National Lottery Distribution Fund Account 2014-15

Annual Report and Accounts for the year ended 31 March 2015

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

Ordered by The House of Commons to be printed on 13 July 2015

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Strategic Report

The 2014-15 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 NLDF under the control and management of the Secretary of State for Culture, Media and Sport.

This is the twenty first set of accounts to be prepared for the NLDF. These financial statements account to Parliament for the receipt of lottery income and its allocation and distribution to the lottery distributing bodies. The Statement of Comprehensive Net Income shows income from the lottery and investments in addition to 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 an extension for a further four years awarded in March 2012.

The principal categories of income into the NLDF for the period to 31 March 2015 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 retention by Camelot.

Since 1 April 2007 interest received on investments is 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 lottery distributing bodies is set by statute and is shown in note 10.

Prior to October 2010, the share of funds was apportioned so that the arts, sport and heritage good causes received 50% of the income. The other 50% was apportioned to The Big Lottery Fund, whose remit is to distribute funds to charitable, health, education and environment good causes.

Following a reform in the allocation of the share of lottery income to the lottery distributing bodies, the share of income apportioned to the arts, sport and heritage was increased to 60%. The implementation of this was split into two stages. The first stage change came into effect on 1 April 2011 and increased the arts, sport and heritage share of proceeds to 54% overall (18% each). On 1 April 2012 the second stage came into effect, increasing arts, sport and heritage share of proceeds to 60% overall (20% each), as shown in note 13 of these accounts.

Financial Commentary

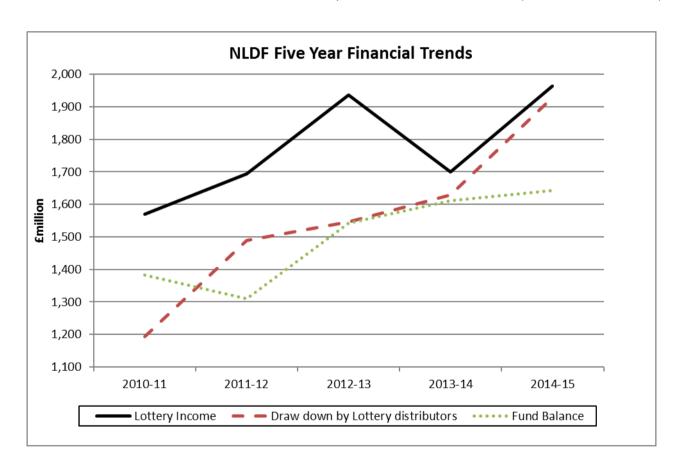
Income

By 31 March 2015, over £33 billion had been raised for good causes since the launch of the National Lottery (including money raised by Olympic Lottery products), £2.0 billion of which was received to NLDF during 2014-15. These figures include investment returns on the balance held in the NLDF. £1.9 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 the fund balance are shown in the graph below.

£million:	2010-11	2011-12	2012-13 ¹	2013-14	2014-15 ²
Income	1,569	1,693	1,936	1,700	1,963
Draw down by lottery distributors	1,194	1,488	1,547	1,628	1,929
Fund Balance	1,382	1,309	1,543	1,612	1,643

The fund balance in the table above is shown after operational costs of £2.9 million (£2.9 million in 2013-14).



¹ It should be noted that 2012-13 income benefited from significant levels of ticket sales that year, generated by the Millionaires' Raffle held on the night of the Olympic Games opening ceremony, two extended Euromillions rollovers and an unclaimed prize of £64 million.

² 2014-15 income includes the transfer of funds on the closure of Olympic Lottery Distribution Fund (OLDF) for £149 million.

Lottery distributing bodies' grant commitments

In line with the government's December 2005 response to the Public Accounts Committee's report on NLDF fund balance management, the Department for Culture Media and Sport (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, fund balances must be maintained at a prudent level to ensure commitments already made by lottery distributing bodies can be met. At the year end the Fund balance was £1.6 billion. Against this, lottery distributing bodies had made commitments of £3.2 billion, and expect that £1.4 billion would be drawn down by recipients within one year of 31 March 2015.

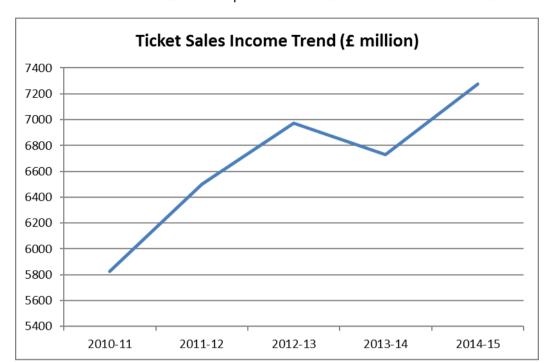
Prior year figures have been restated following a change in Accounts Direction of the lottery distributing bodies. Lottery awards are now accounted for on an accruals basis as opposed to a commitments basis. Grant awards are recorded as liabilities in the lottery distributing bodies' Statement of Financial Position when the recognition criteria is met.

The figures shown in the table below are based on amounts recorded in the lottery distributing bodies' draft unaudited 2014-15 accounts.

	Grant liabilities falling due within one year	2015 Grant liabilities falling due in over one year	Total	2014 Restated Total
	£000	£000	£000	£000
Arts Council of England	241,458	207,271	448,729	288,651
Arts Council of Wales	14,969	4,006	18,975	15,980
Creative Scotland	19,410	6,945	26,355	29,294
Arts Council of Northern Ireland	5,952	-	5,952	2,902
British Film Institute	34,211	18,053	52,264	72,362
Sport England	238,793	142,620	381,413	399,964
Sports Council of Northern Ireland	6,287	814	7,101	6,290
Sport Scotland	18,773	-	18,773	14,786
Sports Council of Wales	751	238	989	2,604
UK Sport	6,519	5,250	11,769	12,197
Heritage Lottery Fund	309,716	654,404	964,120	845,440
Big Lottery Fund	478,894	774,645	1,253,539	1,170,966
	1,375,733	1,814,246	3,189,979	2,861,436
NLDF Balance Available			1,643,038	1,612,234
(Over committed)/Under committed Balan	ce (see below)	-	(1,546,941)	(1,249,202)

At 31 March 2015, in addition to these grant liabilities off balance sheet grant commitments total £992 million (£915 million at 31 March 2014 restated). Off balance sheet grant commitments are where a lottery distributing body has decided in principle to fund a project but the liability recognition criteria are not yet met. These off balance sheet grant commitments are disclosed as a note in the lottery distributing bodies' Financial Statements.

The balance on the fund at 31 March 2015 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 twelve lottery distributing bodies can be seen in Note 10 to these accounts.



The income trend from the sale of tickets over the period 2010-11 to 2014-15 is shown in the table below³.

Because of the complex operation of the lottery licence, which allows for varying proportions of each type of lottery product to be retained for the good causes, 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 the Department, CRND and by the Gambling Commission (GC)⁴ for regulating the National Lottery are met from the fund and totalled £2.9 million for the year of which £2.5 million (£2.5 million in 2013-14) related to the GC. The table below provides a breakdown of costs. The GC 2014-15 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.gamblingcommission.gov.uk.

£million	2010-11	2011-12	2012-13	2013-14	2014-15
DCMS	0.29	0.28	0.24	0.27	0.23
Gambling Commission (National Lottery Commission prior to October 2013)	4.22	4.72	1.85	2.53	2.53
CRND	0.12	0.12	0.11	0.11	0.11

The 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.

³ Information sourced from Camelot press releases available on www.camelotgroup.co.uk.

⁴ Prior to October 2013 the National Lottery was regulated by the National Lottery Commission. This was merged with the Gambling Commission in keeping with the Government's plans for public bodies' reform.

Olympic Lottery Distribution Fund

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 legal existence from 8 April 2005. The OLDF was the subject of a separate annual accounting process, and the Department prepared a separate set of financial statements for the OLDF which were presented to Parliament as a House of Commons paper.

Following the dissolution of the Olympic Delivery Authority (ODA), subject to an Order made by the Secretary of State under section 28 of the Horserace Betting and Olympic Lottery Act 2004 and to an affirmative resolution in both Houses of Parliament, the fund was closed on 30 January 2015. Prior to the closure of the OLDF the remaining balances were transferred to the NLDF by Statutory Instrument to allow lottery distributing bodies to access these funds.

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 lottery distributing bodies which issue the funds to the good causes.

In managing the NLDF, the Department works closely with the GC 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 GC 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 GC also selects the operator of the lottery. It does not handle any applications for lottery funds or distribute any lottery money.

In addition, the Department works with the 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 lottery distributing bodies to make payments to successful grant applicants (or to meet administrative expenses). The Department distributes funds to the lottery distributing bodies on request and accounts to Parliament for the flow of funds.

The Financial Directions, supported by a 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 the Department or by one of the devolved administrations in Scotland, Wales or Northern Ireland. From 01 April 2011 the Cabinet Office assumed the role of sponsor to the Big Lottery Fund. The Secretary of State issues the Financial Directions for all lottery distributing bodies sponsored by the Department, and, with the consent of the relevant Secretary of State or Minister, for the Big Lottery Fund and devolved distributors in Wales and Northern Ireland. The Secretary of State's consent is required for the issuing of Financial Directions to devolved distributors in Scotland by the relevant Secretary of State.

As Accounting Officer of the NLDF, I seek annual assurances from the Accounting Officer of each lottery distributing body that they have in place adequate systems of internal control for the efficient, effective and equitable distribution of lottery monies. In particular, lottery 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.

I obtain supporting information about lottery distributing bodies' systems and their approach to financial and risk management from the distributors' sponsors in my own Department, in Cabinet Office and in the relevant devolved administrations. This assurance reporting process is independently reviewed by the Department's internal audit unit.

Liquidity Risks

Liquidity risk is the risk that NLDF will encounter difficulty raising liquid funds to meet liabilities as they fall due. The NLDF receives its income from the National Lottery and from returns accruing on funds which have not been drawn down by lottery distributing bodies. The income into the NLDF is available to the lottery distributing bodies for drawdown to pay grant commitments and operating expenses. Lottery distributing bodies can only draw down funds which are in their apportioned share of the portfolio. The investment strategy for the fund is informed by the Department's review of quarterly returns from lottery distributing bodies on their forward commitment profiles. Currently, the total of the balance of the NLDF is invested in overnight call notice deposits allowing for maximum liquidity. As a result of the policies and procedures outlined above, the Department considers that all significant liquidity risks are appropriately managed.

Interest Rate Risks

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. 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 0.50%. 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 and transactions are in pound 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.

The Department's strategy is to avoid negative income returns over a three month period. The Department regularly reviews its investments in partnership with CRND.

Staffing and Organisation

The Department's staff engaged on NLDF matters are charged to the NLDF in proportion to the amount of time staff spend in discharging the Secretary of State's functions under the National Lottery etc. Act 1993, as amended.

During the financial year, the NLDF invested its funds with the 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.

The Department 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. For further information on Staffing and Organisation, refer to the Directors' Report within this Annual Report.

Sustainability Report

The Department is committed to supporting and promoting sustainable development. We endeavour to reduce our use of materials and energy use, minimise waste production and water use, procure sustainably and minimise our carbon footprint.

As the NLDF is managed and operated within the Department, disclosure regarding Sustainability Reporting can be found in the 2014-15 DCMS Annual Report and Accounts which will be available, when published, on the Department's website at www.gov.uk/dcms.

Important events which have occurred since the year end

These are shown in Note 14 to the accounts.

Signed:

6 July 2015

Directors' Report

Governance Structure

The Department is responsible for the oversight of the National Lottery regime. Details of the governance arrangements are contained in the Governance Statement in this annual report.

Disclosure of senior staff salaries and production of organisation charts

As part of the Government's Transparency agenda, the Department and its executive Arms Length Bodies (ALBs) regularly publish data on the remuneration of senior staff within their organisations as well as organisation charts which give senior staff structure and summary information for staff at junior levels. The latest remuneration data as at September 2013 can be found here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/262366/DCMS-Government_staff_and_salary_data - September_2013-senior-data.csv/preview.

Organisation charts for the Department and each of our ALBs is available here: http://data.gov.uk/organogram/ Salary data for our ALBs can be found here: http://data.gov.uk/publisher.

Directorships and other significant interests

Board members completed their annual declarations of interest. Board members are asked to declare any relevant interests in agenda items at the start of each Board meeting and absent themselves from those discussions. No directorships or other significant interests were held by Executive Board members, which may have conflicted with their management responsibilities.

Ministers and Board members' remuneration

The details of Ministers' and Board members' remuneration are set out in the remuneration report in the Department's annual report and accounts.

Disclosure of Relevant Audit Information

As Accounting Officer, I am not aware of any relevant audit information of which the fund's auditors are unaware. I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the fund's auditors are aware of that information.

The external Auditors were not engaged for any non-audit work undertaken.

Reporting of personal data related incidents

There were no reported instances of personal data related incidents during the period.

As the NLDF is managed and operated within the Department, disclosure can be found in the 2014-15 Annual Report and Accounts which will be available, when published, on the Department's website at www.gov.uk/dcms.

Signed:

6 July 2015

Remuneration Report

Remuneration Policy

Administration of the NLDF is undertaken on a part-time basis by a small number of officials in the Department, whose costs are reimbursed by the NLDF. The Department does not recharge the NLDF for the remuneration costs of Departmental Ministers or the Departmental Board.

Management and control of the NLDF is vested in the Secretary of State. Details of the composition of the Department Ministers and Board and remuneration information may be found in the Remuneration Report of the *DCMS Annual Report and Accounts 2014-15* which is subject to audit, and will be available, when published, on the Department's website at www.gov.uk/dcms.

Signed:

6 July 2015

Statement of Responsibilities of the Secretary of State, Accounting Officer and the Gambling 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 me as the Permanent Secretary of the Department for Culture, Media and Sport to be the Accounting Officer for the National Lottery Distribution Fund. My relevant responsibilities as Accounting Officer, including my 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".

My 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 Gambling 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. I have 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 Gambling Commission. The Gambling 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 Gambling Commission has provided me with a Statement of Assurance and in this she outlines the compliance work undertaken at Camelot Group plc during the year ended 31 March 2015 which has led her to be satisfied that the payments to the National Lottery Distribution Fund during the year to 31 March 2015 are complete and accurate in all material respects.

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6 July 2015

Governance Statement

This Statement sets out the governance structures, risk management and internal control procedures that have operated within the Department and consequently applied to the NLDF during the financial year 2014-15 and accords with HM Treasury guidance.

How we have managed the Department

In order to manage the Department efficiently, I am supported by formal governance structures with agreed remits. These governance structures comprise the Departmental and Executive Boards, Committees and a Programme Board for the UK Broadband programme, designed to maintain clarity and accountability, delegate authority to the relevant level and to allow me and other Board and Committee members to make decisions, monitor performance and manage resources and risk.

Governance structure

The Department is responsible for the oversight of the National Lottery regime. The activities of the National Lottery licence holder are regulated by the GC (formerly the National Lottery Commission and which merged on 1 October 2013 with the GC). The GC is the independent regulator, responsible for, among other things, monitoring and reporting on the performance of the licence holder and enforcing the terms of its Section 5 licence. The Department exercises its oversight of the National Lottery regime through controls on the GC.

The amounts raised through the National Lottery for Good Causes are paid into the NLDF which is managed and run by staff employed by the Department, together with the residual OLDF which was wound up on 30 January 2015. I held separate Accounting Officer responsibility for these Funds. However, their management followed the normal processes for the Department, and consequently the governance policies of the Department operated in the same way with regard to the NLDF and to the OLDF until it was wound up on 30 January 2015. Lottery monies are independent of Government and are distributed by independent Lottery Distributors. The Department implements appropriate controls over Lottery Distributors, including Financial Directions, to ensure propriety, regularity and accountability in their handling of Lottery monies drawn down. The Department also conducts annually an assurance review of the existence within, and satisfactory application by, Lottery Distributors of key systems of internal control.

The Department enhanced its Departmental Board during 2014, with the introduction of a Departmental Sub-Board, comprising Non-Executive Board Members (NEBMs), the Permanent Secretary, the Director General and Directors. The Departmental Board is chaired by the Secretary of State and is composed of Ministers, Senior Executives and NEBMs. Committees of the Departmental Board include:

- Audit and Risk Committee: reports to and advises the Departmental Board on governance, risk
 management and control; comprises a NEBM as chair, plus one other NEBM and two other independent
 members.
- Pay Committee: advises on decisions on senior remuneration and reward.
- Departmental Sub-Board: supports the Departmental Board through performance scrutiny, and advice and challenge on operational and delivery issues.

The Board was also supported by the:

- Executive Board: provides corporate leadership to the Department and ensures delivery of the business plan in support of the Ministers' objectives. The Executive Board regularly reviews budgets and management internally and across the group. In addition, the sub-committees of the Executive Board were:
 - Corporate Committee manages Departmental resources and infrastructure. In the new structure, which was introduced in spring 2015, the functions of the Committee have been taken over by other Committees and it no longer meets.
 - Delivery and Resourcing Committee provides project/programme assurance and allocates the flexible resourcing pool.
 - Investment Committee approves and monitors major capital projects (for the Department and its Arm's Length Bodies (ALBs)). The Investment Committee is supported by the Borrowing Committee. The Investment Committee and the Borrowing Committee have now been subsumed into a broader Finance Committee in the new structure.
 - BDUK Programme Board supports BDUK to deliver its objectives.
 - ALB Governance Board provides assurance that risks are being managed across the department's
 ALBs including Lottery Distributors and the GC, and takes account of new museum freedoms.
 - Senior People Development Committee manages performance and talent of Senior Civil Servants.
 This has now been replaced by a broader People Committee covering issues relating to all staff.

Departmental Board and Committee attendance for financial period 1 April 2014 to 31 March 2015

	Do and/O amone itte a	Deventure	Audit 9 Diale	Don	Deventurental
	Board/Committee members	Departmental Board	Audit & Risk Committee	Pay Committee	Departmental Sub-Board
	Rt. Hon. Sajid Javid	3/3			
	Ed Vaizey	3/3			
	Helen Grant	2/3			
	Rt Hon Nicky Morgan	1/2			
ters	Jo Swinson	1/1			
Ministers	Jenny Willott	1/1			
70	Sir David Verey	3/3	4/4	1/1	3/3
mbers	Dr Tracy Long	3/3	4/4	1/1	3/3
rd me ers	Ajay Chowdhury	3/3			2/3
Non-Executive Board members/ independent members	Ruby McGregor-Smith	2/3			1/3
Execu	Michael Higgin		4/4		
Non-l indep	Chris Walton		2/4		
	Sue Owen	3/3	3/4	1/1	3/3
	Sarah Healey	3/3	4/4		3/3
	Alison Pritchard				1/1
	Andrea Young				2/2
	Chris Townsend	3/3			3/3
	Clare Pillman				1/3
	Helene Reardon-Bond				1/1
utive	Rita French				0/1
Executive	Samantha Foley	3/3	4/4		2/3

Note: late but unavoidable changes to some meeting dates meant that some members were unable to attend meetings due to previous commitments.

The Departmental Board met three times between 1 April 2014 and 31 March 2015 and provided advice and challenge to the Department and its Ministers on strategic and operational issues. It focused its attention on the Department's vision and strategic priorities, broadband, ALB accountability and risk assessment, Departmental implications of the Scottish referendum, the strategic property agenda as well as Departmental performance and finance.

Sir David Verey, the Lead Non-Executive Board Member carried out the annual review of the Board's effectiveness in April and May 2014, with independent input from Dame Sue Street. This noted that the Department has been through a period of considerable change, including to the membership of the Departmental Board with a change of Permanent Secretary, new Ministers and a new Secretary of State and Minister for Women. This has provided the opportunity to build a new team and refocus on providing support and challenge to the Department on future direction, change, performance, strategic risk management and succession planning.

Notable improvements have been made to take forward issues from the last annual Board Effectiveness Evaluation; including content of the meetings; quality of information provided to the Board and strengthened secretariat support. All of this has improved the effectiveness of the meetings and the engagement of Board members in the meetings. There is more to do in the coming year to clarify the Board's priorities, and further refine the management information and progress reporting against key performance indicators. With over 50% of the Board membership having changed over the course of the last year, another priority will be making time for Board members to spend time together to ensure that the team continues to be effective, operating within a framework with clear priorities.

The NEBMs have worked in various areas of the Department to share their expertise, including ALB governance, risk, women and equality, recruitment of senior staff and public appointees, broadband, arts, the Department's property portfolio and the flexible resourcing model. Systematic engagement of NEBMs across the work of the Department outside of formal Board meetings was a priority for 2014-15. In addition to their invaluable contribution to the Department's governance arrangements, our NEBMs shared their considerable skills and experience on a wide range of topics. These included broadband, triennial review of the British Film Institute, public appointments, interviewing for a new Director, shared services and flexible resourcing, as well as working with Cabinet Office on cross Government governance, management information and risk management. Ruby McGregor-Smith provides invaluable support for the Government Equalities Office (GEO) in her role as chair of the Women's Business Council.

The Departmental Board has been supported in its work by the Audit and Risk Committee, the Senior Pay Committee and the Departmental sub Board.

The Audit and Risk Committee (ARC) met four times between 1 April 2014 and 31 March 2015. In line with the ARC's Terms of Reference to support the Accounting Officer and the Department's Board in their responsibilities for governance, risk management and control, the ARC focused its attention primarily on high risk and high profile items, especially the Broadband programme, national lottery assurance review, ALB governance and risk review, and legal risk reporting.

Additionally, the ARC provided substantial advice and challenge to the Department in preparation of the DCMS Consolidated Annual Report & Accounts, the OLDF and the NLDF Annual Report & Accounts, as well as considering external and internal audit plans and reports. The ARC also provided regular oversight of corporate resilience including the improvement programme, people resourcing, compliance with Government management information requirements, embedding good Government debt management, the department's programme for obtaining shared back office finance and human resources services from a private sector supplier, the department's transition to a new desktop IT system and information assurance and system security.

In discharging her responsibility, the ARC Chair meets regularly with the Accounting Officer, Director General, Finance Director, members of the Executive Board, Internal Audit and the NAO, and holds strategic risk workshops with senior management.

Appointment of head of the Department and the Departmental Board

The head of the Department (the Permanent Secretary) and other executive members of the Departmental Board are appointed on terms and conditions set out in the Civil Service Management Code. These members of staff have individual contracts of employment which specify the length of their appointment (if appropriate) and termination procedures (where appropriate).

Compliance with the Corporate Governance Code

The Department fully complies with the Code of Corporate Governance with the following variations:

- The Pay Committee, which comprises the Permanent Secretary and two NEBMs, fulfils the role of the Nominations and Governance Committee, focusing primarily so far on scrutinising the incentive structure, and is supported by the Senior People Development Committee.
- The Head of Internal Audit attends the Audit and Risk Committee. The Chair of the Audit and Risk Committee regularly reports to the Board on key issues and the work of the Committee.

Quality of data received by the Board

The Departmental Board received regular updates on Departmental performance, in addition to corporate information covering finance, procurement, human resources and correspondence. A fuller information pack on finance is being developed for 2015-16. The information provided to the Board was sourced from the Departmental performance plans and highlight reports along with information from the financial and management accounting systems and the Human Resources database. Work continues to ensure that data going to the Board are quality assured by the relevant Committee or member of the Executive Board.

The Department provides information including the Quarterly Data Summary (QDS) and OSCAR returns to the Cabinet Office and HM Treasury and transparency information, which is published at data.gov and announced in a Cabinet Office Quarterly Written Ministerial Statement. The quality of this data is regularly assessed by the Department, Cabinet Office and HM Treasury as well as being available for public scrutiny. This data is consistent with data provided to the Board.

Internal Controls, Risk Management and Assurance

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*. That also applies across the Departmental Group, within the context of the governance arrangements applicable to each body within the Group.

The Department completed its Departmental Improvement Programme, improving the Department's strategic focus, rebalancing and flexibly deploying existing resources in accordance with priorities and improving governance and performance reporting arrangements. When considering the Department's control systems and risk management I have taken into account the impact of these major changes.

I work closely with Ministers, meeting them to discuss significant matters individually or at the Board. I alert them promptly to risks, especially those strategic to the Department or its major policies and to potential regularity, propriety or value for money implications of their decisions.

The purpose of the system of internal control

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 on-going 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. The system of internal control has been in place in the Department from 1 April 2014 to 31 March 2015 and up to the date of the signature of the financial statements, and accords with Treasury guidance.

Managing the risk of fraud in the Department

The Department's policy towards fraud, malpractice and corruption is one of zero tolerance, whether by the Department itself or in the NLDF for which it is responsible. The Department's fraud policy which sets out the policy in more detail and the Department's fraud response plan, which sets out the arrangements for reporting and responding to fraud, have both been developed to address fraud.

There were no instances of reported fraud in the financial year 2014-15 in the NLDF, nor in the OLDF between 1 April 2014 and 30 January 2015 when it was wound up. There were no instances of reported fraud in 2014-15 in the core Department, although there has been a suspected, and unsuccessful, attempt at fraud in early 2015-16. The main emphasis of the fraud response plan is on keeping staff alert to risks. To facilitate this process the Department has a Fraud, Error and Debt Champion, (the Financial Controller) supported by an Alerts System Coordinator (the Treasury Reporting Officer). They keep up with and disseminate good practice across the Department, including lessons arising from fraud investigations, and inform the National Fraud Intelligence Bureau of frauds.

Capacity to handle risk

As Accounting Officer, my responsibility for high standards of corporate governance includes effective management of risk throughout the Department. The Department's risk framework identifies risk management as a key role of the Board, the Executive Board and its sub-committees. Policy and guidance are available to staff on the intranet.

The Risk Management framework consists of three management levels at which risks are managed: Local/Project, Committee, and Board levels.

- At the Local level, risk is managed and risk registers maintained by policy and operational teams and by project and programme teams across the Department.
- At the Committee level corporate risk was managed by the Corporate Committee until December 2014. The Corporate Committee maintained its own risk register and managed red rated operational risks within the corporate area. Since December, these risks have been managed by the Executive Board via regular performance reporting. The Finance Committee considers the financial implications of and risks inherent in individual large Departmental and ALB capital projects. Senior Responsible Officers and project/programme boards monitor major programmes such as the Change Programme and Broadband delivery, as well as ALB risk.

Risks escalated by the Finance Committee, and Department wide operational, delivery and strategic risks
are managed by the Executive Board, which also considers strategic risk at workshops facilitated by the
Chair of the Audit and Risk Committee.

In addition, while responsibility for managing risk remains with ALBs, the Department has a system of regularly reviewing known ALB risks. The outputs of these reviews are used to set the level of Departmental engagement with individual ALBs.

In 2014 the Department undertook a performance and risk reporting refresh which is now well embedded. There has also been a broader governance refresh which will support the appropriate articulation and escalation of corporate and policy risk.

Internal Audit have recently carried out a review of the Department's performance reporting and risk management, which supported the performance reporting changes and recommended further enhancement of risk management. This is being implemented in 2015-16.

The risk and control framework

In line with the scope of my responsibility, the Department has agreements with The Royal Parks and all directly funded ALBs setting out the Department's expectations in return for the public funds supplied, and associated financial arrangements or accountability lines. Lottery Distributors and Regulators have similar arrangements relating to their own circumstances.

Assurance reporting exercises supplement the Department's risk management process. Senior managers and Directors are requested to report on their compliance with internal control procedures and must identify any significant exceptions. Those responsible for key internal control systems must indicate what main risks exist and their responses to them.

Models Statement of Assurance

I am satisfied that quality assurance of the models which are business critical to the Department is of appropriate design and has been conducted according to professional standards. All models are professionally managed under adequate systems of supervision and control and, over the past year, have been used only for purposes related to those for which they were designed. As a consequence, I conclude that the Department's business critical models pose low business risks.

Review of effectiveness

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 structure: the Departmental Board, the Executive Board and the Audit and Risk Committee.
- The work of the internal auditors and all executive managers within the Department who have responsibility for the development and maintenance of the internal control framework.
- Comments made by the external auditors in their management letter and other reports.
- Relationships with DCMS's ALBs, including reviews of their own individual accounts, and any information passed to me via the ALB Audit Committees.

Despite all the systems, processes and controls that I have put in place, exceptions do occur, and I have emphasised that I need to be promptly alerted to any significant ones. I consider all such control issues for potential inclusion in this statement and for wider dissemination to minimise the likelihood of similar occurrences.

Internal Audit Annual Report

The Government Internal Audit Agency (GIAA) operate to the Public Sector Internal Audit Standards. GIAA discusses its programme of assurance work with the Department to focus it most efficiently on key Departmental risks. GIAA submits regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of arrangements for risk management, control and governance, plus actions for improvement agreed with management. Implementation within agreed timescales of these actions is monitored by GIAA but is a management responsibility. For the year ended 31 March 2015, as a consequence of their work, GIAA noted no significant control weaknesses and therefore gave moderate assurance on the adequacy and effectiveness of the system of internal control over the course of the year. They saw some significant and encouraging progress during the year, but also stated that there is room for further improvement in formalised rigour, greater consistency and levels of appropriate resources and/or skills in DCMS. GIAA also undertook an audit of the NLDF and provided assurance that appropriate governance arrangements, risk management and control processes are in place.

Signed:

6 July 2015

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 2015 under the National Lottery etc. Act 1993. These comprise the Statements of Comprehensive Net Income, Changes in Amount Held for Lottery Distributing Bodies, Financial Position, 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 the Secretary of State, Accounting Officer and the Gambling Commission, the Secretary of State for Culture, 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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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 recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Lottery Distribution Fund's affairs as at 31 March 2015 and of its net income 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 Strategic Report and Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse Comptroller and Auditor General

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

7 July 2015

Statement of Comprehensive Net Income for the Year Ended 31 **March 2015**

	Note	2014-15 £000	2013-14 £000
Income			
National Lottery	2	1,806,002	1,692,088
Transfer of funds on closure of the OLDF		148,671	-
Investment Income	3	7,891	7,759
Total Income	-	1,962,564	1,699,847
Less: Operational Costs			
Department for Culture, Media and Sport	4	232	266
Gambling Commission	5	2,531	2,534
Other Expenses	6	110	113
	- -	2,873	2,913
Net Realised Income for Distribution		1,959,691	1,696,934
Amounts authorised for payment to lottery distributing bodies	10	(1,928,887)	(1,627,947)
Increase/(decrease) in realised amount held for lottery distributing bodies	-	30,804	68,987
Total comprehensive income/(expenditure)		30,804	68,987

All transactions are in respect of continuing operations. The notes on pages 25 to 34 form an integral part of these accounts.

Statement of Changes in Amount Held for Lottery Distributing Bodies for the year ended 31 March 2015

	Note	£000
Amount held for lottery distributing bodies at 1 April 2013		1,543,247
Total comprehensive income/(expenditure) for the year 2013-14		68,987
Amount held for lottery distributing bodies at 31 March 2014	-	1,612,234
Total comprehensive income/(expenditure) for the year 2014-15		30,804
Amount held for lottery distributing bodies at 31 March 2015	10	1,643,038

The notes on pages 25 to 34 form an integral part of these accounts.

Statement of Financial Position as at 31 March 2015

<u>Current Assets</u>	Note	2014-15 £000	2013-14 £000
Receivables	7	48,371	41,340
Investments held by CRND at fair value	8	1,594,899	1,571,160
Cash at Bank and in Hand		-	-
Total current assets	_	1,643,270	1,612,500
Current liabilities			
Payables: Amounts falling due within one year	8	(232)	(266)
Total assets less liabilities	<u> </u>	1,643,038	1,612,234
Represented by: Statement of comprehensive net income: realised amount held for lottery distributing bodies		1,643,038	1,612,234
Amounts held for lottery distributing bodies	10	1,643,038	1,612,234

The notes on pages 25 to 34 form an integral part of these accounts.

Signed:

6 July 2015

Statement of Cash Flows for Year Ended 31 March 2015

		2014-15	2013-14
Cash flows from operating activities	Note	£000	£000
Cash received from Lottery operator		1,798,972	1,698,818
Cash received from OLDF		148,671	0
Cash paid for operating expenses		(2,908)	(3,068)
Cash paid to lottery distributing bodies	10	(1,928,887)	(1,627,947)
Net cash inflow/(outflow) from operating activities	9	15,848	67,803
Cash flows from investing activities			
Cash Paid to CRND for investment		(1,944,735)	(1,711,463)
Cash received from CRND for distribution		1,928,887	1,643,660
Net cash (outflow)/inflow from management of liquid resources		(15,848)	(67,803)
Change in cash			

All investment income is re-invested by the CRND. Included in 2013-14 'Cash Paid to CRND for investment' and 'Cash received from CRND for distribution' is a one off event where £15.7m drawn down from CRND that was subsequently returned to CRND for investment, rather than being paid to lottery distributing bodies.

The notes on pages 25 to 34 form an integral part of these accounts.

Notes to the Financial Statements

1. Statement of Accounting Policies

1.1 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 Government Financial Reporting Manual.

The particular policies adopted by the fund are described below.

1.2 Basis of Preparation

These accounts have been prepared on a going concern basis.

1.3 Accounting Convention

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

1.4 Functional and Presentational Currency

These accounts are presented in pounds sterling, the functional currency of the fund, and all values are rounded to the nearest thousand pounds (£000).

1.5 Nature of Account Balances

Balances held in the NLDF remain under the stewardship of the Secretary of State for Culture, Media and Sport. The share of the fund attributable to each lottery 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, Media and Sport as being available for distribution by each body in respect of current and future commitments.

1.6 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 2014 in respect of all draws within the year up to and including 31 March 2015.

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 GC approval for any promotional events, such as 'Superdraws' with guaranteed jackpot prize levels that may reduce the net weekly proceeds into the NLDF. The GC 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. 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 to NLDF.

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.

1.7 Recognition of Amounts Drawn by Distributors

The amounts recorded as drawn down by the lottery distributing bodies represent their actual cash claims.

1.8 Investments

Investments are available for sale financial assets.

Investments held by the CRND are valued in these accounts at fair value as at 31 March 2015, 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 the Department'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.

The Department regularly reviews the investments in partnership with CRND.

1.9 Investment income

Investment income is recognised when it is receivable.

1.10 Cash and cash equivalents

Cash and cash equivalents are cash in hand and deposits held on call with banks. 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 IAS 7.

1.11 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.

Available for sale financial assets are adjusted to fair value annually with any revaluation posted to a revaluation reserve. Any premium or discount on cost is amortised in the Statement of Comprehensive Net Income as an adjustment to the investment income (see Investments note 1.8 above).

Receivables are classified as loans and receivables and are recognised at amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts.

Payables are short term and measured at amortised cost, which reflects the fair value of these liabilities as they fall due within one year.

1.12 Impact of new IFRS and Financial Reporting Manual Amendments

There are no standards and interpretations in issue yet to be adopted, that the NLDF anticipates will have a material effect on future reporting periods.

2	Income	from I	ottory	Activities
4	mcome	irom i	Louerv	Acuviues

·	2014-15 £000	2013-14 £000
Primary contribution Secondary contribution	1,668,980 8,045	1,574,820 6,254
Unclaimed prizes Interest on Players Trust Fund Income from ancillary activities and other items	127,831 3 1.143	110,668 - 346
Theorie hem anomaly assistance and earle heme	1,806,002	1,692,088

3 Investment income

2014-15	2013-14
£000	£000
7,891	7,759
	£000

The NLDF's objective is to provide for the lottery 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.

All investments in 2014-15 were held as Call Notice deposits.

4 Operational Costs: Department for Culture, Media and Sport

	2014-15 £000	2013-14 £000
Admin costs External auditor's remuneration	208 22	214 *50
Bank of England charges	2	2
	232	266

In 2014-15 the Department's Finance and Lottery Distribution and Investment Teams were engaged on NLDF matters for a proportion of their time. 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 the Department has been charged to the NLDF, on the basis of accommodation costs per FTE. Similarly a share of the central service costs incurred by the Department has been charged on the basis of central costs per FTE.

5 Reconciliation of Gambling Commission Operational Costs

The Department recover the net costs of running the GC from the NLDF and the OLDF. The net cost consists of the grant in aid paid to GC less the licence fee income received by GC and surrendered to the Department 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 2014-15, licence fee income of £96,800 relating to new National Lottery games was received by the Department.

		2014-15 £000	2013-14 £000
	Funding recovered by the Department Lottery Operator licence fee income Amount paid to the Department	2,628 (97) 2,531	2,597 (63) 2,534
6	Other expenses		
		2014-15 £000	2013-14 £000
	CRND Management Fee/Charge*	110	113

^{*}The above represents the amounts paid to the CRND for management of the NLDF Investment Fund Account. In 2014-15 this includes £12,250 which was paid on behalf of the OLDF for the management of the OLDF Investment Fund Account.

^{*}To align audit costs with the year they relate to, the external auditor's remuneration charged in 2013-14 includes both 2012-13 of £25,000 and 2013-14 of £25,000.

7 Receivables

	2014-15 £000	2013-14 £000
Income due as a result of draws prior to year end	48,371	41,340
	48,371	41,340

The carrying value of receivables approximates their fair value.

Receivables: Intra-government balances

Balances with bodies external to government 48,371 41,340

8 Reconciliation of Investments held by CRND at fair value to Amounts Held for lottery distributing bodies

	at 31 Marc	h 2015	at 31 March	2014
	Cost	Fair Value	Cost	Fair Value
	£000	£000	£000	£000
Investments held by the CRND	1,594,899	1,594,899	1,571,160	1,571,160
Receivables (note 7)	48,371	48,371	41,340	41,340
Payables (note 4)	(232)	(232)	(266)	(266)
Balance held	1,643,038	1,643,038	1,612,234	1,612,234

Payables: Intra-government Balances

Other central government	(232)	(232	(266)	(266)

Under s32 of the National Lottery etc. Act 1993, all monies held by the CRND are regarded as "Investments by the Secretary of State". Investments represent call notice deposits that are demand deposits with the Debt Management Account and the National Loans Fund (NLF).

Funds held by CRND 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 in a revolving investment fund i.e. investment returns re-invested directly into the fund. For further details on the investing activities of CRND, refer to the NLDF Investment Account published by CRND.

The carrying value of payables approximates their fair value. Payables are in respect of accruals for the Department's recharges.

9 Reconciliation of Amounts Held for lottery distributing bodies as disclosed in Income and Expenditure Account with Net Cash Outflow from Operating Activities.

	2014-15 £000	2013-14 £000
Increase/(decrease) in realised amounts held for lottery distributing bodies	30,804	68,987
Investment income	(7,891)	(7,759)
	22,913	61,228
(Increase)/decrease in lottery operator receivables	(7,031)	6,730
(Decrease)/increase in payables for operating expenses	(34)	(155)
Net cash inflow/(outflow) from operating activities	15,848	67,803

10 Amounts held for lottery distributing bodies at 31st March 2015

BENEFICIARY SECTORS	Arts	Sports	Heritage Lottery Fund	Big Lottery Fund	TOTAL
	£000	£000	£000	£000	£000
National Lottery proceeds					
Share of income from lottery	390,934	390,934	390,934	781,871	1,954,673
Less share of operational costs	(574)	(574)	(574)	(1,151)	(2,873)
	390,360	390,360	390,360	780,720	1,951,800
Amount authorised for payment to lottery distributing bodies	(345,471)	(400,908)	(337,314)	(845,194)	(1,928,887)
Investment Income	1,578	1,578	1,578	3,157	7,891
Increase/ (decrease) in balance available	46,467	(8,970)	54,624	(61,317)	30,804
Amounts held for lottery distributing bodies at market value at 1 April 2014	386,796	328,637	511,373	385,428	1,612,234
Amounts held for lottery distributing bodies at market value at 31 March 2015	433,263	319,667	565,997	324,111	1,643,038

Included in the share of income from lottery are the transfer of funds on the closure of the OLDF totalling £148,671k allocated to each lottery distributing body as per the percentage split in Note 13.

Amounts held for lottery distributing bodies at 31st March 2015 (continued)

1070 000150	Arts	Creative	Arts	Arts	D 1 E	OUDTOTAL
ARTS BODIES	Council	Scotland	Council	Council of	British Film	SUBTOTAL
	of England		of Wales	N. Ireland	Institute	ARTS
	£000	£000	£000	£000	£000	£000
National Lottery proceeds						
Share of income from lottery	272,794	34,793	19,547	10,946	52,854	390,934
Less share of operational costs	(401)	(51)	(28)	(16)	(78)	(574)
	272,393	34,742	19,519	10,930	52,776	390,360
Amount authorised for payment to lottery distributing bodies	(235,306)	(35,468)	(17,503)	(9,547)	(47,647)	(345,471)
Investment Income	1,101	141	79	44	213	1,578
Increase/ (decrease) in balance available	38,188	(585)	2,095	1,427	5,342	46,467
Amounts held for lottery distributing bodies at market value at 1 April 2014	287,509	19,104	20,265	4,101	55,817	386,796
Amounts held for lottery distributing bodies at market value at 31 March 2015	325,697	18,519	22,360	5,528	61,159	433,263

SPORTS BODIES	Sports Council	Scottish Sports	Sports Council	Sports Council of	UK Sports	SUBTOTAL
	of England	Council	of Wales	N. Ireland	Council	SPORTS
	£000	£000	£000	£000	£000	£000
National Lottery proceeds						
Share of income from lottery	242,379	31,666	17,592	10,164	89,133	390,934
Less share of operational costs	(356)	(47)	(26)	(14)	(131)	(574)
	242,023	31,619	17,566	10,150	89,002	390,360
Amount authorised for payment to lottery distributing bodies	(262,353)	(26,971)	(14,350)	(8,725)	(88,509)	(400,908)
Investment Income	978	128	71	41	360	1,578
Increase/ (decrease) in balance available	(19,352)	4,776	3,287	1,466	853	(8,970)
Amounts held for lottery distributing bodies at market value at 1 April 2014	177,055	53,900	16,099	13,270	68,313	328,637
Amounts held for lottery distributing bodies at market value at 31 March 2015	157,703	58,676	19,386	14,736	69,166	319,667

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

11 Financial Instruments

IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7: Financial Instruments: Disclosures, 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.

NLDF investments are held by CRND at fair value and due to the nature of these funds NLDF is not exposed to the degree of financial risk faced by business entities.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The investments in CRND comprise of deposits either with the Debt Management Account or the National Loans Fund. These deposits are obligations of HM Government and therefore considered to have no exposure to credit risk. Receivables relate to income due as a result of draws prior to year end. These monies are also considered to have no exposure to credit risk as legislation requires Camelot to transfer these monies to the NLDF.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the NLDF relate to changes in market interest rates. The interest return on investments were closely linked to the official Bank Rate. The Department does not consider that the NLDF is exposed to any significant interest rate risks because of the nature of the assets held.

Liquidity risk

Liquidity risk is the risk that NLDF will encounter difficulty raising liquid funds to meet liabilities as they fall due. All investments are held as Call Notice deposits on CRND and therefore are highly liquid.

12 Related Party Transactions

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

The Department is also the sponsoring Department of the UK wide and English based lottery distributors except for The Big Lottery Fund. The Cabinet Office became the sponsor department of The Big Lottery Fund with effect from 01 April 2011 and hence is considered a related party.

OLDF was maintained under the control and management of the Secretary of State for Culture, Media and Sport. OLDF was considered to be a related party. Prior to the closure of the OLDF on 30 January 2015 the remaining balances totaling £148,671k were transferred to the NLDF by Statutory Instrument to allow distributors to access these funds.

CRND, which is ultimately part of HM Treasury, is also considered a related party. Payments made during the year total £110k and are reflected in Note 6 of the accounts.

The GC, 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, forms part of the DCMS Group accounts and is a related party. Net payments made to the GC totalling £2,531k were recharged to the NLDF by the Department and are reflected in Note 5.

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 2014-15 DCMS Annual Report and Accounts.

13 Lottery distributing body share of Fund

The percentages received by each Lottery 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	01.04.11 to 31.03.12	01.04.12 to 31.03.13	01.04.13 to 31.03.14	01.04.14 to 31.03.15
The Arts	16.667	18.000	20.000	20.000	20.000
Sports	16.667	18.000	20.000	20.000	20.000
The National Heritage	16.667	18.000	20.000	20.000	20.000
Charitable expenditure	-				
Millennium projects	-				
Health, education and the environment	-				
Charitable, health, education and the environment	50.000	46.000	40.000	40.000	40.000

Arts	01.04.07 to 31.03.10	01.07.10 to 31.03.11	01.04.11 to 31.03.12	01.04.12 to 31.03.13	01.04.13 to 31.03.14	01.04.14 to 31.03.15
Arts Council of England	11.630	11.630	12.560	13.956	13.956	13.956
Creative Scotland	1	1.483	1.602	1.780	1.780	1.780
Arts Council for Wales	0.833	0.833	0.900	1.000	1.000	1.000
Arts Council of Northern Ireland	0.467	0.467	0.504	0.560	0.560	0.560
British Film Institute	-	-	2.434	2.704	2.704	2.704
UK Film Council	2.253	2.253	-	1	-	•
Scottish Screen	0.193	-	-	-	-	-
Scottish Arts Council	1.290	-	-	-	-	-

Sports	01.04.06 to 31.03.11	01.04.2011 to 31.03.12	01.04.12 to 31.03.13	01.04.13 to 31.03.14	01.04.14 to 31.03.15
English Sports Council	10.333	11.160	12.400	12.400	12.400
Scottish Sports Council	1.350	1.458	1.620	1.620	1.620
Sports Council for Wales	0.750	0.810	0.900	0.900	0.900
Sports Council of Northern Ireland	0.433	0.468	0.520	0.520	0.520
UK Sports Council	3.800	4.104	4.560	4.560	4.560

14 Events after the reporting period

Ministerial changes

The Rt Hon Sajid Javid MP was the Secretary of State for Culture, Media and Sport until May 2015. The Rt Hon John Whittingdale MP was appointed Secretary of State for Culture, Media and Sport on 11 May 2015.

Helen Grant MP was the Parliamentary Under Secretary of State for Sport and Tourism until May 2015. Tracey Crouch MP was appointed Parliamentary Under Secretary of State for Sport and Tourism on 12 May 2015.

Baroness Neville-Rolfe DBE CMG was appointed Parliamentary Under Secretary of State at the Department for Business, Innovation and Skills (jointly with the Department of Culture, Media and Sport) and Minister for Intellectual Property on 13 May 2015.

Baroness Shields OBE (Joanna Shields) was appointed Minister for Internet Safety and Security at the Department for Culture, Media and Sport on 13 May 2015.

Executive Team Change

David Rossington was appointed Finance and Commercial Director from 1 April 2015. The role was previously held by Samantha Foley, who provided handover support and advice until early May 2015.

These accounts were authorised for issue on the date shown on the audit certificate.

