

**OLYMPIC DELIVERY AUTHORITY MANAGEMENT STATEMENT  
AND FINANCIAL MEMORANDUM**

**PART 2: FINANCIAL MEMORANDUM**

1. DEFINITIONS (PAGES 3-4)
2. INTRODUCTION (PAGES 4-6)
  - 2.10 Compliance with instructions and guidance
  - 2.11 Interpretation
  - 2.12 Review
3. ALLOCATIONS, BUDGETING AND FUNDING (PAGES 6-12)
  - 3.1 General
  - 3.2 The Departmental Expenditure Limit (DEL)
  - 3.5 Annual Budget
  - 3.9 General conditions for authority to spend
  - 3.10 Financial Reporting Requirements (see Annex B)
  - 3.11 Expenditure beyond delegation
  - 3.12 Interest earned
  - 3.13 Administration Costs
  - 3.14 End Year Flexibility (EYF)
  - 3.15 Discount Rate
  - 3.16 Cost of Capital
  - 3.17 Lottery Funding, GLA funding, London Development Agency and Grant-in-aid
  - 3.27 Cash balances and cash carried forward over the year end
  - 3.28 Vote Estimates Timetable (Grant-in-aid)
  - 3.29 Banking, Borrowing and Overdrafts
  - 3.32 Guarantees, indemnities and contingent liabilities etc.
  - 3.34 Leasing
  - 3.35 Gifts and Bequests Received
  - 3.37 Fees and Charges
  - 3.38 Wider Markets
4. PROJECT EXPENDITURE (PAGES 12-16)
  - 4.1 Projects
  - 4.3 Project Procedure
  - 4.8 The Olympic Project Review Group (OPRG)
  - 4.10 Financial delegations - Expenditure
  - 4.12 Regulation of Cost Changes
  - 4.14 Virements

- 4.15 Financial Delegations - Disposal of Assets
- Disposals
- 4.17 Novel, contentious or repercussive expenditure
- 4.19 Project Monitoring by DCMS
- 4.20 Interests in bodies corporate and joint ventures
- 4.22 Public Private Partnerships (PPPs)
- 4.25 Unconventional Financing

5. MISCELLANEOUS FINANCIAL ISSUES (PAGES 16-20)

- 5.1 Housekeeping
- 5.3 Risk Management
- 5.5 Insurance
- 5.6 Ethics
- 5.7 Fraud and Theft
- 5.9 Losses, write-offs, special payments and gifts
- 5.14 Procurement
- 5.19 Letting contracts by competitive tender or single tender
- 5.23 Timeliness in paying Bills
- 5.24 Fixed and Investment Assets

6. STAFFING MATTERS (PAGES 20-22)

- 6.1 London Olympic Games and Paralympic Games Act 2006
- 6.2 Chief Executive - Performance targets and performance related pay
- 6.5 Other staff - terms and conditions
- 6.8 Remuneration
- 6.10 Recruitment
- 6.16 Provision of Pensions

7. ACCOUNTS AND AUDIT (PAGE 22)

- 7.1 Annual Accounts
- 7.6 Audit

ANNEX A: BUDGET APPROVAL PROCESS (PAGE 21)

ANNEX B: LIST OF MANAGEMENT DOCUMENTS AND TIMETABLE (PAGE 22)

ANNEX C: PROJECT APPROVAL PROCESS, FOR PROJECTS OVER £20 MILLION, OR THOSE INVOLVING NOVEL OR CONTENTIOUS EXPENDITURE (PAGE 23)

ANNEX D: FRAUD AND THEFT REPORTING (PAGE 24)

ANNEX E: THE OLYMPIC DELIVERY AUTHORITY'S (DRAFT)  
DELEGATED FINANCIAL LIMITS (PAGE 25-26)

## **OLYMPIC DELIVERY AUTHORITY**

### **PART 2: FINANCIAL MEMORANDUM**

#### **1. Definitions**

##### 1.1 In this Financial Memorandum

- "ODA" and "the Authority" means the Olympic Delivery Authority
- "The Secretary of State" means the Secretary of State for Culture, Media and Sport
- "DCMS" means the Department for Culture, Media and Sport
- "GOE" means the Government Olympic Executive
- "GLA" means the Greater London Authority
- "Mayor" means the Mayor of London
- "LOCOG" means the London Organising Committee of the Olympic Games
- "OLD" means the Olympic Lottery Distributor
- "LDA" means the London Development Agency
- "BOA" means the British Olympic Association
- "The Act" means the London Olympic Games and Paralympic Games Act 2006
- "The Games" means the London Olympic Games and Paralympic Games that will take place in London in 2012 as defined in the Act
- "Public funds" are defined in paragraph 2.3 below.
- "Olympic Board" means the Board established by the Secretary of State, the Mayor, the LOCOG and the BOA to resolve and determine issues raised by Members of the Olympic Board and ensure the delivery of commitments given in the Host City Contract or the Guarantees and generally in relation to the staging of the Games and to ensure a sustainable legacy following the staging of the Games.
- "Public Sector Funding Package" means the funding, as described in the Memorandum of Understanding between the Secretary of State and the Mayor dated May 2003, to be provided by the Olympic Lottery, Sports Lottery and other lottery distributors, the GLA and the LDA to support the provision of the Olympic venues and associated infrastructure and to support the training of athletes.
- "Grant-in-aid" is funding from DCMS/GOE to support ODA in the delivery of improvements to the physical infrastructure of Olympic Park area in the Lower Lea Valley.
- "Games Programme or Olympic Programme" is the project to deliver the Olympic venues and infrastructure and their legacy.
- Words importing the feminine gender include the masculine and words importing the masculine gender include the feminine.

- “Olympic Project Review Group” (OPRG) is the group which reviews all ODA projects above delegation against established investment and project criteria. It makes recommendations to the Secretary of State and Treasury.
- “Master Schedule” is the seven year plan in relation to the Games, required by the IOC.
- “Global Strategic Plan” - a document required by the IOC, which includes the full budget and business plan of LOCOG in relation to the Games;
- “Funders” or “funding parties” are the contributors to the Public Sector Funding Package (LDA, GLA and OLD) and DCMS.

## **2. Introduction**

2.1 The Olympic Delivery Authority (ODA) is a body corporate established by Section 3 of the Act.

2.2 This Financial Memorandum is to be read in conjunction with the accompanying Management Statement. It defines the framework of controls on financial, staffing and related matters for ODA, necessary to safeguard public funds.

2.3 Public Funds include all monies that are in law the property of the Olympic Delivery Authority, including those provided to the ODA by the GLA, the Olympic Lottery Distribution Fund, the National Lottery Distribution Fund, Sport England, the London Development Agency (LDA), Exchequer grant and income from charges, gifts, asset sales and other sources.

2.4 The terms and conditions set out in this Financial Memorandum may be supplemented by other specific guidance and directions issued by the Secretary of State from time to time in respect of the exercise of any individual functions, powers and duties of ODA.

2.5 This Financial Memorandum operates in addition to (but not in substitution for) statutory requirements or any specific directions or determinations or guidance made by DCMS/GOE under such statutory powers or other terms as the Secretary of State may specify in relation to the payment of lottery funding or grant-in-aid or the Mayor may specify in relation to the Olympic element of the London Council Tax.

2.6 ODA, or DCMS/GOE, may propose amendments to the Management Statement and Financial Memorandum at any time. Any such proposals by ODA will be considered in the light of evolving policy and operational needs, as well as its track record. The guiding principle will be that the extent of flexibility and freedom given to ODA will reflect both the quality of its internal controls and its operational needs. Following consultation with the GLA, OLD, National Lottery Commission and LDA, DCMS/GOE will

determine what changes, if any, are to be incorporated in the document. Significant variations to the Management Statement or Financial Memorandum shall be cleared with Treasury or Cabinet Office, as appropriate. (The definition of "significant" will be determined by DCMS/GOE in consultation with the Treasury/Cabinet Office).

2.7 The Management Statement and Financial Memorandum will be agreed by both DCMS/GOE and ODA, following consultation with the GLA, OLD, National Lottery Commission and LDA.

2.8 Any question regarding the interpretation of the document shall be resolved by DCMS/GOE after consultation with ODA and, as necessary, with the Treasury and/or the Cabinet Office and GLA, OLD, National Lottery Commission and LDA.

2.9 Copies of the Management Statement and Financial Memorandum and any subsequent substantive amendments will be placed in the Libraries of both Houses of Parliament. The ODA will also make copies available on its website and to the public on request.

### **Compliance with instructions and guidance**

2.10 ODA shall comply with the instructions or guidance set out in:

- a) the Financial Memorandum and the Management Statement
- b) any Funding Agreements with or grant letters issued by the Funding Partners
- c) the Accounts Directions
- d) Non-Departmental Public Bodies - A Guide for Departments (the NDPB Guide), issued by the Cabinet Office
- e) *The Government Internal Audit Standards* [www.hm-treasury.gov.uk/documents/public\\_spending\\_and\\_services/audit\\_and\\_accounting/pss\\_aud\\_gias.cfm](http://www.hm-treasury.gov.uk/documents/public_spending_and_services/audit_and_accounting/pss_aud_gias.cfm) and *The Government Information Systems Audit Manual*;
- f) The following guidance/publications issued by Treasury:
  - Government Accounting, including, in particular, the Accounting Officer Memorandum for NDPBs (reproduced in Chapter 8)
  - Executive NDPBs - Financial Reporting Manual (FREM)
  - Relevant Dear Accounting Officer letters
  - Regularity and Propriety
  - Managing the Risk of Fraud

- The Green Book (Appraisal and Evaluation in Central Government) and any supplementary guidance
  - Fees and Charges Guide
  - Departmental Banking: a manual for Government Departments
- g) Guidelines on sponsorship and its role in support of Government Activities - Issued by the Cabinet Office
- h) Recommendations made by the Public Accounts Committee or other Parliamentary Authority which have been accepted by the Government and which are relevant to ODA
- i) Other relevant instructions and guidance issued either by the Treasury, DCMS/GOE, ODPM or other central government departments, including the ODPM guidance Assessing the Impact of Spatial Interventions: Regeneration, Renewal and Regional Development (and any agreed successor guidance).

### **Interpretation**

2.11 Where there is disagreement between ODA and DCMS/GOE over the interpretation of the Financial Memorandum the Secretary of State's decision is final.

### **Review**

2.12 The Financial Memorandum will be reviewed as necessary during the life of the ODA. HM Treasury, GLA, OLD, LDA and any other relevant parties will be consulted on any significant variations proposed.

## **3. Allocations, Budgeting and Funding**

### **General**

3.1 For the purpose of financial accounting the ODA is classified as a Non-Departmental Public Body. This is particularly relevant in the context of Resource Accounting and Budgeting (RAB), which was fully introduced throughout the Public Expenditure System from 2001/02.

### **The Departmental Expenditure Limit (DEL)**

3.2 ODA will be expected to comply with the Resource Accounting and Budgeting rules and to report monthly, as required by DCMS/GOE.

3.3 The following points should be noted:

(a) The acquisition and disposal of fixed and investment items, both land and non-land, are scored against capital (but see 3.16);

(b) The rules on capital charging are set out in the FREM. The cost of capital charge (currently the rate is normally 3.5%) is notional, i.e., non-cash and will apply to all assets and liabilities on the balance sheet, with liabilities attracting a negative charge. However, for donated assets, which include lottery funds, the capital charge is nil.

3.4 ODA must not exceed (or plan to exceed) its budget limits without the prior approval of the Secretary of State and the DCMS/GOE AO, who will consult the Olympic Board.

### **Annual Budget**

3.5 Before each 3-year public expenditure round and following an assessment by DCMS of the ODA's own forward projections DCMS will send to the ODA by 31 March each year:

- A formal statement of grant-in-aid payments projected
- A summary of the payments potentially available to the ODA from all sources
- A statement of any changes in policy affecting the Olympic Delivery Authority.

3.6 This information will inform the development of the Corporate Plan, annual business plan and budget of the ODA.

3.7 ODA must prepare a draft budget and submit it to DCMS/GOE and through them, to the GLA and its other funding partners and then to the Olympic Board, by the end of February each year (please see Annex A "Budget Approval Process"). The budget shall relate as fully as possible to the Annual Business Plan for the year to which the budget relates and to the cash flows available in that year from all funding sources. It shall identify those expenditures to be met from the PSFP and those to be met from DCMS grant-in-aid. It will include a staffing plan and pay proposals and will set out the milestones and/or targets to be reached in each year. Any proposed pay increases must be noted and will be required to be in

line, overall, with public sector pay policy. The budget will set out:

- The delivery programme to be met from the budget
- The amount to be spent on each programme
- The amount to be spent on administration costs
- Any amendments introduced in the course of the annual budget review
- The relevant cost limits

3.8 A final version of the budget (incorporating actual year-opening data) should be submitted to DCMS/GOE, and copied to the GLA and other funding parties, by the end of April each year. The Secretary of State reserves the right to change these dates if necessary, but will consult the GLA and other funders before doing so.

#### **General conditions for authority to spend**

3.9 ODA's annual budget and pay proposals shall be approved by the Secretary of State as the sponsor of the ODA following consultation with the GLA in accordance with paragraph 5.6 of the Management Statement. The Secretary of State shall then pass it to the Olympic Board for final determination. Subject to any restrictions imposed by statute, the Secretary of State, this Financial Memorandum, or Funding Agreements between ODA and the other Funding Parties (OLD, Sport England, GLA and LDA), ODA shall then have authority to incur expenditure approved in the budget without reference to DCMS/GOE or to the Olympic Board. This shall be subject to the following conditions:

- ODA shall comply with the delegations set out in Sections 4 and 5 of this document and with the conditions set out in Section 4 regarding novel, contentious or repercussive proposals
- Inclusion of any planned or approved expenditure in the ODA's budget shall not remove the need to seek formal approval from DCMS/GOE and the Olympic Board where any proposed expenditure is outside the delegated limits or is for new projects not approved previously.
- ODA shall provide such information to the funding parties as they may reasonably require and via DCMS/GOE to the Olympic Board with such financial information about its operations, performance, individual projects or other expenditure.

#### **Financial Reporting Requirements (see Annex B)**

3.10 In accordance with a timetable determined separately by DCMS/GOE, ODA must provide DCMS/GOE with:

- cash flow data and also expenditure data (expressed in terms of DEL used, and both non-cash and near cash) for the previous month and year to date;
- forecast outturn data for the current month and each remaining month of the financial year; and
- Variances between the previous forecasts and the outturns for the previous month and year to date, and between the previous forecasts and the new forecasts for the current month and each remaining month of and total for the financial year, together with explanations of significant variances.

The data is to be provided on workbook spreadsheets in a format provided by DCMS/GOE who will then pass on to the OLD, the GLA and the other funding parties such similar information as they themselves may require. This does not preclude direct supply of information to the funding parties where they have requested it specifically, for example, as a condition of grant.

#### **Expenditure beyond delegation**

3.11 Without prior written DCMS/GOE approval, which will be subject to the recommendations of the OPRG, ODA must not enter into any undertaking to incur any expenditure which falls outside its delegations (see para; 4.9 & 4.10) or which would exceed its approved expenditure limits.

#### **Interest earned**

3.12 Cash balances should be kept to a minimum but any interest earned on cash balances may be used towards the provision of venues and infrastructures for the Olympic Games.

#### **Administration Costs**

3.13 ODA's gross administration expenditure (which includes staff and premises costs) will be agreed by DCMS/GOE as part of the annual budget approval process. This expenditure is scored against resource consumption DEL and DCMS/GOE will monitor such costs throughout the year, along with other expenditure.

#### **End Year Flexibility (EYF)**

3.14 If the ODA under spends its budget in any one year it may carry forward the equivalent amount to the following year under the end-year financial (EYF) arrangements. However, its use of that part of its EYF that relates to the element of its budget that is financed by grant-in-aid from DCMS is subject to the

agreement of DCMS within the constraints of the Treasury's budgetary control framework, including the Treasury's normal scrutiny of any take-up of EYF on the basis of need and realism (see paragraph 3.23 below).

### **Discount Rate**

3.15 The discount rate for investment appraisal purposes is based on the Green Book, and for accounting purposes is as prescribed by HM Treasury.

### **Cost of Capital**

3.16 The cost of capital charge is calculated at 3.5% on the ODA's own assets, but is subject to change from time to time. Cost of capital scores against Resource Consumption DEL. However, to the extent that assets are constructed using lottery and local authority funding, they are not capital charged.

### **Lottery Funding, GLA funding, London Development Agency and Grant-in-aid**

3.17 ODA funding from Lottery will contribute to meeting the administrative and operational costs of the ODA as well as the planning, design and construction of the Games venues and Infrastructure. Funds received from the GLA and the LDA should be spent on venues and infrastructure in London. In addition, the ODA will receive grant-in-aid towards costs not covered by the Public Sector Funding Package, such as the undergrounding of power lines.

3.18 Lottery Funding will be drawn down from the Olympic Lottery Distribution Fund and the National Lottery Distribution Fund. The London Council Tax funds will be drawn down from the GLA and the LDA funds from the LDA. Grant-in-aid will be drawn down from DCMS/GOE.

3.19 ODA will be free to use the funds available to it for all relevant purposes associated with its functions, subject to the requirements set out in the grant letters and memorandums of the GLA and other funding parties.

3.20 Payments will be made as follows:

- Grant-in-aid will normally be paid in monthly instalments, on the basis of a written application showing evidence of need (see paragraph 3.22 below)
- Grant from the OLD will be paid to the ODA quarterly in advance
- and the GLA payments will reflect the fact that the precept is paid in 10 instalments per annum.

Other funds will be paid in accordance with the terms set out in the respective grant letters and memorandums. All applications for funds must be signed by the Chief Executive or the Director of Finance, or by a person notified in advance to DCMS/GOE or the relevant funding body as having delegated authority to sign applications.

3.21 Claims must be submitted in accordance with an agreed format. All claims for grant-in-aid must certify that the conditions applying to the use of grant-in-aid have been observed to date and that further grant-in-aid is now required for purposes appropriate to the ODA's functions.

3.22 The basic information required in the written application is the amount of cash ODA requires each month throughout the financial year. The following data will normally also be required:

- Cash received to date - compared with budget forecast
- Cash grant-in-aid received to date - compared with budget forecast
- Cash spent to date - compared with budget forecast
- Variance analysis for cash requirements for the next month and for the remainder of the year, as against previous forecasts, together with explanations of the variances
- An explanation of any material (i.e. , greater than 10%) variances
- Cash remaining
- Next month's cash grant-in-aid requirement
- A profiled cash requirement for the remainder of the financial year

3.23 This information is to allow DCMS/GOE to determine whether requests for grant-in-aid are reasonable and ensure that money is not paid in advance of need. Grant-in-aid which has not been drawn down lapses at the end of the financial year. DCMS/GOE will need to seek approval through its Estimate for grant-in-aid for the following year for expenditure that is to be covered by EYF (see paragraph 3.14 above).

3.24 ODA's forecasts of its future grant-in-aid requirements should be as accurate as possible and ODA may be set targets for the accuracy of its forecasts.

3.25 Any payments, such as refunds of unused grant, which ODA intends to make to DCMS/GOE should be notified at least 7 working days in advance. This will enable DCMS/GOE to take such amounts into account when considering its overall daily cash position.

3.26 Should ODA wish to engage in tradable financial instruments the prior approval of DCMS/GOE, and then HM Treasury, will be required.

### **Cash balances and cash carried forward over the year end**

3.27 ODA should keep cash balances to the minimum necessary to meet its immediate requirements. Any cash above this figure should be placed on deposit, taking account of the need to safeguard funds and manage risk.

### **Vote Estimates Timetable (Grant-in-aid)**

3.28 DCMS/GOE will notify ODA of the arrangements and timetable for the main and supplementary Vote Estimates as soon as possible after they are established. ODA must provide such information as DCMS/GOE may require for the Estimates, in relation to the grant-in-aid that it provides to the ODA.

### **Banking, Borrowing and Overdrafts**

3.29 ODA's Accounting Officer is responsible for ensuring that the organisation's banking arrangements safeguard public funds and that they are carried out efficiently, economically and effectively in accordance with the requirements of Government Accounting and the Treasury guidance document Departmental Banking: A Manual for Government Departments.

3.30 He must therefore ensure that:

- These arrangements are structured suitably and represent value for money, and are reviewed at least every two years, with a comprehensive review, usually leading to competitive tendering, at least every three to five years;
- Sufficient information about banking arrangements is supplied to DCMS/GOE to enable the latter's Accounting Officer to satisfy his own responsibilities;
- ODA's banking arrangements are kept separate and distinct from those of any other person, public body or organisation;
- Adequate records are maintained of payments and receipts, and that adequate facilities are available for the secure storage of cash.

3.31 Although the Act permits the Secretary of State to make a loan to the ODA it is not expected that ODA will, itself, borrow money. ODA may only borrow, or enter into

a financial lease or other arrangement that is akin to borrowing, with the specific approval of both DCMS/GOE and the Treasury. Any such borrowing that is approved will count against DCMS' DEL limit. Should borrowing be necessary it will be for DCMS/GOE to enter into an appropriate arrangement with Treasury.

### **Guarantees, indemnities and contingent liabilities etc.**

3.32 ODA must obtain the written consent of DCMS/GOE to lend money, or charge any asset as security. Similarly, ODA must obtain the written consent of DCMS/GOE if it intends to give any guarantees or indemnities or letters of comfort (other than those incurred in the normal course of business), or incur any other contingent liability (as defined in Government Accounting), whether or not in a legally binding form.

### **Leasing**

3.34 Prior approval must be secured from DCMS/GOE for all property and finance leases. ODA must have Capital DEL provision for finance leases and any other transactions which are, in substance, borrowing. Before entering into any lease, ODA must be able to demonstrate that the lease offers better value for money than purchase. However, prior DCMS/GOE approval is not required for operating leases

### **Gifts and Bequests Received**

3.35 ODA is free to retain any gifts, bequests or similar donations made to it. These will be treated as receipts and must be accounted for appropriately. ODA must keep a record of all gifts, bequests and donations received, and of their estimated value and whether they are disposed of or retained. It should also consider very carefully if there are any associated costs of doing so or any conflicts of interest and ethical issues arising. Nothing should be done that in any way compromises the protocols of the International Olympic Committee.

3.36 Donated assets do not attract a capital charge. Any gift or bequest of significant monetary value must be reflected appropriately in the annual accounts.

### **Fees and Charges**

3.37 Fees and charges made for any facilities or services provided by ODA shall be determined in accordance with Treasury's Fees and Charges Guide; Selling into Wider Markets: A Policy Note for Public Bodies, and, Charges for Information: When and How. In setting fees for information requested under either the Freedom of

Information Act; the Environmental Information Regulations, the Data Protection Act or the re-use of Public Sector Information Regulations, ODA must follow the respective regulations and guidance notes issued for public bodies.

### **Wider Markets**

3.38 In accordance with the Wider Markets Policy, ODA should seek to maximise receipts from non-Exchequer sources, provided that this is consistent with both its main functions and its corporate plan. (See *Selling into Wider Markets, a Policy Note for Public Bodies* - <http://www.partnershipsuk.org.uk/Information/commercialisation/Selling%20into%20Wider%20Markets.pdf>). ODA will be entitled to retain income generated by sales into wider markets.

## **4.0 Project Expenditure**

### **Projects**

4.1 ODA must agree all new initiatives and programmes that are outwith the agreed corporate plan with DCMS/GOE, who will consult GLA and the other funding parties in accordance with paragraph 5.6 of the MS. These new initiatives and programmes should normally be included initially in the Corporate Plan. Material changes to previously agreed initiatives and programmes should also be agreed with DCMS/GOE. ODA must be satisfied in all instances that its proposals are consistent with EU law and regulations. Where appropriate, the necessary approval should be sought from the European Commission via DCMS/GOE.

4.2 ODA shall make available to DCMS/GOE, the GLA and other funding parties such information about any projects or expenditure as they may require.

### **Project Procedure**

4.3 Subject to the provisions of the Acts, any consents, guidance or directions issued by the Secretary of State pursuant to these Acts, and any relevant external considerations, ODA may fund projects either on its own account or as joint ventures, where those projects meet the requirements of the Games and their legacy.

4.5 Any expenditure (or risk of expenditure) which cannot properly be treated as part of a project should be considered as Resource Consumption expenditure.

4.6 Each project must be individually appraised, controlled and monitored, in accordance with guidance issued from time to time. The appraisal should normally:

- a) Demonstrate the rationale, purpose and need for the project
- b) Make clear the objectives of the project
- c) Consider the options for the delivery of the project including a do nothing or do minimum case
- d) Identify the project costs and benefits
- e) Identify the risks and explain how these will be managed
- f) Provide a value for money judgement in relation to ODA's investment (and, where appropriate, the total public sector investment);
- g) Provide a discounted cash flow for ODA's investment and appropriate sensitivity analysis;
- h) Provide, where relevant, the views of major partners (GLA, LDA, LOCOG, BOA)
- i) Make clear the potential outcome of each option;
- j) Apportion, where appropriate, output between funders;
- k) Make a firm and reasoned recommendation; and
- l) Explain the proposed procurement approach.

4.7 The amount of any guarantee, indemnity or other form of contingent liability entered into by ODA will be included in project appraisal processes. All such liabilities must be consistent with ODA's statutory powers and are subject to the requirements of Government Accounting. DCMS/GOE will also set limits for the total value of outstanding guarantees, indemnities and liabilities either in total or by category, or both.

#### **The Olympic Project Review Group (OPRG)**

4.8 Those projects the costs of which exceed the ODA's delegation (£20 million) and which require formal approval should be submitted for approval to the Olympic Project Review Group (OPRG). The OPRG will review all projects above delegation against established investment and project criteria; including options appraisal, whole life costs, value for money, success criteria, risks, governance, legacy and sustainability. The OPRG will recommend to the Secretary of State and Treasury projects for approval, will be chaired by DCMS and will be formed of officials from DCMS, GLA, Treasury, ODPM, OLD and OGC, and DfT, TfL or LDA, as required; representatives of the ODA will also attend meetings. The OPRG's recommendation will be recorded in the note of the meeting. The project approval process for such projects is set out at Annex C. The OPRG will ensure that their assessments are of the highest quality and that their recommendations are delivered to the Secretary of State quickly, i.e., within 2-3 weeks of receipt of the submission of the ODA case for project approval wherever possible.

4.9 OPRG will also advise on costs changes and virements (see paragraphs 4.12 to 4.14).

### **Financial delegations – Expenditure**

4.10 ODA may commit expenditure up to a maximum of £20 million for any individual project which is to be funded in accordance with its statutory powers.

4.11 Prior DCMS/GOE approval is required for all projects which:

- (a) involve ODA expenditure above £20 million. Such projects will also require Treasury approval
- (b) are considered novel, contentious or repercussive.

However, the disposal of all major assets (i.e., buildings and land) will be subject to the approval of DCMS/GOE in consultation with the GLA and other funders.

### **Regulation of Cost Changes**

4.12 To facilitate tight cost control of all projects with a value in excess of £20 million any proposals made in any one year for increases in total project cost in excess of £3 million or 5%, whichever is the lowest, will be referred to the OPRG. The OPRG will advise DCMS/GOE (and through them, the Olympic Board) on whether the change is acceptable.

4.13 If the aggregate of project costs is forecast to exceed the approved costs by more than £30m in any one year, the cost increase will be referred to OPRG. The OPRG will advise the Secretary of State on whether the change is acceptable.

### **Virements**

4.14 To permit the most cost-effective application of resources, the ODA may switch funds from one project to another without reference to the OPRG where the amount involved is no more than £3 million in any year. Any virement above this level will require the prior approval of DCMS/GOE subject to the recommendation of the OPRG.

### **Financial Delegations – Disposal of Assets**

#### **Disposals**

4.15 ODA must seek the prior approval of DCMS/GOE in the following circumstances:

- a) all instances where ODA proposes to dispose of assets for less than the best consideration reasonably obtainable
- b) where it is proposed to dispose of any development asset, or package of development assets, valued at over £5 million net, or valued at over £3 million net, where there has been no price competition
- c) where a disposal is likely to be novel, contentious or repercussive
- d) where DCMS/GOE may from time to time determine

4.16 In practice, the nature of the venues and facilities to be disposed of may be such that most disposals are envisaged as being of either nil value or negative. In the particular circumstances of this case special treatment will be required in order to avoid a serious impact on the DCMS's Resource DEL. It is therefore essential that DCMS and Treasury agree a clear policy on this at an early stage and inform GLA and the other funding parties accordingly.

#### **Novel, contentious or repercussive expenditure**

4.17 ODA must discuss with DCMS/GOE at an early stage any novel, contentious or repercussive proposals likely to arise on a particular piece of business. ODA must obtain the approval of DCMS before making:

- a) any commitment to incur, or actually incurring, any expenditure for any purpose which is or might be considered novel or contentious or which has or could have future cost implications, including on staff benefits
- b) any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by DCMS/GOE
- c) any changes of policy or practice which have wider financial implications (e.g. because it might prove repercussive or set precedents among other public sector bodies) or which may significantly affect the future level of resources required.

4.18 Treasury approval may also be required in these cases, irrespective of the financial amounts involved.

#### **Project Monitoring by DCMS**

4.19 DCMS/GOE reserves the right to "call in" at any time for examination, and discussion with ODA, papers

relating to any ODA project or other expenditure or commitment.

### **Interests in bodies corporate and joint ventures**

4.20 ODA must obtain DCMS/GOE's prior approval to form, or acquire interests in, bodies corporate and joint ventures, irrespective of the amount of money involved. In considering such approaches, DCMS/GOE will take into account its wider strategic aims and objectives. If agreement is given, ODA must ensure that the financial arrangements and conditions applying to payments between the bodies are documented appropriately.

4.21 Any subsidiary company or joint venture controlled or owned by ODA shall be consolidated with it in accordance with UK GAAP for public expenditure account purposes, subject to any particular treatment required by UK GAAP. Where the judgement over the level of control is a close one, DCMS/GOE will consult the Treasury (who may need to consult the Office of National Statistics over national accounts treatment). Unless agreed specifically with ODPM and the Treasury, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in the Management Statement and Financial Memorandum, and to the further provisions set out in supporting documentation.

### **Public Private Partnerships (PPPs)**

4.22 Having regard to the viability of legacy use and the potential for finding a legacy user, the ODA should look for opportunities to enter into Public Private Partnerships (PPP) to secure its objectives in relation to projects, where PPP could offer better value for money than conventional procurement. The PPP label covers Private Finance Initiatives (PFIs) in which the public sector contracts services on a long-term basis with the private sector; the introduction of private sector ownership into state-owned businesses; and the selling of Government services into wider markets.

4.23 ODA must involve DCMS/GOE as soon as a PPP/PFI project is identified. DCMS will consult Treasury and the GLA and other funding bodies.

4.24 Any partnership controlled by ODA shall be treated as part of ODA, in accordance with UK GAAP and consolidated with it (subject to any particular treatment required by UK GAAP).

### **Unconventional Financing**

4.25 Unless otherwise agreed with DCMS/GOE and Treasury, ODA must not enter into any unconventional financing agreement.

## **5.0 Miscellaneous Financial Issues**

### **Housekeeping**

5.1 ODA is responsible for the effective use and management of all its assets, including property. It is also responsible for ensuring that adequate arrangements are in place to maintain accurate and up-to-date records and to ensure that the properties are maintained (as a minimum to comply with Health and Safety legislation and recommendations) and are used and managed cost-effectively. Records should include a market valuation (as defined by the Royal Institution of Chartered Surveyors) of property held by ODA. This should be updated prior to disposal.

5.2 When considering accommodation requirements for its own needs, ODA should liaise closely with Treasury, through the sponsor team in DCMS/GOE, and should inform Treasury of any material change in its accommodation requirements.

### **Risk Management**

5.3 ODA should ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with the relevant aspects of best practice in corporate governance. It should also develop and maintain a risk management strategy. Guidance is contained in Government Accounting and the Treasury "Orange Book" Management of Risk - Principles and Concepts.

5.4 ODA must take all reasonable steps to appraise the financial standing of any firm or other body with which it is intended to enter into a contract.

### **Insurance**

5.5 The ODA will justify any proposed use of commercial insurance on grounds of value for money. In view of the scale, nature and risks of the Olympic programme there are likely to be a number of such instances. In all other circumstances except in the case of third party insurance required by the Road Traffic Acts and any other insurance which is a statutory obligation or which is permitted in Government Accounting, the ODA must obtain the prior approval of DCMS.

### **Ethics**

5.6 ODA will be required to operate at all times with the highest ethical standards and practices in accordance with the requirements set out in the Employee Handbook, and, in particular, the Code of Conduct and Business Ethics. The Code provides guidance on a wide range of issues including the ODA's policy on the handling of staff concerns about improper or unethical conduct.

### **Fraud and Theft**

5.7 ODA must adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guide, *Managing the Risk of Fraud*. Please see Annex D.

5.8 In particular, ODA should:

- a) ensure that it communicates its policy on fraud to staff in a formal policy statement
- b) prepare an annual report on fraud and theft
- c) notify DCMS/GOE of all cases of known and suspected fraud immediately and provide DCMS no later than the end of May of each year with a list of all cases of fraud or suspected fraud in the previous financial year. DCMS/GOE will inform GLA and the other funding parties, and will then report to the Olympic Board Steering Group.
- d) expect periodic checks by DCMS on whether any new or suspected frauds have been detected.

### **Losses, write-offs, special payments and gifts**

5.9 Proposals for making gifts or other special payments (including write-offs outside the limits below) must have prior DCMS/GOE approval. Gifts by management to staff are subject to the requirements of DAO (GEN) 13/01 and the associated Cabinet Office guidance on non-pay rewards. The Chief Executive, as Accounting Officer, has authority to write-off losses and make special payments to the value shown below providing all reasonable attempts at recovery have proved successful. For cases which fall outside these conditions, DCMS/GOE authority is required before any action is taken.

5.10 The delegations to the ODA for losses, write-off, special payments and gifts are shown in Annex E.

5.11 The Chief Executive may formally delegate authority to write off losses and make special payments, within specific limits, to officers at appropriate levels. These delegations should be kept under review.

5.12 ODA must maintain a record of all losses written off and special payments made, detailing the circumstances of the event and stating the action taken to prevent a recurrence; a record of gifts made should also be maintained. These records shall be available to DCMS/GOE and to GLA and other funding parties for inspection on request and a copy formally provided annually no later than the end of May each year.

5.13 ODA shall notify DCMS/GOE of all recommendations made to it by the Parliamentary Commissioner for Administration. DCMS will inform other funders.

### **Procurement**

5.14 The ODA will have a procurement policy. The policy must reflect guidance from the Office of Government Commerce including Procurement Policy Guidelines and is subject to the approval of the Olympic Board. ODA must also ensure that it complies with any relevant EU or other international procurement rules as well as all domestic procurement rules. The Department will provide advice on the application of such rules as necessary.

5.15 Subject to the requirements of Section 4(3) of the Act (legacy and sustainable development), procurement of works, equipment, goods and services must be based on value for money, i.e., quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

5.16 ODA's procurement practices should be benchmarked against best practice elsewhere and contracted out where this would achieve better value for money.

5.17 ODA should take all reasonable steps to appraise the financial standing of any firm or body with which it intends to enter into a contract, and should not proceed into making a contract unless it is appropriately satisfied.

5.18 Wherever practicable, ODA should expose activities undertaken by its own employees to outside competition and arrange for them to be contracted out, where this would provide improved value for money.

### **Letting contracts by competitive tender or single tender**

5.19 Contracts must be placed on a competitive basis and tenders accepted from suppliers who provide the best

value for money overall. All contracts should therefore normally be let by means of full competitive tender.

5.20 It is recognised, however, that this may not always be appropriate for smaller contracts:

- De minimis contracts worth less than £3,000 may be let by single tender, although ODA must ensure that value for money is achieved.
- If contracts worth less than £25,000 are not let by full competitive tender, ODA must ensure that at least three written quotations are received before any decision is taken to award such a contract.

5.21 Single tenders should be avoided, wherever possible. However, contracts up to £100,000 may be let by single tender where there is no reasonable alternative (for example, for certain specialised or fixed price services) or in cases of extreme urgency (for example, to remove a risk to public safety). Any proposals for single tender for contracts above £100,000 require prior DCMS/GOE approval.

5.22 The Chief Executive may formally delegate authority to let contracts, within specific limits, to officers at appropriate levels. These delegations should be kept under review.

### **Timeliness in paying Bills**

5.23 ODA shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days, as provided for in Annex 16.2 of Government Accounting. It must comply with the British Standard for Achieving Good Payment Performance in Commercial Transaction (BS7890), and with the Late Payment of Commercial Debts (Interest Act) 1998, as amended. The 1998 Act allows creditors to claim statutory interest and compensation on late payment of commercial debts.

### **Fixed and Investment Assets**

5.24 The ODA shall at all times use its own assets in the most cost-efficient manner, and dispose of those assets which are surplus to its requirement. On wind-up the ODA's own assets, e.g. office equipment etc., will be disposed of for best price. The receipts will be surrendered to the Exchequer where purchase was from grant-in-aid. The disposal of venues and other assets which have been used for the staging of the Games will be determined in the context of a disposal plan.

5.25 ODA must keep the overall level of its fixed and investment assets under regular review, with a view to disposing of any that are surplus to requirements. It should therefore maintain an accurate and up to date register of such assets. The register should be made available for inspection by DCMS/GOE on request.

5.26 Disposal of fixed and investment assets must be undertaken in accordance with the requirements of the Corporate Plan and/or legacy plan or otherwise in accordance with the requirements of Chapter 24 of Government Accounting.

5.27 The disposal of development assets is subject to the delegation limits set out in paragraph (4.12) above.

## **6. Staffing Matters**

### **London Olympic Games and Paralympic Games Act 2006**

6.1 The Act sets out the specific legal provisions relating to the appointment of the members of the ODA, Chief Executive, Director of Finance, Director of Transport and the establishment of committees.

#### **Chief Executive - Performance targets and performance related pay**

6.2 The Board should set the Chief Executive's personal annual performance targets. These should be clearly defined, challenging and realistic, reflecting the ODA's Corporate Plan and strategy objectives and its Annual Business Plan. A separate objective, covering personal responsibility as Accounting Officer, should also be included. If targets need subsequently to be revised because of a significant change of circumstances, the revisions should be formalised at the time and not retrospectively. The Chief Executive is eligible for performance related pay as set out in his contract.

6.3 On or before 1 April the Chairman should send a copy of the Chief Executive's targets for the forthcoming period to DCMS/GOE for their comment.

6.4 The Chairman should inform DCMS of any performance awards made to the Chief Executive.

#### **Other staff - terms and conditions**

6.5 ODA should establish and operate a unified set of terms and conditions for all staff, whether on permanent or temporary contract. These should cover both pay and non-pay matters.

6.6 The terms are to be approved by DCMS/GOE and should take account of information provided in this Financial Memorandum and any separate Management Guidance.

6.7 Current terms and conditions for ODA staff should be set out in its Employee Handbook. A copy of the Handbook and subsequent amendments should be provided to DCMS/GOE.

### **Remuneration**

6.8 ODA shall operate an open and fair annual appraisal system for its staff and a performance-related pay scheme which shall form part of the general pay structure that is approved by DCMS/GOE.

6.9 Before any annual pay settlement can be agreed with its staff, ODA must submit in its annual budget what information DCMS may require in order to comply with the Government's policy on public sector pay. The pay arrangements will be approved annually as part of the approval of the ODA's Budget, which will contain in an Annex all the material necessary to assess compliance with public sector pay policy.

### **Recruitment**

6.10 When recruiting, ODA shall select staff on merit on the basis of fair and open competition, save where an appointment is justified for exceptional reasons relating to the needs of ODA and the proven ability of the person proposed for appointment. Prior DCMS/GOE approval is required for the creation of any new senior staff posts where the basic salary exceeds £120,000 per annum. The threshold figure may be subject to review from time to time.

6.11 ODA must comply with the EU Directive on contract workers, Fixed Term Employees Regulations (Prevention of Less Favourable Treatment).

6.12 Wherever appropriate, ODA must take account of the Transfer of Undertakings (Protection of Employment) regulations 2006, SI 2006/246 or the Cabinet Office's Statement of Practice - Staff Transfers in the Public Sector issued in January 2000, where these are relevant.

6.13 ODA shall operate severance arrangements that are subject to Treasury approval. Guidance on compensation can be found in Compensation for Premature Termination of Appointment of staff in Non-Departmental Public Bodies, and DAO (GEN) 11/05.

6.14 ODA shall ensure that it has proper mechanisms for monitoring and controlling manpower resources. ODA shall periodically review the output of these mechanisms, and

allow access to DCMS/GOE for the purpose of carrying out audits.

6.15 From time to time DCMS/GOE may request specific information from ODA on staffing and personnel matters, including for the purposes of reporting on the performance and policies of the wider DCMS family (i.e. DCMS and its sponsored bodies as a group) or in order to fulfil Accounting Officer responsibilities. ODA shall submit such information as DCMS/GOE may require.

### **Provision of Pensions**

6.16 ODA must ensure that there are clear legal and administrative arrangements covering the provision of its pension schemes in respect of benefits and contributions, the administration of the schemes and the management of the funds. ODA must report to DCMS/GOE on the organisation of its pension schemes and the management of the funds as soon as possible after the end of each financial year, or as agreed with DCMS/GOE.

6.17 ODA staff shall normally be eligible for a pension provided by a Stakeholder Pension, or to retain their existing arrangements in, for example, the Local Government Pension Scheme (LGPS).

6.18 The employer's contribution to any personal pension arrangement, including a stakeholder pension, shall normally be limited to the national insurance rebate level.

6.19 Any proposal by ODA to change its existing pension arrangements requires DCMS/GOE approval.

## **7.0 Accounts and Audit**

### **Annual Accounts (See also Section 6 of the Management Statement)**

7.1 ODA must publish its accounts and a report of its activities annually.

7.2 The accounting requirements for ODA are set out in the Accounts Directions issued to the ODA by DCMS/GOE. ODA must retain accounting documents in line with the requirements of Government Accounting.

7.3 ODA must adhere to the timetable agreed with DCMS each year for the preparation and publication of the accounts. This timetable is intended to allow ODA's annual report and accounts to be laid before Parliament in the Autumn.

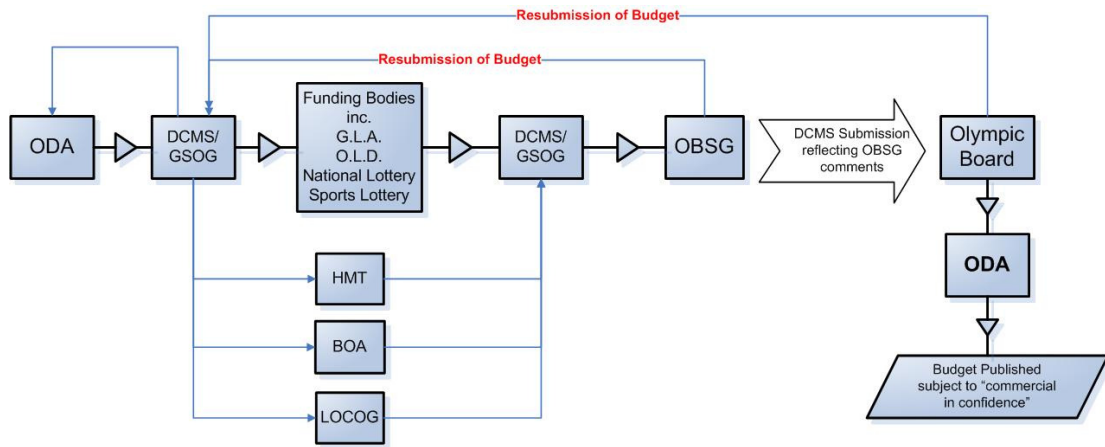
7.4 ODA shall submit a copy of its accounts to DCMS, who will consult the GLA and other funders, before they are signed and before the auditors sign their report on the accounts. This is to give DCMS, GLA and other funders the opportunity to comment on the text and presentation in the accounts. The Accounts should normally be signed by the Chairman (on behalf of the Board) and by the Accounting Officer.

7.5 No information from the accounts must be made public before the accounts have been laid before Parliament.

### **Audit**

7.6 The main arrangements for internal and external audit are set out in the Management Statement

## ANNEX A: BUDGET APPROVAL PROCESS

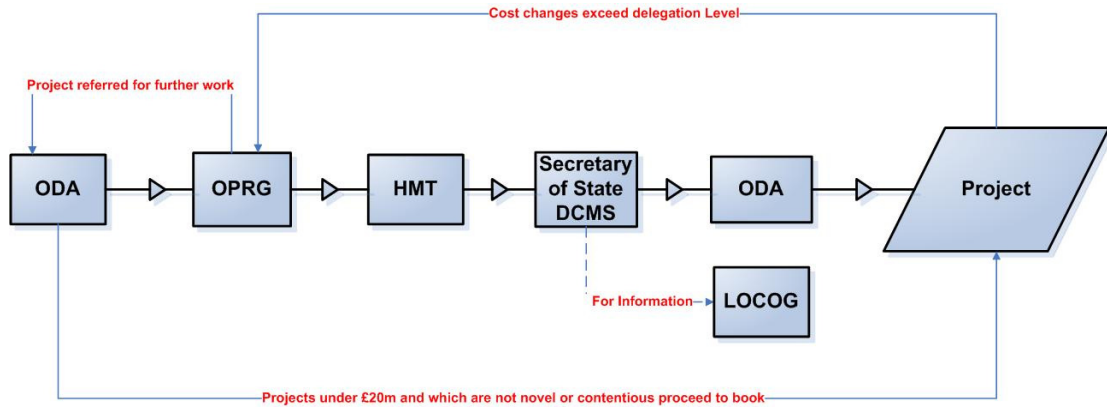


**ANNEX B:**

**LIST OF MANAGEMENT DOCUMENTS AND TIMETABLE**

<b>Document</b>	<b>Timetable</b>
Annual expenditure and profile of draw down from : Grant-in-aid Olympic Lottery Sports Lottery National Lottery Council Tax Precept LDA Other	By 31 March for following financial year
Financial statements forecasts and analysis	Monthly
New or revised Funding Agreement	As agreed with DCMS/GOE
Review of last full year of Funding Agreement	As agreed with DCMS/GOE
Draft Annual Report and Accounts	By 31 July
Final Annual Report and Accounts	By 31 October
The Head of Internal Audit's annual report	As soon as possible after the report is passed to the Audit Committee
Frauds or attempted fraud	Above the de minimis limits (Annex D), as soon as possible; below the de minimis limits, annually by 31 April each year

**ANNEX C:  
PROJECT APPROVAL PROCESS, FOR PROJECTS OVER £20 MILLION,  
OR THOSE INVOLVING NOVEL OR CONTENTIOUS EXPENDITURE**



## ANNEX D:

### FRAUD AND THEFT REPORTING

#### Introduction

1. The Olympic Delivery Authority should keep a record of all frauds/theft ("frauds"), and will provide to the Department by the end of April each year, in the form specified in DAO (GEN) 15/02 and subsequent changes to *Government Accounting*, an annual report of all frauds discovered in the year. Individual frauds reported to the Department earlier in the year may be referred to in summary in the annual report if these have been reported in the prescribed form.

2. All frauds and suspected frauds should be reported **immediately** on suspicion to the sponsoring team in DCMS with as much of the following information as time and circumstances permit:

- a) when the fraud occurred
- b) what happened, and does the ODA consider the fraud novel or unusual,
- c) information about the perpetrator - staff or external,
- d) suspected/estimated or actual level of loss,
- e) action taken to date and planned to investigate the fraud to rectify control failures and prevent recurrence against the perpetrator.
- f) the extent of any Police involvement
- g) how soon a full report will be available.

3. DCMS/GOE will then decide whether a full report on the basis of DAO (GEN) 15/02 is necessary, and any other action that it considers should be taken. Cases which are novel or unusual will be brought to the attention of the Treasury by the Department so that any lessons can be shared quickly.

#### Use of fraud reports

4. Full reports of frauds with losses above £10k should be accompanied by a narrative suitable for publication, the content of which should cover the main system weaknesses which allowed the fraud to occur, the method by which the fraud was discovered, the value of the fraud, action taken against the perpetrator, and action taken to reduce the risk of recurrence.

5. Frauds of this magnitude may be reported to the Treasury as part of the Annual Fraud Return by Departments where there are important lessons to be

learned. From time to time the Department will make lessons learnt from the Fraud Report available to its sponsored bodies.

**ANNEX E:  
THE OLYMPIC DELIVERY AUTHORITY'S (DRAFT) DELEGATED  
FINANCIAL LIMITS**

*ALL DELEGATIONS ARE SUBJECT TO THE REQUIREMENT THAT  
SPENDING PROPOSALS FALLING WITHIN GOVERNMENT ACCOUNTING  
2.4.7 SHOULD BE REFERRED TO THE DEPARTMENT*

Unlimited (unless otherwise specified)

**1. CAPITAL EXPENDITURE**

<p><b>Expenditure on new construction, land, extensions of, and alterations to, existing buildings and the purchase of any other fixed assets (e.g. machinery, plant, and vehicles) with an expected working life of more than one year. Also includes exchanges of fixed assets.</b></p> <p><b>Cost changes :</b></p> <p><b>-Single Project</b></p> <p><b>-All projects (<i>in any one year</i>)</b></p> <p><b>Virements :</b></p> <p><i>Footnotes:</i></p> <p><i>a) £3 million, the agreed contingency or 5% whichever is the lowest (4.13)</i></p>	<p><b>Up to £20m</b></p> <p><b>Up to £3m(a)</b></p> <p><b>Up to £30m</b></p> <p><b>Up to £3m</b></p>
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**2. GIFTS**

<p><b>Gifts received by the Olympic Delivery Authority</b></p>	<p><b>Unlimited</b></p>
<p><b>In a financial year, any one gift or total of gifts to one person/organisation</b></p>	<p><b>[Up to £10,000]</b></p>

**Gifts to staff are subject to DAO (Gen) 13/01.**

**3. NON-STATUTORY CONTINGENT LIABILITIES** **Up to £100,000**

#### 4. LOSSES AND SPECIAL PAYMENTS

**The write-off of losses or approval of special payments should only be carried out by staff authorised to do so by and on behalf of the Olympic Delivery Authority's Accounting Officer.**

Type	Description	Delegation
A	<b>Losses</b>	
i.	Cash losses. Physical losses of cash and equivalents (e.g. banknotes, postal orders, stamps) by any cause.	£250,000
ii.	Bookkeeping losses:	
	because of unvouched or incompletely vouched payments, including cases where vouchers are missing;	£250,000
	because of changes to estimates or other accounts to clear inexplicable or erroneous balances.	£250,000
iii.	Exchange rate fluctuations. Losses due to fluctuations in exchange rates or revaluations of currencies.	£250,000
iv.	Losses of pay allowances and superannuation benefits:	
	overpayments due to miscalculation, misinterpretation of acts, regulations or scheme rules or the full facts not being known;	£250,000
	unauthorised issues, e.g. payments not admissible under the acts, regulations or scheme rules;	£250,000
	losses arising from other causes, e.g. non-disclosure of full facts by the beneficiary, short of proven fraud.	£250,000
v.	Losses arising from overpayments of grants, etc. arising from miscalculation, misinterpretation of acts regulations or scheme rules, or the full facts not being known.	£250,000
vi.	Losses arising from failure to make adequate charges for the use of public property or services.	£250,000
B	Losses of accountable stores:	
i.	because of fraud, whether or not it has been possible to charge anyone with an offence, or proven or suspected theft, arson or sabotage, or any other deliberate act (including repairable damage caused maliciously to buildings, stores; etc. which is not the subject of an identifiable legal claim against some person); wherever possible recovery must be effected and prosecution mounted;	£250,000
ii.	losses arising from other causes.	£250,000
C	Fruitless payments and constructive losses	£250,000
D	Claims waived or abandoned	£250,000
E	Special payments:	
i.	extra-contractual and <i>ex gratia</i> payments to contractors;	£250,000
ii.	other <i>ex gratia</i> payments;	£250,000

iii.	compensation payments;	£250,000
iv.	extra-statutory and extra-regulatory payments.	£250,000

**DISPOSAL OF ASSETS (Paras. 55-57) £1,000,000**