and losses arising from changes in fair value are recognised in the revaluation reserve until sale when the cumulative gain or loss is transferred to the Income and Expenditure Statement.

The cumulative gain or loss is the net of realised gain and the fair value adjustment.

12 Financial Instruments

IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7: Financial Instruments: Disclosure, have been applied. IFRS 7 requires disclosures that allow users of the accounts to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments during the period.

Short term Receivables/Payables

As permitted by IFRS 7, receivables and payables which mature or become payable within 12 months of the balance sheet date have been omitted from this note.

13 Related Party Transactions

The NLDF is maintained under the control and management of the Secretary of State of the DCMS. DCMS is considered to be a related party. During the year, a number of staff employed by DCMS worked on NLDF related activities and the NLDF used a number of the assets owned by DCMS. These costs were recharged to the NLDF by DCMS and are reflected in Note 4 of the accounts.

DCMS is also the sponsoring Department of the UK wide and English based lottery distributors.

OLDF is maintained under the control and management of the Secretary of State for DCMS. During the year the NLDF transferred £292,000 to the OLDF. OLDF is considered to be a related party.

CRND, which is ultimately part of HM Treasury, is also considered a related party.

The NLC, whose role is to monitor and provide assurance that the payments to the NLDF during the year are complete and accurate in all material respects, is a related party.

No Minister, Board member, key manager or other related parties has undertaken any material transactions with the NLDF during the year.

For further details please see the DCMS annual report and accounts.

14 Distributing Body share of Fund

The percentages received by each Distributing Body were set out in sections 22 and 23 of the National Lottery etc. Act 1993, as amended by section 6 of the 1998 Act and section 7 of the 2006 Act and subsequent secondary legislation, as follows:

		1.12.06 to 31.03.11	01.04.2011 to 31.03.12
The Arts		16.6666667	18.0000000
The Sports		16.6666667	18.0000000
The National Heritage		16.6666667	18.0000000
Charitable expenditure		–	
Millennium projects		–	
Health, education and the environment		–	
Charitable, health, education and the environment		50	46
Arts	01.04.07 to 31.03.10	01.07.10 to 31.03.2011	01.04.2011 to 31.03.2012
Arts Council of England	11.63	11.63	12.5604000
Scottish Arts Council	1.29	–	–
Creative Scotland	–	1.4833333	1.6020000
Arts Council for Wales	0.8333333	0.8333333	0.9000000
Arts Council of Northern Ireland	0.4666667	0.4666667	0.5040000
UK Film Council	2.2533333	2.2533333	2.4336000
Scottish Screen	0.1933333	–	–
On 01 July 2010 Scottish Arts Council and Scottish Screen merged to become Creative Scotland. The percentage incomes due to the two Scottish Arts bodies were combined and attributed to the new body Creative Scotland.			
Sports		01.04.06 to 31.03.11	01.04.2011 to 31.03.2012
English Sports Council		10.3333333	11.1600000
Scottish Sports Council		1.35	1.4580000
Sports Council for Wales		0.75	0.8100000
Sports Council of Northern Ireland		0.4333333	0.4680000
UK Sports Council		3.8	4.1040000

15. Events after the reporting period

These accounts were authorised for issue by the Accounting Officer of the National Lottery Distribution Fund on the date the audit opinion was signed.

From the 01 April 2011 The British Film Institute (BFI) became the recipient of lottery funding to the UK film industry, formerly paid to the UK Film Council, following the passing of the relevant Statutory Instrument 2011/685 which came into effect on 01 April 2011.

From 01 April 2011 The first stage of the Department's Structural Reform Plan and its commitment to reform the National Lottery so that more money goes into sport, the arts and heritage so that their combined share of lottery funding increases to 60% comes into effect. The second stage will come into force in April 2012.

Work is ongoing with respect to the proposed merger of the National Lottery Commission and the Gambling Commission.

The Departments broad structure has changed in 2011-12. The Executive Board will provide support to the Accounting Officer.



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