

Big Lottery Fund

New Opportunities Fund Financial Report and Accounts
for the eight months 1 April 2006 to 30 November 2006



Title New Opportunities Fund Financial Report and Accounts for the eight months 1 April 2006 to 30 November 2006

Code

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Accessibility

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Our equality principles

Promoting accessibility; valuing cultural diversity; promoting participation; promoting equality of opportunity; promoting inclusive communities; reducing disadvantage and exclusion. Please visit our website for more information.

We care about the environment

The Big Lottery seeks to minimise its negative environmental impact and only uses proper sustainable resources.

Our mission

We are committed to bringing real improvements to communities and the lives of people most in need.

Our values

We have identified seven values that underpin our work: fairness; accessibility; strategic focus; involving people; innovation; enabling; additional to government.

The Big Lottery Fund is committed to valuing diversity and promoting equality of opportunity, both as a grantmaker and employer. The Big Lottery Fund will aim to adopt an inclusive approach to ensure grant applicants and recipients, stakeholders, job applicants and employees are treated fairly.

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New Opportunities Fund

FINANCIAL REPORT AND ACCOUNTS

for the eight months 1 April 2006 to
30 November 2006

Annual Report presented in compliance with section 34(3) of the National Lottery etc Act 1993 by the Secretary of State for the Department of Culture, Media and Sport.

Accounts prepared pursuant to Section 39(1) of the National Lottery etc Act 1993 and presented by the Comptroller and Auditor General.

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New Opportunities Fund

Financial Report and Accounts for the eight months 1 April 2006 to 30 November 2006

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Management commentary

The New Opportunities Fund was established in 1998 to distribute funds from the National Lottery to health, education and environmental projects. In 2003 the Secretary of State for Culture, Media and Sport asked the New Opportunities Fund and the Community Fund to work more closely together and from 1 June 2004 the two organisations entered into an administrative merger; both organisations operating together as the Big Lottery Fund. With the enactment of the National Lottery Act 2006 the New Opportunities Fund was dissolved on 30 November 2006. Its remaining assets, liabilities and activities were formally transferred to the Big Lottery Fund from that date. Responsibility for the preparation of these financial statements rests with the Big Lottery Fund.

The New Opportunities Fund was a UK wide non-departmental public body, regulated in accordance with the Management Statement, Financial and Policy Directions issued by the Secretary of State for Culture, Media and Sport.

The composition of its Board was defined by the National Lottery Act 1998. From 1 June 2004 the Board mirrored the composition of that of the Community Fund and comprised a Chair, three representatives from each of Scotland, Wales and Northern Ireland and up to seven other members. The Board members were appointed by the Secretary of State for Culture, Media and Sport. Details of the members of the Board are contained within the remuneration report.

Results for the period

The New Opportunities Fund made a surplus for the year of £105 million (2005/2006 £191 million). All grants awarded under the new Big Lottery Fund grant programmes were made using the New Opportunities Fund's powers. The New Opportunities Fund had a deficit on retained reserves of £110 million (2005/2006 £215 million). This deficit was transferred to the Big Lottery Fund from 1 December 2006.

Review of activities

During the eight months to 30 November 2006 the New Opportunities Fund continued to pay out previously committed grants and monitor grant recipients' compliance with terms and conditions of grant.

During this financial period the Board members and staff of the New Opportunities Fund worked with the Community Fund to launch the remaining Big Lottery Fund programmes, to receive and assess applications under these programmes and to make awards. Big Lottery Fund programmes have been established using New Opportunities Fund powers. Full details of this activity will be presented within the Big Lottery Fund's annual report to be published after the financial year end 31 March 2007.

The restructuring of the organisation which was started last year to make it fit for purpose for the activities of the Big Lottery Fund continued. Office accommodation in London was identified for downsizing. The Birmingham centre, acquired by the Community Fund, was prepared for occupation; the move happened on 5 December 2006. The transfer of grant management and corporate support posts from London and other regional offices to Birmingham and Newcastle continued.

Fixed assets

Details of the movement in fixed assets is set out in note 8 to the accounts. The significant disposal is the write off of the New Opportunities Fund grant management system. During 2006 a project was undertaken to migrate the New Opportunities Fund grant management data to the Community Fund's grant management system.

Post balance sheet events

The New Opportunities Fund was dissolved on the balance sheet date. Residual activities, assets and liabilities were transferred to the Big Lottery Fund.

Employees, equal opportunities and consultation

As an employer, the New Opportunities Fund complied with all legal requirements in respect of its policies towards equal opportunities and disabled people.

To encourage communication and good relations between the Board, management and staff at all levels, the Prospect and Amicus trade unions were recognised jointly for the purpose of collective bargaining for all employees, excluding Directors. During the last year the formal joint recognition agreement was formed. Relations with the Joint Union Group were extremely positive and formal meetings took place monthly.

Statement of payment policy and practice

The New Opportunities Fund aimed to pay all its creditors within thirty days of receipt of an invoice, unless alternative terms and conditions have been negotiated. This was in accordance with the Better Payment Practice Guide. In the year under review 87 per cent (2005/2006 89 per cent) of all creditors were paid within 30 days of receipt of an invoice.

Auditors

Under the National Lottery etc Act 1993, the New Opportunities Fund was required to have its financial accounts examined and certified by the Comptroller and Auditor General. Hence the National Audit Office undertook the external audit of the Fund.

Stephen Dunmore
Chief Executive of
the Big Lottery Fund

Sir Clive Booth
Chair of the Big
Lottery Fund

9 July 2007

Remuneration report

This report sets out the Fund's policy on the remuneration of Board members and the Directors of the Fund. Only the section of the remuneration report dealing with remuneration received is subject to audit.

Remuneration Committee

The Remuneration Committee was chaired by the Chair of the Board, Sir Clive Booth, and also comprised the Vice Chair of the Board, Valerie Strachan, the Chair of Resources Committee, Dugald Mackie, and a country Board member David Campbell.

The Committee's main responsibilities were to:

- agree the terms and conditions of employment of the Chief Executive
- decide on the Chief Executive's performance appraisal and related pay
- approve the performance appraisals and related pay for Directors
- decide on severance terms for the Chief Executive and Directors, subject to any necessary clearances by DCMS/Treasury.

Senior staff remuneration policies

The remuneration policy for the Senior Management Team tried to offer remuneration that enabled it to attract, retain and motivate high calibre individuals with the skills and abilities to manage the Fund. In doing so the remuneration policy sought to:

- remunerate fairly for individual responsibility and contribution, while providing an element of performance related pay
- comply with the annual pay guidance issued by HM Treasury.

Biennially a review of relevant market data was undertaken to assess the relevance of senior staff salary ranges.

Remuneration of the Senior Management Team

From 1 December 2003 the Chief Executive took on the role of joint Chief Executive of the Community Fund and New Opportunities Fund. His remuneration for the part of his service contract with the Community Fund was charged to that organisation's accounts. The Chief Executive's contract expired one day after appointment of a new Chief Executive of the Big Lottery Fund, following the implementation of the legislation.

Directors were appointed to the Senior Management Team of the Big Lottery Fund, the joint management team for the Community Fund and New Opportunities Fund. The Chief Executive and Directors were subject to the Big Lottery Fund's standard terms and conditions of employment.

The Directors of Finance and Corporate Services, Wales, Policy and External Relations, and Northern Ireland were employed by the New Opportunities Fund on permanent employment contracts, which allowed for them to provide services to the Community Fund.

The Directors of Scotland, Operations, and Planning and Performance were employed by the Community Fund under permanent employment contracts that allowed for them to provide services to the New Opportunities Fund.

The basis of senior staff remuneration was set out in their individual contracts of employment. The Chief Executive received a performance bonus of up to 20 per cent of his annual salary. Up to five per cent of this bonus was consolidated, the balance of the award was paid as a non-consolidated bonus. Directors received a consolidated annual pay award as negotiated by staff and a non-consolidated performance bonus of up to eight per cent of their annual salary.

In addition to salary and bonus the Senior Management Team were entitled to access benefits provided by BIG in common with all staff including contributions to the Civil Service Pension scheme. The total salary and pension entitlement of the senior management of the Big Lottery Fund was as set out in the table below. These costs were charged to the New Opportunities Fund and Community Fund based on the appropriate apportionment criteria (see note 1.10 in the accounts). There were no compensation payments or non-cash benefits paid in the period.

	Salary, including performance bonus, for the 8 months 30 November 2006	Real increase in pension at 60	Total accrued pension at 60 as at 30 November 2006	Cash equivalent transfer value (CETV)	Real increase in CETV funded by employer
	£'000	£'000	£'000	£'000	£'000
<i>2006 comparatives shown in brackets</i>					
Stephen Dunmore (Chief Executive)	85-90 (140-145)	0-2.5 plus 5-7.5 lump sum	55-60 plus 165-170 lump sum	1,231 (1,140)	42
Mark Cooke (Director of Finance and Corporate Services)	60-65 (85-90)	0-2.5 n/a	0-5 n/a	52 (34)	14
Ceri Doyle (Director, Wales)	50-55 (80-85)	0-2.5 plus 0-2.5 lump sum	10-15 plus 0-5 lump sum	152 (135)	9
Dharmendra Kanani (Director, Scotland)	50-55 (80-85)	0-2.5 plus 0-2.5 lump sum	5-10 plus 20-25 lump sum	97 (86)	8
Adrienne Kelbie (Director of Operations)	60-65 (95-100)	0-2.5 plus 2.5-5.0 lump sum	10-15 plus 40-45 lump sum	164 (143)	15
Gerald Oppenheim (Director, Planning and Performance)	60-65 (95-100)	0-2.5 plus 0-2.5 lump sum	35-40 plus 105-110 lump sum	725 (693)	15
Vanessa Potter (Director, Policy and External Relations)	60-65 (95-100)	0-2.5 plus 0-2.5 lump sum	10-15 plus 35-40 lump sum	162 (148)	9
Walter Rader (Director, Northern Ireland)	50-55 (80-85)	0-2.5 plus 2.5-5.0 lump sum	5-10 plus 25-30 lump sum	193 (166)	19

Remuneration report

Pension benefits were provided through the Principal Civil Service Pension Scheme. Further pension disclosures are made in note 20. Column 4 of the previous table shows the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 5 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures and other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines prescribed by the Institute and Faculty of Actuaries.

Board members remuneration policy

The Chair of the Big Lottery Fund, the joint working name of the Community Fund and New Opportunities Fund, was a part-time appointment, two days per week. The Chair was appointed, and his remuneration determined by the Secretary of State for Culture, Media and Sport. The remuneration received by the Chair is set out below. He received no contributions to pension.

	1/4/06 to 30/11/06 £	1/4/05 to 31/3/06 £
Sir Clive Booth	12,519	18,504

All Board members for the Big Lottery Fund are appointed by the Secretary of State for a time defined period. Board members are entitled to receive remuneration for their time spent on the activities of BIG. For Board members appointed to BIG prior to formal merger 50 per cent of their time was deemed to be spent on each of Community Fund and New Opportunities Fund activities. These activities, for which Board members can claim a daily rate fee of £208 (2005/06 £204), mainly consist of meetings in BIG's offices. No Board member received contributions to pension.

Total emoluments paid to Board members to 30 November 2006 were £55,496 (2005/06 £73,067), analysed as follows:

	1/4/06 to 30/11/06 £'000	1/4/05 to 31/3/06 £'000
Dr Samuel Burnside	3.4	6.0
David Campbell	3.9	5.6
Paul Cavanagh	3.2	6.0
Tom Davies	1.7	4.2
Roland Doven*	2.1	3.4
Professor Briedge Gadd*	4.8	5.1
John Gartside*	5.3	4.6
Douglas Graham	2.2	3.0
Taha Idris	4.6	5.0
Dugald Mackie	5.2	2.1
John Naylor to 31 March 2006	–	6.8
Esther O'Callaghan*	1.0	0.8
Anna Southall*	1.9	4.4
Dame Valerie Strachan (Deputy Chair)	6.0	8.8
Huw Vaughan Thomas*	2.8	3.8
Diana Whitworth*	5.7	3.5

All Board members resigned from the Board of the New Opportunities Fund on 30 November 2006. Those members shown with * were appointed to the Board of the Big Lottery Fund.

The New Opportunities Fund reimbursed the travel and subsistence expenses of Board members and meet the tax liability on these expenses.

Stephen Dunmore
Chief Executive of
the Big Lottery Fund
9 July 2007

Statement of Accounting Officer's responsibilities

Under Section 35(3) of the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998), the New Opportunities Fund is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for the Department for Culture, Media and Sport.

The statement of accounts are prepared on an accruals basis and must show a true and fair view of the New Opportunities Fund's state of affairs at the period end and of its income and expenditure and cash flows for the accounting period.

In preparing the accounts the Board members are required to:

- observe the accounts direction issued by the Secretary of State, 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 annual accounts
- prepare the statement of accounts on the going concern basis, unless it is inappropriate to presume that the New Opportunities Fund will continue in operation. The National Lottery Act 2006 provided for the residual assets, liabilities and activities of the New Opportunities Fund to be transferred to the Big Lottery Fund on the dissolution of the New Opportunities Fund.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive of the New Opportunities Fund as the Accounting Officer for the New Opportunities Fund. The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' memorandum issued by the Treasury and published in Government Accounting, and in the Financial Directions issued by the Secretary of State for Culture, Media and Sport under Section 26(3) of the National Lottery etc Act 1993.

As Accounting Officer, as far as I am aware, there is no relevant audit information of which the New Opportunities Fund auditors are unaware. I have taken all reasonable steps as Accounting Officer to make myself aware of any relevant audit information and to establish that the New Opportunities Fund auditors are aware of that information.

Delegated responsibilities

The New Opportunities Fund has, wherever appropriate, sought to use the powers of delegation and solicitation provided by the National Lottery Act 1998. As a result of this other parties may be accountable for specific elements of programmes.

The New Opportunities Fund has the following framework agreement in place.

- ▶ Between the New Opportunities Fund and the Department for Education and Skills with regard to the building neighbourhood nurseries programme in England which sets out the areas that the Accounting Officer of the Department for Education and Skills is accountable for, namely:
 - the Early Years Development and Childcare Partnerships endorsement of applications for funding, including viability of approved bodies, provided to the New Opportunities Fund
 - the opinion of sustainability on bids which are assessed centrally by the Department for Education and Skills.

The New Opportunities Fund has entered into joint schemes, as defined in the National Lottery Act 1998, to provide funding alongside other bodies to achieve the outcomes defined by the relevant Joint Scheme Order. In these schemes the New Opportunities Fund's Accounting Officer is responsible for: ensuring that Lottery funds allocated by the New Opportunities Fund are applied in accordance with the New Opportunities Fund's legal powers; the economic, efficient and effective use of Lottery funding allocated by the New Opportunities Fund to the programme; satisfying himself that the systems used for operating the programme are robust and fit for purpose and agreeing the mechanism for allocating the administrative costs of the programme between the participating Lottery bodies.

The New Opportunities Fund is participating in the following joint schemes.

- ▶ Awards for All, England, part of the small grants scheme initiative. A scheme administered by the Community Fund on behalf of Community Fund, Arts Council of England, Heritage Lottery Fund, the New Opportunities Fund and Sport England.
- ▶ Spaces for Sports and Arts, part of the PE sport in schools initiative. A scheme administered by Sport England on behalf of Sport England, Arts Council of England, Department of Culture, Media and Sport, Department for Education and Skills and the New Opportunities Fund.
- ▶ Home Front Recall, part of the veterans programmes. A scheme administered by the Community Fund on behalf of Community Fund, Heritage Lottery Fund and New Opportunities Fund.
- ▶ Active England, part of the PE sport in schools initiative. A scheme administered by Sport England on behalf of Sport England and the New Opportunities Fund.
- ▶ Living landmarks, part of Transformational Grants initiative. A scheme administered by the Community Fund on behalf of Community Fund and the New Opportunities Fund.
- ▶ Parks for People. A scheme administered by the Heritage Lottery Fund on behalf of Heritage Lottery Fund and the New Opportunities Fund.

Statement of Accounting Officer's responsibilities

The New Opportunities Fund has used the powers provided by the National Lottery Act 1998 to delegate to award partners the following grant schemes. The grant offer between the New Opportunities Fund and the award partners sets out the responsibility of the Chief Executive of the award partner to ensure that the systems implemented to administer Lottery applications and process and monitor Lottery grants are acceptable and fit for purpose and that Lottery funds are distributed with due regularity and propriety. I retain responsibility for the overall safeguarding of the public funds provided to the New Opportunities Fund and for ensuring that award partners operate within our agreed terms and in line with the financial and policy directions provided to me.

As part of the Green Spaces and Sustainable Communities initiative:

- ▶ Countryside Agency – Doorstep Greens.
- ▶ Wales Council for Voluntary Action – Enfyf Scheme.

As part of the Transforming Communities initiative:

- ▶ Royal Society for Nature Conservation – Community Recycling and Economic Development
- ▶ Scottish Natural Heritage – Fresh Futures (Transforming Your Space)
- ▶ Forward Scotland – Transforming Waste in Scotland
- ▶ Wales Council for Voluntary Action – Cleanstream Recycling Fund – Transforming Waste in Wales

- ▶ Business in the Community (Northern Ireland) – Community Resource Consortium.

As part of the New Opportunities for Health programme:

- ▶ British Heart Foundation – Heart Failure Support Networks
- ▶ British Heart Foundation – National Defibrillator programme
- ▶ British Heart Foundation – Cardiac Rehabilitation programme.

As part of the New Opportunities for PE and Sport in schools:

- ▶ The Football Foundation – Grassroots Development for Schools
- ▶ The Sports Council for Northern Ireland – Community Sport.

As part of the Veterans programmes:

- ▶ Community Fund – Heroes Return

As part of the Young People's Fund:

- ▶ Community Fund – Grants to Organisations
- ▶ Community Fund – National Grants
- ▶ UnLtd – Big Boost
- ▶ Youthnet – The Big Deal.

Stephen Dunmore
Chief Executive of
the Big Lottery Fund

9 July 2007

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the New Opportunities Fund's aims and objectives while:

- safeguarding the public funds and assets for which I am personally responsible in accordance with the responsibilities assigned through Government Accounting
- ensuring compliance with the requirements of the New Opportunities Fund's Management Statement, Policy Directions, Financial Directions and Statement of Financial Requirements.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the New Opportunities Fund's 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 throughout the period ending 30 November 2006 and up to the date of the approval of the annual report and accounts and accords with Treasury guidance.

The main elements of the New Opportunities Fund's control framework are set out below.

Control environment

- ▶ The Department of Culture, Media and Sport has designated me, the Chief Executive of the New Opportunities Fund, as Accounting Officer. I hold a separate letter of engagement to this effect that clearly sets out my responsibility and accountability for maintaining a sound system of internal control within the Fund. I am also the Chief Executive and Accounting Officer of the Community Fund.
- ▶ Following the Secretary of State for Culture, Media and Sport's announcement to integrate the New Opportunities Fund and the Community Fund to form the Big Lottery Fund, a co-terminus Board was appointed with responsibility for both New Opportunities Fund and Community Fund matters.
- ▶ A Senior Management Team, with clear terms of reference and defined membership, which meets at least every month to consider the plans and operations of the New Opportunities Fund and compliance with the Management Statement.
- ▶ A Board which meets every two months to consider the strategic direction of the New Opportunities Fund. The Board comprises a Chair and up to 16 non-executive members and is attended by members of the Senior Management Team.

Statement on internal control

- ▶ The Audit and Risk Committee, whose terms of reference require the Committee to approve the internal audit programme, to endorse the risk register and to scrutinise the outcome of reports by internal and external audit. The Chair of the Committee reports to the Board on the matters discussed by the Committee.
- ▶ The Remuneration Committee, whose terms of reference provide for oversight and approval of remuneration and performance for senior staff members including myself. Further details are in the remuneration report.
- ▶ The Resources Committee, whose terms of reference require the Committee to approve the annual budget and to receive regular financial reports to challenge and oversee expenditure.
- ▶ A published corporate plan that sets out our objectives and performance measures. The eight months to 30 November 2006 was a continuation of the transition towards which the New Opportunities Fund and Community Fund would work as one administrative body to lay the foundations for the Big Lottery Fund.
- ▶ Quarterly performance management reports to the Senior Management Team reporting progress in achieving corporate objectives, performance and service delivery targets. These targets will be reported at the end of the financial year as part of BIG's annual report. Where targets have not been met, action is identified to improve efficiency and effectiveness.
- ▶ Monthly financial summary reports to the Senior Management Team and quarterly reports to the Resources Committee, reporting progress against financial targets, including grant commitment budgets, NLDF balance targets and operating cost budgets.
- ▶ A fraud policy, whereby suspected frauds are reported to DCMS and dealt with by liaison with the police and other agencies where appropriate. A number of cases are currently under investigation. Throughout the investigation, whether or not fraud is proven, we review procedures and processes to learn lessons and improve systems of internal control, fraud prevention and detection where necessary.
- ▶ A wide range of policies dealing with control issues for corporate governance, financial management, project management, health and safety, training and development, information technology and risk management.
- ▶ A wide range of controls to ensure grant assessment and monitoring activity is adequately managed and that losses of Lottery funds are minimised. These controls include written procedures for grant assessment and grant management tasks, defined management supervisory tasks, clear delegations for decision making and a training programme including fraud awareness training.
- ▶ A project management framework, with defined responsibilities including project sponsor, for developing new programmes.

- ▶ An internal communications process that ensures that all staff are informed about key decisions on a timely basis through appropriate media, including the use of emails from the Chief Executive, cascaded briefings by line managers and presentations by the Chief Executive and Directors.
- ▶ An external communications strategy that ensures that stakeholders, Parliamentarians, press and members of the public receive appropriate and reliable information.
- ▶ An Internal Audit Unit that operates to standards defined in the Government Internal Audit manual. The work of internal audit is informed by the corporate risk register and an analysis of the risk to which the New Opportunities Fund is exposed. The annual internal audit plans are based on this analysis and are approved by me and endorsed by the Audit and Risk Committee. The Head of Internal Audit meets regularly with me, and on an annual basis meets with the Audit and Risk Committee with no officers present. The Head of Internal Audit provides me with periodic progress reports building to an annual report on internal audit activity, including the findings of follow up reviews, in the New Opportunities Fund. This annual report includes his opinion on the adequacy and effectiveness of the systems that they have reviewed. This has been reviewed by the Audit and Risk Committee.

Risk management

Capacity to handle risk

At the start of the year and during 2006 the Senior Management Team formally considered and updated their documentation of the risks faced by the organisation. The outcome of these reviews were discussed with the Audit and Risk Committee to validate the contents of the corporate risk register. These reviews ensure that the risk register and our responses are relevant.

Risk management principles, including consideration of risk and recommendation for appropriate mitigation, are also integral to our grant assessment, grant management, new programme development and project management procedures.

Following an internal audit of risk management, our approach to risk management continues to develop. We now integrate corporate planning and risk more closely. At a corporate level we have considered our appetite for each risk identified and we have clear actions and responsibilities. We now plan to roll out this approach across the organisation.

Statement on internal control

Risk and control framework

The risk register agreed by the Audit and Risk Committee in July 2006 highlighted 12 corporate risks. The potential impact of each risk and the likelihood of it being realised have been assessed and appropriate controls to mitigate these risks have been determined. This has been recorded in the corporate risk register. As detailed above, this is reviewed and updated.

In addition risk management is built into our business planning processes in the following ways.

- The programme development framework which supports the development of all new grant programmes requires an assessment of the key risks for each new programme, which in turn are reported to the Grant Programme Board. On a monthly basis, a summary of the key risks associated with the portfolio of new grant programmes is reported to the Senior Management Team.
- A similar process is followed with regard to business development projects.
- Grant assessment and grant management procedures set out the requirement for each grant to be allocated a risk rating, which informs the level of intervention in grant management.

During this year the risk priorities have included:

- governance risk, recognising the planned changes in Board membership
- people risks, particularly the ability to recruit, train and retain new staff in our new centres
- legal and regulatory risk, including compliance with our new legislation and general compliance with existing legislation
- grant making risk, including failure to deliver outcomes, achievement of targets, monitoring of third party service providers
- political risk, and in particular Government actions affecting our funding or providing excessive direction
- fraud risk, including loss of confidence in our systems
- reputational risk, including the risks associated with ministerial and public perception of high NLDF balances, while ensuring that the reasons for large undistributed NLDF balances are understood. Also perceptions about our funding decisions
- communications risks, around the failure to communicate our context and constraints effectively and a failure to manage demand expectations
- financial risk, delivery of administrative savings and effects of cost cuts.

Review of effectiveness of internal control

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors, the executive managers within BIG who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee.

The written assurance report that I received from the Head of Internal Audit identified inadequate general computer systems controls and some significant control weaknesses in a number of other systems. As a result the assurance provided to me on the design, adequacy and effectiveness of the system of internal control was limited. The Head of Internal Audit, the Audit and Risk Committee and I have reviewed these reports and management's response and will continue to monitor the plans to address weaknesses and to ensure continuous improvement of the system is in place. Details of the inadequate internal control issues are set out below.

General computer systems controls

During 2006 internal audit have carried out reviews of our IT systems including the general control environment and the integration of our two grant management systems. Internal audit identified that controls were inadequate and made a number of recommendations to enhance controls over:

- the risk assessment of BIG's key data sets
- unauthorised access, timely deletion of users and continuing assessment of users accessing the database and operating system
- access rights to grant management systems and system embedded management controls to enforce segregation of duties
- review of audit trails for the Oracle database
- improvements over change control processes
- assessment of operational resilience within Merlin.

A number of these control weaknesses have already been addressed and there is a plan and timetable in place to address the remaining issues.

Statement on internal control

Compliance

The New Opportunities Fund has implemented procedures throughout the organisation to ensure that the requirements of the Financial Directions are followed.

The New Opportunities Fund maintains a Register of Interests for all Board and committee members and all Fund staff that is open to public inspection. A process to deal with conflicts of interest is in place for decision making committee meetings and procedures exist to prevent any member of staff from assessing a grant application from an organisation with which they are connected.

Losses of Lottery funding have been appropriately handled and where necessary notified to the Department.

It is my opinion that the New Opportunities Fund has made sufficient arrangements to ensure compliance with the requirements of our Management Statement, Policy and Financial Directions. I am also satisfied that we have in place arrangements for detecting and responding to inefficiency, conflict of interest and fraud to minimise losses of Lottery funding.

Stephen Dunmore
Chief Executive of
the Big Lottery Fund

9 July 2007

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament

I certify that I have audited the financial statements of the New Opportunities Fund for the period ended 30 November 2006 under the National Lottery etc Act 1993 (as amended). These comprise the income and expenditure account, the balance sheet, the cashflow statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

Respective responsibilities of the Board, Chief Executive and auditor

The Board and Chief Executive as Accounting Officer are responsible for preparing the management commentary, the remuneration report and the financial statements in accordance with the National Lottery etc Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Board and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland). I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 (as amended) and

directions made thereunder.

I report to you if, in my opinion, certain information given in the management commentary and unaudited part of remuneration report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the New Opportunities Fund has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the New Opportunities Fund's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Fund's corporate governance procedures or its risk and control procedures.

I read the other information contained in the management commentary and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament

Basis of audit opinion

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

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

Opinions Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Lottery etc Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, of the state of the New Opportunities Fund's affairs as at 30 November 2006 and of its surplus for the period then ended;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury; and
- information given in the management commentary and unaudited part of the remuneration report is consistent with the financial statements.

Audit 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.

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
 National Audit Office
 157-197 Buckingham Palace Road
 Victoria, London SW1W 9SP
 16 July 2007

Income and Expenditure Account for the eight months ending 30 November 2006

	Note	1/4/06 to 30/11/06 £'000	Year ended 31/3/06 £'000
Income			
Proceeds from the National Lottery	10	269,204	460,923
Investment income from the National Lottery Distribution Fund	10	15,376	30,524
(Increase) on loss on revaluation of investment		(1,917)	(1,119)
Bank interest receivable		437	779
Recoveries of grant		1,968	4,268
Other income		762	889
Total income		285,830	496,264
Expenditure in support of initiatives			
Grant commitments made	13	169,013	296,625
Less lapsed or revoked commitments	13	(23,504)	(53,199)
National Endowment for Science, Technology and the Arts		–	15,000
Direct expenditure in support of initiatives	2	3,490	3,066
		148,999	261,492
Administration costs			
Employee remuneration costs	3	17,332	16,186
Board member remuneration costs		74	100
Other operating charges	4	12,541	19,214
Merger costs	5	–	135
Structural Review costs	5	1,716	7,157
Depreciation	8	217	469
Total administration costs		31,880	43,261
Total expenditure		180,879	304,753
Surplus before taxation		104,951	191,511
Taxation	7	(88)	(183)
Surplus for the period		104,863	191,328
Retained deficit			
Brought forward at 1 April 2006		(215,337)	(406,665)
Surplus for the period		104,863	191,328
Retained (deficit) at 30 November 2006		(110,474)	(215,337)

The New Opportunities Fund has no recognised gains and losses other than those above and consequently no separate statement of total recognised gains and losses has been presented. All activities discontinued from 30 November 2006 and transferred to Big Lottery Fund.

The notes on pages 22 to 37 form part of these accounts.

Balance sheet as at 30 November 2006

	Note	As at 30 November 2006 £'000	As at 31 March 2006 £'000
Fixed assets			
Tangible fixed assets	8	1,834	2,035
Current assets			
Debtors and prepayments	9	9,258	21,725
Cash at bank and in hand		5,340	7,496
Investment balance in National Lottery Distribution Fund	10	482,441	543,778
		<u>497,039</u>	<u>572,999</u>
Creditors: amounts falling due within one year			
Creditors	11	(5,627)	(3,932)
Grants committed for payment	13	(399,957)	(451,132)
		<u>(405,584)</u>	<u>(455,064)</u>
Net current assets		<u>91,455</u>	<u>117,935</u>
Total assets less current liabilities		<u>93,289</u>	<u>119,970</u>
Creditors: amounts falling due after one year			
Creditors	11	–	(25)
Grants committed for payment	13	(197,802)	(328,573)
		<u>(197,802)</u>	<u>(328,598)</u>
Provisions for liabilities and charges	12	(5,961)	(6,709)
Total net (liabilities)		<u>(110,474)</u>	<u>(215,337)</u>
Represented by:			
Retained deficit		<u>(110,474)</u>	<u>(215,337)</u>

Signed on behalf of the Big Lottery Fund Board on 9 July 2007.

Stephen Dunmore
Chief Executive of the
Big Lottery Fund

Sir Clive Booth
Chair of the
Big Lottery Fund

These accounts were authorised for issue on 17 July 2007.

The notes on pages 22 to 37 form part of these accounts.

Cash flow statement to 30 November 2006

	Note	1/4/06 to 30/11/06 £'000	1/4/05 to 31/3/06 £'000
Operating activities			
Funds drawn down from the National Lottery Distribution Fund	10	344,000	637,200
Other income		661	4,268
Recoveries of grant and cash from other sources		1,968	1,403
Payments to suppliers		(10,146)	(21,936)
Payments to and on behalf of employees		(17,621)	(14,124)
Payments to grant recipients		(330,749)	(596,838)
Payment to NESTA		(–)	(15,000)
Cash paid and held by third parties		9,325	(8,349)
Net cash flow from operating activities	17	(2,562)	(13,376)
Returns on investments and servicing of finance			
Bank interest received		437	779
Capital expenditure			
Payments to acquire tangible fixed assets		(31)	(199)
Taxation			
Tax paid on interest received		(–)	(181)
Decrease in cash		(2,156)	(12,977)
Change in funds resulting from cashflow			
Cash balances carried forward at 30 November 2006		5,340	7,496
Less cash balances brought forward at 1 April 2006		(7,496)	(20,473)
Movement		(2,156)	(12,977)

The notes on pages 22 to 37 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current cost. The accounts have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of Treasury in accordance with Section 43D(2) of the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998).*

While the New Opportunities Fund's Accounts Directions require the inclusion of Fixed Assets at their value to the business by reference to current costs, for this accounting period the New Opportunities Fund does not believe that these values are materially different to the historic costs shown in the balance sheet. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act and Accounting Standards issued by the Accounting Standards Board insofar as they are appropriate.

1.2 Going concern

The annual accounts have been prepared on a going concern basis. The National Lottery Act 2006 provided for the assets and liabilities of New Opportunities Fund to be transferred to the Big Lottery Fund.

The grant commitments for future years have been entered into after consideration of the cash requirements of grant recipients (these can extend over three to five years) and after taking account of income forecasts provided by the Department of Culture, Media and Sport. In taking this view of future income the Board assume as a matter of public policy the continued operation of the Lottery. They also assume the maintenance of the New Opportunities Fund's percentage of the National Lottery Distribution Fund.

1.3 National Lottery Distribution Fund

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

The New Opportunities Fund's balances in the NLDF transferred to the Big Lottery Fund from 1 December 2006.

* A copy of the Accounts Directions issued by the Department for Culture, Media and Sport on 28 May 2002 are available on written request to the Big Lottery Fund, 1 Plough Place, London EC4A 1DE.

1.4 Fixed assets

Fixed assets are capitalised in the Balance Sheet at cost except for items costing less than £2,000, which are written off to the income and expenditure account in the year of purchase.

Depreciation is provided at rates calculated to write off the valuation of the assets on a straight line basis over their estimated useful lives as follows:

Leasehold improvements	Over the life of the lease (6 to 20 years)
Grant systems	3 years
Office equipment, furniture and fittings	3 years
IT equipment	3 years
Assets in the course of development.	Depreciation is not charged

1.5 Pension fund

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multi-employer defined benefit scheme. Although the Scheme is a defined benefit scheme, liability for payment of future benefits is a charge on the PCSPS. The New Opportunities Fund pays a charge for each employee calculated on an accruing basis. Pension benefits are provided through the PCSPS. From 1 October 2002, staff who are members of the scheme can be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). New entrants after 1 October 2002 may choose between membership of the premium scheme or can join a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account). The differences between the schemes can be found on the www.civilservice-pensions.gov.uk website.

1.6 Operating leases

The costs of operating leases held by the New Opportunities Fund are charged to the income and expenditure account in the period to which they relate. The benefits of rent-free periods on leaseholds are apportioned over the period to the first rent review on a straight-line basis.

Notes to the accounts

1.7 Expenditure on initiatives

The Lottery etc Act 1998 provides for the New Opportunities Fund to make grants to fund or assist in the funding of projects and to make or enter into arrangements which are designed to give effect to initiatives concerning health, education or the environment as directed by the Secretary of State.

Grant offers and commitments

The accounts direction issued by the Department for Culture, Media and Sport requires a distinction to be made between soft commitments and hard commitments.

Hard commitments are defined as the grant sum payable over the life of a scheme on which the New Opportunities Fund has a written contractual agreement with the applicant. Hard commitments are charged to the income and expenditure in the year that the contracts are signed. Hard commitments are shown on the balance sheet as a creditor, the balance being reduced as payments to grant recipients are released.

Soft commitments are defined as an agreement in principle by the New Opportunities Fund to fund a scheme and an offer of grant made to the applicant, which the applicant has yet to formally accept. These are shown as a note to the accounts but are not treated as part of the income and expenditure account.

Grants repaid and recovered

The New Opportunities Fund's conditions of grant permit the recovery and repayment of grants paid. This can arise when the grant holder fails to comply with the terms and conditions or where the actual expenditure by a grantee falls below a grant that has been paid based on estimated costs.

Direct expenditure on initiatives

The New Opportunities Fund records as direct expenditure on initiatives costs incurred in making initiatives more effective in accordance with its Section 43 Policy Directions for example provision of support structures and quality assurance for the direct benefit of grant recipients.

1.8 Grant management – delegated partners

The New Opportunities Fund has entered into agreements with a number of delegated bodies to carry out specified grant management processes. Funds advanced to delegated partners for the purpose of payment of hard commitments are recorded as a debtor until the New Opportunities Fund receives confirmation that grant commitments have been met.

1.9 Grant management – joint schemes

Where the New Opportunities Fund has entered into a joint scheme, as defined in the National Lottery Act 1998, hard commitments made through the joint scheme are accounted for on the basis of the New Opportunities Fund's share in the scheme. Funds advanced to the joint scheme for the purpose of payment of hard commitments are recorded as a debtor until the New Opportunities Fund receives confirmation that the grant commitments have been met. Administration costs are included in the income and expenditure account at the amount charged to the New Opportunities Fund.

1.10 Allocation of income and costs

Income and costs incurred by the Big Lottery Fund are allocated between the New Opportunities Fund and Community Fund. Income and costs attributable to a specific Fund are allocated directly. Joint costs are apportioned to each Fund based on an appropriate allocation methodology for example based on income share; staff numbers.

New Opportunities Fund income is allocated to each programme to match the in-year costs of that programme. Income not allocated in the current year will be matched to future costs in following years.

The New Opportunities Fund's Policy Directions set out how much income in total is to be allocated to each initiative. Where possible, costs are charged directly to the relevant programme. Direct staff costs relate to the costs of staff who assess and monitor grant applications. Unallocated costs are apportioned to each programme in proportion to the value of that programme.

1.11 Notional cost of capital

From 1 April 2002 HM Treasury removed the requirement for a notional cost of capital charge to be calculated on assets funded by the Lottery.

2. Direct expenditure in support of initiatives

Costs relating to expenditure for the direct benefit of third party recipients are separately disclosed.

	1/4/06 to 30/11/06 £'000	1/4/05 to 31/3/06 £'000
Consultancy support provided directly to grant applicants and recipients	3,166	2,734
Contribution to the costs of the Active Places register being compiled by Sport England	96	332
Grant awards	228	–
	<u>3,490</u>	<u>3,066</u>

Direct expenditure in support of initiatives analysed by each expenditure programme are:

	1/4/06 to 30/11/06 £'000	1/4/05 to 31/3/06 £'000
Healthy living centres	733	2,292
New opportunities for PE and sport	1,099	487
Young Peoples Fund	380	287
The People's Millions	228	–
BIG programmes	1,050	–
	<u>3,490</u>	<u>3,066</u>

Notes to the accounts

3. Staff numbers and cost

Staff are employed by either the New Opportunities Fund or Community Fund under contracts that allow them to provide services to the other Fund. Employee costs and numbers are allocated to each organisation based on an apportionment methodology described in note 1.10. During the eight months to 30 November 2006 the balance of activity was assessment and award of applications to Big Lottery Fund programmes which are made under New Opportunities Fund powers.

The total salary cost, excluding Board members, was as follows:

	1/4/06 to 30/11/06 £'000	1/4/05 to 31/3/06 £'000
Wages and salaries	12,291	12,028
Social security costs	984	1,008
Pension costs	2,271	2,125
Agency staff	1,786	1,025
	17,332	16,186

These costs include £60,936 for staff seconded out to other organisations. Recoveries of £28,215 are included in other income.

The salary and pension entitlement of the senior management of the New Opportunities Fund are included above, details are disclosed in the remuneration report.

The average number of full time equivalent employees and temporary staff since 1 April 2006 to 30 November, working for the New Opportunities Fund during the year was made up as follows:

	1/4/06 to 30/11/06			1/4/05 to 31/3/06
	Average no. of temporary staff (FTEs)	Average no. of employees (FTEs)	Total average no. of staff (FTEs)	Total average no. of staff (FTEs)
Planning and Performance	1	17	18	22
Finance and Corporate Services	8	58	66	55
Policy and External Relations	4	96	100	106
Operations	68	313	381	216
Country offices	4	132	136	73
	85	616	701	472

4. Other operating costs

Included in other operating costs are:

	1/4/06 to 30/11/06 £'000		1/4/05 to 31/3/06 £'000	
Travel and expenses				
Staff	696		765	
Board members	47	743	99	864
Auditors remuneration for audit work		40		35
Grant delivery costs		3,880		5,732
Operating lease payment		2,173		3,356
Write down fixed assets		15		(218)
Other costs		5,690		9,445
		<u>12,541</u>		<u>19,214</u>

5. Structural Review costs

Merger costs incurred during the assimilation of the Community Fund and the New Opportunities Fund include:

	1/4/06 to 30/11/06 £'000	1/4/05 to 31/3/06 £'000
Other	–	135
	<u>–</u>	<u>135</u>

The Structural Review, a major change programme to restructure and relocate our England grant making activities and corporate service functions, has incurred the following costs since 1 April 2006:

	1/4/06 to 30/11/06 £'000	1/4/05 to 31/3/06 £'000
Termination payments	1,316	2,618
Recruitment and induction costs	211	269
Property rationalisation	100	4,116
Project management	80	122
Other	9	32
	<u>1,716</u>	<u>7,157</u>

6. Financial performance indicator

The New Opportunities Fund aims to keep operating costs to between 5 – 7 per cent of income received over the lifetime of the Fund. This target continues to be achieved; operating costs are 6.4 per cent of income (2005/06 6.0 per cent). The increase in this indicator is due to the launch of Big Lottery Fund programmes.

7. Corporation tax

The New Opportunities Fund pays corporation tax on bank interest received. The tax payable is £87,896 (2005/06 £182,617). Monies held and invested by the National Lottery Distribution Fund on the New Opportunities Fund's behalf are not taxable.

Notes to the accounts

8. Tangible fixed assets

	Leasehold improvement	IT	Office equipment furniture and fittings	Grant Systems	Total
	£'000	£'000	£'000	£'000	£'000
At cost					
At 1 April 2006	2,529	456	80	2,242	5,307
Additions	–	20	11	–	31
Disposals	(54)	(90)	(63)	(2,242)	(2,449)
At 30 November 2006	2,475	386	28	–	2,889
Depreciation					
At 1 April 2006	714	240	76	2,242	3,272
Charge for the year	118	58	2	39	217
Disposal	–	(91)	(62)	(2,281)	(2,434)
At 30 November 2006	832	207	16	–	1,055
Net book value					
At 30 November 2006	1,643	179	12	–	1,834
At 31 March 2006	1,815	216	4	–	2,035

All leasehold improvements are on short leasehold properties where the leases expire in less than 50 years.

9. Debtors and prepayments

	At 30 November 2006 £'000	At 31 March 2006 £'000
Held by delegated partners for payment of grant commitments	7,067	16,392
Other debtors	1,245	1,084
Balance with Community Fund	–	3,153
Prepayments	946	1,096
	9,258	21,725

Included in the amounts above are the following: £42,000 owed by 83 members of staff for season ticket loans and balances payable by other Government bodies as follows:

	At 30 November 2006 £'000	At 31 March 2006 £'000
Amounts due from other Government bodies	1,292	11,064
Amounts due from Local Authorities	390	–

10. Balance held by the National Lottery Distribution Fund

	£'000	£'000
Cost as at 1 April 2006		547,500
Distribution from the National Lottery	269,204	
Investment income earned	15,376	
Cash drawn down	(344,000)	
Net decrease in balance		(59,420)
Cost at 30 November 2006		488,080
Unrealised loss on investment		(5,639)
Market value at 30 November 2006		482,441

At 30 November 2006 the market value of the New Opportunities Fund's balance held by the National Lottery Distribution Fund (NLDF) was £482.4 million (2006 £543.8 million).

The New Opportunities Fund receives a share of the monies paid by Camelot Group plc to the NLDF after deduction for the costs of the Secretary of State for Culture, Media and Sport in exercising her functions under the Lottery Act, the costs of the regulator (the National Lottery Commission) and the costs of the investment manager (the National Debt Commissioners).

11. Creditors: amounts falling due within one year

	At 30 November 2006 £'000	At 31 March 2006 £'000
Trade creditors	245	1,296
Other creditors	2,141	480
Balance with Community Fund	1,055	–
Accruals and deferred income	1,915	1,973
Corporation Tax	271	183
	<u>5,627</u>	<u>3,932</u>

Included in the amounts above are the following balances payable to other Government bodies:

	At 30 November 2006 £'000	At 31 March 2006 £'000
Amounts due to other Government bodies	3,035	538
Amounts due to local authorities	21	10

Creditors: amounts falling due in more than one year

	At 30 November 2006 £'000	At 31 March 2006 £'000
Deferred income	–	25

Notes to the accounts

12. Provisions for liabilities and charges

	Unavoidable lease payments	Early retirement contributions	Redundancy provisions	Redundancy support	Total provisions
	£'000	£'000	£'000	£'000	£'000
Brought forward at 1 April 2006	4,102	641	1,767	199	6,709
Charged to expenditure in the year	–	295	912	82	1,289
Payments made	(381)	(122)	(1,409)	(125)	(2,037)
Carried forward at 30 November 2006	3,721	814	1,270	156	5,961

The New Opportunities Fund has sub-let part of its Plough Place, London premises. As part of this arrangement the Fund has provided for the rent free period and the difference between the current market value rent and that which the Fund is contracted to pay. The rent free element of this provision (£1 million) will be realised over the first nine months of the lease, which started in August 2006. The balance of the provision for the difference in market rent is calculated using an assumed inflation rate of 3 per cent which means that the provision will be realised over 15 years, with £1.9 million realised in the period to 2011/12, £1 million in the next five years and £0.2 million in the final five years.

As part of Structural Review

- ▶ Certain eligible staff have agreed to take early retirement. As a result of these agreements the New Opportunities Fund is contracted to meet certain pension contributions until the statutory retirement date of these individuals. An estimate of future contributions has been provided for staff who had finalised early retirement agreements before 30 November 2006.

- ▶ Certain posts have been identified as no longer required. A provision has been made for the estimated redundancy costs of those staff, which the New Opportunities Fund has entered into consultation with before 30 November 2006 but for which settlement was not paid by that date. Redundancy payments are made in accordance with contractual arrangements and terms set out in the Civil Service Pension (CSP) arrangements.

During 2006 payments against the provision for staff who took early retirement or redundancies as part of the administrative merger with the Community Fund have been charged to the provision made in earlier years. It is expected that the majority of this provision will be realised during 2007/08.

13. Hard commitments

	Grant commitments brought forward at 1 April 2006	Grant commitments made	Lapsed or revoked grant commitments	Grant commitments met	Grant commitments carried forward at 30 November 2006
	£'000	£'000	£'000	£'000	£'000
Healthy Living Centres	75,707	672	(16)	(23,541)	52,822
Out of School Hours Learning	25,609	10,642	(1,361)	(11,063)	23,827
Out of School Hours Childcare and Childcare	39,290	1,603	(7,065)	(11,637)	22,191
ICT Training for Teachers and School Librarians	32	–	(32)	–	–
Cancer	2,764	–	(121)	(1,510)	1,133
Community Access to Life-long Learning	1,694	9	(305)	(989)	409
Green Spaces and Sustainable Communities	6,121	1,146	(179)	(4,381)	2,707
New Opportunities for PE and Sport	416,274	27,635	(12,630)	(163,683)	267,596
Activities for Young People	6,832	–	(494)	(5,753)	585
Reducing the Burden of CHD, Cancer and Stroke	35,116	156	(790)	(15,743)	18,739
Palliative Care	26,136	16	(59)	(12,307)	13,786
Transforming Communities	73,525	2,233	(321)	(28,387)	47,050
Awards for All	4,533	26,856	(51)	(29,443)	1,895
Veterans Reunited	2,132	81	(65)	(1,305)	843
Young People's Fund	46,846	34,936	–	(11,417)	70,365
BIG programmes	15,038	56,022	(15)	(4,711)	66,334
Living Landmarks and The People's Millions	2,056	7,006	–	(1,585)	7,477
	779,705	169,013	(23,504)	(327,455)	597,759

The hard commitment balance at the year-end represents amounts due to recipients in the following periods:

	At 30 November 2006 £'000	At 31 March 2006 £'000
Grants committed for payment within one year	399,957	451,132
Grants committed for payment in more than one year	197,802	328,573
	597,759	779,705

Notes to the accounts

Included in the above amounts are the following balances payable to other Government bodies.

	At 30 November 2006 £'000	At 31 March 2006 £'000
Grants committed for payment to other Government bodies	3,284	13,548
Grants committed for payment to local authority bodies	286,407	400,603
Grants committed for payment to the National Health Service organisations	38,241	67,475

14. Soft commitments

Soft commitments represent grant offers that have yet to be formally accepted in writing by the applicant. As such these offers are not recognised as a financial commitment within these accounts.

	Offers brought forward at 1 April 2006 £'000	Offers made £'000	Lapsed or revoked offers £'000	Offers made transferred to grant commitments £'000	Offers carried forward at 30 November 2006 £'000
Healthy Living Centres	–	672	–	(672)	–
Out of School Hours Learning	76	10,566	–	(10,642)	–
Out of School Hours Childcare and Childcare	1,024	593	(12)	(1,603)	2
Community Access to Life-long Learning	–	9	–	(9)	–
Green Spaces and Sustainable Communities	1,056	90	–	(1,146)	–
New Opportunities for PE and Sport	7,421	24,537	(1)	(27,635)	4,322
New Opportunities for Health	–	156	–	(156)	–
Palliative Care	–	16	–	(16)	–
Transforming Communities	–	3,795	–	(2,233)	1,562
Awards for All	–	26,856	–	(26,856)	–
Veterans Reunited	–	81	–	(81)	–
Young People's Fund	6,197	36,144	(292)	(34,936)	7,113
BIG Programmes	–	107,466	–	(56,022)	51,444
Living Landmarks and The People's Millions	47	13,273	(1,250)	(7,006)	5,064
	15,821	224,254	(1,555)	(169,013)	69,507

15. Joint schemes

Included within the hard commitments for the New Opportunities for PE and Sport initiative is £192,000 of grant commitments carried forward at 30 November (2005/06 £11.0 million) representing the New Opportunities Fund's contribution to grants made as part of the Spaces for Sports and Arts joint scheme. £172,000 of new commitments were made in the eight month period (2005/06 £2 million). The New Opportunities Fund has contributed £25 million to the total funding of £130 million. This scheme is administered by Sport England on behalf of all parties to the agreement.

Included within the hard commitments for the New Opportunities for PE and Sport initiative is £24.7 million of grant commitments carried forward at 30 November (2005/06 £42.5 million) representing the New Opportunities Fund's contribution to grants made as part of the Active England joint scheme. £151,000 of new commitments were made in the eight month period (2005/06 £17.3 million). The New Opportunities Fund has contributed £74.7 million out of the total funding of £107 million. This scheme is administered by Sport England on behalf of all parties to the agreement.

Included within the hard commitments for Awards for All are £28.5 million (2005/06 £27.1 million) of new grant commitments and £2.4 million (2005/06 £3.9 million) of grant commitments carried forward at 30 November representing the New Opportunities Fund's contribution to the Awards for All, England joint scheme. During 2006 the New Opportunities Fund contributed £20.7 million to the total funding of £43.7 million. This scheme is administered by the Community Fund on behalf of all parties to the agreement.

Included within the hard commitments for the veterans programme are £nil (2005/06 £13.3 million) of new grant commitments and £nil (2005/06 £0.1 million) of grant commitments carried forward at 30 November representing the New Opportunities Fund's contribution to the Home Front Recall joint scheme. The New Opportunities Fund contributed £16.7 million to the total funding of £18.8 million. This scheme is administered by the Community Fund on behalf of all parties to the agreement and is now closed.

16. Fair Share

In 2002/03 the New Opportunities Fund entered into a grant contract with the Community Foundation Network (CFN) to administer an expendable endowment to provide funding to meet the objectives of the Fair Share Policy Directions. In August 2003 the Fund paid £50 million into the Fair Share Trust established by CFN.

As at 31 March 2006 CFN reported that the Fair Share Trust balance stands at £48.6 million and that there is an unrealised capital gain of £1.2 million. The Trust has received investment income of £62 million since 2004. The first grants were awarded in 2004/05 and £4.6 million has been drawn from the Trust to meet these awards. Other expenditure to date of £3 million reflects the management costs of CFN, the investment manager and the local agents managing the programme in the Fair Share areas. The Trust's audited accounts are available from CFN, Arena House, 66 - 68 Pentonville Road, sLondon N1 9HS. Annual accounts are prepared to 31 March each year.

Notes to the accounts

17. Reconciliation of income and expenditure to net cash inflow from operating activities

	1/4/06 to 30/11/06 £'000	1/4/05 to 31/3/06 £'000
Surplus before tax	104,951	191,511
Depreciation of fixed assets	217	469
Loss on disposal of fixed assets	15	–
Interest income	(437)	(779)
Net cost from operating activities	<u>104,746</u>	<u>191,201</u>
Decrease/(increase) in debtors	12,467	(7,055)
Decrease in NLDF balance	61,337	146,872
Increase/(decrease) in creditors	1,582	(244)
(Decrease)/increase in provisions	(748)	5,882
(Decrease) in provision for grant commitments	(181,946)	(350,032)
Net cash outflow from operating activities	<u><u>(2,562)</u></u>	<u><u>(13,376)</u></u>

18. Financial risks

The New Opportunities Fund is required to disclose the effect that financial instruments have had during the period in creating or changing the risks the New Opportunities Fund faces in undertaking its role.

Liquidity risks

In the eight month period ended 30 November 2006, £269.2 million (94 per cent) of the New Opportunities Fund's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the National Lottery Distribution Fund £13.4 million (5 per cent), and from bank interest and other income £3.2 million (1 per cent).

At 30 November 2006 the New Opportunities Fund had net liabilities of £110.5 million and soft commitments of £69.5 million. Although the New Opportunities Fund has made commitments in excess of its assets, the Board does not consider that the New Opportunities Fund is exposed to significant liquidity risks as many of these commitments will not be paid until after the next financial year end. This is because the New Opportunities Fund will only allow grant holders to draw down monies once they have proved their need to receive the next tranche of grant funding allocated to them. Due to the timing differences between the date the grant holder accepts the New Opportunities Fund's grant offer, and the date the grant holder draws down these monies, the New Opportunities Fund is encouraged by the Department for Culture, Media and Sport to over-commit the available funds.

From 1 December 2006 the Big Lottery Fund is responsible for the financial liabilities of the New Opportunities Fund, Community Fund and the Millennium Commission. At 30 November the Community Fund had net liabilities of £174.5 million and the Millennium Commission had net assets of £20.4 million. The Board have taken these liabilities into their consideration of liquidity risk.

	£'000
Liquid assets at 30 November 2006	
Market value of NLDF investments	482,441
Cash	5,340
	<u>487,781</u>
Forecast cashflows 16 months to 31/3/08 for Big Lottery Fund	
Liquid assets from Community Fund and Millenium Commission	174,643
NLDF Investments	
Income from the National Lottery	892,500
Other income	20,000
Administration cost payments	(91,530)
Grant payments	(983,040)
Forecast liquid assets at 31 March 2008	<u>(500,354)</u>

The income forecast assumptions are based upon guidance provided by the Department for Culture, Media and Sport. The forecast grant payments are based upon estimated grant draw down profiles submitted by grant recipients at the time of award.

Interest rate risks

The financial assets of the New Opportunities Fund are invested in the NLDF, which invests in a narrow band of low risk assets such as government bonds and cash. The Board has no control over the investment of funds in the NLDF. At the balance sheet date the market value of investment in the NLDF was £482.4 million. In the eight months to 30 November 2006 the average annualised return on these investments was 4.16 per cent.

Cash balances which are drawn down from the NLDF to pay grant commitments and operating costs are held in instant access variable rate bank accounts which on average carried an interest rate of 4.14 per cent in the period. The cash balance at the year-end was £5.3 million. The Board considers that the New Opportunities Fund is not exposed to significant interest rate risks.

Foreign currency risk

The New Opportunities Fund is not exposed to any foreign exchange risks.

19. Financial commitments

Commitments under operating leases

At 30 November 2006, the New Opportunities Fund had the following annual commitments under operating leases for land and buildings.

	As at 30 November 2006 £'000	As at 31 March 2006 £'000
Expiring in less than 1 year	–	4
Expiring within 2-5 years	–	–
Expiring in more than 5 years	3,440	3,921
	<u>3,440</u>	<u>3,925</u>

Notes to the accounts

20. Pension scheme

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants from 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

From 1 April 2006 to 30 November 2006, employers' contributions of £2,270,949 were payable to the PCSPS (2005/06 £2,125,000) at one of four rates in the range 17.1 - 25.5 per cent of pensionable pay, based on salary bands (as shown below). Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Rates for 2006/07 have increased based on recommendations from the Government Actuary.

Bands	8 months ended 30 November 2006
£18,500 and under	17.1%
£18,501 - £38,000	19.5%
£38,001 - £65,000	23.2%
£66,001 and over	25.5%

20. Cash losses and special payments

Losses occur where there is no evidence that the project objective were met. In the financial year to 30 November 2006 losses totalled £124,470 (prior year £94,581) of which no individual losses were over £100,000.

There were no special payments either in the current or previous year.

21. Related party transactions

The New Opportunities Fund is a non-departmental public body sponsored by the Department for Culture, Media and Sport (DCMS). The DCMS is considered to be a related party. During the year, the New Opportunities Fund has had various material transactions with the DCMS and other bodies for which the DCMS is regarded as the sponsor Department: British Library, Community Fund, English Heritage, National Maritime Museum, National Museums and Galleries on Merseyside, Sport England, Tate Gallery, MLA.

In addition, the New Opportunities Fund has a number of material transactions with Government departments and bodies that regard other Government departments as their sponsor department:

- ▶ British Educational Communications and Technology Agency sponsored by Department for Education and Skills
- ▶ Countryside Agency and English Nature sponsored by Department for Environment, Food and Rural Affairs
- ▶ Health Development Agency sponsored by the Department of Health
- ▶ National Library of Wales and the National Assembly of Wales
- ▶ The Public Record Office
- ▶ Highlands and Islands Enterprise sponsored by the Scottish Office.

The New Opportunities Fund abides by the Cabinet Office code of practice for Board Members of public bodies. As a matter of policy and procedure, Board Members maintain publicly available registers of interests and declare any direct interests in grant applications made to the New Opportunities Fund and commercial relationships with the New Opportunities Fund. Where any committee decisions are taken which would reasonably be seen as giving rise to a conflict of interest, principally over grants to voluntary bodies, the chair of the meeting ensures at the outset that disclosure is made and the committee member withdraws for the duration of any discussion of the relevant item. The New Opportunities Fund's procedures also ensure that grant officers are not engaged on processing applications in which they would have an interest.

A number of Board members have declared interests with public, voluntary and charitable bodies with which the New Opportunities Fund has non-material business interests.

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