

# The Millennium Commission

Annual Report and Accounts 2005-06



Annual Report and Accounts  
of The Millennium Commission  
2005-2006

Presented to Parliament by The Millennium Commission in  
pursuance of section 42 of the National Lottery etc. Act 1993 and  
by the Comptroller and Auditor General in pursuance of section  
43(4) of the National Lottery etc. Act 1993.

Ordered by the House of Commons to be printed on 19th July 2006

HC 1319

London: The Stationery Office

**£10.75**

# The Millennium Commission

The Millennium Commission was set up in 1994 to distribute funds from the National Lottery to projects which marked the new millennium.

Since then, it has invested over £2 billion of Lottery money in a huge range of initiatives across the UK, from large grants to develop world-class educational visitor attractions to small grants to support people in helping their own communities.

Like all the bodies distributing Lottery money, the Commission was set up to support other people's ideas, not to impose its own. Applications for grant were sought for initiatives which would reflect either the UK's achievements or its aspirations for the future. A wealth of ambitious schemes emerged on various scales. They ranged from planting new woodlands, setting up community support groups and refurbishing village halls on a local scale, through building bridges and revitalising town centres on a regional scale, to organising carnivals or establishing science centres of national significance.

The Millennium Commission stopped receiving funds from the National Lottery in August 2001 and is now overseeing the completion of its work. The Millennium Commission expects this work to be finished during 2006 when the task of monitoring completed projects will be handed over to the Big Lottery Fund, formed from the merger of the New Opportunities Fund and the Community Fund.

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## Chair's Foreword

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The Millennium Commission's final year has been busy and challenging. We have taken some key decisions this year, in particular the distribution of our remaining reserves. We have put this money towards two excellent causes; the launch of the UK School Games and the funding of a Charitable Trust to support cultural and sporting activities over the next six years.

The UK School Games will present an exciting opportunity to school children from across the UK. In 2006, for the first time, British school children will get the chance to compete in a range of events at a national level. This four day tournament is designed to replicate the feel of a major international sporting event such as the Olympic Games, Paralympic Games or the Commonwealth Games. The UK School Games will be a fantastic experience for all the children involved and will help encourage others to set their sights higher and double their efforts to achieve sporting excellence.

The Commission also joined with other Lottery funders and the Department for Culture, Media and Sport in inviting applications to set up a £35 million Charitable Trust. This Trust will fund a high profile programme of activities at a local, regional and national level between 2006 to 2012. These activities will strengthen the creative and technical skills base across the UK. It will encourage a joined-up approach across sport, physical activity, culture and education and leave a lasting positive legacy for future generations. The Trust will aim to support a blossoming of creativity and create a sense of inclusion for everyone in the UK in the run up to 2012 and beyond.

The year 2005/6 saw the opening of the Spinnaker Tower at Portsmouth and the Education Centre at the Eden Project. We have seen many of our projects go from strength to strength, continuing to be recognised for their achievements. For example, Eden was voted Project of the Decade in the 2006 Quality in Construction Awards and Magna won the Gold Award for business tourism at the Enjoy England awards.

We have also seen the completion of most of the work funded under the Enhancement round and the Rediscover-funded work to improve public understanding of science. These grants have been vital in helping keep existing visitor attractions fresh and exciting.

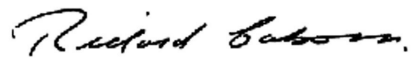
Whilst many of our projects have reached maturity, with a number celebrating their fifth birthdays this year, a handful of projects are still left to open. The completion of these final projects will mark the end of the Millennium Commission's work, but the beginning of our legacy.

The Urban Cultural Programme also came to a close in March 2006. This hugely successful programme enabled many wonderful events to take place, bringing art, music, theatre and dance into the heart of cities and towns.

The development of the Greenwich Peninsula by Meridian Delta Ltd is proceeding. The Government has estimated that the total returns to the public sector from the development of the Dome and the Greenwich Peninsula should reach £550m.

The Millennium Commission leaves the stage, but its work on the national landscape will resonate for generations to come, whether through iconic buildings, vibrant city centres, busy community facilities, cycle paths or village greens. We wish all of our projects every success for the future as they continue to serve the communities who first sought and then supported them.

I would like to give my deepest thanks to all of the Commission staff who have shown commitment and continued to work so hard to deliver the aims of the Millennium Commission.

A handwritten signature in black ink, reading "Richard Caborn". The signature is written in a cursive style with a prominent initial 'R'.

**The Rt. Hon. Richard Caborn MP  
Chair of the Millennium Commission**

# The Directors Report

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This report covers the final full financial year of the Commission's life. The Commission made its first grant more than ten years ago in 1995 and we will make our final grant at the end of 2006. Each of those eleven years have seen a great deal of work by people all over the UK, supported by National Lottery money, to turn dreams into reality. The Commission will close its doors soon but the benefits of its work will be seen for many years to come.

## **A Charitable Trust to support cultural and sporting initiatives in the run up to the 2012 Olympics**

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In April 2006, The Millennium Commission, Big Lottery Fund, Arts Council England and the Department for Culture, Media and Sport launched a new joint initiative inviting proposals from organisations or persons wishing to establish a new charitable Trust to support a diverse range of cultural and sporting activities across the UK in the run up to the London 2012 Olympic Games and Paralympic Games which:

- promote the Olympic ideals celebrating mind, body and spirit;
- foster innovation and creativity;
- strengthen the creative and technical skills base across the UK;
- encourage a joined-up approach across sport, physical activity, culture and education;
- offer young people and diverse communities the opportunity to fully participate in the build up and delivery of the Games in 2012; and
- leave a lasting positive legacy of the Games for future generations.

The new Trust will be the recipient of a £35 million expendable endowment to be allocated over the years leading up to and including 2012. £24 million will come from the residual balances of the Millennium Commission. The Big Lottery Fund has provisionally allocated a grant of £5 million. DCMS will contribute £6 million of Government funds. Arts Council England has yet to finalise its contribution. The Trust will be expected to attract significant additional funding, particularly from the private sector, to support its work.

This initiative reflects the aspiration that the Olympic Games and Paralympic Games should be a celebration of both sporting and cultural excellence. It is also important that communities all across the UK have a chance to take part in cultural and sporting activities in the build up to 2012 and the Trust will help contribute to this.

Eleven organisations and new consortia put forward proposals and it is hoped that this will lead to the Trust being established with £35 million in grant in the Autumn.

## **UK School Games**

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In December 2005 the Commission awarded a grant of £1,484,100 to the Youth Sports Trust to hold the first UK a School Games in Glasgow in September 2006. The Games will be held between 7th and 10th September and will involve 1,200 athletes competing in five different sports – athletics, swimming, gymnastics, table tennis and fencing plus disability events in athletics and swimming. In addition, the event will engage over 250 volunteers. The Games will replicate the feel of major multi-sport

events such as the Olympics, Paralympics and Commonwealth Games and competitors will experience an Opening and Closing ceremony, medals and accommodation in a games village.

In June 2006, the Millennium Commission and Government also invited cities across the UK School Games to bid to host the UK School Games from 2007-11. The objectives are similar to the 2006 Games but the 2007-11 Games will progressively increase the number of sports on offer and the number of participants. Funding for the Games will come from the Millennium Commission, which will provide up to £1 million to the Organiser of the Games to develop them; at least a further £6 million will come from the charitable Trust being set up to fund a wider programme of cultural and sporting activity leading up to London 2012; and from sponsorship. The Government has earmarked its contribution to the Trust for the UK School Games.

## **Capital Projects**

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Progress continues to be made in completing the final projects awarded grant in the Commission's five rounds of grant awards.

During the year Perth College, one of the partners in the UHI project, completed its enhancement project as did The Deep in Hull and at Eden the Core was completed and opened by Her Majesty the Queen at the beginning of June. The final village hall in Wales was completed and the majority of ReDiscover projects including Musiquest at Techniquest, Get Ready at W5 in Belfast and all the consortium projects involving several science centres working in partnership and funded by the Commission through ReDiscover were also completed.

Over the Commission's life more than £1.3 billion in grant has been awarded to projects with a total value of over £3.4 billion. Of these projects 216 are open to the public in whole or in part and we expect others to be open within the next year.

## **Urban Cultural Programme**

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The Millennium Commission and Arts Council England have worked in partnership to deliver a programme of cultural events across the United Kingdom. The Commission offered £13.5 million and Arts Council England £6 million. There were 40 bidders seeking £46 million in grant. In July 2004, National Lottery grant amounting to £19.5 million was offered to 19 of the 40 bidders.

The programme built on the momentum created by the competition for European Capital of Culture 2008. However, it went well beyond the 12 original bidders and the successful applicants were drawn from urban areas across the United Kingdom – from Inverness to Brighton and Hove, from Norwich to Belfast. Awards ranged from £500,000 to £2.75 million. It was clear that the initiative was welcomed throughout the country and resulted in many proposals that were exciting and innovative.

The programme has been delivered successfully with more than 500 projects completed around the United Kingdom. The programme fulfilled the main aim of the initiative – to make culture and the arts central to the life of an urban area and contribute to its regeneration, as well as promoting cultural diversity and social inclusion. The programmes covered all ages and cultures across the United Kingdom.

## **Millennium Experience**

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NMEC entered into a Members' Voluntary Liquidation ('MVL') on 18 December 2001. NMEC held its final meeting in May 2006 and is expected to be dissolved later this year. All cash and non-cash assets of NMEC have been transferred to the Commission, meaning all NMEC's share of the proceeds from the sale of Greenwich peninsula will be paid to the Commission and, on wind up, its successor body. The Commission's overall grant commitment to NMEC has been finalised at £602 million.

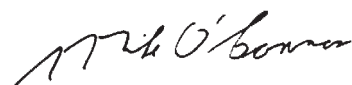
NMEC is entitled to a share of the proceeds from the sale of the Dome and site, and the Company's rights to a 13% share of the sale proceeds has now passed to the Millennium Commission. The Government has estimated that the total returns to the public sector from the development of the Dome and the Greenwich Peninsula should be £550m.

## **The Future**

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Subject to the passage of a Bill before Parliament the Commission will be wound up in late 2006. The Bill will also formally establish the Big Lottery Fund to whom the Commission's rights and responsibilities will be passed, e.g. carrying out post completion monitoring and the completion of any remaining grant programmes. For the remainder of the Commission's life, however, there is still a great deal of work to do to finalise the final grants to the Trust and the UK School games and work towards the completion of the remaining capital projects.

As the Commission reaches its final closure I would like to once again take the opportunity to thank all the past and present staff of the Commission who have worked so hard and so well to complete the Commission's programme. It has also been a privilege to work with Millennium Commissioners who gave their time freely over the years.



**Mike O'Connor CBE**  
**Director of the Millennium Commission**

# Millennium Commission grants activity since 1 April 2005

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The total number of recipients who received grant in the year was:

<b>Programme</b>	<b>2005-06</b>	<b>2004-05</b>
Capital Projects	24	44
Millennium Awards	0	15
Project Enhancement	35	65
Urban Cultural	10	2
ReDiscover	48	18
Encore	1	2
<b>Total</b>	<b>118</b>	<b>146</b>

Accurate as at 30th May 2006, grants listed by country and Regional Development Authority (RDA)

## Key

**TC:** Total Cost

**MCG:** Millennium Commission Grant

**GP:** Grant Paid as at 30 April 2006

● Grant awarded since 1 April 2005

+ Received additional grants of £100,000+ since 1 April 2005

◆ Grants over £5 million, project not completed as at 1 April 2005

## 1. Grants to Capital Projects

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### Scotland

#### **UHI Millennium Institute**, Scotland-wide ◆

UHI, Inverness

A multi-campus university for the Highlands and Islands of Scotland that is playing a pivotal role in education, economic, social and cultural development. Opened to the public December 2001. Enhancement funding provided a new headquarters in Inverness, and additional facilities at Perth College were opened in November 2005.

**TC** £99,732,265

**MCG** £35,869,000

**GP** £35,762,409

### Wales

#### **National Botanic Garden of Wales**, Carmarthen ◆

Middleton Botanic Garden Trust

A botanic garden of international significance, dedicated to conserving threatened plant species and promoting research on plants and biodiversity. Construction due to complete in late 2006.

**TC** £43,110,000

**MCG** £22,243,375

**GP** £21,444,142

## England East

### **The Suffolk Cathedral Millennium Project** ◆

Cathedral Chapter of the Cathedral Church of St James

The completion of the cathedral in Bury St Edmunds which dates back to the 16th century with the nucleus of the project being the completion of the previously unfinished tower. Enhancement grant has enabled the creation of cloister bays along the front elevation of the Cathedral and completion of the Apostles Chapel. Estimated completion in late summer 2006.

**TC** £11,104,670

**MCG** £5,552,335

**GP** £4,804,413

## East Midlands

### **Belgrave Baheno Peepul Centre, Leicester** ◆+

Belgrave Baheno Peepul Centre

A multi-functional community centre in the heart of Leicester offering services such as translation facilities, women and men only health sessions and day care facilities for elders. Opened to the public in October 2005.

**TC** £17,516,319

**MCG** £7,968,810

**GP** £7,518,810

## Greater London

### **Bernie Grant Centre for Performing Arts, Tottenham** ◆

Bernie Grant Centre Ltd

A purpose built arts facility in North London, providing training and education in music, drama and new media – the inspired concept of the late Bernie Grant MP. Estimated completion in autumn 2007.

**TC** £13,550,000

**MCG** £6,099,248

**GP** £1,756,790

### **Rich Mix Centre, London** ◆+

Rich Mix Cultural Foundation

A multi-use cultural, arts and retail centre to foster inter-cultural understanding, inclusiveness and tolerance. It aims to celebrate cultural diversity by promoting the contribution black and minority ethnic communities have made to life in London. Opened to the public in April 2006.

**TC** £13,550,000

**MCG** £5,050,000

**GP** £4,294,295

### **Stephen Lawrence Centre, Deptford** +

Stephen Lawrence Charitable Trust

A new education centre for architecture and related environmental design aimed especially at black and disadvantaged people which will offer a valuable educational resource. Estimated completion is summer 2007.

**TC** £8,396,545

**MCG** £4,168,273

**GP** £1,717,552

## South East

### **Renaissance of Portsmouth Harbour** ◆

Portsmouth Harbour Renaissance Limited

A landmark project developing the harbour to create an international maritime leisure complex with two new visitor centres, 6 km of new walkways and a millennium tower. The millennium tower opened in October 2005.

**TC** £97,561,291

**MCG** £40,016,693

**GP** £39,563,594

## South West

### **The Eden Project**, St Austell, Cornwall ◆+

The Eden Trust

A landmark project demonstrating and exploring the relationship between plants and humans. Opened to the public March 2001. Enhancement grant has provided a new Education Centre, formally opened by HM the Queen in June 2006.

**TC** £116,720,971

**MCG** £56,374,862

**GP** £56,091,825

### **Reviving Spa Culture**, Bath ◆

Bath and North East Somerset Council

A new spa complex in the centre of Bath with the restoration of the Georgian bathhouses and a new modern spa featuring a rooftop pool. The complex will open for public use in summer 2006.

**TC** £28,607,100

**MCG** £7,853,984

**GP** £6,535,899

## 2. Grant under the ReDiscover programme

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ReDiscover was launched in July 2002, as a joint venture between the Millennium Commission, the Wellcome Trust and the Wolfson Foundation. The Commission is investing £26 million in this £33 million scheme, which offered a unique opportunity for science centres and museums to renew and refresh their exhibits. The following grant was made in response to a third round application.

## North West

### **Catalyst**, Widnes ●

Exhibits to enable visitors to engage with the people, plant and processes associated with the chemical, pharmaceutical and related science-based industries. Opened to the public in June 2006.

**TC** £899,722

**MCG** £653,256

**GP** £604,925

## 3. Grant to UK School Games

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In November 2005 the Commission announced a funding programme in support of broad Olympic related issues. As part of this programme, the Commission wished to support an annual Youth Games, associated with the Olympics, which would be held in a different region every year, culminating in the 2011 games which will be held in the Olympic Park. To deliver the first year of the Games, grant decisions needed to be taken swiftly and the Commission therefore decided to fund the first year of the Youth games in isolation.

## UK wide

### **UK School Games 2006** ●

Youth Sport Trust

A grant to enable a national Youth Games to be held in Glasgow in the summer of 2006.

**TC** £1,900,000

**MCG** £1,484,100

**GP** £474,000

## History and functions of the Commission

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The Commission was created by the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998) and was established on 17 February 1994. It is one of the bodies responsible for the distribution of Lottery proceeds to good causes.

The Commission's principal function is to assist communities in marking the close of the second millennium and in celebrating the start of the third. It uses money raised by the National Lottery to encourage projects throughout the UK which enjoy wide public support and which will be lasting monuments to the achievements and aspirations of the nation.

These include:

- landmark capital projects;
- capital projects of local or regional significance;
- the Millennium Awards Scheme, intended as a means of assisting individuals to fulfil more personal aspirations;
- the Millennium Festival celebrations;
- the Millennium Encore Scheme, enabling young people to attend a professional performing arts production;
- ReDiscover, grants to science centres to enable them to renew their exhibits;
- Enhancements, grants to existing capital projects to expand or enhance their original project;
- the Urban Cultural Programme, festivals and other cultural activities demonstrating that culture is central to the life of an urban area, contributing to regeneration;
- the Millennium Experience; and
- a grant scheme in respect of broad Olympic related issues

The Commission is a Non-Departmental Public Body governed under Directions issued by the Secretary of State for Culture, Media and Sport, although the Commission is directly accountable to Parliament.

In December 2000 Parliament passed two Orders which extended the Commission's funded life and thus fulfilled the pledge of the existing and previous Governments that additional grants to the Millennium Experience should not affect the Commission's other programmes. The Orders stipulated that the Commission's share of the proceeds from the Lottery should cease when it reached £2,286.5m. In August 2001 the Commission received its final allocation of funds from the National Lottery but has continued to receive interest on its remaining balances. The Commission's total income by 31 March 2006 was £2,336.7 million.

## Section 26 Directions

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### **Directions issued to the Millennium Commission under section 26(1) of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998).**

The following Directions issued to the Millennium Commission by the Secretary of State for Culture, Media and Sport under section 26(1) of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998) had effect during the year 2005-06 in determining the persons to whom, the purposes for which, and the conditions subject to which the Commission distributes money under section 25(1) of the Act:

- (A) the need to ensure that its powers to solicit applications under section 25 (2A) are used in connection with the pursuit of strategic objectives.**

The Commission's normal process of distributing funds is through unsolicited applications from independent parties, allocating funds according to the merits of individual applications and taking into account any assessment of needs and priorities identified by the Commission. At this late stage in the Commission's funding life, the powers of solicitation have been used to ensure that the remainder of grant remedies the imbalances of earlier funding rounds.

The Commission utilised its powers of solicitation once during the year 2005-6 in connection with the Commission's decision to support the UK School Games.

- (B) the need to ensure that money is distributed under section 25(1) for projects which promote the public good (including the widening of public access) or charitable purposes and which are not intended primarily for private gain.**

This Direction is one of the key criteria for Millennium projects. This is ensured throughout the Commission's monitoring process.

- (C) the need for money distributed under section 25(1) to be distributed for the purpose of capital expenditure on projects and only to be otherwise distributed where the money:**
- (i) is distributed for the purposes of endowment or in the form of revenue grants where:**
    - (a) such costs are associated with a Millennium Project in respect of which money has been or is proposed to be distributed under section 25(1); and**
    - (b) the project would not otherwise be completed because no other finance for such costs is available; or**
  - (ii) is distributed for bursary or similar schemes; or**
  - (iii) is distributed in support of millennium celebrations.**

During 2005-6 no new grants to run bursary schemes were awarded and no Awards to individuals were made. The last Awards were made in March 2004.

The Commission has been keen to ensure that projects are additional – in essence that they have added to what might otherwise have been available.

- (D) the viability of projects and in particular the need for resources to be available to meet any running and maintenance costs associated with each project for a reasonable period, having regard to the size and nature of the project.**

Each long-listed application was thoroughly assessed before grant was offered so that the Commission could be satisfied that the long-term viability of the project was secure and running costs during the lifetime of the project were likely to be met. The Commission continues to monitor such issues throughout the grant process, and post-completion.

- (E) the need to require an element of partnership funding and/or contributions in kind from different sources, commensurate with the reasonable ability of different kinds of applicants, or applicants in particular areas, to obtain such support.**

The Commission will not normally provide more than 50% of the total capital cost of a Millennium Project, 50% of the cost of an Urban Cultural Programme award, 75% of a ReDiscover project, or 90% of a Millennium Award Scheme or Millennium Encore Scheme. The Commission is providing grant for the UK School games in 2006 which amounts to 75% of the total cost. Grant awarded for the 2007-11 Games will be for set up costs.

Contributions in kind are accepted as partnership contributions. This includes gifts of land and the donation of professional services, voluntary labour etc.

Funding support from other Lottery distributors may be acceptable as partnership funding for capital projects. However, the Commission reserves the right not to accept such monies as partnership funding and requires a reasonable proportion of partnership funding to come from sources other than the Lottery.

- (F) such information as it considers necessary to make decisions on each application, including independent expert advice when required.**

The Commission's application process ensures that detailed information is provided to the Commission when it makes its decisions on grants. In addition to the work of Commission staff and contractors, other Government and non-Government bodies are consulted throughout the process.

- (G) the need not to distribute money under section 25 to a company falling within section 27(2)(a).**

No money has been distributed to a company of which the Commission, or a wholly owned subsidiary of the Commission, is a member. The Commission is not a member of any company.

- (H) the objective of ensuring that major projects are supported in each country of the United Kingdom.**

The Commission has supported major projects in each country of the United Kingdom. These include Odyssey in Belfast, the Wales Millennium Centre in Cardiff, Millennium Point in Birmingham and Our Dynamic Earth in Edinburgh.

## Financial Directions

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### **Financial Directions issued to the Millennium Commission under section 26(3) and (4) of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998).**

The following Financial Directions issued by the Secretary of State for Culture, Media and Sport to the Millennium Commission had effect during the year:

- (i) The Millennium Commission shall comply with the requirements contained within the Statement of Financial Requirements attached as an Annex to these Directions when carrying out its functions under section 25 of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998). Wherever specified in that Annex, the Millennium Commission must obtain the consent of the Secretary of State before carrying out certain activities.

During the year the Commission took full account of the Statement of Financial Requirements issued by the Secretary of State for Culture, Media and Sport in August 2002. These Requirements are intended to ensure the proper management and control of Lottery proceeds, and cover the role of the Accounting Officer, applications for grant and conditions of grant, control of costs, audit arrangements and general internal finance matters.

- (ii) The Millennium Commission shall devise and abide by a procedure for handling potential conflicts of interest which may arise in the evaluation of applications by the Body or individual members of that Body. This procedure, together with a statement confirming the arrangements that have been applied, should be provided to the Secretary of State for Culture, Media and Sport before the distribution of any funds under section 25 of the Act, and thereafter at the beginning of each financial year.

The Commission continued to abide by the agreed procedure for handling potential conflicts of interest in the assessment of applications.

### **Project monitoring**

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The Financial Directions require the Millennium Commission to operate monitoring and evaluation procedures to ensure that Lottery resources are used for the purposes for which the grant was given and that the projects and schemes supported represent value for money. In addition to regular meetings, the Commission has introduced the following systems to monitor its funding programmes. Regular reports are made to the Finance Committee and the Millennium Commission.

### **Capital Projects**

#### **Pre-completion monitoring**

Prior to the award of grant, every initial Capital Project application is subject to a detailed assessment either by independent professional advisors or Commission staff. Following the award of grant, formal monitoring reports have been produced on a monthly basis. Progress is measured and grant considered for release using information from these reports. Following completion of each project, a final audit

is undertaken to ensure there are no outstanding issues and that all the conditions of grant have been fulfilled.

### **Post-completion monitoring (PCM)**

The Commission monitoring procedures differ slightly for stand alone and umbrella projects but both procedures cover the following core areas:

- Project details
- Project purpose
- Ownership of assets
- Legal status of Recipient
- Benefits being delivered
- Financial viability
- Commission recognition

#### **Stand-alone projects**

An annual visit is made to each of the completed stand-alone projects, (although after 3 years, some lower risk projects will have biennial inspections with a questionnaire return in the intervening year). During that visit the project is asked to provide sufficient information to confirm details concerning the seven core areas shown above and a questionnaire is completed by the Monitoring Officer. The information requested covers such items as corporate governance; physical details and use; public accessibility; accounts and business plan including visitor numbers, expenditure, income etc; distribution of profits; budget and outturn capital costs and funding; borrowings; ownership of assets and disposals; security, insurances and consents. Each project is required to produce an asset register.

#### **Umbrella projects**

Where an Umbrella Organisation remains in existence and puts forward a PCM plan which is approved by the Commission's Finance Committee, it will be responsible for undertaking PCM. This will usually involve seeking information, via questionnaire, from its sub-recipients as well as visiting a percentage of sites and an annual report will be submitted to the Commission. The Commission will undertake its own visits as necessary.

Some Umbrella Organisations have disbanded following delivery of the project, or do not have the resources to fund PCM. In these cases, individual site contracts have been assigned to the Commission and the Commission undertakes monitoring, principally through an annual questionnaire. Commission personnel have also visited some sites, based on an assessment of risk.

During the year, the Commission monitored 161 completed stand-alone projects, through site visits and questionnaires. All stand-alone projects monitored continued to comply with the terms and conditions of grant although occasionally it has been necessary for Commission staff to intervene. In addition, 16 umbrella projects and 762 individual umbrella sites have been monitored. Commission staff are not aware of any material failure to comply with the terms and conditions of grant in connection with umbrella projects.

## **Millennium Awards**

There was a two-stage monitoring process for Millennium Award Schemes: Award Partners; and individual recipients. Award Partners were required to submit quarterly reports, and each Scheme is subject to an annual independent audit. Partners were also obliged to monitor individual Award winners. They used a variety of means, including regular reports, meetings, spot checks and financial statements.

The Millennium Awards programme was completed in December 2004 by which time all schemes had been successfully closed down except one that is the subject of further investigation into its final expenditure.

## **The Millennium Awards Trust**

The transfer of the £100m endowment to the Millennium Awards Trust took place in February 2003. As required by the Trust Deed governing the operation of the Trust, UnLtd submits its Annual Report and Accounts to the Commission. The Report for the period April 2004 to March 2005 was received in September 2005 and reviewed by the Commission, with no cause for concern found. The £100m endowment has performed well with a value of £115m at 31st August 2005. The report detailed that during the year:

- 728 Level One Awards were offered to 890 individuals from the 1,157 applications received;
- 92 Level Two Awards were offered from the 213 applications

## **Millennium Experience**

The New Millennium Experience Company ('NMEC') entered into a Members' Voluntary Liquidation to timetable on 18 December 2001 and KPMG, were appointed as liquidators. It is anticipated that the liquidation will be concluded in mid-2006. The Commission agreed at its May 2004 meeting to reduce NMEC's grant award by £24m. This reduced the Commission's overall grant commitment to NMEC to £606m (including just under £2m for the Millennium Festival London River Event 1999). Just under £1.7m remains undrawn.

Ownership of the Dome reverted as planned to English Partnerships ('EP') in mid-2001 when NMEC's lease on the site expired. It was announced in June 2004 that the sale of the Dome and the surrounding site to Meridian Delta Ltd had gone unconditional. The sale is forecast to generate a return of £550m for the Government and the Lottery. NMEC is entitled to a share of the proceeds and expects to receive some £70m over a 25 year period. At its final meeting, NMEC transferred this entitlement to the Commission. This reflects the Commission's initial investment in the peninsula and its effect as a catalyst for regeneration in the area.

## **Urban Cultural Programme**

The programme has been delivered successfully with more than 500 projects delivered around the United Kingdom. Grant recipients are in the process of drawing up their final reports and claims. Monitoring was undertaken by the Arts Councils of England, Wales, Scotland and Northern Ireland on behalf of the Commission. However, recipients entered into a grant agreement with the Commission and the Commission paid grant directly to recipients, having satisfied itself that claims were properly certified by the respective Arts Councils and that progress against the grant agreements was satisfactory.

## **UK School Games**

The Commission awarded a grant of £1,484,100 to the Youth Sports Trust to provide a School Games in Glasgow in September 2006. A grant agreement has been signed with the Youth Sport Trust and monitoring by the Millennium Commission, using its standard format, will take place against the conditions contained in that agreement. Progress in delivering the 2006 Glasgow Games is good.

In June 2006, the Millennium Commission and Government also launched the UK School Games for 2007-11. The Commission will be involved in setting the conditions for grant in respect of its £1 million and monitoring its use by the Organiser until it is abolished. Thereafter, monitoring will fall to the Commission's successor and the charitable Trust.

## **Complaints**

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The Millennium Commission has adopted the Lottery Distributors Common Complaints Procedure. The Common Complaints Procedure offers a three-stage review including internal and independent external scrutiny of any complaint which relates to our assessment process, or the handling of issues by the Millennium Commission. The Procedure explains what to do and how the Millennium Commission will respond.

In addition any constituency MP can draw the activities of the Millennium Commission to the attention of the National Audit Office or the Parliamentary Ombudsman.

The Commission received no formal complaints under this Procedure during the year.

## **Freedom of Information**

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The Freedom of Information Act 2000 came fully into force on 1st January 2005. Under the FOI Act, each public body is required to produce a publication scheme setting out what information it will publish as a matter of course, how and when it will do so, and whether this information will be available free of charge or at a cost. The Commission's Publication Scheme is freely available on the Commission's website. During the period 1st April 2005 to 31st March 2006 the Commission received 12 formal requests for information citing the FOI Act.

## **Organisational structure**

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During 2005-06 the Commission consisted of seven core departments: The Director's Office, Secretariat, Policy, Capital Projects, Commercial, Personnel and Finance. From January 2005 the Commission has shared accommodation with the Big Lottery Fund. As a result of the co-location it has been possible for the Fund to take over the Finance, Facilities and IT Departments. Due to the reduction in activity staff numbers are reducing in line with a planned redundancy programme. During the year staff numbers declined from 36 to 24. An analysis of the staff complement is detailed in note 4 to the accounts.

Heads of departments meet on a fortnightly basis as the Senior Management Team to steer the Commission's operational strategy based upon the completion plan specified and agreed by the Board of Commissioners. Details of the Millennium Commissioners are given on page 18.

The Commission's Director reports to the Commissioners and is also directly accountable to Parliament, as the Commission's Accounting Officer, for all aspects of the Commission's work. The Department for Culture, Media and Sport is the Commission's sponsor department and as such its Accounting Officer is jointly accountable to Parliament for the Commission's procedures and systems. As Accounting Officer for the National Lottery, the Department's Accounting Officer is also generally accountable for all lottery monies, including those distributed by the Commission.

### **Performance targets**

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The Government requires all non-departmental public bodies to demonstrate how effectively they have discharged the mission which they have been set. To this end, the Millennium Commission has agreed certain key performance targets with the Government, against which annual performance can be measured. The table below sets out all quantified targets, and their outturns, for 2005-06.

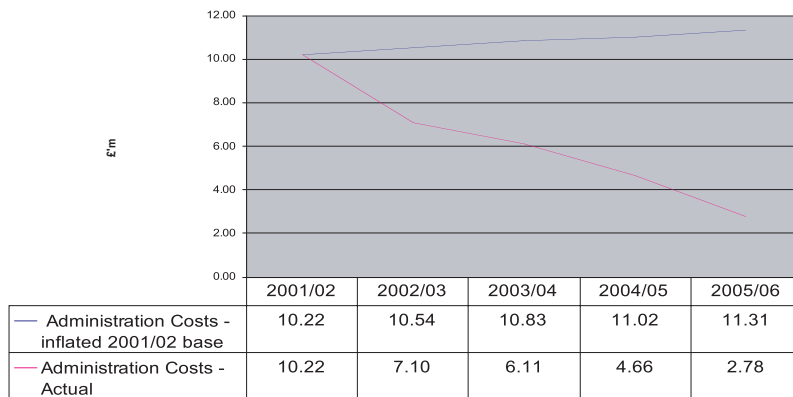
<b>Target definition</b>	<b>Target 2005-06</b>	<b>Outturn 2005-06</b>
Capital projects in contract as % of total offered grant	100%	100%
Capital projects with work commenced as % of total in contract	100%	100%
Number of capital projects completed	193	188
Amount of capital projects grant spent as % of total awarded	95%	96%
Amount of Awards grant spent as % of total available	100%	100%
Total value of Awards funds awarded as % of budget to 2006	100%	100%

## Operating Cost as % grant income over 5 years

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The graph below shows how the Commission's operating costs by financial year since 2001/02 as compared to the operating costs in 2001/02. The Commission's administration costs have reduced in this time as the Commission has been reducing staff numbers in working towards its closure in 2006.

**KPI - Actual Administration Costs vs Inflated 2001/02 Base**



## The Millennium Commissioners

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The composition of the Commission is defined by the National Lottery etc. Act 1993 (amended by Order, December 2003 and again in September 2005). The Commission comprises: one Minister of the Crown, who acts as Chair; one member nominated by the Leader of the Opposition; and five independent members, drawn from across the UK and representing a range of interests. The Millennium Commissioners are appointed by Her Majesty the Queen on recommendation from the Government. The Commission met five times during the year covered by this report.

Members of the Millennium Commission who have been Commissioners during the year to 31 March 2006 are listed below:

**Rt Hon Tessa Jowell MP (Chair to July 2005)**

Chair of the Millennium Commission and Secretary of State for Culture, Media and Sport. Appointed 2001. Resigned July 2005.

**Rt Hon Richard Caborn MP (Chair from July 2005)**

Minister for Sport and former TU official and Member of the European Parliament, representing Sheffield. Appointed 2002.

**Floella Benjamin OBE**

An actress and author who runs her own independent television company. Appointed 2000.

**Dr Heather Couper FRAS FInstP**

Broadcaster and writer on space and astronomy, founder of Pioneer Productions, one of the UK's leading factual TV companies. Appointed 1994.

**Matthew d'Ancona**

Journalist and Deputy Editor of The Sunday Telegraph, worked for the magazine Index on Censorship and was Assistant Editor of The Times. Appointed 2001. Resigned April 2006.

**Judith Donovan CBE**

Health and Safety Commissioner; Chair of Postwatch North of England; Chair of Yorkshire Tourist Board (from January 2005) and Chair of DIY Direct Marketing. Appointed 2000.

**The Lord Glentoran CBE DL**

Opposition Front Bench Spokesman for Northern Ireland, House of Lords; Director of NHBC; Olympic gold medal winner 1964. Appointed 1994. Resigned July 2005.

**The Rt Hon Lord Heseltine CH PC (Opposition nominee)**

Former First Secretary of State and Deputy Prime Minister, Chairman of the Haymarket Publishing Group. Appointed 1994, reappointed 1997 as Opposition nominee.

All these Commissioners were reappointed from 1 January 2004 for a further term of three years until 31 December 2006. The number of Millennium Commissioners was reduced from 1 January 2004 by Statutory Instrument 2003 No. 3033, reducing Commissioner numbers to eight from nine; and again on 5th September 2005 by Statutory Instrument 2005 no. 2470 to seven from eight. At 31st March 2006, there were six Commissioners in post. Mr d'Ancona's subsequent resignation reduced the total number of Commissioners to five. These vacancies have no legal or procedural impact on the ability of the Commission to function. Given the short remaining life of the Commission, it is not expected that new Commissioners will be appointed but this is not a matter for the Commission.

Company directorships and other significant interests held by board members can be obtained by contacting the Secretary to the Millennium Commission on the address shown on the back cover of this document.

## **Corporate Governance**

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The Commission conducts the majority of its business in session, meeting approximately every other month. Decisions can be taken by correspondence if urgent, but must be referred to the full Commission in session if any Commissioner requires this. The Commission delegates some non-contentious decisions to the management panel and to Commissioners which sit upon a joint committee established with the Board of the Big Lottery Fund. However, there are no external delegations.

The independent members of the Commission are: Floella Benjamin OBE; Judith Donovan CBE; Dr Heather Couper.

The Commission had three committees which met during 2005-06.

The Audit Committee consists of not less than two Commissioners and is chaired by a member of the Commission who has experience of financial matters. It is responsible for overseeing the Commission's internal and external audit arrangements. It is specifically charged with

- advising the Commission on the appointment and remuneration of internal auditors;
- considering and advising the Commission on the internal audit needs assessment and strategic and short term plans for the internal audit service;
- receiving and reporting to the Commission on internal and external audit reports and management letters;

The Finance Committee receives and comments on monthly financial management reports; and discusses budgets and the financial management of the Commission; and reviews the position of projects before Commission meetings.

The planned closure of the Commission is due by December 2006. From April 2006 the Committees have ceased to meet and all reports will go to meetings of the full Commission.

## Management Commentary

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The Commission's results for the year to 31 March 2006 and financial position at the year-end are set out in the Income and Expenditure Account, Balance Sheet and supporting notes on pages 36 to 48. The accounts have been prepared in accordance with the Accounts Direction given by the Secretary of State for Culture, Media and Sport with the approval of Treasury, in accordance with Section 43(2) of the National Lottery etc. Act 1993. A copy of the Accounts Direction can be obtained on request from the Secretary to the Millennium Commission at the address shown on the back of this document.

All the Commission's expenditure is met from the balance of income held on its behalf at the National Lottery Distribution Fund (NLDF). At 31 March 2006, the market value of balances held by the NLDF was £59.2m (previous year £107.5m ). Operating expenditure for the year was £2.8m (previous year £4.6m ). The Commission made hard commitments to applicants (i.e. grants for which the Commission has contractual obligations) in the year amounting to £26.5m (previous year £46.0m ). There were also hard de-commitments (i.e. grant reductions or withdrawals) totalling in the year £1.5m (previous year £28.8m). As a result, hard commitments in the year charged to the Income and Expenditure Account amounted to £25.0m (previous year £17.2m ). A total of £49.7m (previous year £49.3m ) was paid to grant recipients in the year.

The Balance Sheet at 31 March 2006 shows total net reserves of £23.5m (previous year £47.3m) after providing for hard commitments. There are hard commitments remaining of £33.4m (previous year £59.5m) at the year end. There were no remaining soft commitments (i.e. approved grants not yet contractually agreed) (previous year £23.5m ). Details of hard commitments by grant programme are included in note 13.

### **Cash Management**

Income from the National Lottery is retained in the National Lottery Distribution Fund until required by Lottery distributors. Since 1 April 2003 the Commission's balances in the NLDF have been 'ring-fenced' and during 2005-06 only invested in cash deposits to reduce the risk of market fluctuations having an adverse impact on operations during the Commission's remaining life. At 31 March 2006 all of the balance of £59.2m in the NLDF was invested in cash and cash deposits.

The Commission had hard and soft grant commitments against the balance held by NLDF totalling £33.4m. The Commission's lifetime budget for grants at 31 March 2006 was as follows:

<b>Programme</b>	<b>Budget £ million</b>	<b>Paid to 31 March 2006 £ million</b>	<b>Paid to 31 March 2005 £ million</b>
Capital Projects	1,302.1	1,285.0	1,273.8
Millennium Experience	604.0	602.8	602.8
Millennium Awards	195.1	195.1	195.1
Project Enhancement	35.1	30.9	18.7
ReDiscover	26.8	20.8	2.9
Millennium Festival	30.3	30.3	30.3
Urban Cultural	13.5	8.8	0.6
Millennium Encore	2.5	2.5	2.3
2006 UK School Games	1.5	0.0	–
<b>Total</b>	<b>2,210.9</b>	<b>2,176.2</b>	<b>2,126.5</b>

#### **Funds for operating activities and other sources of cash**

The Commission receives interest earned on the balance of funds held at the NLDF. On limited occasions throughout the year, funds available to the Commission have also increased due to decommitments of existing committed grants and grant refunds.

#### **Liquidity**

The Commission has £59.2m held at the NLDF, against which £33.4m grant commitments were outstanding at 31 March 2006. We anticipate that the majority of the uncommitted expenditure will be used to set up a Trust to support a diverse range of cultural and sporting initiatives associated with the London 2012 Olympic Games and Paralympic Games. Any remaining balances on completion of all grant programmes and administrative expenditure will be transferred to the Big Lottery Fund.

#### **Taxation**

The Millennium Commission is liable to corporation tax on income earned from interest paid on commercial bank accounts. In 2005-06 interest earned fell below the level that corporation tax is due (previous year £11k).

#### **Fixed assets**

The movement in fixed assets shown on the Balance Sheet is detailed in note 7.

#### **Payment of creditors**

The Commission aims to abide by the Better Payment Practice Code and to pay all its creditors within 30 days of receipt of invoice, unless alternative terms and conditions have been negotiated. In the year under review 91% (last year 93%) of all creditors were paid within the agreed terms.

### **Post balance sheet events**

Post balance sheet events are detailed in note 19.

### **Auditors**

Under the National Lottery etc. Act 1993, the Commission is required to have its annual financial statements audited by the Comptroller and Auditor General. The cost of the statutory audit is shown in note 5. There were no other audit services provided. The auditor's certificate on the financial statements is shown on pages 31 to 32.

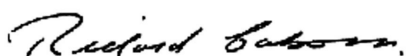
### **Gifts**

During the year no gifts were offered by the Commission. The total value of gifts received amounted to £97 (previous year £110), of which none were individually over £25 in value.

### **Employees**

The number of full-time employees at the year end, including seconded staff, was 24 including 4 Directors (previous year 36 including 4 Directors). The average number of staff employed during the year was 28 (previous year 48).

The Commission complies with all legal requirements in respect of its policies towards equal opportunities and disabled people. The Commission has no formal employee consultation policy with the exception of the redundancy consultation policy.



**The Rt. Hon. Richard Caborn MP**  
**Chair**

Date: 29 June 2006



**Mike O'Connor CBE**  
**Director & Accounting Officer**

Date: 29 June 2006

# The Commission's remuneration report

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This report sets out the Commission's policy on the remuneration of Commissioners and the Directors of the Commission wherever the disclosure provisions are relevant and applicable. Only the section of the Commission's remuneration report dealing with remuneration received is subject to audit.

## **Human Resources Committee**

The Committee comprises three commissioners and the Director. Also in attendance is the Head of Personnel and Training. This Committee deals with all matters relating to remuneration and is accountable to the Commission for the determination and maintenance of overall remuneration policy. The Committee meets when required and has overall responsibility for all staffing and recruitment issues, including the following:

- Reviewing and approving the annual remuneration package awarded to staff, proposals for individual salary increases and recommendations for bonuses and
- Considering and agreeing applications for the introduction of new posts to the Commission's establishment, including any substantive restructuring of the Commission's establishment.

The remuneration policy for members of the Commission is set by the Department for Culture, Media and Sport. The members of the Committee during the year were Lord Glentoran (Chairman), Judith Donovan and Matthew d'Ancona. Neither the Director or Head of Personnel and Training are present when matters concerning their own remuneration are considered.

## **Commissioners: remuneration policy**

Those Commissioners who are not political appointees are entitled to receive a daily allowance determined by the Secretary of State for Culture, Media and

Sport. All Commissioners are entitled to be reimbursed for expenses incurred on Commission business. Expenses regarded by the Inland Revenue as taxable are settled in full by the Commission, including any related tax payments, and reported as benefits in the tables below.

## **Directors: remuneration policy**

The remuneration policy for Director members of the Senior Management Team tries to offer remuneration that enables it to attract, retain and motivate high calibre individuals with the skills and abilities required to manage the Commission up until the end of its life. In doing so, the remuneration policy seeks to:

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

## ***Elements of remuneration***

### *Basic salary*

Basic salaries are reviewed in January each year, taking into account external market levels as well as the individual's responsibilities and performance. The Commission operates a performance pay scheme which awards an increase to pay based on performance over the whole of the year, and as long work performance reaches the standard required for the job staff will receive an increase in their salary related to performance. The basic salary is paid as a fixed sum monthly in cash.

In recognition of the fact that the Commission does not provide a pension scheme, basic salaries are enhanced by 15 % for Directors and 10% for other staff.

### *Annual bonus*

The Millennium Commission may reward Directors by awarding a bonus paid as lump sum, which do not reckon for allowances or retention payments, and are based on a percentage of individuals' basic salary only. Director's bonuses may be between 5 % and 15 % of basic salary.

### *Retention Bonus*

The Commission recognises that as a short life organisation there is a need for special measures to motivate and retain staff during the final years of its life. As a consequence a Retention Payments Scheme was introduced on 1 January 1998. The bonus is payable to key staff who remain at the Commission until such time as they are made redundant. A provision is made in the accounts for the accrued potential cost to the Commission as at the year end.

### *Benefits*

In addition to salary and bonus, Directors are entitled to access benefits provided by the Commission in common with all staff.

The Commission has also introduced a programme of outplacement, which will be available to all staff who are affected by redundancy. Outplacement is a service that will help to equip them with the skills and knowledge they will need to assist them in their job search leading up to their departure from the Commission

### *Pensions*

The Commission does not operate its own pension scheme. The majority of employees receive an allowance in addition to their salary from which private provision for pensions can be made. Seconded from the Civil Service have a contribution paid into the Principal Civil Service Pension Scheme by their originating department. The Millennium Commission does not pay contributions on behalf of any staff into any pension scheme.

### *Employment contracts*

The Director is subject to a maximum notice period of six months. Other Directors are subject to a maximum notice period of three months. There is no entitlement to any additional remuneration in the event of early termination other than in the case of termination on grounds of redundancy.

All Commission staff will be made redundant within the next year. It is the Commission's policy to give six months informal notice of redundancy where practicable. Consultation meetings are held with all employees over likely dismissal through redundancy.

#### *Outside interests*

The Millennium Commission maintains a Register of Staff Members' Interests. Its purpose is to provide information on any pecuniary interest or other material benefit which a staff member may receive, and other links which may be thought to affect the exercise of their duties as an employee. The register does not require an employee to declare the amount of any benefit or remuneration received, nor does it require the interests of spouses or children, or personal friendships to be recorded. The register will be open only to Commissioners, the Permanent Secretary of the Department for Culture, Media & Sport, and such members of the Commission's staff as the Accounting Officer may authorise.

#### *Remuneration received*

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

### **Commissioners' emoluments**

Commissioners do not receive salary or pension remuneration, instead they are entitled to receive an attendance allowance in respect of their services to the Commission. In consultation with the Department for Culture, Media and Sport, the Commission has determined that it will pay a £194 per day allowance (£97 for a half day). During the year to 31 March 2006, Commissioners received a combined total of £5,603 emoluments (2004-05: £13,786).

Commissioner	Entitled to claim	Waived entitlement to claim	Amount Claimed in 2005-06 £'000	Amount Claimed in 2004-05 £'000
The Rt Hon Tessa Jowell MP	X	n/a	n/a	n/a
Floella Benjamin OBE	✓	0-5	0-5	
The Rt Hon Richard Caborn MP	X	n/a	n/a	n/a
Dr Heather Couper FRAS FInstP	✓	0-5	0-5	
Matthew d'Ancona	✓	—	—	
Judith Donovan CBE	✓	0-5	5-10	
The Lord Glentoran CBE DL	✓	0-5	0-5	
The Rt Hon Lord Heseltine of Thenford CH PC	✓	—	—	

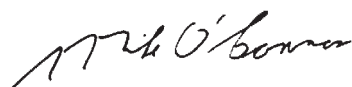
As nominee of the Leader of the Opposition, Lord Heseltine's appointment extends until the Opposition changes. All other Commissioners have been appointed until 31st December 2006.

## Directors' remuneration disclosures

	Age (a)	Salary (b) £'000	Accrued terminal payment (c) £'000	Real pension increase at 60 (d) £'000	Total Accrued pension at 60 at 31 March (b)(d) £'000
<b>2005-06</b>					
Mike O'Connor (e) Director	49	130-135	105-110	—	—
William Alexander Director of Projects	57	105-110	65-70	—	—
Jerry Michell Director of Commercial	58	80-85	55-60	—	—
Ian Brack Director of Policy	43	Declined	to disclose		
<b>2004-05</b>					
Mike O'Connor Director	48	155-160	100-105	—	—
William Alexander Director of Projects		Declined	to disclose	—	—
Jerry Michell Director of Commercial	57	80-85	55-60	—	—
Ian Brack Director of Policy	42	65-70	45-50	—	—

### Footnotes:

- (a) Age last birthday as at 31 March.
- (b) The remuneration figures include all allowances, benefits in kind and performance pay unless indicated in these footnotes. Salary figures do not include specific contributions towards a private pension; any such contributions are entirely at Directors' discretion and are met from their salaries.
- (c) The Commission operates a terminal payment scheme on behalf of its own employees to retain staff over its short life. The figures given above represent the level of terminal payment accrued at 31 March for each individual director.
- (d) Mike O'Connor was appointed the Director and Accounting Officer from 4 March 1998. In September 2005 he was appointed as Accounting Officer for the Olympic Lottery Distributor in addition to his existing responsibilities. During the year he received total emoluments of £132,807 for work performed for the Millennium Commission (2004-05 £153,082). The accrued terminal payment provision increased to £108,000 (2004-05: £102,000).
- (e) All Director's appointments are expected to end during 2006-07.



**Mike O'Connor CBE**  
**Director & Accounting Officer**

Date: 29 June 2006

## Statement of Commissioners' and the Director's Responsibilities

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Under section 43(1)-(2) of the National Lottery etc. Act 1993, the Commission is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for Culture, Media and Sport.

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

In preparing the Commission's accounts, Commissioners are required to:

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

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director of the Millennium Commission as the Accounting Officer for the Commission. The Director's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in 'Government Accounting' (TSO), and in the Financial Directions issued by the Secretary of State for Culture, Media and Sport under s26(3) of the National Lottery etc. Act 1993.

## Statement on Internal Control

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Millennium Commission for the year end 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The risk management process is led by the Senior Management Team in the light of guidance from Commissioners on the acceptable level of exposure. The framework of risk management is fully documented and the documentation is kept under review to ensure it reflects best practice. The risk management processes involve all staff in understanding and managing risks in their areas of responsibility.

The system of control is based on a framework of management processes including corporate policies, regular management information, financial regulations, administrative procedures and a system of delegation and accountability. The Commission has the following processes:

- a Board of Commissioners responsible for strategic planning and direction and a supporting non-executive Committee structure with defined responsibilities;
- a Senior Management Team that meets fortnightly and is responsible for the operational direction of the Commission;
- a set of policies agreed by the Board of Commissioners and a set of procedures agreed by the Senior Management Team in line with Policy and Financial Directions set by the Secretary of State;
- procedures to ensure the disclosure of interests before discussion and decisions on the issues take place;
- a risk management process to recognise, register and manage key risks to the fulfilment of the Commission's objectives, which is maintained and reviewed by the Senior Management Team and updated via a process of ongoing assessment;

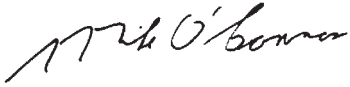
- regular reports from managers on steps taken to manage risks in their areas of responsibility, including progress reports on key projects and new activities;
- risk management has been incorporated fully into the corporate planning and decision-making processes of the Commission;
- a financial reporting and monitoring process that informs management and Commissioners on a timely basis;
- an outsourced Internal Audit team, which operates to standards defined in the Government Internal Audit Manual. Internal Audit's annual plan has utilised the Commission's risk evaluation and all audit work is risk-focussed in line with the requirements of the Government Internal Audit Standards. They submit regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Commission's system of internal control together with recommendations for improvement. Internal Audit reported directly to the Audit Committee during 2005-06 and directly to the Commission thereafter; and
- proceedings of the Audit Committee are reported to the Board of Commissioners.

From 1 April 2005 the systems for making payments and maintaining financial records passed to the Big Lottery Fund through a service level agreement. Under the terms of the agreement regular meetings are held to discuss its operation and the systems are open for inspection by the Commission.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and executive managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. Over the course of the year, I have discussed with the Audit Committee and the Commission the effectiveness of the systems of internal control and issues arising from the work of the internal and external auditors. In producing this statement, I have reviewed, and again discussed with the Audit Committee and the Commission the following:

- the results of the stewardship reporting process through which budget holders confirm compliance with their delegated responsibilities;
- the results of consideration of risks and risk management by the Senior Management Team;
- the arrangements for detecting and responding to conflicts of interest and fraud; and
- the scope, authority and resourcing of Internal Audit and the Internal Audit Annual Assurance Report.

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

A handwritten signature in black ink, appearing to read "Mike O'Connor". The signature is fluid and cursive, with the first name "Mike" and the last name "O'Connor" clearly distinguishable.

**Mike O'Connor CBE**  
**Director & Accounting Officer**

Date: 29 June 2006

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

I certify that I have audited the financial statements of the Millennium Commission for the year ended 31 March 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.

### **Respective responsibilities of the Commissioners, Chief Executive and auditor**

The Commissioners and Chief Executive are responsible for preparing the Annual Report, 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 Commissioners' 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 by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 28 to 30 reflects the Commission's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

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

### **Basis of audit opinion**

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

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

## Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the 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 Millennium Commission's affairs as at 31 March 2006 and of its decrease in funds for the year 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
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

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

*Date: 4 July 2006*

Note: The maintenance and integrity of the Millennium Commission's web site is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

## Income and Expenditure Account for the year ended 31 March 2006

	Notes	£'000	2005-06 £'000	2004-05 £'000
Investment income on balances at NLDF	2		3,763	6,175
Unrealised loss on investments	2		–	(264)
Grant repayment			118	3
Bank interest receivable			3	57
<b>Total income</b>			<b>3,884</b>	<b>5,971</b>
Grant commitments made	13	26,508		45,969
Lapsed and revoked commitments	13	(1,536)		(28,766)
		24,972		17,203
Employee costs	3	1,473		2,235
Other operating costs	5	1,308		2,422
Depreciation: Tangible assets	7	–		5
<b>Total operating expenditure</b>		<b>2,781</b>		<b>4,662</b>
<b>Total expenditure</b>			<b>27,753</b>	<b>21,865</b>
(Decrease) in funds before tax			<b>(23,869)</b>	(15,894)
Corporation tax due on interest income	6		–	(11)
<b>(Decrease) in funds after tax</b>			<b>(23,869)</b>	<b>(15,905)</b>

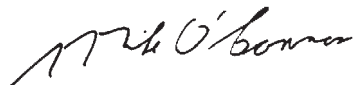
There were no losses or gains other than those included above.  
All transactions are in respect of continuing activities.

The notes on pages 36 to 48 form part of these accounts.

## Balance Sheet as at 31 March 2006

	Notes	£'000	2005-06 £'000	2004-05 £'000
<b>Fixed assets</b>	7		0	0
<b>Current assets</b>				
Balance in National Lottery Distribution Fund	2	59,184		107,534
Debtors	8	29		96
Cash at bank and in hand		66		274
		<u>59,279</u>		<u>107,904</u>
Creditors: amounts falling due within one year	9	<u>(34,172)</u>		<u>(51,772)</u>
<b>Net current assets</b>			<b>25,107</b>	56,132
Creditors: amounts falling due after more than one year	10		<b>(991)</b>	(7,925)
Provision	14		<u>(628)</u>	<u>(850)</u>
<b>Net assets</b>			<b>23,488</b>	47,357
<b>Represented by:</b>				
Reserves				
Net reserves brought forward	15		<b>47,357</b>	63,262
Income and Expenditure Account	15		<u>(23,869)</u>	<u>(15,905)</u>
<b>Total reserves</b>			<b>23,488</b>	47,357

The notes on pages 36 to 48 form part of these accounts.



**Mike O'Connor CBE**  
**Director & Accounting Officer**

Date: 29 June 2006

## Cash Flow Statement for the year ended 31 March 2006

	£'000	2005-06 £'000	2004-05 £'000
<b>Operating activities</b>			
Cash received from NLDF	52,113		53,999
Cash received from grant repayment	133		2
Cash payments to grant commitments	(49,743)		(49,341)
Cash payments to suppliers	(1,010)		(2,193)
Cash payments to and on behalf of employees	(1,688)		(2,424)
<b>Net cash (Outflow) from operating activities</b>		(195)	43
<b>Return on investments</b>			
Interest received		4	57
<b>Taxation</b>			
Taxation paid		(17)	(5)
<b>Decrease in cash</b>		(208)	95
<b>Reconciliation of (decrease) in funds before tax to net cash inflow from operating activities</b>			
		2005-06 £'000	2004-05 £'000
(Decrease) in funds before tax		(23,869)	(15,894)
Depreciation charge for the year		–	5
Interest receivable		(3)	(57)
Decrease in NLDF balance		48,350	48,088
Decrease in debtors		67	301
Increase in admin. Creditors		251	(65)
(Decrease) in hard commitments		(24,769)	(32,156)
(Decrease) in terminal payment provision		(222)	(179)
<b>Net cash (Outflow) from operating activities</b>		(195)	43
<b>Reconciliation of net cash flow to movements in net cash</b>			
		2005-06 £'000	2004-05 £'000
Net cash outflow for the year		(208)	95
Net cash balance at 1 April		274	179
<b>Net cash balance at 31 March</b>		66	274

# Notes to the Accounts

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## 1 Accounting Policies

### (a) Conventions

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed assets and current asset investments at their value to the business by reference to current costs where these are materially different to their value under the historical cost convention, and in accordance with the Accounts Direction given by the Secretary of State on 19 June 2002. A copy of the Accounts Direction can be obtained on request from The Secretary to the Millennium Commission at the address shown on the back of this document.

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

### (b) Going concern

The Government have stated that the Commission will be wound up in December 2006 and any remaining assets and liabilities will be transferred to The Big Lottery Fund. On this basis the financial statements have been prepared on a going concern basis.

### (c) National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the Commission is as shown in the Accounts and, at the Balance Sheet date, has been certified by the Secretary for State of Culture, Media and Sport as being available for distribution by the Commission in respect of current and future commitments. From 1 April 2003, the Commission's remaining funds held at the NLDF have been ring-fenced from the main Lottery Fund and have been invested conservatively to minimise short-term market fluctuations.

### (d) 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. There were no additions in 2005/06 and all remaining assets have been completely written off.

For 2005-06 the fixed assets have not been revalued with reference to current costs on the basis of immateriality.

(e) **Pension fund**

The Commission does not operate its own pension scheme. The majority of employees receive an allowance in addition to their salary from which private provision for pensions may be made. Seconded from the Civil Service have a contribution paid into the Principal Civil Service Pension Scheme by their originating department. The Millennium Commission does not pay contributions on behalf of any staff into any pension scheme. As a consequence, FRS 17 disclosure requirements are not appropriate.

(f) **Operating leases**

Costs under the operating leases are charged to the Income and Expenditure Account in the period to which they relate.

(g) **Soft and hard grant commitments**

Hard commitments, defined as the grant sum payable over the life of a project on which the Commission has a contractual agreement, are written off in the Income and Expenditure Account in the year in which the contracts are signed. Soft commitments are defined as the potential commitment on projects for which the Commission has approval to enter into contractual negotiations with applicants. These are shown as a note to the accounts but are not treated as part of the Income and Expenditure Account.

(h) **Grant repayment**

In the event that a grant recipient disposes of a Project asset, the Commission can exercise their right to request a repayment of grant from the sale proceeds. Grant repayments are accounted for separately as income.

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**2 Proceeds from the National Lottery**

	<b>2005-06</b>	2004-05
	<b>£'000</b>	£'000
Balance brought forward as at 1 April	<b>107,534</b>	155,622
Interest earned in National Lottery Distribution Fund	<b>3,763</b>	6,175
Monies drawn down from the National Lottery Distribution Fund	<b>(52,113)</b>	(53,999)
Unrealised loss on investments	<b>–</b>	(264)
Closing balance held by the National Lottery Distribution Fund at market value	<b>59,184</b>	107,534

The cost value as at 31 March 2006 of the balances held by the National Lottery Distribution Fund (NLDF) was £59m (£108m last year). The Millennium Commission's Lottery funding ceased on 21 August 2001. The funds held in the NLDF are invested on the Commission's behalf by the Commission for the Reduction of National Debt.

### 3 Employee information

	<b>2005-06</b>	2004-05
	<b>£'000</b>	£'000
Employee costs were as follows:		
Wages and salaries	<b>1,309</b>	<b>1,948</b>
Increase in terminal payments provision	<b>25</b>	<b>89</b>
Social security costs	<b>139</b>	<b>198</b>
Total employee costs	<b>1,473</b>	2,235

### 4 Employee numbers by category of employment

	<b>2005-06</b>	2004-05
Projects	<b>10</b>	<b>20</b>
Millennium Awards	–	<b>5</b>
Experience, Festival and Encore	–	<b>0.5</b>
Other staff	<b>18</b>	<b>22.5</b>
Average full-time equivalent employees in year	<b>28</b>	48

The actual number of full-time equivalent employees at the end of the year was 24 including 4 Directors (last year 36 including 4 Directors).

## 5 Other operating costs

	£'000	2005-06 £'000	2004-05 £'000
Professional fees:			
– Grant programme evaluation, monitoring and related costs	209		179
– Legal	260		340
– IT design, installation and support	116		181
– Internal Audit fees	81		108
External Audit fee	22		22
– Recruitment	5		12
sub-total	<u>693</u>		<u>842</u>
Leasing costs	10		633
Accommodation and related costs	300		251
Press and communications	1		35
Other staffing costs	75		124
Travel and related expenses:			
– Commissioner	9		18
– Employees	94		127
sub-total	<u>103</u>		<u>145</u>
Grant administration	56		73
Other administrative expenses	70		319
<b>Total other operating costs</b>		<u><b>1,308</b></u>	<u><b>2,422</b></u>

## 6 Corporation Tax

The Commission pays tax on bank interest received. Interest earned on monies held on the Commission's behalf in the National Lottery Distribution Fund is not taxable.

The tax charge for the year is nil (last year £11k).

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## 7 Tangible fixed assets

	<b>Total Office Equipment £'000</b>
<b>Cost</b>	
Balance brought forward	40
Additions during the year	
Disposals during the year	(12)
	<hr/>
Balance at 31 March 2006	28
<b>Depreciation</b>	
Balance brought forward	40
Depreciation for the year	
Depreciation on disposals	(12)
	<hr/>
<b>Balance at 31 March 2006</b>	<b>28</b>
<b>Net Book Value at 31 March 2006</b>	<b>0</b>
Net Book Value at 31 March 2005	0

No assets were held under finance leases or hire purchase contracts.

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## 8 Debtors

	<b>2005-06</b>	2004-05
	<b>£'000</b>	£'000
Grant debtors	2	17
Other debtors	23	35
Prepayments and accrued income	4	44
<b>Total debts receivable within one year</b>	<b>29</b>	96

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

	<b>At 31 March</b>	At 31 March
	<b>2006</b>	2005
	<b>£'000</b>	£'000
Amounts due from other Government bodies	8	17

There are no amounts included in the above falling due after more than one year.

Other debtors include £3k relating to interest free staff season ticket and training loans (previous year £10k). The following Directors obtained an interest free season ticket loan:

	<b>Balance b/f</b>	<b>New Loan</b>	<b>Payments</b>	<b>Bal c/f</b>
	<b>£'000</b>	<b>in the year</b>	<b>in the year</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Jerry Michell	1	3	3	1
Bill Alexander	0	3	2	1

## 9 Creditors: Amounts falling due within one year

	2005-06 £'000	2004-05 £'000
Trade creditors	72	132
Taxation and social security costs	–	17
Grant Creditors	1,334	–
Accruals	382	68
Other hard grant commitments	32,384	51,555
<b>Total creditors due within one year</b>	<b>34,172</b>	<b>51,772</b>

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

	At 31 March 2006 £'000	At 31 March 2005 £'000
Amounts due to other Government bodies	461	128
Amounts due to Local Authorities	596	0

## 10 Creditors: Amounts falling due after more than one year

	2005-06 £'000	2004-05 £'000
Other hard grant commitments	991	7,925

For a further breakdown of when hard grant commitments are expected to be paid see note 14d.

## 11 Commitments under operating leases

As at 31 March the Commission had the following annual commitments under operating leases.

	Leased Cars £'000	Total 2005-06 £'000	Total 2004-05 £'000
Expiring within one year	7	7	18
<b>Total operating leases</b>	<b>7</b>	<b>7</b>	<b>18</b>

## 12 Administrative capital commitments

There were no capital commitments for administrative purposes at 31 March 2006. (2004-05: nil).

### 13 Grant commitments

Grant commitments made in the year to 31 March 2006 consist of:

<b>a) Soft commitments</b>					
	<b>Soft commitments b/fwd £'000</b>	<b>Soft commitments made in the last year £'000</b>	<b>Soft commitments transferred to hard £'000</b>	<b>Soft de- commitments made in the last year £'000</b>	<b>Soft commitments c/fwd £'000</b>
<b>2005-06</b>	<b>23,490</b>	<b>4,524</b>	<b>(26,508)</b>	<b>(1,506)</b>	<b>–</b>
2004-05	31,391	39,998	(45,969)	(1930)	23,490
<b>b) Hard commitments</b>					
	<b>Hard com- mitments b/fwd £'000</b>	<b>Hard commitments made in the last year £'000</b>	<b>Net hard commitments Met in the last year £'000</b>	<b>Hard de- commitments made in the last year £'000</b>	<b>Hard com- mitments c/fwd £'000</b>
2005-06					
Capital Projects	<b>23,037</b>	<b>5,779</b>	<b>(11,452)</b>	<b>(504)</b>	<b>16,860</b>
Millennium Exhibition	<b>1,198</b>	–	–	–	<b>1,198</b>
Millennium Awards	<b>64</b>	<b>5</b>	<b>(5)</b>	–	<b>64</b>
Millennium Festival	–	–	–	–	–
Millennium Encore	<b>205</b>	–	<b>(205)</b>	–	–
Project Enhancements	<b>16,025</b>	<b>1,406</b>	<b>(12,283)</b>	<b>(1,017)</b>	<b>4,131</b>
ReDiscover	<b>8,673</b>	<b>15,184</b>	<b>(18,358)</b>	<b>(15)</b>	<b>5,484</b>
Urban Cultural	<b>10,278</b>	<b>2,650</b>	<b>(8,774)</b>	–	<b>4,154</b>
Youth Sport Trust	–	<b>1,484</b>	–	–	<b>1,484</b>
<b>Total</b>	<b>59,480</b>	<b>26,508</b>	<b>(51,077)</b>	<b>(1,536)</b>	<b>33,375</b>
2004-05					
Capital Projects	<b>38,362</b>	<b>15,186</b>	<b>(29,626)</b>	<b>(885)</b>	<b>23,037</b>
Millennium Exhibition	<b>25,198</b>	–	–	<b>(24,000)</b>	<b>1,198</b>
Millennium Awards	<b>3,710</b>	<b>1,006</b>	<b>(1,641)</b>	<b>(3,011)</b>	<b>64</b>
Millennium Festival	–	–	–	–	–
Millennium Encore	<b>676</b>	<b>50</b>	<b>(521)</b>	<b>(0)</b>	<b>205</b>
Project Enhancements	<b>21,447</b>	<b>9,740</b>	<b>(14,404)</b>	<b>(758)</b>	<b>16,025</b>
ReDiscover	<b>2,240</b>	<b>9,137</b>	<b>(2,592)</b>	<b>(112)</b>	<b>8,673</b>
Urban Cultural	–	<b>10,850</b>	<b>(572)</b>	–	<b>10,278</b>
<b>Total</b>	<b>91,633</b>	<b>45,969</b>	<b>(49,356)</b>	<b>(28,766)</b>	<b>59,480</b>

The charge to the Income and Expenditure Account for hard commitments made in the year is £24,972k (last year £17,203k). Grant de-commitments subsequent to the year end are detailed under post balance sheet events in note 19.

<b>c) Payments for grants</b>	<b>2005-06</b>	2004-05
	<b>£'000</b>	£'000
Total payment for grants in the year	<b>49,726</b>	49,341
Hard commitments b/f into current liabilities		–
Hard commitments c/f into current liabilities	<b>1,334</b>	–
Hard commitments b/f into current assets	<b>17</b>	32
Hard commitments c/f into current assets	<b>(0)</b>	(17)
<b>Hard commitments payable during the year</b>	<b>51,077</b>	49,356

d) Soft commitments made during the year totalled £5m. The balance of outstanding soft and hard commitments made since inception totals £35m and is lower than the balance of £59m available in the National Lottery Distribution Fund. The difference is partly due to funds earmarked for future grant awards not formally committed. Commitments remaining and remaining balances after the Commission's closure will be transferred to the Commission's successor.

Analysis of the forecast cash flow for hard commitments made to date:

	<b>2006-07</b>	<b>2007-08</b>	<b>Over 3 yrs</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Hard commitments total at 31 March 2006	<b>32,386</b>	<b>991</b>	–

## 14 Provision for terminal payments

The Commission operates a terminal payments scheme on behalf of its employees and to retain staff over the organisation's short life. A provision has been made for the accrued potential cost to the Commission as at the year end, in relation to the scheme. A payment becomes due if a post is made redundant during the winding down of the Commission's activities over the period to closure. Therefore, the Commission is unable to specify precisely if and when the terminal payments should crystallise.

	<b>2005-06</b>	2004-05
	<b>£'000</b>	£'000
Opening balance	<b>850</b>	1,029
Terminal payments made in the year	<b>(247)</b>	(268)
Increase in provision	<b>25</b>	89
<b>Terminal payments provision</b>	<b>628</b>	850

## 15 Reconciliation of movements in reserves at 31 March 2006

	Balances held at NLDF £'000	Balances at Millennium Commission £'000	2005-06 Total £'000	2004-05 Total £'000
<b>Opening balance</b>	<b>107,534</b>	<b>(60,177)</b>	<b>47,357</b>	63,262
Proceeds from National Lottery	–	–	–	–
Drawdown in the year	(52,113)	52,113	–	–
Investment income earned in NLDF	3,763	–	3,763	6,175
Unrealised loss on investments	–	–	–	(264)
Interest on bank balance	–	3	3	57
Grants committed	–	(24,972)	(24,972)	(17,203)
Operating expenditure	–	(2,781)	(2,781)	(4,662)
Grant repayment	–	118	118	3
Taxation provision	–	–	–	(11)
<b>Net (decrease)/increase in reserves in year</b>	<b>(48,350)</b>	<b>24,481</b>	<b>(23,869)</b>	(15,905)
<b>Closing balance</b>	<b>59,184</b>	<b>(35,696)</b>	<b>23,488</b>	47,357

## 16 Financial instrument disclosures

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

### Liquidity risks

In 2005-06, the Millennium's income was derived from investment returns from the balance held with the National Lottery Distribution Fund £3,763k and from Bank Interest £3k.

At the Balance Sheet date the Commission had liquid assets of £59.2m against net liabilities of £0.6m, an excess of £58.6m, excluding short term debtors and creditors as permitted by FRS 13. As explained in note 13(d), this difference arises from funds earmarked for future grant awards that have yet to be formally committed. Income is expected to be less than commitments over the life of the Commission.

Discussions take place during the year between the management of the Commissioners for the Reduction on National Debt and the Commission, to discuss the investment strategy. During the year balances at the NLDF have been mainly held in fixed term deposits. As the Commission approaches the end of its life the term of the deposits is reducing.

The Commissioners do not believe that the Commission is exposed to significant liquidity risks as they are satisfied that the Commission has sufficient current liquid resources within the NLDF to cover its projected payments over the next financial year up to the completion of the Millennium Commission.

### Interest rate risks

In accordance with the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998), National Lottery income receivable in 2004-05 by the Millennium Commission is passed by the National Lottery Distribution Fund to the CRND. From 1 April 2003, the Commission's remaining funds held at the NLDF have been ring-fenced from the main Lottery Fund and invested more appropriately for a short-life organisation. Consequently, CRND invest the Commission's funds in a narrow band of low risk short term assets such as gilts, and cash deposits of varying periods.

At the Balance Sheet date the Market Value of the Millennium Commission's share of the National Lottery Distribution Fund was £59,184k (2004-05: £107,534k). In the year the average return on these investments was 4.6% (2004-05: 4.6%).

Cash balances which are drawn from the NLDF to pay grant commitments and operating costs are held in instant variable rate bank account which on average carried an interest rate of 4.08 per cent in the year. This bank account is administered on behalf of the Commission by the Big Lottery Fund. The cash balance at the year-end was £66k. The Commissioners do not believe that the Commission is exposed to significant interest rate risks on its cash balances.

### Foreign currency risk

The Commission is not exposed to any foreign exchange risks.

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## 17 Related party transactions

Recognising the principles underlying the Financial Reporting Standard concerning related party transactions (FRS 8), the Commissioners make the following statement:

As a matter of policy and procedure, the Commissioners declare any direct interests in grant applications and commercial relationships of the Commission, avoid influence and exclude themselves from the relevant decision processes within the Commission. There are corresponding arrangements for staff, to recognise interests and avoid possible conflicts of interest.

Floella Benjamin OBE is a patron of the Horniman Museum. This is recorded in the Register of Commissioner's interests and at meetings. There were no grant awards to the Horniman in 2005-06 but there were payments (£600,748) from an award given previously of £952,404.

In addition to the income transactions with DCMS there were the following transactions with bodies considered as related parties during the year:

	Expenditure £'000	Creditor balance c/fwd £'000
DCMS	76	0
Sport England	1	65
Big Lottery Fund	395	81
Arts Council of England	23	0

DCMS and Sport England expenditure relates to seconded staff costs incurred. Big Lottery Fund expenditure relates to seconded staff costs through the year and the provision of fully serviced accommodation from 1st January 2005. The Arts Council of England costs were incurred in connection with the project monitoring of the Urban Cultural Programme. In addition, the Millennium Commission had a number of transactions with other relevant bodies: the Inland Revenue; the Property Advisors to the Civil Estates, Heritage Lottery Fund and the National Audit Office.

During the year there were no grant or commercial transactions in which Commissioners, staff or other related parties stood to benefit or where they had a material interest or influence.

## 18 Losses and Special Payments

During 2005-06, the Accounting Officer approved 12 write offs grants totalling £27,579,713. These consisted of:

<b>Description</b>	<b>Number of Cases</b>	<b>Amount</b>
Capital Projects	3	£27,546,676
Awards Schemes	8	£32,732
Administrative write-off	1	£305

### Details

During 2005-06 the Commission wrote-off the grants in respect of projects that were unable to continue delivering their project purpose. In assessing the amount to write-off the Commission takes account of any grant recoveries obtained from the project and the extent to which the project purpose has been achieved. The following grants were written off during the year:

<b>Project</b>	<b>Grant paid</b>	<b>Amount written-off</b>
National Millennium Faith Experience, Bradford A visitor centre examining the nature of faith in a multicultural society. The project closed in 2001 within 12 months of opening. The Commission will recover some grant on final disposal of the project assets.	£2,094,369	£1,654,369
The Earth Centre A visitor and education centre on the theme of environmental sustainability which was open for three years before it ceased trading in 2004. To date the Commission has recovered £4 million from the sale of project assets.	£36,132,017	£21,021,961
The Big Idea A science visitor centre on the theme of invention and discovery which was open for three years before it ceased trading in 2003. £0.3 million was recovered from asset sales.	£5,866,346	£4,870,346
<b>Total</b>	<b>£44,092,732</b>	<b>£27,546,676</b>

In addition the Commission made an ex gratia payment of £25,000 during the year.

## 19 Post balance sheet events

After the year end, further grant commitments of £1,500,000 were made including £450,000 to existing Capital Projects and £1,000,000 for the UK School Games. In addition grant de-commitments of £1,860,000 were made including £135,000 from Talawa and £1,690,000 from the Millennium Experience.

The Final meeting of the New Millennium Experience Company was held on 31 May 2006 and it is expected that the company will be dissolved at the end of August 2006.

During 2001 a number of losses and special payments made by NMEC were identified which required authorisation by the Commission. Decisions on three cases were deferred at that time – one pending further information, whilst two other cases were potentially the subject of criminal prosecutions. It was decided to address these three outstanding cases together once the related legal actions were completed.

The prosecution process was completed in Summer 2005 and only now have the cases been determined by the Commission. Two were approved but one, involving payments of £750,000, was not approved as the Commission did not consider that there was sufficient evidence that the funds released were properly used. In this case prosecution culminated in an individual being found guilty of fraud and sentenced to 56 months in prison. Recovery of the funds is considered to be highly unlikely and therefore, once NMEC is dissolved, the Commission's Accounting Officer will consider the formal write-off of this sum.

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