



# The National Lottery Community Fund

Annual Report and Accounts 2018-19

HC 2508  
SG/2019/110





# Big Lottery Fund\*

## Annual Report and Accounts

\*(operating as The National Lottery Community Fund)

**For the financial year ended 31 March 2019**

Presented to Parliament pursuant to section 23(3) of, and paragraph 21 of Schedule 4A to, the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998 and the National Lottery Act 2006).

Laid before the Scottish Parliament by the Scottish Ministers on 17 July.

Laid before the Northern Ireland Assembly.

Ordered by the House of Commons to be printed on 17 July.



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ISBN 978-1-5286-1450-4

CCS0519221032

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office.

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Part one

# Our year in review





# A message from the Chair



It is eight years since I had the privilege to join the team at what was then the Big Lottery Fund. The time has gone so quickly, but the changes have been profound, and I don't just mean the long-sought change of name. We now have different and more effective ways of working and whilst change involves disruption, it also creates opportunity. I'm certain we're now more connected to communities than ever before.

I am deeply grateful to our colleagues at all levels and throughout the United Kingdom for their commitment and hard work. I am especially grateful to our Chief Executive for her outstanding leadership.

The National Lottery has done so much to make lives happier.

Our job at The National Lottery Community Fund is, quite simply, to make people feel happier. We try to balance acute need with long-term intervention and everyday joy. We can only do this thanks to players of The National Lottery, which is twenty-five years old this year.

We are working more closely than ever within The National Lottery family to ensure that our collective efforts are recognised and applauded. The National Lottery has done so much to make lives happier.

One of my favourite projects is Our Bright Future. This is a UK wide project which engages with young people to make the places where they live better, gaining skills and employment opportunities. It aims to help them to take ownership of what they deserve: a healthy planet and a thriving greener economy. Nearly 100,000 people have become involved through 31 projects. But it's better than that, because each of them – from England, Scotland, Wales and Northern Ireland – is connected to create a legacy. That's what The National Lottery and The National Lottery Community Fund can make happen.

Throughout this Report you will see examples of what we have done in our countries and across the United Kingdom. Each of the Country Committees dedicate time and knowledge to making life better where they come from; each and every one of our colleagues contribute to our purpose, and I thank them all very much indeed.

A handwritten signature in black ink, appearing to read 'Peter Ainsworth'.

Peter Ainsworth

# A message from the Chief Executive



As I write, we are putting the finishing touches to our plans to celebrate the 25th birthday of The National Lottery. Everything we have achieved at The National Lottery Community Fund over the last twelve months, echoes these successes and signals the next 25 years.

When people are in the lead, communities thrive.

This year, we changed our name to connect with not only where our primary funding comes from, but also who it is for: people and communities. At the same time, we reviewed our strategic framework, re-asserting that when people are in the lead, communities thrive. We've added a new principle, For Everyone, alongside our existing six and have embedded it into our work by developing a stronger and deeper local presence across all the countries of the UK. Early indications are that these changes are creating stronger relationships, more targeted applications, and greater opportunities for working collaboratively, with our funding reaching a wider range of groups (many of whom are first time applicants).

We have also launched our dedicated Partnership funding programme in

England, based on the principles of generous leadership. We piloted a Lived Experience Leadership programme in our UK portfolio, exploring how best to involve those with lived experience as we make final funding decisions. We will build on this experience over the next two years as we codify and develop our approach to participatory grant-making.

It was another vintage year for The Big Lunch, our flagship funded programme run by the Eden Project. I am reminded of that wonderful James Baldwin quote, "in order to learn your name, you are going to have to learn mine". We will continue to support projects which bring people together, like The Friendly Bench, the Warm and Toasty Club, and Men's Sheds, to build connections and create lasting friendships.

It was also a year when we started to publish more of the learning that is emerging from our funding. We've been ensuring that those lessons are fed into policy makers and practitioners through participating in expert groups and sitting on cross government initiatives such as the Serious Violence Taskforce and the Inclusive Economy Partnership.

It has been a very productive year, one in which we made 12,143 grants to the value of £511.1 million. It's a massive tribute to all my colleagues that we have achieved so much and been able to play our part in helping people and communities across the UK thrive.

A handwritten signature in black ink, which appears to read 'Dawn Austwick'.

Dawn Austwick

# Our year in numbers

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## The National Lottery Community Fund is for everyone

In total **26,988** projects we funded were active last year, one in every local authority

Over **12,000** new projects = more than **1** new award every hour

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Individual projects may be counted in more than one category.

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## Often small amounts of money make the biggest difference to people and communities

**86%** of our new grants were for **£10,000** or less

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# Money awarded in 2018-19



\*Figures above reconcile to total Lottery programme expenditure in the Statement of Comprehensive Income.

On average we awarded **£1.4m every day** to projects that matter to people and communities

# Our year at a glance

Through 2018-19, The National Lottery Community Fund has supported all kinds of projects across the UK. From small, grassroots organisations to ongoing partnerships with expert leaders across the sector, our work is varied and far reaching.



## The Year of Young People

The National Lottery Community Fund, The National Lottery Heritage Fund and sportscotland joined together to celebrate the Scottish Government's Year of Young People through the creation of a new fund. The Year of Young People National Lottery Fund offered grants between £3,000 and £10,000 to projects aimed at supporting young people's health and wellbeing.



## Ageing Better

Working across 14 partnerships in England, Ageing Better is a six year, £78 million programme aimed at improving the lives of people over the age of 50. In October 2018, these partnerships came together for a two day conference in the Turner Contemporary Gallery, Margate to share experiences and learning. Over 100 delegates joined in discussions and enjoyed evening entertainment, including a roller disco at the famous Dreamland.

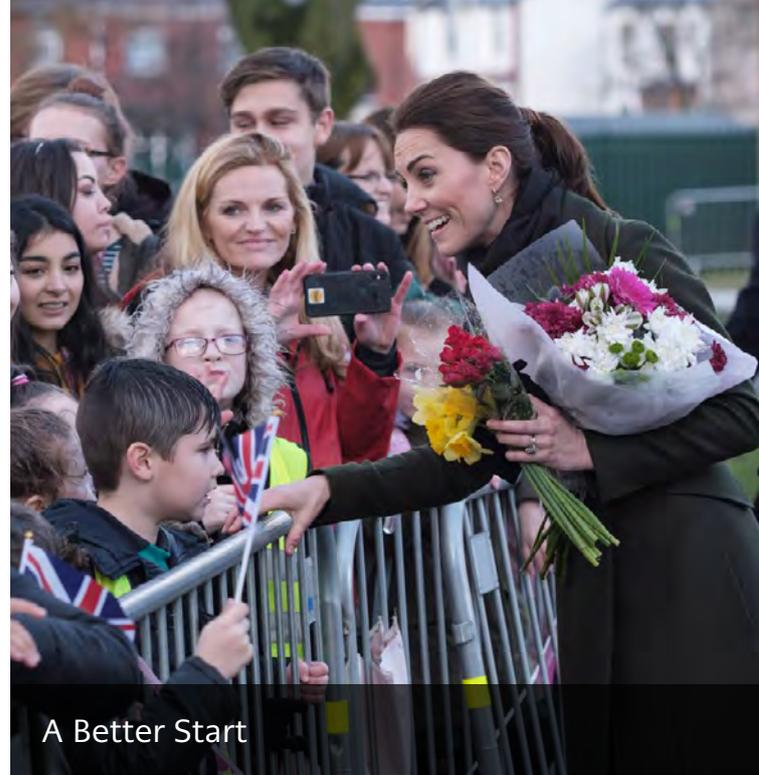


## Mayor's Community Weekend

The Mayor's Community Weekend brought people together across the West Midlands. A joint initiative with the West Midlands Combined Authority, National Lottery grants of up to £500 were made for celebratory events in the local community. £55,000 was awarded to 124 groups across the region for events to encourage local community involvement.

## A Better Start

Supporting children and their families up to the age of four, A Better Start is a 10 year programme providing systems change across five partnerships in England. In spring 2019, The Duke and Duchess of Cambridge visited A Better Start Blackpool, where they learned about the programme's work in early years' development. They met with health visitors and practitioners from the Family Nurse Partnership as well as parents.



A Better Start



## Pitch a project

In Northern Ireland, the community in Clogher decided how money should be spent in their local area. Ten lucky projects pitched their ideas and were awarded up to £500 for a wide variety of projects, including a shared library for children and a beginners beekeeping course.



## Surprise summer

Over the summer of 2018, we surprised nine projects in Wales with the good news of their application success, and even captured the reactions of three of them on camera. Milford Youth Matters was delighted with their £437,000 award to expand youth services and provide activities for young people in the coastal town.



## The Friendly Bench

Our funding touches people's lives in all sorts of ways. The Friendly Bench has created a space for members of the local community to come together and share a cup of tea. The bench is an innovative kerbside community space with seating, situated in easy walking distance for a community of elderly residents. It has created a hub for the local community and helped improve their physical and mental wellbeing.

# Our strategic framework

## When people are in the lead, communities thrive.

People understand what's needed in their communities better than anyone. We listen, collaborate and fund so that good things happen.

That's why we're proud to award money raised by National Lottery players across the UK.



Mayor's Community Weekend

## Our goals

- The National Lottery Community Fund supports ideas and projects that matter to people and communities.
- We use our funding and relationships to help create stronger, more connected communities.
- Charities and community organisations across the UK are vibrant, diverse and active.
- The National Lottery Community Fund is valued, trusted and efficient.

## Our principles

Within our strategic framework, there are seven principles that underpin our work and set out how we collaborate with partners and make funding decisions. We'll take a closer look at each principle across the next few pages.



# 1

Our principles

## For everyone

**“Through National Lottery funding, we can empower people. The people we work with are involved in every aspect of programme development and evaluation.”**

Geraldine, Project Manager,  
Bardic Education Arts & Media (BEAM)



# 2

## Confidence not control

“It’s really nice that young people are being given the responsibility and skills to promote and talk about issues that are important to them.”

Jo, 22 Sports coach, East Lothian Council



## 3 Simple processes good judgements

“I was able to put the application together in my own way with pictures, quotes and statistics and word it in a way that came naturally to me.” Alison, Fundraising and Development Manager, Music in Hospitals and Care



## 4 The strengths people bring

“The young people we work with are amazing. They are very talented musicians, really creative and want to be engaged and get involved.” Nicola, Youth and Community Manager, YMCA White Rose Centre



## 5 Catalyst for others

“The thing that I was really excited about, it wasn’t just about unlocking potential, it was challenging the system and understanding there were barriers and stigma in the social sector.”  
Sade, Founder at Sour Lemons, UnLTD and The Social Innovation Partnership Leaders with Lived Experience Initiative



## 6 Shared direction diverse approaches

“I’m getting specialised experience in a busy work environment. This will really help me further down the line and give me other avenues to explore.” Gary, Project User, Scotland’s Bravest Manufacturing Company



## 7 Using resources well

“Not only are the groups merging traditional and sustainable construction, but they are also creating sustainable food growing areas and remarkable outdoor learning spaces. Suddenly, it becomes clear what can be achieved and what diverse skills people have.”  
Mark McKenna, Director, Down to Earth



UK

**£49.4 million** awarded  
across **162 projects**

## Our funding

Over the last year, we've awarded £49.4 million to projects and organisations across the UK, which are about:

- growing great ideas
- bringing people together
- exploring new approaches.

Fight for Peace is using National Lottery funding to train community organisations to prevent and tackle problems surrounding youth violence. Replicating their successful model of combining sports and educational opportunities, they're ensuring more young people and communities benefit from their success.



Head of Programmes, Susi, says: **“We can reach more organisations who are working in challenging circumstances, supporting young people living in communities affected by crime and violence to improve their lives.”**

In 2018 we worked with charities and community organisations across the UK to shape a £15 million Digital Fund. This will support charities to use digital ways of working, help digital organisations to scale their impact, and commission support to advise community groups on how to benefit from digital tools and skills.

We also launched the Leaders with Lived Experience Pilot Programme in January 2019. Co-designed with people who have direct experience of certain issues, the programme offers grants of up to £50,000 for up to two

years, supporting organisations run by people with lived experience.

2018 saw the centenary of the end of the First World War. Working collaboratively across The National Lottery family and Camelot, we supported a number of projects to mark the occasion. Among these were 14-18 NOW's 125 artist-led commissions, which engaged 35 million people (including eight million young people), and were presented in 220 locations across the UK, from the Outer Hebrides to Cornwall.

# UK

## Learning and insight

The UK Portfolio continues to reach new audiences and since 2015 around 26% of our grantees have been new to the Fund.

We have continued to use conversation (rather than paper) based ways of working with people who apply to the UK Portfolio and have seen an 88% increase in awards to small and medium sized

organisations (compared to 2015/16). We're very proud of the fact that 70% of our grant holders tell us that our grant has enabled them to get additional funding from other sources. We have also started to promote tools to help charities and community organisations capture, process and use data, and share what they learn from it. This will help our grant holders to harness insights and learning to have a bigger, more targeted impact in the areas that need it most.



### The Encephalitis Society

The Life after Encephalitis project will strengthen the Encephalitis Society's ability to support more people and families affected by the condition. Through National Lottery funding, they will hire additional support staff and improve information services, specifically their digital tools.

CEO, Dr Ava, says: **“We’re thrilled to receive three years of funding, which is going to make a massive difference for the patients and families that are affected by this often devastating condition.”**

## Our ways of working

We've continued to support the growth or adaptation of great ideas to change and improve our funding across the UK and supported communities to be part of and celebrate UK wide events. We play a part in building a stronger civil society by developing and testing ways of enhancing the UK's voluntary and community sector.

Helpforce works to provide volunteer services in NHS hospitals to improve the patient and staff experience. In 2018, Helpforce received funding of £897,000, which helped sign up 33,000 volunteers for 2019, pledging over 1.8 million hours of support.



## The People's Projects

The People's Projects is run collaboratively by The National Lottery Community Fund, Camelot and ITV/STV. Year-on-year engagement has increased since 2016, from 146,490 votes to 218,323, and the results programme on 3 May 2018 was watched by over 3.5 million people – 25% of the total TV audience at that time.

## The Big Lunch

The Big Lunch 2018 was attended by 5.3 million people, 69% of whom were new to the event, and saw closer collaboration between the Fund and the Eden Project. Research in 2018 highlighted loneliness as a reason why people get involved, with 20% attending because they wanted to feel less lonely.





England

**£367.4 million** awarded  
across **9,604 projects**

## Our funding

Last year we awarded £75.8 million to 8,448 grassroots community projects such as Music in Hospitals and Care, through National Lottery Awards for All.

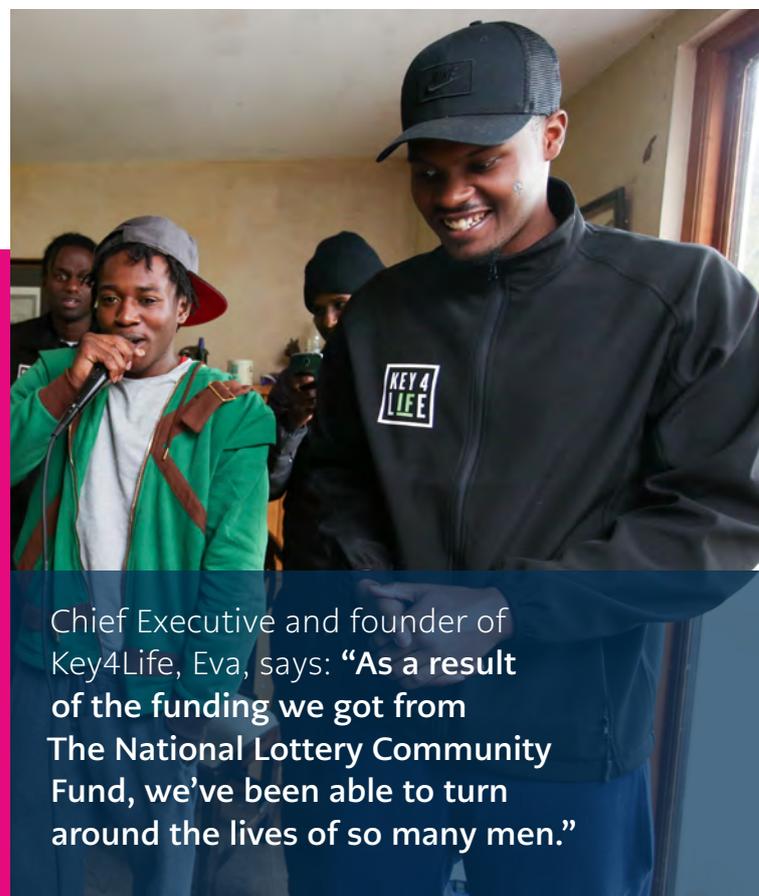
Through our Reaching Communities funding we supported 1,049 projects, with funding totalling £218.8 million. Our funding teams are based across England, building relationships within their local areas and supporting organisations like John's Club in the Isle of Wight, who haven't received our funding before. The group is almost entirely led by staff, volunteers and trustees with learning disabilities.

Whether it's bringing people together to celebrate 25 years of a befriending service in Plymouth, or engaging young people with disabilities in Batley by using adapted motorcycles, we're funding projects making improvements at the heart of their communities.

Key4Life work with young men at risk of offending, to help them change course and build positive futures. Their seven step programme builds emotional resilience, using mentoring support and employability skills, residential trips (which include equine therapy, sport and music) and work placements. The programme is proving very successful, with 63% of participants in employment a year after graduating.

We also support people to work collaboratively through our Partnerships funding. We awarded £838,231 to Thrive in Beacon Lough East, a partnership in Gateshead led by community charity Edberts House. The scheme is enabling local residents to bring a range of services right to the heart of the community. From GPs to community development workers, this new community hub is designed to directly improve their estate and the lives of people living there.

We continue to deliver our five, long-term strategic programmes in England – A Better Start, HeadStart, Talent Match, Fulfilling Lives and Ageing Better. Working with local partners, we continue to explore ways to share learning.



Chief Executive and founder of Key4Life, Eva, says: **“As a result of the funding we got from The National Lottery Community Fund, we’ve been able to turn around the lives of so many men.”**

# England

Ageing Better

## Learning and insight

Through our strategic investments, we are learning more about effective partnerships and how to involve people with lived experience in our decision making. Our Ageing Better programme is bringing together learning from across the Fund about how best to co-design with socially isolated people aged 50+. And working alongside the Centre for Ageing Better it's ensuring the legacy of learning

across the partnerships with a focus on achieving WHO Age Friendly status.

We are also making the most of opportunities to share our learning at a national level. Colleagues fed into the All-Party Parliamentary Group (APPG) for Conception to Age 2, based on learning from A Better Start. Our Fulfilling Lives programme supports people with lived experience to feed into policy decisions and the People Powered Recovery report produced by the APPG for Complex Needs.



A Better Start

## Our ways of working

This year we continued to find different ways to enable people and communities to have a say in how National Lottery money is awarded. Varying from small community grants in Jaywick Sands, to supporting people with lived experience to shape the design of our Fulfilling Lives programme, we're seeing people in the lead in communities across England.

We partner with other funders to maximise impact in communities,

awarding over £69 million through joint initiatives last year alone.

Working with DCMS and the Co-op Foundation, we invested over £11 million in projects that reduce loneliness, and awarded a further £2.7 million to support youth social action through the #iwill Fund.

We continue to work with the European Social Fund to promote social inclusion across England, investing an extra £32.6 million to existing projects through Building Better Opportunities.



Part of Citizens UK, PACT (Parents and Children Together) is supporting families through the early years of parenthood to reduce isolation and improve their mental health.

Working with parents across London to provide practical support spaces and social opportunities, their funding has helped pay for a range of services.

Senior Project Manager, Josephine, says: **“The project was set up to support parents and their wellbeing so they can improve outcomes for their children.”**



A man and a woman are smiling and looking at a craft project. The man is on the left, wearing a dark jacket, and the woman is on the right, wearing glasses and a blue patterned top. They are in a workshop with shelves of books and colorful posters in the background. The woman is holding a piece of fabric with a black pattern, and the man is pointing at it. The background shows shelves with books and various posters, including one with the text 'HAG G I S'.

Scotland

**£44.9 million** awarded  
across **1,094 projects**

Out of the Blue

## Our funding

We awarded £44.9 million this year, with more than 97% of our grants made to Scotland's voluntary and community sector. We have awarded funding in every local authority in Scotland, supporting people and communities to thrive.

A major theme from our responsive grants programme is focusing on projects that address issues of loneliness and social isolation. In the last year over £9.5 million was awarded to 152 projects that in some way support people to tackle loneliness.

Our commitment to supporting Scotland's young people to thrive continued as we refreshed our Young Start fund. Awarding £4 million to projects led by 8 to 24 year-olds, young people are at the heart of planning and delivering activity.

Connect Community Trust in Glasgow is a social hub with an allotment, community café and lunch club. Its lunch club brings people like widower 83 year old Charlie together for food and friendship.

Charlie, says: **“When I lost my wife Anna 13 years ago I felt lonely and isolated. I started to come to the lunch club not just for the food but for the company. This place saved my life.”**



# Scotland



## MsMissMrs

### Learning and insight

Last year we completed a Scotland wide review of our funding to identify trends in the grants we've made, learn what our customers think about what and how we fund and highlight areas we can improve on. Our customers told us that they like the continuity of advice and contact they receive from our locally focused funding teams. Customers welcome the introduction of our medium grants and appreciate the more conversational, flexible approach to our application process and assessment work.

We also learned that we need to involve communities and people with lived experience more in our grant making.

MsMissMrs helps women and girls who have experienced a difficult life journey to achieve their true potential through a female empowerment training programme. Amy, a single mum who now works for the project, previously battled with depression and issues over her body image.

Amy says: **“When I went through pregnancy, I lost myself and didn't know who I was any more. Thanks to MsMissMrs I have a newfound confidence and hope to inspire others going through a similar experience.”**

## Our ways of working

Getting closer to communities has been the focus of our work over the last 12 months. We established dedicated funding teams committed to understanding what matters to local people across Scotland.

This change allows us to connect more communities together. Our support can reach groups of all sizes and capacities and is accessible to those who have not had National Lottery funding before. Last year, 35% of our 1,098 grants were made to organisations new to us, and each of those awards began with a conversation with one of our local teams.

National Lottery Awards for All Scotland, awarding grants up to £10,000, goes from strength to strength and is a National Lottery family joint programme with sportscotland and Creative Scotland. Last year it supported 884 grassroots organisations right across the country.



Scotland's Bravest Manufacturing Company is helping armed force veterans with life changing injuries to re-enter the workforce. The social enterprise, run by the Royal British Legion Industries, gives people like triple amputee Gary a chance to earn a living and develop new skills in a wide range of manufacturing activities.

Gary, says: **“Working here has given me structure to my life and I look forward to coming in every day, not only for the work but for the camaraderie that I have really missed. I never thought I would get the chance to do this kind of work and that all these opportunities might be open to me.”**



Akuzie Amuta is bringing African heritage to life in Glasgow's south side. The group provides traditional African dance, singing and drama classes for young people aged 12 to 16.

Favour Nwankwo, 13, is a dance leader who loves to perform with the friends she has made at Akuzie Amuta. **“Dancing reminds me of my heritage. It's also a great way to socialise and meet new friends.”**



Wales

**£31.3 million** awarded  
across **706 projects**

## Our funding

During this year, we awarded £31.3 million of National Lottery funding to 706 projects across Wales. We continued to build strong communities and support projects and ideas with people at the heart.

Through National Lottery Awards for All, we awarded nearly £5 million in small grants to groups and organisations such as Race Equality First, who were awarded funding to provide mental health support for the black, Asian, minority, ethnic and refugee community in Cardiff.

Our targeted funding has included Helping Working Families, a four year programme that aims to bring about positive change in the lives of working families. We awarded £6 million to 13 partnerships who will develop projects alongside working families.

We launched round two of our Rural Programme, where £4 million is available to projects addressing poverty in rural areas of Wales.



People and Places awarded over £20 million to organisations like Empower be the Change. They received £260,008 to take almost 1,000 individuals in North Wales through their accredited Volunteer to Employment Programme, aiming to increase confidence, mental resilience and employability skills.

Jo, Founding Director, says:  
“I have a passion for creating opportunities for people to reach their potential. Thanks to National Lottery funding we’re able to support hundreds of young people to secure full-time employment.”

## South Denbighshire Community Partnership (SDCP)

SDCP was set up to bring people together to promote the community of South Denbighshire and the surrounding areas. People take part in a range of activities that improve their wellbeing.

Community Engagement and Development Manager, Sally, says:  
“Everything we do is a team effort. Funding from The National Lottery Community Fund has enabled us to make a real difference in a rural community such as Corwen and surrounding areas. Without their funding, this wouldn’t be possible.”

# Wales

## Learning and insight

We commissioned The Funding Centre to create the first map of the voluntary and community sector in Wales. We were seeking to understand and assess what help is available to enable the sector (charities, voluntary groups and social enterprises) to thrive. Our focus was on building organisational and financial resilience. We found that there is a lot of support available to build resilience, and much of this is free or low cost.

We brought together National Lottery funded projects to better

understand the challenges they face around tackling loneliness in their communities. We shared learning with the Welsh Government as a response to their consultation for the Welsh Government Loneliness and Isolation Strategy.

Pembrokeshire Association of Community Transport (PACTO) is a project that has made a major difference in their community. Creating a system to facilitate lift-sharing across rural Pembrokeshire as a means of affordable transport, the project offers spare seats in cars in return for expense contributions.



Margaret, PACTO trustee, says: “This project is enabling us to meet transport needs, which we have found difficulty addressing through more traditional public and community transport services. Loneliness and lack of access to services is an issue for many vulnerable people in rural Wales, and the cost of transport can be a huge barrier. Our project links people who need a lift with someone else who is going their way – unlocking a new kind of community transport for the rural communities of today.”



## Vic Studios

Vic Studios, a community based social enterprise, is using music to connect with young people, building their confidence and skills. A £10,000 grant means the venue is open to young people from Wrexham and neighbouring counties – be that for young bands to record or compose and perform songs.

Mike, who runs the project, says: **“Since reopening in 2016, we’ve had over 7,000 visits. It’s vital in the local music scene and we offer educational opportunities. We’re enriching lives and increasing our impact as a social enterprise.”**

## Our ways of working

Over the last year, we established three funding regions: Mid and West Wales, North Wales and South East and Central Wales. This has made us more accessible and connected to the communities we serve, increasing our understanding of them. Communities know what’s needed better than anyone and our new way of working enables us to be closer to the people we work with and listen to what matters to them.

In 2018 we ran an extensive consultation with the public and stakeholders to help decide our future thematic funding priorities. In addition we met with our stakeholders at roundtable events, drawing on the collective knowledge and experience of what they’re observing in their areas. Following a rigorous discussion and selection process, our final two focuses are: support for tackling homelessness and supporting youth resilience.



Northern Ireland

**£18.1 million** awarded  
across **577 projects**

Superstars Club

## Our funding

We awarded £18.1 million of National Lottery funding to 577 projects such as TinyLife, who are bringing people and communities together and making good things happen.

Developing our role as a convenor and catalyst, we've enabled groups to talk with one another, set up partnerships and collaborations and ensure they're better connected.

We encouraged and supported several groups in north Antrim to create a project with help from a bigger community organisation, Portglenone Enterprise Group. They received a five year grant of £350,000 in 2018 to share learning and bring community groups in the area together to grow their activities.

Patsy, a Tutor at one of the groups, Bannside Stitchers, says: **“We are grateful for the funding provided by The National Lottery as it secures our classes for the next few years, ensuring we continue to develop skills, are open to more people and, of course, have fun!”**



### TinyLife

The Positive Minds for Premature Parents project runs mental health and wellbeing activities to develop parents' ability to cope and connects them with other parents of premature babies. They offer parent support groups, workshops, baby massage, home-based volunteers, and specialist services for post-natal depression.

Laura, who attends the project, says: **“This is a fantastic project because families with premature babies face a unique set of challenges. You can talk to someone who understands.”**



Portglenone Enterprise Group

# Northern Ireland



## Downpatrick Men's Club

The Working Together for a Healthy Future project offers activities at community venues for local men to improve health, reduce isolation and increase their skills. Activities include community allotment work, nutrition classes, beekeeping, mental health and body talk sessions and first aid.

John, Company Secretary, says:

**“The project encourages our members to share and learn skills. They can also take part in physical exercise sessions like walking and yoga in a friendly, relaxed atmosphere. Some men have lost weight and now feel more confident about trying other activities.”**

## Learning and insight

In the last year we have learned more about the benefits of local working, piloted new ways of delivering funding and shared insights with policy-makers, the community and voluntary sector and others funders.

Working in four regional teams across Northern Ireland, we have embedded our presence in communities and used a deeper understanding of local context to inform and improve decision making. As a result, we have become more flexible and responsive in our larger programmes – removing

lower limits on grant sizes and relaxing the rules on eligible capital costs.

Micro-grant pilot schemes increased our visibility in rural and urban cold spots, provided valuable insight into the barriers for those communities in accessing funding and stimulated new conversations about great ideas.

We shared learning on education, health and families with Northern Ireland Departments and public bodies. Learning from our Impact of Alcohol programme is informing the development of local strategies for alcohol-related harm.

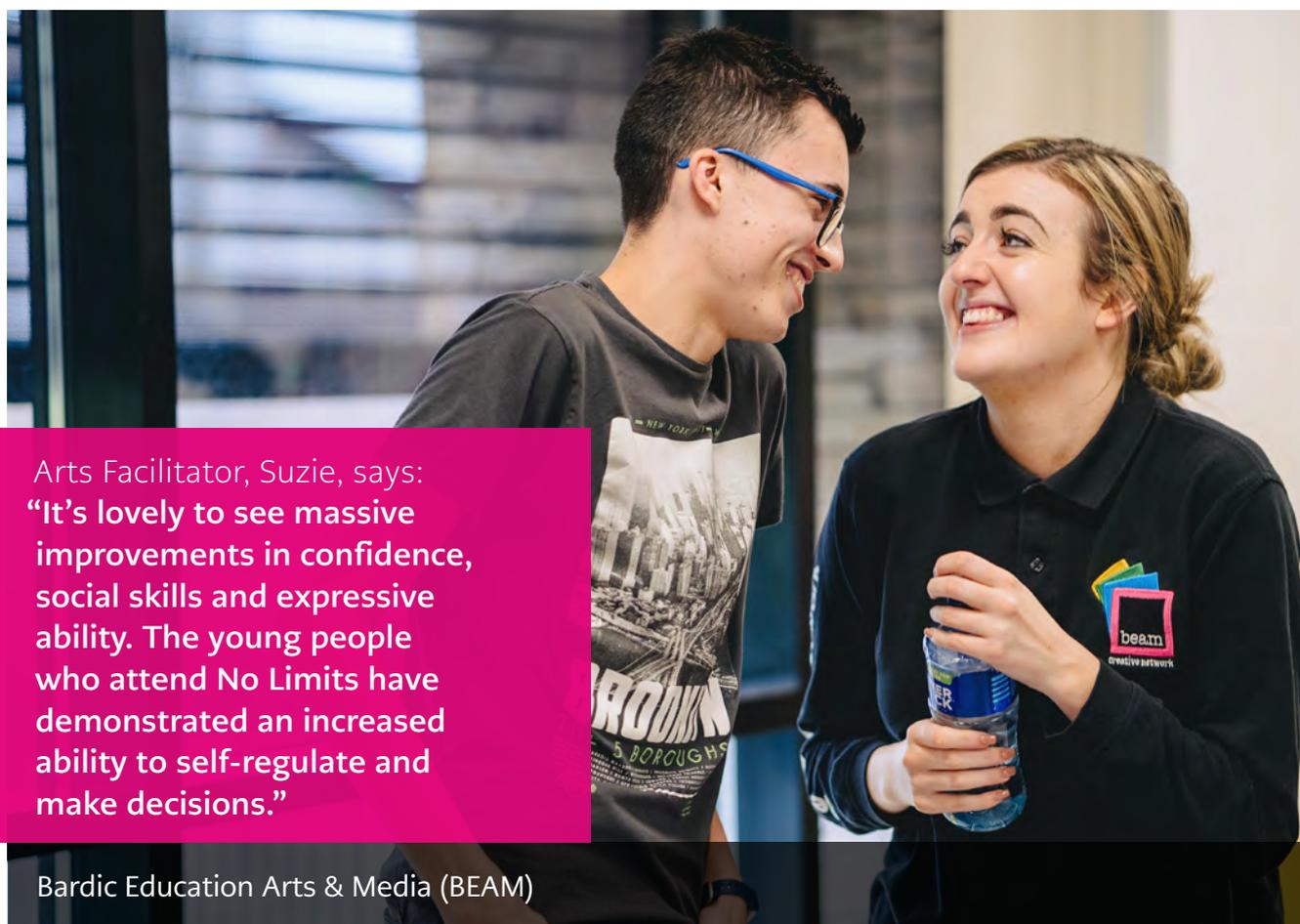
## Our ways of working

Our staff are talking to people face-to-face about the amazing ideas they have to improve their local communities. We have helped organisations understand early in the process that any idea we fund needs to be people-led and create new connections, collaborations and partnerships.

Projects such as No Limits support young people aged 14-20 with learning disabilities through creative arts and work experience, helping them prepare for the next stage of their lives. Young people decide what activities they want to take part in by developing their own plan.

We've met elected representatives at all levels and worked with other funders to share knowledge of the unique funding landscape in Northern Ireland. Working with the National Children's Bureau and Amplify Northern Ireland has enabled us to better understand the sector and increase our impact as a funder.

Our editorial partnership with the Daily Mirror and Belfast Live to promote The People's Projects continued and again achieved the highest votes of any UK region. We delivered communications training to customers across Northern Ireland – giving them the tools to thank National Lottery players and promote us as a funder of great projects.



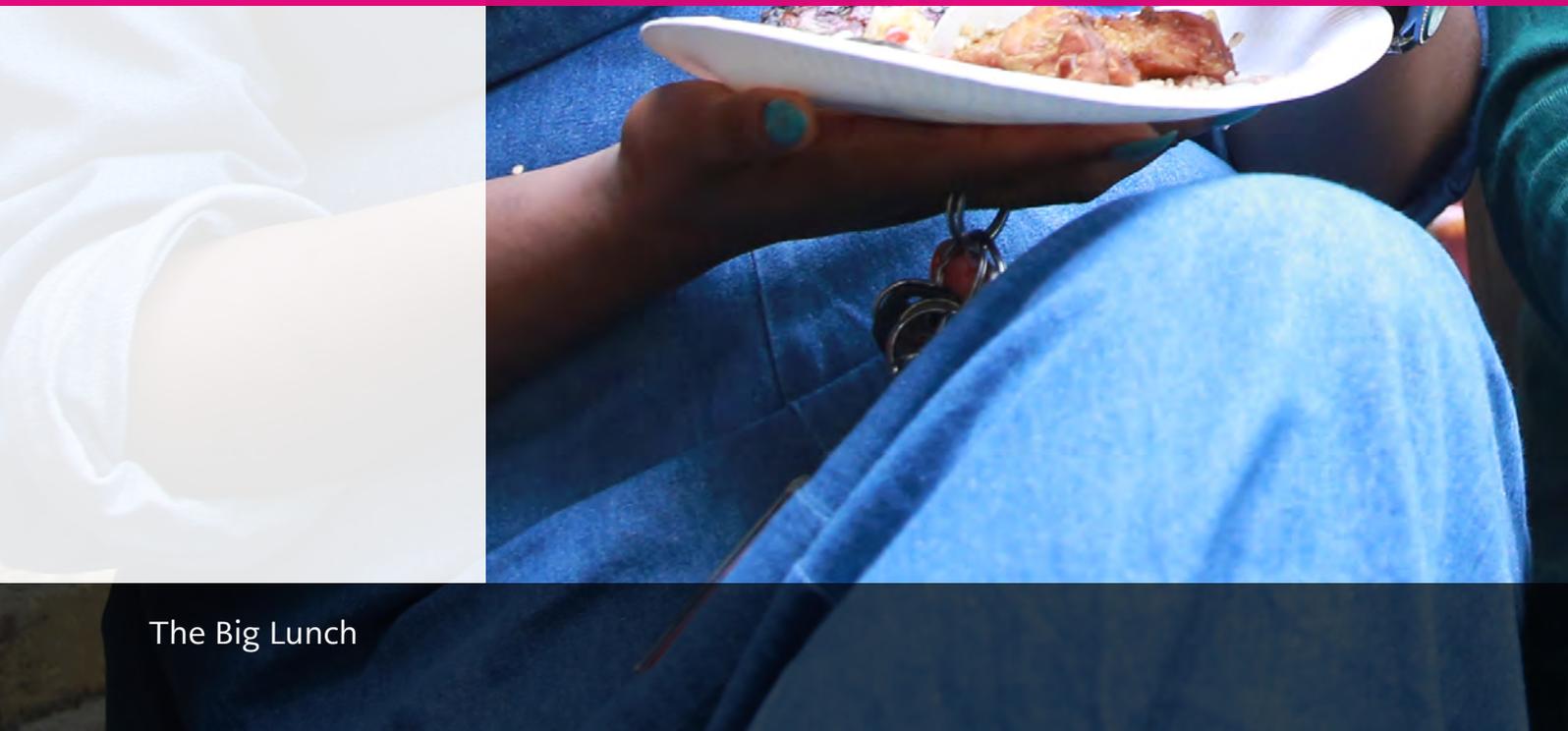
Arts Facilitator, Suzie, says:  
“It’s lovely to see massive improvements in confidence, social skills and expressive ability. The young people who attend No Limits have demonstrated an increased ability to self-regulate and make decisions.”

Bardic Education Arts & Media (BEAM)



**Part two**

# Accountability report



The Big Lunch



# Our corporate governance report

## Directors' Report

### Our purpose and activities

The National Lottery Community Fund is the operating name of The Big Lottery Fund. The Big Lottery Fund is a statutory corporation established by the National Lottery Act 2006. The Fund adopted the new operating name in January 2019 in order to better reflect the source of our financial resources and the funding for good causes raised through the games of the National Lottery together with our role in supporting communities in helping them achieve their ambitions.

The Fund is responsible for distributing money raised for good causes through the National Lottery. We receive 40 per cent of the total sums raised and distribute this through grant awards to support projects with a community focus. Since 2004 we have distributed over £9.5 billion in awards. We have a range of funding programmes from small grants of between £300 and £10,000 to large scale, multi-million pound strategic programmes.

In addition to our work distributing good causes money raised by the National Lottery, the Fund is responsible for the distribution of monies released from dormant bank accounts and related assets under the provisions of the Dormant Bank and Building Society Accounts Act 2008.

We also work with other organisations, principally public bodies, to manage and distribute funding through grant programmes we run on their behalf. Examples of this type of activity include our distribution of money in partnership with the Office for Civil Society in respect of the #iwill Fund and the European Social Fund matched funding programme, Building Better Opportunities.

In delivering our programme of work we act within the relevant legislation, other public sector guidance and the requirements of the Department for Digital, Culture, Media and Sport (DCMS) as our sponsor department who provide us with a Management Agreement setting out our relationship with government. DCMS also issue Policy Directions which set out the priorities we must take into account in establishing our grant programmes for England and for the United Kingdom-wide grant portfolio. The respective departments in each of the devolved Nations issue Policy Directions for grant making activity in Scotland, Wales and Northern Ireland. In following this guidance, the Fund's decisions on programmes and grants are independent of government. Our funding is required to follow the additionality principle - that is, our funding must be distinct from government, it can complement but must not substitute for government spending programmes.

The Fund operates in each of the four countries of the United Kingdom with funding programmes specific to each country. In addition, we operate a range of programmes which are United Kingdom-wide in scope. Each of the countries and the UK portfolio award grants through a portfolio committee who are externally appointed. Their role is to set out and agree grant programmes within the Fund's Strategic Framework and consistent with the overall approach approved by the Board. Approval of most awards is delegated to officers of the Fund or to specific panels for the various programmes in each portfolio. Our grant awards budgets are apportioned between each country on the basis of agreed shares, determined largely on population and after deduction of a portion to be applied to the UK portfolio.

### **Key issues and risks**

The majority of our income is dependent on the revenue generated through the National Lottery; a portion of the sales value for each game is allocated to good causes and passed to the National Lottery Distribution Fund (NLDF) from where it is made available to Lottery distributors. We manage our grant awards, budgets and payment profiles over a number of years in order to mitigate against potential variations in National Lottery revenue and to ensure we can meet our commitments as they fall due.

We provide a balance of responsive and targeted funding programmes to meet the demands of our grant applicants in a manner which is consistent with the principles set out in our Strategic Framework.

We are changing the way we work in order to better deliver our strategy - People in the Lead. For example, we have relaunched our small grants programme - National Lottery Awards For All - to simplify the application process and also to introduce online applications. We have also made significant changes to our key medium grants programme – Reaching Communities – to simplify the application process and enable applicants to best express the requirements of their project. We have made significant changes to the structures of our grant teams to ensure we are more closely connected with our applicants and grant holders in their communities.

We face financial risks in relation to our income and the capacity to meet our future commitments and with regard to our exposure to potential fraud in grant making activities. We have also had to carefully manage our engagement in European Social Fund matched funding grant programmes in response to the challenges of Brexit. Our programme of change requires careful planning to ensure new initiatives are successful while introducing online services increases our potential exposure to cyber risks. Our programme of risk management provides us with the means of assessing our key risk exposures and establishing appropriate controls to mitigate these. A fuller assessment of our risk management is included in our governance statement.

## Performance Summary

Each year we set out our corporate objectives and the key performance indicators (KPIs) through which we assess how we have met our operational aims. For 2018/19 we set out five objectives with seven supporting KPIs. We met six of the KPI targets set.

The Fund assesses its performance throughout the year using the KPIs and other performance metrics including key operational measures, financial indicators, management accounting data and forecasting techniques to ensure it is able to take corrective action where necessary at the earliest opportunity to achieve its aims and to minimise risk to its operations and objectives.

We do not set any specific operating surplus or deficit as a key measure of control. We manage our financial performance in order to maximise our ability to make grants from the monies received and receivable from the National Lottery. We recognise grant awards in full when they are approved irrespective of when the cash for those awards falls due for payment.

For the financial year we recorded a surplus of £25 million following a surplus of £173 million in 2017/18.

An assessment of our performance appears in greater detail in our performance analysis and in our financial statements.

The financial statements have been prepared on a going concern basis. Our statement of financial position records significant net liabilities. This is a result of our grant award recognition policy where the full value of awards is recorded at the point of approval and notification (except where there are specific performance criteria) although the cash payments may not arise for some time. We manage our liabilities based on our ability to meet cash demands from current cash resources and forecast future incomes. This assumes as a matter of public policy that the National Lottery will continue to operate.

# Our corporate objectives

Our annual corporate plan sets out our budgets, objectives and targets for the year.

The 2018/19 corporate plan identified five corporate objectives to shape our priorities and set seven key performance indicators to measure success. We also set out a number of priorities for action to ensure we succeed. Our performance has been monitored against our targets and reported to the Board throughout the year.

## Corporate objective one:

Communities across the UK recognise the strengths they have and can build upon these to achieve their shared ambition.

### What have we done?

We have continued to develop our funding activity based on a service design approach. Our funding products help us to identify the strengths communities bring to support delivery of their aims set out in grant applications. We have updated our small grants programme and relaunched our medium sized grants programmes, initially through the England Reaching Communities programme.

## Corporate objective two:

Communities of all kinds are more joined up, helping them to succeed on their own terms.

### What have we done?

We have set out our approach to civil society and our role in supporting diverse communities across the UK. We have worked with colleagues across government and more widely to contribute to the Civil Society Strategy published by DCMS in August 2018.

## Corporate objective three:

The UK has a vibrant and active civil society in which diverse groups thrive.

### What have we done?

We have set out our sector support strategy in which we identify our commitment to; Empowering Communities; Developing digital skills; Encouraging generous leadership; Building organisational and financial

resilience and Using data and evidence effectively. We convene forums and discussion groups from across the sector to further these aims. We contributed to the shaping of the Government's Civil Society Strategy and continue to engage proactively with its delivery.

## Corporate objective four:

The National Lottery is widely valued for enabling communities across the UK to realise their ambitions.

### What have we done?

We have changed our trading name to more closely establish the link between the National Lottery, the Fund and the communities we support. We have worked with other distributors, government and Camelot as the operator of the National Lottery to better promote the work the National Lottery distributors support and the connection between playing the Lottery and good causes outcomes. We have played a leading role in the development of plans to celebrate the 25th Birthday of The National Lottery.

## Corporate objective five:

The Fund is trusted, efficient, sustainable and modern.

### What have we done?

We have delivered our services cost-efficiently while investing in change for continued improvement. We have updated our website and established means of applying for funding online. We have taken action to reduce our carbon footprint where possible and put in place a carbon offset where no further reductions can be made.

# Our key performance indicators

Alongside our objectives our KPIs help assess our performance in a number of areas supporting achievement of our objectives. We have met six out of seven of our KPIs during the year although two of these were new measures and we set targets for these during the year as we established the methods of assessment. Our objectives also form the basis of managing our risk where our capacity to achieve corporate and local objectives determines the risk appetite for the organisation. From this we set the extent to which controls, mitigations and actions are required to limit risk while enabling us to remain ambitious in our approach and proportionate in our response. As such, progress on KPIs is a guide to both achieving objectives and guiding our approach to risk management.

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**KPI 1:** At least 70 per cent of grant holders and applicants agree our approach helps them reflect on their strengths.

## Key performance indicator met

**72.4 per cent** of grant holders and applicants confirmed that our approach enabled them to consider their strengths and grow as a result based on our latest data for the 4th quarter of the year.

## End of year report

Our medium size grant programmes aimed at specific communities has been relaunched to better connect to our People in the Lead strategy.

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**KPI 2:** At least 77 per cent of grant holders and applicants agree that our approach helps them achieve their ambitions.

## Key performance indicator met

**82.4 per cent** of our grant holders and applicants confirmed that our approach enabled them to deliver their projects and meet their ambitions based on data for the 4th quarter of the year.

## End of year report

Our medium size grant programme update enables much simpler application processes with diverse approaches to setting out how a project will succeed and we have supported this by locating regional funding teams closer to the communities they support.

Online is now the preferred means of application for most small grants with simple processes enabling applicants to quickly set out their aims and ambitions.

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**KPI 3:** At least 50% of grant holders and applicants agree that we help organisations make useful connections with other organisations.

**Key performance indicator NOT met**

**41.2 per cent** of our grant holders and applicants confirmed that we enable them to better connect with organisations with related interests.

**End of year report**

We published our Sector Support Strategy and contributed to government's Civil Society Strategy identifying our role in supporting communities across the UK.

We have not met the target we set in this area and are working to address this. This is a new KPI for which no previous baseline existed and determining what represents a good performance or improvement is challenging.

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**KPI 4:** We will ensure that the diversity of applicant organisations reflects all communities across the UK.

**Key performance indicator met**

We assess this measure by reflecting how our funding is weighted to organisations in the voluntary and community sector.

**89.4 per cent** of our funding by volume was to VCS organisations (and **96.8 per cent** by value)

**End of year report**

We have established a baseline during the year to enable us to better assess future performance.

The majority of our funding goes to organisations which represent a diverse range of communities across the UK.

Our performance analysis includes data on the diversity of applicants and beneficiaries to the extent that this can be determined.

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**KPI 5: At least 70% of key stakeholders rate the Fund positively on making a vital contribution to communities.**

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**Key performance indicator met**

We survey key stakeholders to garner the views of key opinion formers on the Fund's performance. **75.0 per cent** of stakeholders confirmed that the Fund makes a vital contribution to communities in our end of year survey. This is a new measure and **establishes a baseline** from which we can measure trend.

**End of year report**

We have engaged with members of parliament and other key stakeholders to set out and promote the Fund's work including running MP events in parliament. We have convened a senior advisory group drawing on expertise from across civil society to inform how we best support the sector as a whole through our grant making.

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**KPI 6: Operating costs will not exceed 8% of National Lottery income assessed over a 3 year period**

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**Key performance indicator met**

Our qualifying operating costs were **7.0 per cent** of National Lottery revenues over the three years to March 2019.

**End of year report**

Our operating costs were within the budget set. Revenue was in line with budget while our costs were lower. The basis of measurement of the target set by government has changed to be based on a three-year rolling average. The Fund's costs have been below 8.0 per cent of revenue in each of the last three years.

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**KPI 7: At least 91% of customers agree that we are a trusted organisation.**

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**Key performance indicator met**

**93.0 per cent** of customers surveyed in our quarter 4 review (the latest available) expressed the view that the Fund is a trustworthy organisation

**End of year report**

We have restructured our funding teams to create closer connections between the Fund and its applicants and grant holders ensuring we better understand our customer's needs. We set and monitor response times for applications and other interactions to ensure we keep our customers informed.

Our updated funding products better support customers to evidence that we understand and are able to support their proposals.



# Our performance analysis: financial

Our strategic framework - People in the Lead - sets out our belief that communities thrive when they take the lead in projects and activities and that people in those communities understand what is needed better than anyone else. We are committed to maximising our funding, resources, knowledge and networks to support people, projects and communities across the UK.

Our key measure of financial efficiency is the proportion of our Lottery income that we spend on distributing grants. We exclude from this measure costs that we recharge to other people, for example the costs of distributing non-Lottery funds including in relation to the dormant accounts scheme. We also exclude certain other costs, for example one-off costs that are investments or restructures to achieve future efficiencies (see Note 6 to the financial statements). Irrecoverable VAT costs are also excluded.

Government sets a target maximum for operating costs for all the Lottery distributors. For 2018/19 this was 8 per cent of our National Lottery income. The basis of calculation changed for the year to assess the measure on the basis of a three-year rolling period and to clarify certain adjustments which may be applied.

## What we achieved in 2018/19

During the year we successfully delivered against the 8 per cent total operating cost target set by government. Total qualifying operating expenditure for National Lottery grant making activities was £46.9 million, £0.6 million higher than in 2017/18. National Lottery income was in line with our budget assumption and we were able to operate within the operating cost budget we set. Our actual qualifying operating expenditure was 7.3 per cent of Lottery income during the year and 7.0 per cent of Lottery income over the three year period to March 2019. Our performance in each of the 2 preceding years was 6.9 per cent and 6.8 per cent

respectively. On this basis, the Fund has incurred operating costs over the three years to March 2019 £20.3 million lower than would be permitted by the efficiency measure.

Staff costs form a significant proportion of our operating costs. Our staff numbers have reduced further during 2018/19 with a full time equivalent (FTE) of 831 (2017/18: 841). We have continued to reduce numbers through restructuring action as we deliver change in support of the Strategic Framework.

## What we are planning to achieve in 2019/20

We have budgeted to deliver total operating costs within the 8 per cent cost threshold in 2019/20 but with the capacity for some additional investment in service improvements based on the new three year rolling measurement approach. The target is based on budgeted National Lottery income of £650 million, derived from our forecast of revenues for 2019/20 at the time of budget preparation and taking account of anticipated changes in operations during the year.

The budget has been based on developing activities in support of our corporate plan, continuing our programme of change and seeking efficiencies enabling us to resource and deliver investment activities that will support delivery of the Strategic Framework.

In March 2019 our total FTE was 831 (a reduction from 841 in March 2018). We anticipate some small increases in staff numbers to support key development and investment activity, including the transition to a new grant management system. We will continue to assess the potential for greater efficiency in our funding operations as we adopt more digital ways of working.

### **Our surplus for the year**

We recorded a surplus for the year 2018/19 of £25 million (2017/18 £173 million).

Our cumulative deficit at 31 March 2019 was £703 million (31 March 2018 £728 million).

Our accounting policy treats the full value of grant awards as expenditure as soon as their approval is communicated to the recipient (subject to certain specific criteria). We manage our cash flow over the longer term based on grant cash commitments and projected incomes rather than seeking to achieve any particular annual surplus or deficit. Awards are paid over a number of years and we are confident that we will be able to meet our commitments from future income as they fall due.

We recorded a surplus for the year of £83 million from National Lottery operations (2017/18 £84 million). Income for 2018/19 was slightly lower than in 2017/18 but in line with the budget we set. Our awards total for 2018/19 was £511 million (2017/18 £527 million) and was also below the budget we set. These factors led to the small change in surplus for Lottery operations for the year.

We recorded a deficit for Dormant Bank and Building Society Accounts operations of £58 million (2017/18 surplus £89 million). Income was £81 million lower while distribution through awards and transfers to

other organisations was £129 million (£2017/18 £64 million) as we recognised distributions due to two new entities under policy directions provided to the Fund by DCMS. The Fund continues to work with DCMS to develop the approach to the distribution of funds in respect of the England portion of the available funding which will be targeted towards Youth and Financial Inclusion programmes. Two new independent organisations have now been established to manage the distribution of funds for these activities. Small sums have been distributed by way of grants to cover initial development costs of the organisations and in respect of the Youth programmes to fund a small number of pilot programmes to begin to provide programme activities for beneficiaries. However, we have recognised our obligations for the sums due to be distributed to both organisations from the revenues received and receivable to date from the reclaim fund scheme.

### **Our funding strategy**

Our strategy is to award the maximum amount of funding that we can safely commit to over a five-year period considering our anticipated income. Since many of our grants pay out over a number of years following the initial award, this strategy ensures that the projects and activities our awards support are able to deliver their benefits as early as possible while ensuring we remain protected from any unexpected changes in income.

At 31 March 2019 we had £1,108 million (2017/18 £1,237 million) of outstanding commitments with respect to awards made but we held £277 million (2017/18 £311 million) in the NLDF with which to meet them. This means we had made net commitments of £831 million (2017/18 £926 million) above our currently available resources. This is

equivalent to about 16 months of future Lottery income based on our current projections.

### **Non-Lottery funding programmes**

In addition to our core business of distributing National Lottery good causes income we are also responsible for the distribution of funding received from Reclaim Fund Ltd under the arrangements in the Dormant Bank and Building Society Accounts Act 2008. These activities are included within our consolidated financial statements. We also set out a short form set of accounts for this activity in note 29 to the accounts.

The Dormant Bank and Building Society Accounts Act 2008 enables banks and building societies to transfer money held in dormant accounts to a central fund for investment in the community. The original scheme provided for the Fund to make grant awards in each of Scotland, Wales and Northern Ireland under policy directions set out by each of the devolved administrations. For England, original policy directions required that funding was passed in its entirety to Big Society Capital acting as a social investment wholesaler. Government, working with Reclaim Fund Ltd, have been seeking to ensure that the sums available are maximised.

In 2017 government announced that approximately £330 million would be released over the following three years. Alongside this, Big Society Capital will cease to be the sole recipient of the England portion of the available funds and the Fund has been working with DCMS to establish new programmes in the areas of youth and financial inclusion, for which awards will be made during 2019/20 following the establishment of two new organisations independent of government charged with running these schemes. Some sums have been expended in 2018/19

to establish the organisations and, by way of grants from the Fund, a small number of pilot grants have been approved under the youth scheme. The Fund has recognised as transfers the sums due to each organisation under the programme based on their share of total receipts to date. The timing of payments to the organisations will be determined by policy directions from the Secretary of State for Digital, Culture, Media and Sport.

The total sums identified by Reclaim Fund Ltd as available to the Fund during the 2018/19 year amounted to £71.8 million (2017/18 £152.8 million). These sums are held on behalf of the Fund by Reclaim Fund Ltd for up to twelve months after its year end date, or until the Fund draws down funds to meet its obligations under grant commitments or to pass to third party organisations. Following drawdown we deposit funds until these are required to meet grant commitments or transfer obligations. During the year we received interest of £232,000 (2017/18 £103,000) in relation to these funds.

The National Lottery etc. Act 1993 also sets out powers for the Fund to work with other organisations to distribute funds. We refer to these activities as Third Party Programmes. These powers give us scope to work with others to distribute funds on behalf of, or alongside, other organisations where this falls within the funding areas set by the National Lottery Act for our work and which is in accordance with our own strategic aims. During the year we distributed funding totalling £69.0 million in this way for other funders. Included within this sum is £33.5 million distributed in matched funding programmes through the European Social Fund. We have extended the programme of grants under Building Better Opportunities programme in England to support the most successful

project partners with further matched funds from the European Union. This funding forms part of the multi-year European Union programme commitment to 2020 and consequently continues after Brexit.

To the extent that the funds awarded under these programmes are governed by the third party funder we act only as the distributor. We do not record the receipt of the funds themselves or the grants made in our own accounts. However, we recover the costs of undertaking this activity from the relevant funders and record this as income. Where we provide joint or matched funding for these programmes we record our share of the grant awards made in Lottery programme expenditure. We record cash held for distribution in our cash balances in the Statement of financial position together with any liabilities for commitments made prior to the receipt of cash from the funder. Balances in respect of each programme are recorded in note 24 to the accounts.

### **National Lottery Distribution Fund (NLDF) balances**

The net good causes proceeds of the National Lottery are held in the NLDF, which is under the stewardship of the Secretary of State for Digital, Culture, Media and Sport, until drawn down by National Lottery distributors. The Fund receives investment income in addition to the Lottery proceeds in the same shares as for proceeds from the National Lottery receipts (40 per cent). In 2018/19 this was £3.3 million (2017/18 £1.9 million).

**OUR NLDF BALANCE WAS  
£277 MILLION AT 31 MARCH  
2019 (2017/18 £311 MILLION).**

Our balance in the NLDF has reduced during the year by £34 million. This is as a result of continuing to meet commitments from awards made in previous years when income from the National Lottery was higher than each of the last three years. We take account of the anticipated change in the balance alongside projections of future revenues and the timing of outstanding commitments when setting future grant award budgets. Since we do not control National Lottery income it is not possible for us to manage the balance in the NLDF in the short-term and so we do not set a specific target for our balance. Our funding strategy is to maximise the value of new grant commitments that we can safely make over a five-year period taking into account existing commitments. We predict our future cash inflows and outflows to assess a safe minimum balance in the NLDF in order to ensure that we can meet our commitments as they fall due allowing for risk-based assessments of possible variations in income. The actual balance at any one time will vary according to the structure and timing of our grant programmes and the income generated through the National Lottery for the period concerned.

### **Auditors**

Under the National Lottery etc. Act 1993, our annual accounts must be examined and certified by the Comptroller and Auditor General.

There is no relevant audit information of which the Fund's auditors are unaware.

There were no fees for any non-audit services with external auditors.

### **Public sector information holder**

In common with all public bodies, the Fund is a public sector information holder. It has not charged for specific re-use of information.

# Our performance analysis: equalities

The Fund seeks to ensure equality of access to its funding programmes. We value cultural diversity and seek to ensure that our funding supports the needs, beliefs, values and abilities in the communities in which we work.

Our equalities principles and guidance for applicants and grant holders is on our website: [tnlcommunityfund.org.uk/about/customer-service/equalities](http://tnlcommunityfund.org.uk/about/customer-service/equalities)

The Fund seeks to be a diverse and inclusive employer. At the Fund we seek to reflect those communities that we support through our funding. This diversity encompasses ethnicity, lifestyle, disability, mental health and other relevant factors. Over the last two years, we have widened our recruitment processes to attract a more diverse workforce with local knowledge and lived experiences. This will help make the Fund better able to consider a wide range of applications for funding with greater knowledge and shared learning.

The tables below highlight the equality monitoring of our grants programmes. We continue to assess how we ensure our funding reaches communities in a way that fully reflects the UK population. Our equalities report for employment is included in the remuneration and staff report within the Governance section of this report.

Ethnicity	Number of applications and application rate		Number of awards and application success rate		Requested amount and per cent of requested amount		Awarded amount and per cent of awarded amount	
	No.	%	No.	%	£000	%	£000	%
Arab	223	1	132	59	2,815	1	2,226	1
Asian/Asian UK	1,508	5	769	51	25,428	5	20,931	6
Black/African/Caribbean/Black UK	1,940	7	919	47	28,233	6	20,671	6
White	2,617	10	1,248	48	67,728	13	45,214	13
Other ethnic group	379	1	213	56	4,359	1	3,082	1
Mixed/multiple ethnic groups	797	3	376	47	17,357	3	12,864	4
No specific ethnicity	19,736	73	9,206	47	356,977	71	235,594	69

Applicants are asked if their project will mostly benefit people from a specific ethnic background. They can select up to three categories therefore these responses incorporate multiple counting.

<b>Age</b>	<b>Number of applications and application rate</b>		<b>Number of awards and application success rate</b>		<b>Requested amount and per cent of requested amount</b>		<b>Awarded amount and per cent of awarded amount</b>	
	<b>No.</b>	<b>%</b>	<b>No.</b>	<b>%</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>0 - 24</b>	8,445	32	3,571	42	155,494	31	97,181	29
<b>25 - 64</b>	3,267	12	1,702	52	88,518	18	66,243	20
<b>65+</b>	2,310	9	1,364	59	46,883	9	38,113	11
<b>No specific age</b>	12,335	47	5,907	48	208,652	42	134,918	40

Applicants are asked if their project will mostly benefit people from a particular age group. Applicants can select more than one group therefore responses may incorporate multiple accounting.

<b>Gender</b>	<b>Number of applications and application rate</b>		<b>Number of awards and application success rate</b>		<b>Requested amount and per cent of requested amount</b>		<b>Awarded amount and per cent of awarded amount</b>	
	<b>No.</b>	<b>%</b>	<b>No.</b>	<b>%</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>Female</b>	1,429	6	764	53	29,611	7	25,226	9
<b>Male</b>	561	3	270	48	8,951	2	6,226	2
<b>No specific gender</b>	21,093	91	9,816	47	386,249	91	252,328	89

Applicants are asked if their project will mostly benefit people from a specific gender.

<b>Community Background</b>	<b>Number of applications and application rate</b>		<b>Number of awards and application success rate</b>		<b>Requested amount and per cent of requested amount</b>		<b>Awarded amount and per cent of awarded amount</b>	
	<b>No.</b>	<b>%</b>	<b>No.</b>	<b>%</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>Both Catholic and Protestant</b>	706	63	374	53	19,424	68	12,548	65
<b>Mainly Catholic</b>	194	17	110	57	4,137	15	3,215	17
<b>Mainly Protestant</b>	198	18	83	42	2,521	9	1,046	6
<b>Neither Catholic or Protestant</b>	20	2	13	65	345	1	302	2
<b>No specific community</b>	5	<1	5	100	1,855	7	1,855	10

Applicants applying to programmes operating in Northern Ireland are asked which community those benefiting from their project mainly belong to.

	Number of applications and application rate		Number of awards and application success rate		Requested amount and per cent of requested amount		Awarded amount and per cent of awarded amount	
	No.	%	No.	%	£000	%	£000	%
<b>Welsh Language</b>								
All Welsh speaking	14	1	1	7	89	<1	4	<1
Mainly Welsh speaking	372	20	105	28	9,909	14	3,969	12
Mainly Non-Welsh speaking	1,372	73	578	42	54,416	77	27,190	82
No Welsh speaking	117	6	41	35	6,226	9	2,015	6

Applicants applying to programmes operating in Wales are asked how many people that will benefit from their project speak Welsh.

	Number of applications and application rate		Number of awards and application success rate		Requested amount and per cent of requested amount		Awarded amount and per cent of awarded amount	
	No.	%	No.	%	£000	%	£000	%
<b>Religion</b>								
Buddhist	2	<1	1	50	14	<1	10	<1
Christian	418	2	191	46	8,120	2	4,595	2
Hindu	12	<1	7	58	96	<1	62	<1
Jewish	257	1	118	46	2,825	1	1,461	1
Muslim	117	1	61	52	1,643	<1	1,223	<1
Sikh	11	<1	6	55	93	<1	54	<1
No religion	126	1	52	41	1,115	<1	465	<1
Other religion	20	<1	10	50	159	<1	91	<1
Religion or belief - answered no	22,115	96	10,400	47	410,862	97	275,587	97

Applicants are asked if their project will mostly benefit people from a specific religion.

	Number of applications and application rate		Number of awards and application success rate		Requested amount and per cent of requested amount		Awarded amount and per cent of awarded amount	
	No.	%	No.	%	£000	%	£000	%
<b>Disability</b>								
Not disabled	18,034	78	8,050	45	329,956	78	215,385	76
Disabled	5,049	22	2,799	55	95,051	22	68,358	24

Applicants are asked if their project will mostly benefit disabled people.

Sexual Orientation	Number of applications and application rate		Number of awards and application success rate		Requested amount and per cent of requested amount		Awarded amount and per cent of awarded amount	
	No.	%	No.	%	£000	%	£000	%
Lesbians/gay men/bisexual	602	3	288	3	14,401	3	9,867	3
Not specific to lesbians/gay men/bisexual	22,481	97	10,561	97	410,605	97	273,708	97

**Applicants are asked if their project will mostly benefit lesbians, gay men or bisexual people.**

Note: The data above do not always sum to the same totals for all grant awards activity. This is because the classifiers in our grant data are not mandatory when application data is completed and some applicants may only complete a sub-set of the total.

### Section 75, Northern Ireland Act 1998

Equality is central to all of our work and we continue to work with the Equality Commission for Northern Ireland to ensure that we meet the requirements of Section 75 of the Northern Ireland Act 1998.

### Welsh Language Standards

We are committed to delivering a bilingual service in Wales through the Fund's application of the Welsh Language Standards which came into force on 25 January 2017. The implementation of the Standards is monitored and discussed at regular meetings between the Fund's Welsh Language Officer and the Welsh Language Commissioner's office. We have met all of the Welsh Language Standards deadlines, the last of which was due in July 2018.

As a result of the Welsh Language Standards and our proactive approach as an organisation, a number of services offered by the Fund to its staff are available in Welsh including HR services and training courses. Our customers are provided with an opportunity to follow their journey with us in Welsh from the first point of contact, be that over the phone, by email, social media or written application. Our presence at events and in funding surgeries in Wales is provided in Welsh and English. We have offered bespoke training on the Welsh Language requirements to our grant holders. We have also been working in partnership with Welsh media organisations such as the BBC and local media to promote our funding and funded projects and we will continue with this work over the coming year.

# Our performance analysis: sustainability report

## Our commitment to environmental sustainability

The Fund is committed to minimising its impact on the environment both through its own activities and in the projects we fund.

Since 2011/12:



## Emissions, waste and consumption

In the 6 years to 2017/18 we met and exceeded our targets for reducing tCO<sub>2</sub> emissions and by 2018/19 had reduced our total emissions by 46% when compared to a 2013/14 baseline. Our major success has been in reducing scope 1 and 2 emissions, whilst in recent years our travel emissions have risen as we have significantly increased the number of staff we have working within the community rather than being office-based. To address this we have updated our approach to internal flights, encouraged colleagues to follow a simple travel hierarchy; utilising technology to minimise unnecessary travel and we promote the use of public over private transport. Our remaining emissions will be offset through a voluntary scheme working with UK based environmental organisations.

Whilst overall waste produced remains broadly stable, since 2015 we have reduced paper usage by around 60%, through electronic working practices and the introduction of a modern printer estate to minimise over-printing and to enhance data security.

## Looking forward

We have been monitoring the impact of structural changes on our environmental impact and plan to set targets for reductions based on the outcomes for 2018/19. In addition, we have also broadened the scope of our own carbon boundary to help us assess our impact more broadly, including for example new elements such as car hire and hotel stays.

Our 2019-21 strategic plan makes three key commitments to improving our environmental performance including; an ongoing focus on managing our own environmental impact, supporting our customers to manage their environmental impact, and committing a significant sum of our grant funding toward organisations and projects that will improve the environment.

Further analysis of our performance this year is shown below

<b>Greenhouse gas emissions</b>		<b>2018/19</b>	<b>2017/18</b>
<b>Non-financial indicators (tCO2E)</b>	Total gross for Scopes 1 and 2	377	634
	Total net for Scopes 1 and 2	377	634
	(less reductions i.e. Green tariffs)		
	Gross emissions for Scope 3 (business travel)	411	383
	Other Scope 3 emissions measured	12	-
<b>Related energy consumption (kWh)</b>	Electricity: non-renewable	484,924	751,233
	Electricity: renewable	-	-
	Gas	2,201,078	2,008,397
	LPG	-	-
	Other	-	-
<b>Financial indicators (£000s)</b>	Expenditure on energy	340	253
	Expenditure on official business travel	1,170	1,106
<b>Waste</b>		<b>2018/19</b>	<b>2017/18</b>
<b>Non-financial indicators (t)</b>	Total waste	69	81
	Hazardous Waste	-	-
	Landfill	28	28
	Re-used/Recycled	37	49
	Incinerated energy from waste	4	4
<b>Financial indicators (£000s)</b>	Total disposal cost	19	22
	Hazardous waste – total disposal cost	-	-
	Landfill	10	10
	Re-used/Recycled	9	8
	Incinerated energy from waste	4	4

<b>Finite Resource – consumption/water</b>		<b>2018/19</b>	<b>2017/18</b>
<b>Non-financial indicators (m3)</b>	Water consumption supplied	4,324	4,382
<b>Financial indicators (£000)</b>	Water supply costs	22	25

Scope 1, 2 and 3 refer to the definitions set out in the Greenhouse Gas Protocol by the World Resources Institute and the World Business Council on Sustainable Development.

Scope 1 refers to greenhouse gases produced directly in order to heat and light our offices while scope 2 refers to indirect production. We have continued to reduce our occupied office space and this has helped contribute to our reduction in emissions under scope 1 and 2. Under scope 2 we do not have current data in every case where we are reliant on service charge data from landlords. Where this is the case we have used the most suitable available data which may refer to the previous financial year or proxy data from similar locations.

Scope 3 refers to emissions from business travel. Our emissions under this category have increased during 2018/19 and did so in 2017/18 as a result of changes to ways of working described above.

# Statement of Accounting Officer's Responsibilities

Under Section 36A of the National Lottery Act etc. 1993 (as amended by the National Lottery Acts 1998 and 2006), the Secretary of State for Digital, Culture, Media and Sport has directed Big Lottery Fund to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Fund and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis;
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable.

The Department for Digital, Culture, Media and Sport has appointed the Fund's Chief Executive as Accounting Officer. The responsibilities of an Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Fund's assets, are set out in 'Managing Public Money' published by HM Treasury.

As the Accounting Officer, 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 Fund's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

As Accounting Officer, I take responsibility for the annual report and accounts and for the judgements required in determining that it is fair, balanced and understandable. I confirm that in my opinion this report as a whole meets those requirements.

## Delegated responsibilities

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

## Joint schemes

The Fund has entered into joint schemes, as defined in the National Lottery Act 1998, to provide funding alongside other bodies to achieve the outcomes defined by the relevant Joint Scheme Order. In these schemes the Accounting Officer is responsible for ensuring:

- Lottery funds allocated by the Fund are applied in accordance with its legal powers
- the economic, efficient and effective use of Lottery funding allocated by the Fund to the programme
- that the systems used for operating the programme are robust and fit for purpose
- that the mechanism for allocating the administrative costs of the programme is agreed between the participating Lottery distributors.

During 2018/19 the Fund has participated in the following joint schemes:

- Parks for People – a scheme administered by the National Lottery Heritage Fund, on behalf of the National Lottery Heritage Fund and The National Lottery Community Fund.
- Rethinking Parks - a scheme administered by Nesta, on behalf of Nesta, the National Lottery Heritage Fund and The National Lottery Community Fund.
- Year of the Young People – a scheme administered by the National Lottery Heritage Fund, on behalf of the National Lottery Heritage Fund and The National Lottery Community Fund.

## Award partners

The Fund has used the powers provided by the National Lottery Act 1998 to delegate to award partners the grant schemes listed below. The delegation agreement between the Fund and the award partner sets out the responsibility of the Chief Executive of the award partner to ensure that the systems implemented to administer Lottery applications and to process and monitor Lottery grants are acceptable and fit for purpose and that Lottery funds are distributed with due regularity and propriety.

The Fund's Chief Executive retains responsibility for the overall safeguarding of the public funds derived from the National Lottery and for ensuring that award partners operate within agreed terms and in line with financial and policy directions.

## Our award partners

As part of the Big Venture Challenge:

- UnLtd

As part of the Social Investment programme:

- School for Social Entrepreneurs

As part of the International Communities programme:

- Action Village India

As part of the Accelerator Fund:

- Firstport

As part of the People and Communities programme:

- Community Foundation for Northern Ireland

As part of the Growth Fund:

- Forward Enterprise FM Limited
- PICNIC Investment Limited
- Community Impact Partnership
- BIG Issue Access Limited
- Cultural Impact Loans
- Devon Community Foundation
- GMCVO
- Homeless Link Social Investment Ltd
- Kent Community Foundation
- Somerset Community Foundation
- Sporting Capital Ltd
- UnLtd
- First Ark
- Key Fund Investments Ltd
- Resonance Health & Wellbeing

As part of the Accelerating Ideas programme:

- Royal Botanic Gardens Kew

As part of the #iwill Fund programme:

- Virgin Money Foundation
- Sport England
- Co-operative Community Investment Foundation
- Greater London Authority
- Clarion Futures
- Ormiston Trust
- Paul Hamlyn Foundation

As part of the Partnership programme:

- School for Social Entrepreneurs

## **Additionality**

In accordance with the National Lottery Act 2006 all Lottery distributors are required to report on their additionality policy and practice. Additionality is an important principle of our funding. The Fund uses the following definition: “Lottery funding is distinct from Government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements Government and other programmes, policies and funding.” All awards made in 2018/19 were consistent with this definition of additionality. In addition to this definition the Fund also takes account of the following provision on additionality set out in our policy directions. “ADDITIONALITY AND COMPLEMENTARITY – the development of programmes and funding of projects should complement, add value and be distinct from the work of other funders and parties working towards Big Lottery Fund’s goals.”

# The governance statement

As Chief Executive and Accounting Officer this governance statement is my responsibility.

It is my responsibility to ensure that there are robust governance, risk management, and internal control arrangements across the whole organisation which support the achievement of the Fund's purpose whilst safeguarding the public funds and assets for which I am responsible.

This statement sets out how I have discharged my responsibility to manage and control the Fund's resources during the year. It draws upon the work of the Fund's Board, its Audit and Risk, and Remuneration committees as well as the Senior Management Team (SMT) as its executive body. I have also reviewed and considered the annual assurance report prepared by Internal Audit.

## **The Fund's accountability to Parliament, the devolved legislatures and government**

The Fund operates across the UK and was created by the National Lottery Act 2006, which amended the National Lottery etc. Act 1993 and sets out the primary rules under which it operates. It also has functions designated to it under the Dormant Bank and Building Society Accounts Act 2008.

The Fund is a non-departmental public body (NDPB) and I am fully accountable for our funds to Parliament. Certain orders relating to Lottery and dormant account money are made by the UK or Scottish Parliaments, the National Assembly for Wales or the Department of Communities Northern Ireland but the main government oversight of the Fund is exercised through directions issued by ministers.

The Secretary of State for Digital, Culture, Media and Sport is accountable for the National Lottery Distribution Fund and also issues financial and accounts directions to the Fund in relation to its functions under the National Lottery Acts. The Secretary of State issues similar directions relating to dormant account funds. These directions regulate the systems and processes of the Fund.

The Fund's policy sponsor is the Department for Digital, Culture, Media and Sport. The Minister of the sponsor department issues policy directions that must be taken into account when distributing funds generally across the UK and specifically in England, while the devolved administrations in Northern Ireland, Scotland and Wales issue policy directions in relation to funds distributed in those countries. These directions are included in section eight of this report.

Within the framework of these directions the Fund makes independent decisions on what programmes it should run and on what grants it should make.

## **Review of non-executive governance**

The Fund is governed by a Board comprising the Chair, the chairs of each of the four country committees and up to seven other members. The Board has appointed one of its members as Vice Chair. During 2018/19 there were 14 members of the Board.

Each country has a committee responsible for the funding programmes in its country; the Board has also appointed a committee for UK-wide funding.

The Board sets the Fund's Strategic Framework, and each committee, working within this framework, has delegated authority to determine the funding programmes in their country (or for the UK-wide funding portfolio). They also make grant decisions, or agree the delegated arrangements for making them, within these programmes.

The Board has appointed an Audit and Risk Committee which meets quarterly to advise on financial reporting, audit and assurance and risk management matters. It has also appointed a Remuneration Committee to deal with the matters set out in the remuneration report. The Remuneration Committee normally meets annually. The Chair of Audit and Risk Committee reports to each Board meeting on any matters the Committee considers should be brought to its attention, and to provide assurance to the Board. Audit and Risk Committee provides a full report to the Board on its work once each year.

The Board receives reports on the programmes in each country portfolio, so that it can ensure that their grant making aligns with the Strategic Framework and that learning is shared.

Membership of, and attendance at, Board and all committees is set out in the table at the end of this section.

All Board members are appointed by the Minister for the sponsor department. Members of country committees are appointed by the Fund. The Devolved Administrations are fully involved in the appointments relating to their respective countries and all Board and committee members are appointed following an open process of advertisement and selection.

## **Data quality**

The Board receives relevant and regular data from systems across the Fund to provide assurance on performance, controls and risk. It is satisfied that the quality and accuracy of this data is appropriate to its needs in assessing the effectiveness of the funding programmes, the risk management approach, the financial and operating performance of the Fund and the suitability of internal controls. The systems which provide this information are assured by being included in the internal audit programme.

## **Executive management**

I lead the executive management of the Fund supported by an SMT which currently has 11 members.

SMT meet regularly with formal meetings generally held at least once each month. SMT considers key policy, strategic and operational matters, provides advice to the Board on matters requiring its approval and oversight and oversees the operating and financial performance and risk management of the Fund as a whole.

The members of SMT and their areas of responsibility are set out at the end of this section.

One member of SMT left the Fund during the year and has been replaced following an open recruitment process. One additional SMT role has been established to bring together our approach to development of funding programmes and our service design ethos in a digital environment.

There are appropriate executive management structures across the organisation to oversee all activities and the projects and programmes being operated across the Fund.

During the year I visited the Fund's offices across the UK to talk with staff and managers on progress in implementing the Strategic Framework and other matters including the development of the Fund's approach to planning. I have also attended country committee meetings, engaged with stakeholders across the UK and have met with officials from the Department for Digital, Culture, Media and Sport, the Cabinet Office and attended the Lottery Distributors' Forum which I currently chair.

### **Risk management**

The Fund operates a comprehensive system of risk management, with an organisational risk register being reviewed quarterly by the Audit and Risk Committee. SMT reviews and considers key risks each month. The Board reviews the risk register at least annually to ensure there are no material omissions. The Board also, with the advice and guidance of the Audit and Risk Committee, has agreed the Fund's risk tolerance levels.

Risk registers are maintained at directorate level as well as for all projects and programmes and are reviewed at senior level at least every quarter. There is a system in place for escalating significant risk issues to SMT and if required to Audit and Risk Committee.

A key issue for the Fund is recognising that our aim in supporting communities across the UK sometimes requires us to fund in challenging circumstances and for risks to be taken with regard to the success of some projects. This requires careful judgement on the part of our grant making colleagues.

The Board and Audit and Risk Committee working with our executive team have continued to review and develop our approach to risk management to ensure we take a proportionate approach to risk. We seek to ensure that our organisational risk register links closely to our strategic aims and ambitions.

Our system of controls, together with the oversight of an experienced management team, is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure in seeking to achieve our strategic aims and objectives and it can therefore only provide reasonable rather than absolute assurance of effectiveness.

A programme of internal audit work is prepared annually by the Head of Internal Audit and agreed with SMT and the Audit and Risk Committee. This programme is designed to give assurance that appropriate controls have been designed and are operating correctly in relation to all the significant risks faced by the Fund. Over the course of the year, Internal Audit reports have addressed a significant number of risks including within the following key risk areas; ESF funding programmes, governance, project management and financial controls.

The findings of internal audit reports are considered by me, the managers concerned and the Audit and Risk Committee. Greater scrutiny is given to any reports that give limited assurance with respect to either the design of controls or their operational effectiveness. Actions are agreed by management in response to all recommendations made, and progress against these is reported to each Audit and Risk Committee meeting.

A number of internal audit reviews were completed over the course of the year and no significant weaknesses that could cause the control framework to become inadequate or ineffective were found.

The Fund outsources the delivery of the majority of its internal audit activity in a co-sourced arrangement. During the year the service was re-procured and a new contractor was appointed. The new arrangements began in April 2019.

Each SMT director has provided me with an assurance statement on the areas for which they are responsible. Drawing on these and the results of internal audit reviews the Head of Internal Audit has provided me with an annual assurance report. The assurance report assesses the Fund to have 'adequate assurance' in relation to its framework of governance, risk management and control, a position with which I concur and it is pleasing to see that no internal audits indicated limited assurance. The report also indicated that internal audit has not identified any breaches or non-compliance with the Fund's financial and accounts directions or other guidance issued by HM Treasury or DCMS.

External audit of this Annual Report and Accounts is carried out by the National Audit Office. Findings and recommendations arising from the external audit are dealt with in the same way as those from internal audit and fully considered by the Audit and Risk Committee.

The Fund faces a number of risks which are specific to its activities and which are a focus of risk management and assurance reporting. These include:

### **Cash Flow Risk**

The Fund makes award commitments on the basis of meeting the obligations in respect of those awards from future receipts from the National Lottery. We manage the risk of fluctuations in income through robust cash forecasting. Income reduced slightly in 2018/19 and remains materially below its peak in 2015/16. We do not anticipate any significant improvement in 2019/20. Managing future liabilities and cash flow in these circumstances is an area which is receiving close attention.

### **Fraud**

The nature of the Fund's work inevitably exposes us to the risk of fraud. The greatest such risk comes from organised criminal attacks on our small grants system through attempts to make fraudulent applications. Other risks include misappropriation of sums in funded projects. We have an investigations team that supports our funding staff in carrying out risk assessment, and which reviews all suspected cases of fraud or any other wrongdoing. Other controls on fraud include: a clear fraud policy; a whistleblowing policy together with means for the public to directly refer concerns to our audit and investigations team; clear reporting arrangements for suspected frauds with material frauds or attempted frauds being reported to me, the Audit and Risk Committee and to DCMS; and close working with the police, Charity Commission and other agencies. The Fund is engaged in cross-governmental anti-fraud initiatives. The number and value of suspected irregularities is monitored at all Audit and Risk Committee meetings. The Fund's approach to Fraud risk management is guided by the Functional Standards for Counter Fraud issued by the Cabinet Office in 2017. We have updated our approach in a number of areas in order to meet the standards

including the introduction of a Fraud Risk Management Group to consider and review fraud risk and controls across the Fund. A full fraud risk assessment was carried out during the year.

### **Cyber Risk**

The Fund faces risks common to most organisations of external malicious attack to its IT systems. We have carried out significant renewal work to our technical infrastructures over the last 2 years to mitigate these risks as well as to update ageing architecture. This work continues and we take external advice where appropriate and test our defences on a regular basis. We have been protected to some extent by having limited online interaction with customers. Development of digital solutions brings a sharper focus to work in this area. During the year we commissioned an external penetration test which identified a number of areas of focus for additional work to mitigate risks. The Fund achieved Cyber Essentials accreditation during the year.

### **Data Protection and the General Data Protection Regulation (GDPR)**

Data protection legislation was enhanced during the year following the introduction of GDPR. In common with other organisations the Fund has reviewed its approach to data protection to ensure it is able to meet the new requirements. We have updated relevant contracts and privacy notices as well as our contractual arrangements with both grant holders and other organisations. We have carefully considered arrangements where we fund programmes with partners which may process data related to individuals who have special categories of personal data and also where we may share data with third party organisations as a result of evaluation or similar activities.

During the year there were no data breaches which required reporting to the Information Commissioner's Office.

### **Funding management system (FMS)**

The FMS (a business system which supports our awards process) was introduced in 2013/14 and was the cause of some operational instability. Although these matters have been addressed we have concluded that the system does not fully support the ways of working we need to deliver the key principles set out in the Strategic Framework and more specifically the ways of working and ambitions set out in the grant making strategy. Work has commenced to replace the system with digital tools that more appropriately support our ways of working and information needs. During 2015/16 we made an impairment adjustment in respect of the carrying value of the system totalling £9.5m and in 2016/17 we made an adjustment to its remaining useful economic life. We have reviewed our assessment of FMS and have concluded that no further impairment is necessary this year and neither is any further adjustment of its useful life required.

### **Operating cost target risk**

We are required by government to operate within a cost threshold of 8 per cent of our Lottery incomes and we budgeted to achieve this in 2018/19. We met this target for the year. We continue to seek cost efficiencies and there have been further restructures across the Fund during the year designed both to improve services and deliver savings. The budget for 2019/20 has been set to continue to operate within the 8 per cent threshold. From 2018/19 the assessment for this measure changed to a three year rolling basis. This enables us to better manage short term fluctuations in income and to manage investment costs more effectively.

## **Reputational Risk**

The activities of the Fund and the projects and organisations it funds together with its status as a public body bring certain risks to our reputation should either our own actions or those of our grant holders give rise to matters of public concern. We work closely with our stakeholders to monitor higher risk awards carefully and quickly identify any such matters which could arise. During the year a small number of matters of this nature have arisen and these have been carefully managed by our teams.

## **Dormant Accounts Risks**

Income will continue to be made available for awards under the dormant bank accounts arrangements over the next two years and most likely beyond that. The Fund has been working with DCMS with regard to the distribution of the portion allocated to England. Two new independent organisations have been established to manage the distribution of funds under the themes of Youth and Financial Inclusion. The Fund faces some additional risks in relation to this activity in ensuring that it is able to meet its governance and assurance responsibilities under the Act. These are being addressed through the governance processes established in the new arrangements and controls placed on the new organisations connected to the funding they receive.

## **Safeguarding in charities and other community organisations**

A number of matters relating to safeguarding have emerged in recent years in the sector which we support including in relation to organisations we have funded. The Fund has responded to these matters and is updating its own approach to safeguarding as well as to how we seek assurance from applicants and grant holders.

## **Effectiveness of non-executive governance**

The governance arrangements of the Fund are designed to enable the Board to focus effectively on the strategic oversight of the organisation. The Board commissioned a review of these arrangements during 2016/17. The recommendations from that have been implemented. The key changes have enabled Board members to clearly separate matters of strategy for broad discussion from the review and assessment of more operational matters.

The structure and membership of the Board is set out in the National Lottery Act 2006 which established the Big Lottery Fund. Board members are appointed by DCMS in consultation, where appropriate, with the relevant devolved administration. The role of the Board and its members is concerned with the Fund's full range of activities including dormant accounts funding and Third Party grant programmes.

Funding programme matters within strategic parameters set by the Board are fully devolved to the five portfolio committees. Each portfolio is represented on the Board by its chair.

The Board has engaged with the strategic, operational and financial issues facing the Fund and has been actively involved in setting its direction and agreeing the Strategic Framework. It is satisfied that it receives sufficient accurate information to be confident about the effectiveness of the funding programmes and about the financial and operational performance of the organisation, including risk management. Each country portfolio formally reports its performance annually to the Board as well as providing quarterly updates.

The Fund applies the HM Treasury and Cabinet Office guidance in Corporate Governance in central government departments in so far as it applies to non-departmental public bodies. I am satisfied that the principles in the guidance, together with other sources of guidance on good practice in corporate governance, are fully reflected in the Fund's governance arrangements.

### **Triennial Review**

The Cabinet Office undertook a Triennial Review of the Fund in 2013/14 reporting in June 2014. The report recognised the Fund as a respected and important organisation and made 28 recommendations. These actions have been completed or otherwise closed and completion of the process has been agreed with DCMS, as our sponsor body, during the year. The Fund has not been advised of when it may be the subject of Tailored Review, the oversight process which has now replaced the Triennial Review.

### **Corporate planning and performance management**

The Fund has a system of corporate planning designed to identify corporate priorities and plans in each period and to act as a guide in delivering the strategy approved by the Board. Directorate plans are developed throughout the Fund, and feed into the overall corporate plan and to the personal objectives for staff.

The corporate plan for 2018/19 included one financial and six non-financial key performance indicators (KPIs). These were monitored regularly and reported to SMT and to the Board, with corrective action being agreed wherever necessary. A number of these were new measures and sought to establish base data from which future trends can be assessed.

Our performance against these KPIs is reported in the Performance Report section of this document. We met six out of seven of the KPIs set for the year.

Additional key management information (KMI) is also collated and analysed for SMT throughout the year in various forms. This presents data on such matters as employment statistics, grant making services and other financial data such as our balance in the NLDF.

The Fund has continued to develop its approach to planning and has made further changes during the year including setting out a purpose statement in support of the People in the Lead strategy and to update our principles with the addition of one relating to the context of the communities and organisations we fund. Our approach to planning continues to evolve and has supported our plans and budget for the coming period. This includes setting certain priorities for development against four corporate goals.

### **Dormant accounts**

The Fund has established enhanced governance processes for the management of the Dormant Bank and Building Society Accounts funding stream in response to increased levels of activity. We have worked with DCMS to set in place reporting structures to ensure all aspects of the range of grant making activities are appropriately designed and delivered and that the governance arrangements for the Fund are effective in this area and that they support the overall Dormant Bank Accounts scheme appropriately. The work in delivering dormant accounts activities forms a part of our overall approach to organisational governance across the Fund and therefore the role of the Board, Audit & Risk Committee, Internal Audit and that

of the Accounting Officer extend to cover these activities alongside those connected with our Lottery funded activities.

### **Third party funding**

The Board is actively engaged in decisions about third party work; considering, for each proposal, whether it is, or may be, appropriate for the Fund to undertake and is consistent with our third party funding strategy and the principles in the Strategic Framework. We apply a risks and control framework to each opportunity consistent with the task set by the client, ensuring that there is no question of Lottery money being put at risk or cross-subsidising of non-Lottery work from Lottery resources.

### **Delegated and trust arrangements**

The Fund delegates some of its functions to other organisations, as set out in the Statement of Accounting Officer's Responsibilities. Proportionate due diligence work is carried out on the governance and systems of proposed partners before funding is awarded. The arrangements are actively managed and appropriate internal and external audit arrangements are applied.

The Fund also makes awards as endowments to trusts, normally created specifically for the purpose of the award, for example, the Power to Change trust was set up in 2014/15 to support community enterprises across England, from inspiring and nurturing ideas to helping communities scale up and expand their businesses.

In establishing arrangements of this type the Fund conducts due diligence before the award and in most cases appoints an independent protector who has powers to ensure that the endowment is properly applied in accordance with the Fund's intentions.

### **Our payment policy and practice**

In accordance with the Better Payment Practice guide, we aim to pay all our creditors within 30 days of receiving an invoice, unless other terms and conditions have been negotiated. In 2018/19, 88 per cent (90 per cent in 2017/18) of all creditors were paid within 30 days of receiving an invoice.

The percentage of suppliers paid within 10 days under the Government's prompt payment challenge was 64 per cent during 2018/19 (63 per cent in 2017/18).

Our overall creditor days (the total value of our creditors at 31 March 2019 divided by total creditor payments during 2018/19, expressed in days) was 15 days (14 days in 2017/18).

### **Data quality and data protection**

We treat our information security obligations extremely seriously, and under the scrutiny and advice of the Audit and Risk Committee we regularly assess the adequacy of our information security measures.

The General Data Protection Regulation came into force in May 2018 and set greater controls on organisations with regard to their responsibilities for collecting and storing personal data. Much of the Fund's activity with regard to collection of personal data is covered by our statutory role but the regulation fully applies to the Fund. We have adapted our processes and approach to ensure we are able to meet the new requirements. We have updated our grant agreements and considered carefully arrangements with grant holders for the collection, storage and sharing of the personal data of individual beneficiaries including where special categories of personal data may be stored.

We have undertaken a significant programme of training and knowledge sharing across the Fund to ensure all colleagues are aware of the requirements. We have established the role of Data Protection Officer to ensure we have a point of reporting and review of data protection matters independent of senior management. This role is supported by a series of data champions from functions across the Fund.

During 2018/19 there were no reportable losses of personal data.

### **Impact of Brexit**

The Fund is engaged in two active funding programmes with matched funding from the European Social Fund (ESF). This funding is already in place through the Department for Work and Pensions as the Managing Agent to deliver these grants. The Fund's costs for delivery of these programmes is guaranteed by Treasury for 2019/20. Should there be a no deal Brexit the Fund would seek further guarantees to complete delivery of the programmes in order to avoid cross-subsidy from our Lottery activities. We would expect this to be forthcoming as the costs form a part of the overall ESF funding.

The Fund's remaining activities are not dependent on cross border sources of funding and nor does it depend on significant services from EU entities. No material impact on the Fund is predicted following the UK's exit from the EU.

### **Overall assessment of governance and internal control**

In my opinion and supported by the Head of Internal Audit's assurance report, the Fund's systems of governance and internal controls are sufficient to enable me to ensure compliance by the Fund with the National Lottery Acts, the Dormant Bank and Building Society Accounts Act and the policy, financial and accounts directions issued under them.

Dawn Austwick  
Chief Executive and Accounting Officer  
4 July 2019

## Board and committee membership, meeting attendance and remuneration during the year

### UK Board members

Name	Role	Attendance 2018/19	Remuneration 2018/19	Remuneration 2017/18
<b>Peter Ainsworth</b>	Chair, UK Board	4/4	40,000	40,000
	Chair, Remuneration Committee	1/1		
	Chair, UK Funding Committee	4/4		
<b>Tony Burton CBE</b>	Vice Chair, UK Board	4/4	15,696	15,696
	Chair, Audit and Risk Committee	4/4		
	Member, Remuneration Committee	1/1		
	Member, UK Funding Committee	4/4		
<b>Astrid Bonfield CBE</b>	Member, UK Board (until 30 November 2018)	1/2	6,540	7,848
	Member, UK Funding Committee (until 30 November 2018)	1/2		
<b>Natalie Campbell</b>	Member, UK Board	4/4	7,848	7,848
<b>Perdita Fraser</b>	Member, UK Board	4/4	7,848	7,848
	Member, Audit and Risk Committee	4/4		
<b>Julie Harrison</b>	Chair, Northern Ireland Committee	6/6	24,000	24,000
	Member UK Board	4/4		
<b>David Isaac CBE</b>	Member, UK Board (until 1 June 2018)	0/0	1,308	7,848
	Member, Remuneration Committee (until 1 June 2018)	1/1		
<b>Maureen McGinn</b>	Chair, Scotland Committee	7/7	24,000	24,000
	Member, UK Board	4/4		
<b>Elizabeth Passey</b>	Member, UK Board	4/4	7,848	7,848
	Member, UK Funding Committee	1/2		
<b>Rachael Robathan</b>	Member, UK Board	4/4	7,848	7,848
<b>Nat Sloane CBE</b>	Chair, England Committee	6/6	24,000	24,000
	Member, UK Board	3/4		
<b>Sir Adrian Webb</b>	Chair, Wales Committee	6/6	24,000	24,000
	Member, UK Board	4/4		
	Member, Audit and Risk Committee	4/4		
<b>Emma Boggis</b>	Member, UK Board (from 11 February 2019)	1/1	-	-
<b>Danielle Walker-Palmour</b>	Member, UK Board (from 11 February 2019)	0/1	-	-

## Other members

Name	Role	Attendance 2018/19	Remuneration 2018/19	Remuneration 2017/18
<b>England committee</b>				
<b>Geeta Gopalan</b>	Vice Chair, England Committee (until 31 December 2018)	4/4	6,540	8,060
<b>Charlie Howard</b>	Member, England Committee (until 30 October 2018)	0/0	3,916	9,384
<b>Margaret Jones</b>	Member, England Committee	6/6	7,848	7,848
<b>Tarn Lamb</b>	Member, England Committee	6/6	10,160	10,000
<b>Kevin Bone</b>	Member, England Committee (from 20 January 2018)	6/6	7,848	654
	Member, UK Funding Committee (from 20 January 2018)	4/4		
<b>John Mothersole</b>	Member, England Committee (from 20 January 2018)	5/6	7,848	654
<b>Scotland committee</b>				
<b>Grant Carson</b>	Member, Scotland Committee	5/7	5,232	5,232
<b>Stella Everingham</b>	Member, Scotland Committee	7/7	5,232	5,232
	Member, UK Funding Committee (from 19 July 2017)	4/4		
<b>Iain Gordon</b>	Member, Scotland Committee (until 31 August 2018)	3/3	2,180	5,232
<b>Lindsay Graham</b>	Member, Scotland Committee (from 12 March 2018)	5/7	5,513	436
<b>Aaliya Seyal</b>	Member, Scotland Committee (from 12 March 2018)	6/7	5,513	436
<b>Martin Johnstone</b>	Member, Scotland Committee (from 12 March 2018)	5/7	5,513	-
<b>Janet Miles</b>	Member, Scotland Committee (from 1 October 2018)	4/4	3,450	4,796
<b>Wales committee</b>				
<b>Rona Aldrich</b>	Member, Wales Committee	6/6	5,232	5,232
<b>Sian Callaghan</b>	Member, Wales Committee	5/6	5,232	5,232
	Member, UK Funding Committee	3/4		
<b>Rob Pickford OBE</b>	Member, Wales Committee	5/6	5,232	5,232
<b>Helen Wilkinson</b>	Member, Wales Committee (from 1 February 2018)	6/6	5,232	436
<b>Nicola Russell-Brooks</b>	Member, Wales Committee (from 1 February 2018)	4/6	5,232	872

## Other members

Name	Role	Attendance 2018/19	Remuneration 2018/19	Remuneration 2017/18
<b>Northern Ireland committee</b>				
<b>Dr Michael Dobbins</b>	Member, Northern Ireland Committee	4/6	5,232	5,232
	Member, UK Funding Committee	3/4		
<b>Tony Doherty</b>	Member, Northern Ireland Committee	6/6	5,232	5,232
<b>Charles Mack</b>	Member, Northern Ireland Committee	4/5	5,232	5,232
<b>Sandra MacNamee</b>	Member, Northern Ireland Committee	6/6	5,232	5,232
<b>Eileen Mullan</b>	Member, Northern Ireland Committee	4/6	5,232	5,232
<b>Audit and Risk committee</b>				
<b>Ruth Marchington</b>	Member, Audit and Risk Committee (from 1 July 2017)	4/4	1,744	1,308
<b>Charlotte Moar</b>	Member, Audit and Risk Committee (from 1 July 2017)	3/4	1,744	1,308

## Register of interests

All our Board and committee members, assessors, advisers and members of any advisory panel and our staff must declare relevant interests under our code of ethics. This code complies with the Cabinet Office code of practice for Board members of public bodies. Interests declared by Board members are posted on our website. Details of such interests for all decision-making committee members are available by writing to the Head of Governance.

If the Board or a committee considers any matters which could reasonably be seen as giving rise to a conflict of interest, principally over grant decisions to organisations but also any commercial relationships, the chair of the meeting ensures at the outset that disclosure is made and that the member withdraws while the relevant item is discussed.

The following table details awards made to organisations where Board and country committee members have declared an interest within the current financial year or where other interests have been disclosed with funded organisations.

Name	Organisation Name	Nature of relationship	Awards made in 2018/19		Withdrawn from award	Outstanding grant award at 31 March 2019 £
			No	£		
<b>Aaliya Seyal</b>	Parent Network Scotland	Board Member	1	145,396	N/A	97,956
	Scottish Refugee Council	Board Member	1	10,000	N/A	-
<b>Deirdre Robertson</b>	Scout Association	Consultant	1	10,000	N/A	-
<b>Eileen Mullan</b>	Age NI	Chair	1	2,244,942	N/A	2,319,940
<b>Geeta Gopalan</b>	Pilotlight	Trustee	1	213,075	N/A	213,075
<b>Kevin Bone</b>	Pilotlight	Trustee	1	213,075	N/A	213,075
	Swansea YMCA	Mentor	1	9,750	N/A	-
<b>Maggie Jones</b>	The Youth Association	Chair	-	-	N/A	70,549
	The Coalfields Regeneration Trust	Close Relative Connected	-	-	N/A	9,054
	Womens Health Matters	Close Relative Connected	-	-	N/A	101,086
	Leeds City Council	Connected with related organisation	-	-	N/A	1,481,843
	Your Consortium Limited	Connected with related organisation	-	-	N/A	3,631,220
<b>Martin Johnstone</b>	WEvolution	Advisor	1	286,975	N/A	367,488
	Faith in Community (Scotland)	Trustee	-	-	N/A	45,248
	Home-Start Glasgow South	Close Relative Connected	-	-	N/A	417,316
<b>Maureen McGinn</b>	Clore Social Leadership	Mentor	1	45,195	N/A	160,369
	Paul Hamlyn Foundation	Advisor	-	0	N/A	828,750
<b>Michael Dobbins</b>	Liberty Consortium	Chair	1	9,965	N/A	188,285
<b>Nat Sloane</b>	Catch 22 Charity Limited	Chair	-	-	N/A	223,967
	Social Finance Limited	Committee Member	-	-	N/A	1,417,500
	Pause Creating Space for Change	Chair	-	-	N/A	593,067
<b>Natalie Campbell</b>	UnLtd	Trustee	-	-	N/A	219,000

Name	Organisation Name	Nature of relationship	Awards made in 2018/19		Withdrawn from award	Outstanding grant award at 31 March 2019 £
			No	£		
<b>Nicola Russell-Brooks</b>	Breast Cancer Care	Consultant	-	-	N/A	257,602
	NCVO	Consultant	-	-	N/A	230,000
<b>Perdita Fraser</b>	Ashoka UK	Advisor	-	-	N/A	20,000
<b>Peter Ainsworth</b>	Pallant House Gallery	Close Relative Connected	1	92,910	N/A	92,910
<b>Rob Pickford</b>	The Royal Society for the Protection of Birds	Member	-	-	N/A	298,955
	Cardiff University	Fellow	-	-	N/A	1,062,582
<b>Ruth Marchington</b>	The Ramblers Association	Member	1	49,767	N/A	68,660
<b>Sandra McNamee</b>	Greenlight Gateway	Consultant	1	99,250	N/A	82,642
	Women's Aid ABCLN	Consultant	-	-	N/A	529,019
	NSPCC	Consultant	-	-	N/A	33,158,717
<b>Sian Callaghan</b>	Cadwyn Housing Association Limited	Shareholder	1	99,933	N/A	-
	The Royal Society for the Protection of Birds	Close Relative Connected	-	-	N/A	298,955
<b>Stella Everingham</b>	Scottish Borders Council	Employee	-	-	N/A	357,790
	Children in Scotland	Consultant	-	-	N/A	74,922
<b>Tarn Lamb</b>	Cornwall Neighbourhoods for Change Limited	Chief Executive	1	95,360	Yes	95,360
	Design Council	Advisor	-	-	N/A	240,913
<b>Tony Burton</b>	Renaisi Limited	Consultant	1	119,933	N/A	2,203,289
	The Conservation Volunteers	Trustee	3	111,955	N/A	537,377
<b>Tony Doherty</b>	Dove House Community Trust	Chair	1	10,000	N/A	-

Notes: 1. Where recorded as not applicable (“N/A”) the individual has declared a connection with the organisation but was not party to any decisions concerning related grants.

## The senior management team

### **Dawn Austwick**

Chief Executive

### **Sarah Benioff**

Director, England (from December 2018)

### **Kate Beggs**

Director, Northern Ireland (from January 2019)

### **Gemma Bull**

Development Director  
Previously: Development Director for England

### **Martin Cawley**

Director, Scotland

### **Joe Ferns**

UK Knowledge and Portfolio Director

### **James Harcourt**

Director, England

### **Ben Harrison**

Director of Engagement

### **Ian Hughes**

Finance Director

### **Joanne McDowell**

Director, Northern Ireland  
(until December 2018)

### **John Rose**

Director, Wales

The following are members of the Senior Management Team but report to a director above:

### **Matthew Green**

Technology Director (from October 2018)

Previously Acting Technology Director

### **Neil Harris**

People Director (from May 2018)

### **Dianne Hughes**

HR Director (until May 2018)

# Our remuneration and staff report

## Governance

The Remuneration Committee of the Board has responsibility to:

- agree the terms and conditions of employment of the Chief Executive
- decide on the Chief Executive's performance appraisal and related pay
- determine the remuneration policy for directors
- approve the performance appraisals and related pay for directors, and
- decide on severance terms for the Chief Executive and directors.

At the request of the Chair of the Committee the Chief Executive, the People Director, or other officers attend meetings for selected agenda items.

The decisions of the Committee are subject to:

- compliance with the pay guidance issued by the Cabinet Office/ HM Treasury applying to the remuneration of staff generally
- approval by DCMS of the terms and conditions of employment of the Chief Executive
- approval by DCMS of any termination payments to the Chief Executive.

## Remuneration policy for executive directors

Our policy is to offer remuneration that enables the Fund to attract, retain and motivate high calibre individuals with the skills and abilities to lead and manage the organisation. In doing so, the policy seeks to remunerate fairly for individual responsibility and contribution, while providing an element of performance related pay.

Directors including the Chief Executive receive a basic salary and a performance related payment (except in respect of one Director). Their other terms and conditions of employment are the same as for other Fund employees. They are entitled to be members of the Principal Civil Service Pension Scheme. All directors are on permanent contracts (except where necessarily covered by temporary or interim arrangements) subject to three months' notice. Any termination payments are paid in accordance with the civil service compensation scheme.

Any annual increase to the Chief Executive's salary is determined by the Remuneration Committee; for 2018/19 this was 0.68 per cent. Annual increases to the other directors' salaries are approved by the Chief Executive reflecting the outcome of the overall staff pay award.

The Chief Executive is entitled to a performance-related payment of up to 12 per cent of her basic salary. The other directors are entitled to a payment of up to 8 per cent of their basic salary. Performance-related payments are unconsolidated (that is, they are not added to basic salary, and must be earned again each year). They are not included in pensionable pay. The Chief Executive has decided to give the performance related elements of her remuneration to charity.

None of the directors receive any taxable benefits in kind. Directors are reimbursed expenses incurred in the course of their duties on the same basis as all other employees of the Fund.

Two members of the Senior Management Team, one of whom was a director, left during the year. No termination payments were made.

Details of the basic salary, performance-related payments and pension benefits of directors are set out in the table on pages 82-83. Details of their expenses can be found on the website: [tnlcommunityfund.org.uk/about/our-people/senior-management-team](http://tnlcommunityfund.org.uk/about/our-people/senior-management-team)

### **Officials with significant financial responsibility**

The Fund engaged 26 Board members or members of the Senior Management Team who were deemed to have significant financial responsibility. All of these engagements were paid through the Fund's payroll.

### **Pay multiples (audited information)**

We are required to disclose the relationship between the remuneration of our highest-paid director (which is the Chief Executive) and the median remuneration of the Fund's employees. Total remuneration includes salary, performance related pay and benefits in kind; it excludes termination payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The banding of the total salary plus performance award during the year of the highest paid director was £145,000 to £150,000 (2017/18 £155,000 to £160,000), the median salary of the Fund's employees was £26,542 (2017/18 £28,000). In 2018/19, the ratio of the highest paid to the median has remained at 5.6:1 (2017/18 5.6:1). In 2018/19, zero (2017/18 zero) employees received remuneration in excess of the highest-paid director. The range of remuneration is from a range of £10,000 to £15,000 to a range of £145,000 to £150,000.

### **Staff**

Details of staff numbers, their composition and any exit packages are shown in note 7 to the financial statements.

### **Equality in employment**

The Fund seeks to be a diverse and inclusive employer. We aim to ensure that our staff appropriately reflect and represent the communities which they support. Our approach to recruitment seeks to ensure that we attract a diverse range of applicants and we use appropriate sources, contacts, agencies and advertising approaches to support this.

We seek to ensure that we provide training and development opportunities to all staff to maximise their capacity to undertake their roles for the Fund. We support a range of training opportunities directly related to, and distinct from, skills required to fulfil the role including leadership and management development. Where staff acquire access issues during the course of their employment we seek to ensure they are able to continue to meet the demands of their role including providing additional support and training as necessary. The table below sets out our monitoring report for equalities for 2018/19.

	<b>The Fund</b>	<b>Civil Service</b>	<b>UK economically active population</b>
<b>Disability status</b>	<b>%</b>	<b>%</b>	<b>%</b>
Staff with disability	6.5	10.0	13.1
Staff without disability	93.5	90.0	86.9

	<b>The Fund</b>	<b>Civil Service</b>	<b>UK economically active population</b>
<b>Gender</b>	<b>%</b>	<b>%</b>	<b>%</b>
Female	65.8	53.9	47.0
Male	34.2	46.1	53.0

	<b>Board</b>	<b>Directors</b>	<b>Fund Senior Staff</b>
<b>Gender</b>	<b>%</b>	<b>%</b>	<b>%</b>
Female	66.7	35.0	64.7
Male	33.3	65.0	35.3

	<b>The Fund</b>	<b>UK economically active population</b>
<b>Ethnic Group</b>	<b>%</b>	<b>%</b>
Asian	6.4	4.7
Black	4.6	3.1
Chinese	-	0.6
Mixed	2.0	1.2
Other	0.6	2.8
White	84.4	87.6
Not Known	1.2	-
Do not wish to declare	0.8	-

### **Staff sickness absence**

We are committed to the health and wellbeing of our staff. The Fund has a comprehensive sickness absence policy and also undertakes employee-led wellbeing activities. During 2018/19, the average number of days of sickness absence was 8.0 days per employee (8.4 days in 2017/18).

### **Employee involvement**

The Fund has a constructive relationship with our joint recognised unions, Prospect and Unite, and seeks to find and encourage opportunities for employee involvement and consultation. The Fund regularly seeks the views and opinions of its staff through informal dialogue and through formal employee engagement surveys.

### **Health & Safety**

The Fund takes its responsibilities for the Health & Safety of its staff, contractors and grant holders seriously. We seek to adopt best practice in the management and reporting of risk. Changes to the way we work, with more of our colleagues working away from fixed office bases, has caused us to address any additional risks that may arise.

### **Off Payroll Engagements and Consultancy**

During the year the Fund has engaged seven (2017/18 six) individuals through off-payroll contracts. One of these was in respect of interim cover for a vacant staff position while the remaining six were for specialist services not generally engaged by the Fund. The Fund operates strict tests to ensure that the nature of all engagements is appropriately assessed and that in all cases contracts are set to ensure that the appropriate tax and National Insurance obligations are met. The total cost of these arrangements was £250,240 (2017/18 £411,097)

Five of the off payroll contracts were new contracts in the year or reached a period of six months engagement during the year. Assurance with regard to tax and national insurance deductions was sought and provided in all cases. None were directly engaged through the Fund's payroll and none were subject to change of status.

The Fund has incurred consultancy costs during the year of £345,245 (2017/18 £386,220) in respect of the provision of advice and expertise which we would not routinely procure to support our continuing activities.

### **Apprenticeship Levy**

The apprenticeship levy applies to all organisations with an annual paybill greater than £3 million. Contributions to the apprenticeship levy account amount to 0.5% of the total paybill after deduction of a £15,000 allowance. Contributions to the account in respect of sums relating to England are topped up by government by 10%. Employers are able to use the account to pay for qualifying training activities. Apprenticeship arrangements with respect to Scotland, Wales and Northern Ireland are unchanged.

The Fund has made total contributions to the scheme during the year of £122,078 (2017/18 £120,095) and in accordance with the government accounting guidance has written this off as a staff cost under taxes.

The Fund has reclaimed a total of £17,467 (2017/18 £5,280) in training costs from appropriate providers. These costs are shown as training costs in operating costs with the benefit of the drawdown from the apprenticeship levy account shown in income as a government grant.

## Gender Pay Gap

The Fund is required to report its performance under the Gender Pay Gap regulations. Full details are available on gov.uk gender pay gap portal and are published on our own website. Across the Fund as a whole we report a gender pay gap of 6.1 per cent (2017/18 3.2 per cent) for mean pay while for median pay the rate is 2.4 per cent (2017/18 -0.2 per cent). These results show a widening of the gap since our first report. This is due to a significant programme of recruitment during 2018 which resulted in a significant proportion of new female members of staff whose pay rates, while comparable with male colleagues, were below the mean for the organisation as a whole. Each of the measures compares favourably with most similar organisations and in particular by comparison with the overall Civil Service Gender Pay Gap.

## Trade Union Facility Time

Number of employees who were relevant union officials during the financial year	4
Full time equivalent employee number	<u>3.6</u>
Percentage of time spent on facility time by relevant union officials:	
0%	-
1-50%	1
51-99%	3
100%	<u>-</u>
Total cost of facility time	£69,894
Total cost of paybill	£33,776,000
Percentage of paybill spent on facility time	<u>0.20%</u>
Hours spent on paid trade union activities	180
Hours spent on paid facility time	4137
Percentage	<u>4.4%</u>

## Executives' remuneration – single total figure for remuneration (audited information)

Executives	2018/19 Salary £000	2018/19 Performance related payments £000	2018/19 Value of pension benefits £000	2018/19 Single total figure for Remuneration £000	2017/18 Salary £000	2017/18 Performance related payments £000	2017/18 Value of pension benefits £000	2017/18 Single total figure for Remuneration £000
<b>Dawn Austwick (Chief Executive)</b>	130-135 (Full time equivalent 145-150)	10-15	52	195-200	140-145	10-15	57	215-220
<b>Kate Beggs (Director, Northern Ireland) from 1 February 2019</b>	12-15 (Annual equivalent 75-80)	0-5	13	25-30	-	-	-	-
<b>Sarah Benioff (Director, England) from 1 December 2018</b>	25-30 (Annual equivalent 85-90)	0-5	35	60-65	-	-	-	-
<b>Gemma Bull (Development Director)</b>	85-90	5-10	34	125-130	80-85	5-10	33	120-125
<b>Martin Cawley (Director, Scotland)</b>	85-90	0-5	34	120-125	85-90	0-5	34	120-125
<b>Joe Ferns (Director UK Knowledge and Portfolio)</b>	90-95	0-5	13	100-105	85-90	N/A	13	100-105
<b>James Harcourt (Director, England Grant Making)</b>	80-85	5-10	33	120-125	80-85	0-5	33	115-120
<b>Ben Harrison (Director of Engagement)</b>	80-85	0-5	32	115-120	80-85	0-5	31	110-115
<b>Ian Hughes (Finance Director)</b>	105-110	5-10	42	155-160	105-110	5-10	42	155-160
<b>Joanne McDowell (Director, Northern Ireland) until 31 December 2018</b>	50-55 (Annual equivalent 80-85)	0-5	31	85-90	70-75	0-5	25	100-105
<b>John Rose (Director, Wales)</b>	75-80	0-5	41	120-125	75-80	0-5	27	105-110

## Executives' remuneration – pensions (audited information)

Executives	Accrued pension at pensionable age as at 31/03/19 and related lump sum £000	Real increase in pension and lump sum at pension £000	Cash Equivalent Transfer Values (CETV) at 31/03/19 £000	Cash Equivalent Transfer Values (CETV) at 31/03/18 £000	Real increase in CETV £000
<b>Dawn Austwick (Chief Executive)</b>	15-20 plus 0 lump sum	2.5-5 plus 0 lump sum	279	213	35
<b>Kate Beggs (Director, Northern Ireland) from 1 February 2019</b>	15-20 plus lump sum 30-35	0-2.5 plus lump sum 0-2.5	233	224	8
<b>Sarah Benioff (Director, England) from 1 December 2018</b>	25-30 plus 0 lump sum	0-2.5 plus 0 lump sum	401	336	20
<b>Gemma Bull (Development Director)</b>	10-15 plus 0 lump sum	0-2.5 plus 0 lump sum	84	56	10
<b>Martin Cawley (Director, Scotland)</b>	5-10 plus 0 lump sum	0-2.5 plus 0 lump sum	69	38	20
<b>Joe Ferns (Director UK Knowledge and Portfolio)</b>	N/A	N/A	N/A	N/A	N/A
<b>James Harcourt (Director, England Grant Making)</b>	5-10 plus 0 lump sum	0-2.5 plus 0 lump sum	58	32	14
<b>Ben Harrison (Director of Engagement)</b>	0-5 plus 0 lump sum	0-2.5 plus 0 lump sum	37	18	9
<b>Ian Hughes (Finance Director)</b>	10-15 plus 0 lump sum	2.5-5 plus 0 lump sum	161	110	32
<b>Joanne McDowell (Director, Northern Ireland) until 31 December 2018</b>	30-35 plus lump sum 20-25	0-2.5 plus lump sum 0-2.5	496	422	20
<b>John Rose (Director, Wales)</b>	20-25 plus 0 lump sum	0-2.5 plus 0 lump sum	358	290	26

## **Cash equivalent transfer values (CETV)**

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their lifetime membership of the scheme not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

This reflects the increase in CETV that is funded by the Fund. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## **Remuneration of Board and Committee members**

The remuneration of Board and committee members of the Fund is determined by the Secretary of State for the Department of Digital, Culture, Media and Sport.

The Chairs of the UK Board and the country committees receive an annual salary based on the number of days they are expected to devote to the work of the Fund. These were set out in their letter of appointment.

The total amounts they received are shown in the table on pages 71 to 73.

Board and committee members do not receive any taxable benefits in kind or pension benefits. They are reimbursed expenses incurred in the course of their duties on the same basis as Fund employees.

Dawn Austwick  
Chief Executive and Accounting Officer  
4 July 2019

# Our parliamentary accountability and audit report

## THE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

### Opinion on financial statements

I have audited the financial statements of the Big Lottery Fund for the year ended 31 March 2019 under the National Lottery etc. Act 1993 and the Dormant Bank and Building Society Accounts Act 2008. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies.

These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Big Lottery Fund's affairs as at 31 March 2019 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and the Dormant Bank and Building Society Accounts Act 2008 and Secretary of State directions issued thereunder.

### Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial

transactions recorded in the financial statements conform to the authorities which govern them.

### Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Big Lottery Fund in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

We are required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Big Lottery Fund's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial

statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

### **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of the Accounting Officer's Responsibilities, the Chief Executive, as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and report on the financial statements in accordance with the National Lottery etc. Act 1993 and the Dormant Bank and Building Society Accounts Act 2008.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Big Lottery Fund's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

### **Other Information**

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993 and the Dormant Bank and Building Society Accounts Act 2008;

- in the light of the knowledge and understanding of the Big Lottery Fund and its environment obtained in the course of the audit, I have not identified any material misstatements in the Our Year in Review or the Accountability Report; and
- the information given in Our Year in Review and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

**Gareth Davies**      **11 July 2019**

**Comptroller and Auditor General**

**National Audit Office**

157-197 Buckingham Palace Road,  
Victoria, London SW1W 9SP

## Statement of comprehensive income

		Year ended 31 March 2019	Year ended 31 March 2018
	Note	£000	£000
<b>Income</b>			
<b>Lottery income</b>			
Proceeds from the National Lottery	13	640,005	654,033
Investment income from the National Lottery Distribution Fund	13	3,280	1,890
Bank and other interest receivable	2	164	82
Recoveries of grant	2	2,361	2,892
		<u>645,810</u>	<u>658,897</u>
<b>Dormant accounts money income</b>			
Received/Receivable from Reclaim Fund Ltd	29a	71,771	152,800
Bank interest receivable	29a	232	103
Recoveries of grant	29a	3	-
		<u>72,006</u>	<u>152,903</u>
<b>Other income</b>	2	4,686	10,732
<b>TOTAL INCOME</b>		<u><b>722,502</b></u>	<u><b>822,532</b></u>
<b>Expenditure</b>			
<b>Lottery programme expenditure</b>			
Grant expenditure	3	504,684	519,878
Less lapsed or revoked grant expenditure	3	(3,174)	(11,413)
Direct expenditure in support of programmes	4	9,583	18,179
		<u>511,093</u>	<u>526,644</u>
<b>Dormant accounts money programme expenditure</b>			
Transfers/transerable to designated distributors	29a	123,850	59,700
Grant expenditure	29a	5,063	3,904
Less lapsed or revoked grant expenditure	29a	(54)	(14)
		<u>128,859</u>	<u>63,590</u>
<b>Operating costs</b>			
Operating costs for distributing Lottery Income	5	51,963	50,891
Operating costs for distributing dormant account money	5	680	349
Recharged operating costs	5	3,385	3,168
		<u>56,028</u>	<u>54,408</u>
<b>Restructuring and investment</b>	8	1,170	4,915
		<u>57,198</u>	<u>59,323</u>
<b>TOTAL EXPENDITURE</b>		<u><b>697,150</b></u>	<u><b>649,557</b></u>
<b>Surplus/(Deficit) before taxation</b>		25,352	172,975
Taxation	9	(30)	(16)
<b>Total comprehensive net income/(expenditure)</b>		<u><b>25,322</b></u>	<u><b>172,959</b></u>

All income and expenditure relates to continuing activities.

The notes on pages 93 to 124 form part of these accounts.

## Statement of changes in equity

	Year ended 31 March 2019			Year ended 31 March 2018		
	Lottery Accounts	Dormant Accounts	Total	Lottery Accounts	Dormant Accounts	Total
<b>Overall reserves</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening reserve position	<u>(829,093)</u>	<u>101,010</u>	<u>(728,083)</u>	<u>(913,087)</u>	<u>12,046</u>	<u>(901,041)</u>
Transferred from Statement of Comprehensive Net Income	82,855	(57,533)	25,322	83,994	88,964	172,958
Closing reserve position	<u>(746,238)</u>	<u>43,477</u>	<u>(702,761)</u>	<u>(829,093)</u>	<u>101,010</u>	<u>(728,083)</u>

The notes on pages 93 to 124 form part of these accounts.

## Statement of financial position

	Note	As at 31 March 2019 £000	As at 31 March 2018 £000
<b>Non-current assets</b>			
Property, plant and equipment	10	4,262	4,524
Intangible assets	11	2,078	3,979
		<u>6,340</u>	<u>8,503</u>
<b>Current assets</b>			
Trade and other receivables	12	129,541	214,440
Cash at bank and in hand		95,412	45,646
Investment balance in National Lottery Distribution Fund	13	277,137	310,905
		<u>502,090</u>	<u>570,991</u>
<b>Total assets</b>		<b>508,430</b>	<b>579,494</b>
<b>Current liabilities</b>			
Trade and other payables	14	(548,619)	(588,299)
<b>Total assets less net current liabilities</b>		<u>(40,189)</u>	<u>(8,805)</u>
<b>Non-current liabilities</b>			
Trade and other payables	14	(568,278)	(657,323)
Provisions	15	(94,294)	(61,955)
<b>Assets less liabilities</b>		<u><b>(702,761)</b></u>	<u><b>(728,083)</b></u>
<b>Represented by:</b>			
Lottery funds reserve		(746,238)	(829,093)
Dormant account money reserve		43,477	101,010
		<u><b>(702,761)</b></u>	<u><b>(728,083)</b></u>

Signed on behalf of the Big Lottery Fund Board on 4 July 2019.

**Dawn Austwick**  
Chief Executive and Accounting Officer

**Peter Ainsworth**  
Chair

The notes on pages 93 to 124 form part of these accounts.

## Statement of cash flows

	Year ended 31 March 2019	Year ended 31 March 2018
	£000	£000
<b>Surplus for the period</b>	25,322	172,959
Depreciation of property, plant and equipment and amortisation of intangible assets	3,080	2,866
Surplus adjusted for non cash transactions	28,402	175,825
Decrease/(Increase) in trade and other receivables	84,899	(190,409)
Decrease in NLDF balance	33,768	87,850
(Decrease) in trade and other payables	(128,725)	(127,571)
Increase in provisions	32,339	60,516
Net cash inflow from operating activities	<u>50,683</u>	<u>6,211</u>
<b>Cashflows from investing activities</b>		
Payments to acquire property, plant and equipment	(917)	(1,073)
<b>Increase in cash</b>	<u><b>49,766</b></u>	<u><b>5,138</b></u>
<b>Net increase in cash and cash equivalents</b>		
Cash balances carried forward	95,412	45,646
Less cash balances brought forward	(45,646)	(40,508)
<b>Increase in cash</b>	<u><b>49,766</b></u>	<u><b>5,138</b></u>

The notes on pages 93 to 124 form part of these accounts.



# Notes to the accounts

## 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2018/19 Government Financial Reporting Manual (FRoM) issued by HM Treasury, and the Accounts Directions issued by the Secretary of State for Digital, Culture, Media and Sport in accordance with Section 36A (2) of the National Lottery etc Act 1993 (as amended by the National Lottery Acts 1998 and 2006) and the Dormant Accounts and Building Society Act 2008. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Fund for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Fund for 2018/19 are described below. They have been applied consistently in dealing with items that are considered material to the accounts. We have not adopted any IFRS that have been issued but are not yet effective.

### 1.1 Accounting convention

These accounts have been prepared under the historic cost convention modified where appropriate for fair value. With the exception of certain revalued assets, we believe that the historic cost is not materially different to fair value.

Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act, FRoM and International Financial Reporting Standards, where appropriate.

### 1.2 Going concern

The annual accounts have been prepared on a going concern basis. The grant commitments for future years have been entered into after consideration of the cash requirements of grant recipients (these can extend up to seven years) and after taking account of income projections prepared as part of the business planning process. In taking this view of future income the Board assumes as a matter of public policy the continued operation of the National Lottery.

### 1.3 National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund (NLDF) remain under the stewardship of the Secretary of State for Digital, Culture, Media and Sport. However, the share of these balances attributable to the Fund is as shown in the accounts and, at 31 March 2019, has been certified by the Secretary of State for Digital, Culture, Media and Sport as being available for distribution by the Fund in respect of current and future commitments.

## 1.4 Property, plant and equipment

Property, plant and equipment is recognised in the Statement of Financial Position at cost except for items costing less than £2,000, which are written off to the Statement of Comprehensive Income in the year of acquisition.

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

<b>Leasehold improvements</b>	Over the life of the lease
<b>IT equipment</b>	3 years
<b>Office equipment, furniture and fittings</b>	3 years

## 1.5 Intangible assets

In accordance with IAS 38 'Intangible Assets', development costs that are directly attributable to the design and testing of identifiable and unique software are recognised as an intangible asset. Directly attributable costs include external contractors' fees and employee costs. Following initial recognition of the assets we amortise on a straight line basis over the estimated useful life as follows:

<b>Funding system software</b>	10 years or remaining useful economic life where revised
<b>Website</b>	5 years

We do not amortise the costs associated with assets under construction.

Intangible assets have been subject to impairment review under IAS36 (note 11).

## 1.6 Pension fund

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multi-employer defined benefit scheme. They alternatively may join the Civil Service Partnership Pension Scheme - a stakeholder pension. Pension benefits are paid by the PCSPS. Our liabilities are limited to a charge, which is set by the Chief Government Actuary, related to salaries paid in each year. The scheme was last valued on 31 March 2012. An updated valuation is currently in progress.

## 1.7 Operating leases

### Lessee

We classify leases where we have substantially none of the risks and rewards of ownership as operating leases in accordance with IAS 17 'Leases'. The costs of operating leases held by the Fund are charged to the Statement of Comprehensive Income (net of rent-free periods) in the period to which they relate. The benefits of rent-free periods on leaseholds are apportioned over the period to the earlier of the rent break point or the expiry date of the lease on a straight line basis.

At 31 March 2019 all of the Fund's property leases are classified as operating leases. The lease payments for property cannot be reliably allocated between the land and building components. However it is clear that both elements of the lease arrangements do not transfer substantially all of the risks and rewards of ownership to the Fund and therefore both elements have been classified as operating leases.

### Lessor

Where we have provided a rent free or other inducement to a tenant the cost of this inducement is apportioned over the period to the earlier of the rent break point or the expiry date of the lease on a straight line basis.

## 1.8 Expenditure on programmes

The National Lottery etc. Act 1993 provides for the Fund to make grants to fund or assist in the funding of projects and to make or enter into arrangements which are designed to meet expenditure that is charitable or connected with health, education or the environment as directed by the Secretary of State.

## Grant awards

Grant awards are accounted for as expenditure in the Statement of Comprehensive Income and, until paid, as liabilities in the Statement of Financial Position if they meet the definition of liabilities in IAS37 Provisions, Contingent Liabilities and Contingent Assets, whether arising from legal or constructive obligations. Grant awards are recognised as expenditure and commitments are accounted for when:

1. the award has been formally decided on by the Fund; and
2. the award has been notified to the intended recipient; and
3. the award is free from any conditions under the control of the Fund.

Grant awards which have been formally decided upon by the Fund, but which do not meet the technical definition of liabilities (either due to their not having been communicated to the recipient, or due to their not meeting strict criteria relating to either specific conditions or award types (see below) are not included in expenditure in the Statement of Comprehensive Income or as liabilities in the Statement of Financial Position but are disclosed as contingent liabilities in Note 17.

## Development awards

Where the Fund retains discretion whether to make subsequent awards following a funded development phase, the potential subsequent award is not treated as a liability until the Fund has taken a further formal decision to proceed with it.

### **Performance based awards**

Where payment of all or part of an award is subject to a performance condition, the part of the award subject to the condition is not treated as a liability until the condition is met.

### **Multi-stage awards**

Where an award is made payable over multiple stages and continuation of the award is conditional upon the outcome of formal reviews by the Fund, the later stages of the award will be treated as a liability if either the nature of the review is merely to confirm progress, or the outcome of the review is that the Fund continues the award.

### **Classification of liabilities**

Grant liabilities at the date of the Statement of Financial Position are classified as accruals unless they meet the recognition criteria in IAS37 Provisions, Contingent Liabilities and Contingent Assets.

### **Grants repaid and recovered**

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

Recoveries of grants are recognised as income on receipt of the repayment.

### **Direct expenditure on programmes**

We record as 'direct expenditure on programmes' those costs incurred in delivering services directly to beneficiaries or grant recipients as arrangements under s36B of the National Lottery etc. Act 1993. For example, provision of grant applicant and recipient support structures and quality assurance for the direct benefit of grant recipients.

### **Lapsed or revoked grant expenditure**

We record as 'lapsed or revoked grant expenditure' any instances where the grant holder has chosen to return unused grant monies to the Fund or where we have chosen to withdraw unused grant monies from the grant holder. In all cases this relates to amounts that were previously recorded as commitments.

### **1.9 Taxation**

Corporation tax is charged on the basis of tax law enacted at the financial position date. This taxation is on interest received on cash balances held in commercial bank accounts.

We are registered for valued added tax (VAT). VAT is charged and recovered on our activities that comply with the definition of business activities as set out in VAT legislation. This includes much of our Third Party activities.

Irrecoverable VAT is charged to expenditure or capitalised in the cost of fixed assets.

### **1.10 Cash and cash equivalents**

Cash includes cash in hand and deposits held at call with commercial banks.

### **1.11 Provisions**

The Fund recognises a provision where:

4. there is a legal obligation as a result of a past decision
5. it is probable that resources will be required to settle the obligation, and
6. the amount can be reliably estimated.

Currently we have provisions for restructuring costs, onerous lease transactions and dormant accounts transfer of monies.

## 1.12 Grant management

### Delegated partners

We have entered into agreements whereby a number of delegated bodies are to act as lead organisations in the delivery of grant schemes. In doing this we have delegated the statutory grant decision-making function to other organisations. Funds advanced to delegated partners for the purpose of payment of grant commitments where conditions have not been met at the year end are recorded as a current asset until we receive confirmation that grant commitments have been met.

### Trusts

The Fund has made awards to new companies limited by guarantee, which act as the sole trustee of new charitable trusts. Funds awarded to these trusts are recorded as a liability until we make payments to the trusts. Amounts held by the trust are not shown as assets.

### Joint schemes

Where we have entered into a joint scheme, as defined in the National Lottery Act 1998, grant commitments made through the joint scheme are accounted for on the basis of our share in the scheme. Funds advanced to the joint scheme for the purpose of payment of grant commitments are recorded as a current asset until we receive confirmation that the payments in respect of those commitments have been made. Administration costs are included in the Statement of Comprehensive Income at the amount charged to the Fund.

## 1.13 Third party assets

The Fund holds as custodian certain assets belonging to third parties. These are not recognised in the accounts since we have no direct beneficial interest in them. The bank balances held on behalf of third parties are shown in note 25.

## 1.14 Financial instruments

The Fund has adopted IFRS 9 - Financial Instruments with effect from financial year 2018/19. We have reviewed our financial instruments in respect of classification, measurement and impairment, applying the expected credit losses where applicable. The assets and liabilities which are considered to be financial in nature are set out in note 19. We do not hold any complex financial instruments.

## 1.15 Segmental reporting

In line with IFRS 8, the Fund's Board as 'Chief Operating Decision Maker' has determined that we operate in five material geographical segments – the UK, England, Wales, Scotland and Northern Ireland. We have a single significant source of income from Lottery income, and the segmental reporting format reflects our management and internal reporting structure. Some programmes are UK-wide and this is reported separately from the four countries.

## 1.16 Dormant accounts funds

Dormant accounts funds have been accounted for under the same policies as Lottery funds, with the amounts forming a part of these financial statements and being subject to audit opinion. For clarity, short form financial statements relating only to dormant account money are included in note 29.

### 1.17 Accounting Standards that have been issued but not yet adopted

The FReM issued by HM Treasury does not require the Standards and Interpretations set out below to be applied in 2018/19.

IFRS 16 Leases - effective 2019/20 – commitments currently under operating leases will be significantly impacted by IFRS 16 with respect to property leases. It is expected to have a material effect for the Fund on the Statement of Financial Position but not on the Statement of Comprehensive Income. At 31 March 2019 the Fund had obligations under property leases of £19.0m. Applying the HM Treasury discount rate of 1.99% as advised by DCMS brings this figure to circa £18.0m which, if the standard had been adopted, would have been held as right of use assets.

The Fund has adopted both IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with customers with effect from 2018/19 using the cumulative approach as required under FReM. Neither standard has had a material impact on the financial statements.

Under IFRS 9 the Fund has assessed the fair value of financial assets excluding sums due to or from government departments and their arms length bodies.

Under IFRS15 the Fund has determined that with minor exceptions its revenue is not derived from contracts with customers. Lottery income and Dormant Accounts income arise as a direct result of legislation while services to distribute grants are largely a result of government grants.

### 1.18 Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are regularly evaluated and updated and any changes are reflected in the period in which these are revised.

The accounting policies set out areas involving a higher degree of judgement, assumptions or estimation techniques, such as note 1.5 (Intangible assets), note 1.8 (Expenditure on programmes) and note 1.11 (Provisions).

The most significant judgements are:

- Intangible asset impairment – The Fund impaired the intangible asset relating to its Funding Management System in 2015/16. The judgements made in determining this impairment are regularly reviewed. No further revision was deemed to be necessary during 2018/19.
- Expenditure on programmes – The Fund recognises the value of awards that are subject to performance conditions as contingent liabilities rather than grant accruals. This judgement is based on the terms and conditions of the award contracts.

The most significant estimates are:

- Provisions – We have estimated dormant accounts funds payable based on announcements made by DCMS in relation to the Dormant Bank and Building Society Accounts Act 2008.
- Intangible asset useful economic life – We estimate the remaining life of our Funding Management System which could lead to variations in amortisation costs. We have determined that no change in this estimate was necessary during 2018/19.

## 2. Income

The impact of the application of IFRS 15 Revenue from Contracts with Customers has been assessed, with a review and analysis of each revenue contract. For the current and prior year, we have concluded that we do not have any material revenue from contracts with customers. Where the Fund has entered into a contract with third parties who are government departments for direct funding services or for joint funding partnerships, the contracts specify or imply that the revenue is to be treated as a government grant. Therefore, we continue to apply IAS 17 Accounting for Government Grants, where income and expenses are matched in the same period.

Set out below is an analysis of other income not separately identified in the Statement of Comprehensive Income.

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
<b>Bank and other interest receivable</b>		
Bank interest receivable	164	82
	<b>164</b>	<b>82</b>
<b>Greenwich Peninsula land sale</b>		
Greenwich Peninsula land sale	79	3,832
	<b>79</b>	<b>3,832</b>
<b>Other income</b>		
Income from delivering non-Lottery funding	1,389	4,043
Income from delivering Lottery Funding on behalf of other distributors	58	71
Rental income	2,829	2,656
Sundry income	331	130
	<b>4,607</b>	<b>6,900</b>
<b>Recoveries of grant from grant holders (Note 1.8)</b>		
Recoveries of grant	2,361	2,892
	<b>2,361</b>	<b>2,892</b>

### 3. Lottery programme expenditure

IFRS 8 requires disclosure of financial data by reportable segment. The Fund manages and reports grant making activity based on geographical segments. Operating costs however are not managed and reported on a segmental basis.

We do not allocate income to geographical segment but determine medium-term award budgets for each geographical segment based on medium-term expectations of net incomes. As set out in the financial performance section of the annual report, grant budgets are set based on available cash resources. The Board has determined available funding for the period 2019-2022 for each country after a share of budget, up to 10 per cent, is allocated for UK programmes. Shares between each country portfolio are determined by a Budget Allocation Formula. This is based on population adjusted by a number of factors relating to relative deprivation and relative resource availability. The shares were adjusted in 2017 to take account of the population data in the 2011 Census and updated assessments of relative deprivation and relative resource availability.

Over the plan period each country committee has discretion, within certain constraints, over the phasing of grant awards. The table below sets out grant expenditure, for each portfolio, charged to the Statement of Comprehensive Income in the year.

	UK	England	Scotland	Wales	Northern Ireland	Total
	£000	£000	£000	£000	£000	£000
Grant expenditure made	48,264	365,366	41,783	31,311	17,960	504,684
Less lapsed and revoked grant expenditure	(96)	(2,553)	(63)	(363)	(99)	(3,174)
Net grant expenditure made 2018/19	<b>48,168</b>	<b>362,813</b>	<b>41,720</b>	<b>30,948</b>	<b>17,861</b>	<b>501,510</b>
Net grant expenditure made 2017/18	48,487	353,179	59,003	28,354	19,442	508,465

### 4. Direct expenditure in support of programmes

Costs relating to expenditure for the direct benefit of grant holders and their beneficiaries made under contract rather than a grant award.

	Year ended 31 March 2019	Year ended 31 March 2018
	£000	£000
Support provided directly to grant recipients and beneficiaries	9,583	18,179
	<b>9,583</b>	<b>18,179</b>

## 5. Operating Costs

	Operating costs for distributing Lottery income	Recharged operating costs	Operating costs for distributing dormant accounts money	Year ended 31 March 2019	Year ended 31 March 2018
	£000	£000	£000	Total operating costs £000	Total operating costs £000
Employee remuneration	31,412	2,946	427	34,785	33,758
Travel & Expenses					
- Staff	1,731	159	14	1,904	1,908
- Board and Committee	106	-	-	106	115
Payments under operating leases:					
- Property	3,749	-	25	3,774	3,951
- Other	145	-	-	145	231
Other Accommodation costs	2,487	-	-	2,487	2,465
Communication costs	1,240	14	17	1,271	774
Externally provided support for grant programmes	417	107	13	537	483
Programme Evaluation	215	21	2	238	138
Staff recruitment and training	1,153	17	9	1,179	1,234
Professional fees	417	12	12	441	266
Auditors remuneration for audit work	112	-	-	112	112
IT infrastructure costs	3,086	-	-	3,086	3,519
Other costs	690	72	154	916	768
Write down of property, plant and equipment	-	-	-	-	-
VAT	1,921	37	7	1,965	1,820
Non cash items					
- Depreciation	3,082	-	-	3,082	2,866
	<b>51,963</b>	<b>3,385</b>	<b>680</b>	<b>56,028</b>	<b>54,408</b>

There were no fees for any non-audit services with external auditors.

## 6. Financial performance indicator

Our financial performance indicator is the proportion of our Lottery income that we spend on distributing it, assessed over a three year period. We exclude from this measure costs that we recharge to other people, including the costs of distributing non-Lottery money for other organisations, sub-let property and non-qualifying expenditure. We also exclude the one-off costs of investment to achieve future efficiencies.

The basis of assessment has changed in the year to be measured on a three year rolling basis. This change was notified by DCMS and included clarification of certain adjustments. As a result, irrecoverable VAT is now deducted from operating costs to arrive at qualifying operating expenditure. Business rates which were previously deducted are now included in qualifying operating expenditure.

As successor to the Millennium Commission, the Fund is entitled to a share of the proceeds of land sales on the Greenwich Peninsula made by the Greater London Authority once certain costs have been covered. A payment of £0.1m has been received in 2018/19 (£3.8m 2017/18) which is recognised as income for performance measurement purposes.

Income of £59.4m was received in 2014/15 in respect of the refund from Olympic Lottery Distribution Fund (OLDF) for monies previously forgone in order to cover the cost of London 2012. This return was deferred over four years for performance measurement purposes. 2017/18 was the final year of those four years.

On this basis, the cost of distributing our share of Lottery income was 7.3 per cent of that income in the year (2017/18 6.9 per cent). Assessed over the three-year rolling period the proportion was 7.0 per cent.

	Year ended 31 March 2019 £000	*Restated Year ended 31 March 2018 £000	*Restated Year ended 31 March 2017 £000
Operating costs for distributing Lottery income (as per Note 5)	51,963	50,891	51,508
Less rental income (as per Note 2)	(2,829)	(2,656)	(2,515)
Less sundry income (as per Note 2)	(331)	(125)	(881)
Less irrecoverable VAT	(1,921)	(1,800)	(2,259)
<b>Total qualifying expenditure</b>	<b>46,882</b>	<b>46,310</b>	<b>45,853</b>
Proceeds from National Lottery (as per Note 13)	640,005	654,033	651,977
Investment Income (as per Note 13)	3,280	1,890	2,125
Plus Greenwich Peninsula land sale (as per Note 2)	79	3,832	4,041
Plus rephased income from Olympic Lottery diversion	-	15,000	15,000
<b>Total qualifying income</b>	<b>643,364</b>	<b>674,755</b>	<b>673,143</b>
<b>Percentage</b>	7.3%	6.9%	6.8%

### **Three year position**

	£000
<b>Total qualifying expenditure</b>	139,045
<b>Total qualifying income</b>	1,991,262
<b>Percentage</b>	7.0%

\*Restated prior year figures include irrecoverable VAT as non-qualifying expenditure but exclude business rates which were previously treated as non-qualifying expenditure to align with current guidance from DCMS.

## 7. Staff numbers and costs

Total staff costs, which includes the remuneration of Board members, were as follows:

	Year ended 31 March 2019	Year ended 31 March 2018
	£000	£000
Wages and salaries	25,944	25,143
Social security costs	2,641	2,689
Other pension costs	5,191	4,964
Apprenticeship levy costs	122	120
Agency staff costs	887	842
	<b>34,785</b>	<b>33,758</b>

A number of staff included above were seconded out to other organisations, for whom recoveries of £162,617 are included in other income. The salary and pension entitlement of the Fund's senior management and Board Members are included above, details of which are disclosed in the Remuneration and Staff Report. It is not possible to identify the number and cost of members of staff within the total who are not employed on a permanent basis with the exception of those employed through agencies.

The number of full-time equivalent employees and temporary staff working for the Fund during the year was as follows:

	Number of temporary staff at 31 March 2019	Number of employees at 31 March 2019	Total number of staff at 31 March 2019	Total number of staff at 31 March 2018
	(FTE)	(FTE)	(FTE)	(FTE)
Grant-making	-	493	493	506
Support to customers and stakeholders	-	138	138	117
Governance and administration	7	193	200	218
	<b>7</b>	<b>824</b>	<b>831</b>	<b>841</b>

At 31 March 2019, the Fund employed 831 full-time equivalent employees (31 March 2018 841). This included 7 full-time equivalent temporary employees (31 March 2018 34).

## Exit packages

Although the Fund's employees are not civil servants, their terms of employment provide for any termination payments or early retirement pensions calculated in the same way as the Civil Service Compensation Scheme. The costs of these benefits are paid by the Fund and are not met by the Civil Service or Exchequer funds.

Exit package cost band	Number of compulsory redundancies Year ended 31 March 2019	Number of voluntary redundancies Year ended 31 March 2019	Total number of redundancies Year ended 31 March 2019	Number of redundancies Year ended 31 March 2018
<£10,000	-	3	3	41
£10,000 - £25,000	1	9	10	80
£25,001 - £50,000	-	9	9	44
£50,001 - £100,000	-	-	-	4
Total number of exit packages	1	21	22	169
<b>Total cost £000</b>	<b>22</b>	<b>533</b>	<b>555</b>	<b>3,289</b>

## 8. Restructuring costs

We regularly review the way we are structured and make changes to deliver fit for purpose, efficient and effective services. During 2018/19 we restructured our technology teams in order to deliver a more focussed modern service to the Fund. We also completed the restructure of our funding portfolio teams to better connect our teams to the communities they serve. The costs of restructuring include termination payments and property transactions, including changes to the provision of onerous leases.

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Termination payments	931	4,609
Property rationalisation	21	42
Unavoidable lease payments	218	264
	<b>1,170</b>	<b>4,915</b>

## 9. Taxation

The Fund pays corporation tax only on bank and any other interest received. There is a net tax cost of £30,355 (2017/18 £16,430) for the year.

Investment income generated on balances held in the National Lottery Distribution Fund under the stewardship of the Secretary of State is not subject to UK Corporation tax.

## 10. Property, plant and equipment

	Leasehold improvement	IT	Office equipment, furniture and fittings	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 April 2018	9,357	1,626	579	11,562
Additions	503	105	309	917
Disposals	-	(740)	(101)	(841)
<b>At 31 March 2019</b>	<b>9,860</b>	<b>991</b>	<b>787</b>	<b>11,638</b>
<b>Depreciation</b>				
At 1 April 2018	5,551	1,166	321	7,038
Charge for the year	971	50	158	1,179
Disposals	-	(740)	(101)	(841)
<b>At 31 March 2019</b>	<b>6,522</b>	<b>476</b>	<b>378</b>	<b>7,376</b>
<b>Net book value</b>				
<b>At 31 March 2019</b>	<b>3,338</b>	<b>515</b>	<b>409</b>	<b>4,262</b>
<b>Cost</b>				
At 1 April 2017	8,477	1,530	518	10,525
Additions	880	114	79	1,073
Disposals	-	(18)	(18)	(36)
<b>At 31 March 2018</b>	<b>9,357</b>	<b>1,626</b>	<b>579</b>	<b>11,562</b>
<b>Depreciation</b>				
At 1 April 2017	4,711	1,171	229	6,111
Charge for the year	840	13	110	963
Disposals	-	(18)	(18)	(36)
<b>At 31 March 2018</b>	<b>5,551</b>	<b>1,166</b>	<b>321</b>	<b>7,038</b>
<b>Net book value</b>				
<b>At 31 March 2018</b>	<b>3,806</b>	<b>460</b>	<b>258</b>	<b>4,524</b>

All leasehold improvements are on short leasehold properties where the leases expire in less than 20 years.

## 11. Intangible assets

	Funding system software	Website	Total
Cost	£000	£000	£000
At 1 April 2018	9,900	358	10,258
Additions	-	-	-
Impairment	-	-	-
<b>At 31 March 2019</b>	<b>9,900</b>	<b>358</b>	<b>10,258</b>
<b>Amortisation</b>			
At 1 April 2018	5,991	288	6,279
Charge for the year	1,831	70	1,901
Impairment	-	-	-
<b>At 31 March 2019</b>	<b>7,822</b>	<b>358</b>	<b>8,180</b>
<b>Net book value</b>			
<b>At 31 March 2019</b>	<b>2,078</b>	<b>-</b>	<b>2,078</b>
<b>Cost</b>			
At 1 April 2017	9,900	358	10,258
Additions	-	-	-
Impairment	-	-	-
<b>At 31 March 2018</b>	<b>9,900</b>	<b>358</b>	<b>10,258</b>
<b>Amortisation</b>			
At 1 April 2017	4,159	216	4,375
Charge for the year	1,831	72	1,903
Impairment	-	-	-
<b>At 31 March 2018</b>	<b>5,991</b>	<b>288</b>	<b>6,279</b>
<b>Net book value</b>			
<b>At 31 March 2018</b>	<b>3,909</b>	<b>70</b>	<b>3,979</b>

The 2015/16 impairment review conducted in relation to the Funding Management System concluded that the system as currently designed does not fully meet the ways in which we wish to relate to our applicants and grant holders. In accordance with IAS 36, we assessed a revised valuation at March 2016 on the depreciated replacement cost methodology which resulted in an impairment loss of £9.5m. We have reviewed the impaired asset this year and have concluded that there is no requirement for any further impairment adjustment. Consequently, there is no charge in the 2018/19 financial year.

## 12. Trade and other receivables

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
<b>Amounts falling due within one year</b>		
Held by delegated partners for payment of grant commitments	4,365	3,265
Trade receivables	1,329	1,421
Prepayments and accrued income	4,717	6,317
European match funding	44,033	47,521
Reclaim Fund	71,771	152,800
Other receivables	3,326	3,116
	<b>129,541</b>	<b>214,440</b>

## 13. National Lottery Distribution Fund

	Year ended 31 March 2019 £000
<b>Balance as at 1 April 2018</b>	310,905
Proceeds from the National Lottery	640,005
Investment income from the NLDF	3,280
Funds drawn down from NLDF	(677,053)
Net decrease in balance	(33,768)
<b>Market value at 31 March 2019</b>	<b>277,137</b>

The Fund receives a share of the monies paid by Camelot Group plc to the NLDF after deduction for the costs of the Secretary of State for Digital, Culture, Media and Sport in exercising his functions under the National Lottery etc. Act 1993, the costs of the regulator (the Gambling Commission), the costs of the investment manager (the National Debt Commissioners) and the costs of the National Lottery Promotions Unit.

## 14. Trade and other payables

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
<b>Amounts falling due within one year</b>		
VAT	185	276
Other taxation and social security	891	923
Trade payables	70	292
Owed to joint partner/delegated partner for payment of grant commitments	2,808	2,514
Accruals and deferred income	3,622	3,405
Other payables	848	1,147
Grant accruals (Note 16)	540,195	579,742
	<b>548,619</b>	<b>588,299</b>
<b>Amounts falling due in more than one year</b>		
Grant accruals (Note 16)	568,278	657,323
	<b>568,278</b>	<b>657,323</b>

### Grant Liabilities

Grant liabilities at the date of the Statement of Financial Position are classified as provisions if they meet the recognition criteria in IAS37 Provisions, Contingent Liabilities and Contingent Assets, or, if not, as accruals.

## 15. Provisions for liabilities and charges

	Unavoidable lease payments £000	Early retirement contributions £000	Redundancy provisions £000	Transferable to designated dormant accounts distributors £000	Total £000
Brought forward at 1 April 2018	1,140	6	1,109	59,700	61,955
New provisions created	410	-	-	93,300	93,710
Provisions used	(391)	(6)	(1,067)	(59,700)	(61,164)
Provisions released	(192)	-	(15)	-	(207)
<b>Carried forward at 31 March 2019</b>	<b>967</b>	<b>-</b>	<b>27</b>	<b>93,300</b>	<b>94,294</b>

## **Unavoidable lease payments**

We have sublet part of our London premises to four tenants. Part of the provision represents the difference between the rent charged to our tenants and that which the Fund is contracted to pay to its landlords. The provision for the difference in market rent is calculated using an assumed inflation rate of 3 per cent.

We re-contracted for space in our Birmingham premises during 2016/17, reducing our occupied space. During 2017/18 one floor was partitioned, creating space available for subletting. We therefore created a new provision for the loss on the lease. This space has now been let and the provision has been released as a result.

During 2018/19 we refurbished our Newcastle premises and reduced our occupation from three floors to two. We created a provision for the costs of the unused space to the end of the current lease. We are in discussion with a potential tenant for this space but have yet to agree terms.

At 31 March 2019, we have discounted the provision for unavoidable lease payments using the discount rate advised by HM Treasury, 2.2 per cent.

## **Restructuring: early retirement, redundancy and other support**

As a result of restructuring in the current and previous years, certain posts have been identified as no longer required. As a result, staff have been made redundant or have taken early retirement.

Where eligible staff take early retirement, the Fund is contracted to meet certain pension contributions until these staff reach the statutory retirement date. An estimate of these future contributions is provided. Payments against this provision will continue to be made for up to ten years.

Redundancy payments are made in accordance with contractual arrangements and terms set out in the Principal Civil Service Pension Scheme arrangements.

## **Dormant accounts transfer**

Reclaim Fund Ltd has identified £71.8 million as available for distribution to the Fund in its financial year to December 2018 and recorded this as a creditor. The Fund has therefore recorded this as income receivable and will draw down the cash as required to support the related programmes. Awards for Scotland and Wales are being made under existing programmes. For the England portion of these Funds some development awards have been made during 2018/19 and substantial transfers to the two new organisations who will operate the schemes for Youth and Financial Inclusion will begin to be made during 2019/20, along with further distributions to Big Society Trust (BST). We have made a provision for the anticipated distribution in 2019/20 of £93.3m to these organisations. We have assessed these sums based on total income to date and the proportion of the total income expected to be assigned to each over three years in line with the DCMS announcement in January 2018.

## 16. Grant accruals

	<b>At 31 March 2019</b>
	<b>£000</b>
<b>Movement of grant accruals</b>	
Grant commitments brought forward at 1 April 2018	1,237,065
Grant commitments made	509,748
Lapsed and revoked commitments	(3,228)
Grant commitments met	(635,112)
<b>Accrual carried forward at 31 March 2019</b>	<b>1,108,473</b>

	<b>At 31 March 2019</b>	<b>At 31 March 2018</b>
	<b>£000</b>	<b>£000</b>
<b>Classification of grant accruals at the year-end</b>		
<b>Amounts falling due within one year</b>		
Accruals (Note 14)	540,195	579,742
<b>Amounts falling due in more than one year</b>		
Accruals (Note 14)	568,278	657,323
Total grant accruals	<u>1,108,473</u>	<u>1,237,065</u>

### Ageing of grant accruals

Due within one year	540,195	579,742
Due within more than one year but less than two years	303,851	338,175
Due within more than two years but less than three years	141,352	158,537
Due within more than three years but less than four years	56,309	69,907
Due within more than four years but less than five years	31,166	31,720
Due after more than five years	35,600	58,984
	<u>1,108,473</u>	<u>1,237,065</u>

## 17. Contingent Liabilities

Grants are disclosed as contingent liabilities if they do not satisfy the criteria to be treated as liabilities.

	At 31 March 2019	At 31 March 2018
	£000	£000
Grant awards made by the fund which do not satisfy the criteria to be treated as liabilities	(39,521)	(36,876)
Total grant contingent liabilities	<u>(39,521)</u>	<u>(36,876)</u>

## 18. Joint schemes

### Parks for People

This scheme is administered by the National Heritage Memorial Fund on behalf of all parties to the agreement. We have agreed to contribute up to £153 million to the total expected funding of £384 million. Included within grant liabilities are £10.7 million of new grant commitments and contingent liabilities of £7.6 million representing our contribution to the Parks for People joint scheme. The creditors figure includes £2.8 million which is due to National Heritage Memorial Fund in respect of our contribution to payment they have made to our grant recipients.

### Rethinking Parks

This scheme is administered by Nesta on behalf of all parties to the agreement. We have agreed to contribute up to £1.67 million to the total expected funding of £2 million. Included within grant liabilities are £1.67 million of new grant commitments and no contingent liabilities in relation to the joint scheme for the year. The debtors figure includes £1.2 million which is due to be distributed to grant recipients by Nesta in respect of our contribution to the scheme.

### Year of the Young People

This scheme is administered by the National Heritage Memorial Fund on behalf of all parties to the agreement. We have agreed to contribute up to £0.37 million to the total expected funding of £0.8 million. Included within grant liabilities are £0.37 million of new grant commitments and no contingent liabilities in relation to the joint scheme for the year. All funds have been distributed to grant recipients by Nesta in respect of our contribution to the scheme.

## 19. Financial risks

### Financial Instruments

The Fund has adopted International Financial Reporting Standard 9 for the financial year 2018/19 using the cumulative approach. As the Fund does not have powers to borrow, financial instruments play a much more limited role in creating or changing risk than is typical of the listed companies to which the standard mainly applies. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to manage the risks facing the organisation.

This means that the Fund is exposed to little immediate liquidity, market, or credit risk.

## Liquidity risks

Cash requirements for Lottery expenditure are met by drawing down against weekly forecasts of need from the balances held on behalf of the Fund in the NLDF. At March 2018 the fund balance was £311 million, this had reduced to £277 million by 31st March 2019, at which point there were £1,108 million of grant commitments yet to be paid out. In budgeting for current expenditure the Fund balances the outflow of cash payments against grant commitments along with forward forecasts of Lottery income.

In 2018/19, £643 million (89.0 per cent) of the Fund's income was derived from the National Lottery, including income of £3.2 million derived from investment returns from the balance held with the NLDF. Income from dormant account money was £72 million (10.0 per cent). The remaining income is a small amount of bank interest and sundry income.

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
<b>Liquid assets</b>		
Market value of NLDF investments	277,137	310,905
Cash	95,412	45,646
<b>Total</b>	<b>372,549</b>	<b>356,551</b>

## Market and interest rate risks

The financial assets of the Fund are principally held in the NLDF, which invests in a narrow band of low-risk assets such as government bonds and cash. The Board has no control over the investment of these funds. At the date of the Statement of Financial Position, the market value of our investments in the NLDF was £277 million. Funds at the NLDF earned on average 0.67 per cent in the year. Cash balances, which are drawn down from the NLDF to pay grant commitments and operating costs, are held in instant-access variable rate bank accounts, which carried an interest rate of 0.05 per cent below base rate in the year. The cash balance held by the Fund at the year end was £95 million predominantly with respect to Dormant Account funds received not yet distributed. The Board considers that the Fund is not exposed to significant interest rate risks.

	2018/19 £000	2017/18 £000
Sterling at floating interest rates – Lottery money	18,297	24,751
Sterling at floating interest rates - dormant account money	77,115	20,895
Sterling at mixture of fixed rates	277,137	310,905
	<b>372,549</b>	<b>356,551</b>

## Credit risks

The Fund's receivables include intra-government balances. The intra-government balances are mostly with fellow Lottery distributors and all had been either repaid or agreed by the time of signing the accounts.

At the year end the Fund recorded a debtor of £71.8m with Reclaim Fund Limited. This represents the sums identified as available to the Fund to distribute under the Dormant Bank and Building Society Accounts Act 2008 but which are yet to be drawn down from Reclaim Fund Limited. These are held by Reclaim Fund in low risk cash accounts including with the Bank of England. The Board does not consider that the Fund is exposed to significant credit risk.

## Foreign Currency risks

The Fund does not hold any assets not denominated in sterling and is not exposed to any foreign exchange risks.

## Financial assets by category

<b>Assets as per Statement of financial position</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Non-current assets	6,340	8,503
Investment balance in National Lottery Distribution Fund	277,137	310,905
Cash and cash equivalents - Lottery money	18,297	24,751
Cash and cash equivalents - dormant account money	77,115	20,895
Loans and receivables	126,907	211,435
	<b>505,796</b>	<b>576,489</b>

## Fair Valuation

The Board expect the book value to equal the fair value for all financial assets and liabilities. On the basis that:

1. All cash deposits are with commercial banks.
2. Whilst we disclose £568 million of grant liabilities as not being due for payment until after one year, we have not made a fair value adjustment. The Fund has a contractual obligation to pay these amounts on demand, subject to contract, and so the amounts could be paid within the next 12 months.
3. All payables are due within normal contractual terms, and so no difference exists between book value and fair value.
4. An expected credit loss of £141k has been recognised for receivables, relating to a significant receivable from the European Social Fund. The loss is based on historic data of claims that have been rejected in comparison to claims that have been successful.

## Maturity of financial liabilities

Liabilities as per Statement of financial position	2018/19	2017/18
	£000	£000
In less than one year	548,620	588,299
In more than one year, but less than two	303,850	338,175
In two to five years	228,827	260,164
In more than five years	35,600	58,983
	<b>1,116,897</b>	<b>1,245,622</b>

The Statement of financial position discloses the above figure separated between amounts due in one year and in more than one year. That split is based upon past experience of amounts drawn down by grantees as our contracts with grantees contain no such split.

## 20. Financial commitments

### Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below:

	At 31 March 2019	At 31 March 2018
	£000	£000
<b>Property leases held as a lessee:</b>		
Not later than 1 year	5,291	5,388
Later than 1 year and not later than 5 years	11,292	16,465
Later than 5 years	2,450	3,458
	<b>19,033</b>	<b>25,311</b>

	At 31 March 2019	At 31 March 2018
	£000	£000
<b>Property leases held as a lessor:</b>		
Not later than 1 year	2,818	2,734
Later than 1 year and not later than 5 years	6,379	5,971
Later than 5 years	345	-
	<b>9,542</b>	<b>8,705</b>

As set out in accounting policy 1.7 leases cannot be reliably split between land and buildings but both elements are operating leases.

## 21. Pension scheme

Pension benefits are provided through the Civil Service pension arrangements. Employees may either be in a career average defined benefit scheme (alpha) or a stakeholder pension (partnership account). Previous final salary schemes (classic, classic plus or premium) and the career average scheme – nuvos – were transferred into alpha in 2015. Members retained the benefits of previous final salary schemes for service up to the point of transfer. The statutory defined benefit arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos and their successor scheme alpha are increased annually in line with changes in the Consumer Price Index (CPI). The partnership account pension is a ‘money purchase’ stakeholder pension with an employer contribution.

For the alpha scheme employee contributions are set at a minimum rate for members with pensionable salaries under £21,636 of 4.6 per cent of pensionable earnings. This increases in bands up to a maximum of 8.05 per cent for members with a pensionable salary over £150,001. Benefits in classic accrued at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrued at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In alpha, members build up pensions based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the earned pension account is credited with 2.32 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with CPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits permitted by tax legislation.

The partnership pension account is a stakeholder pension arrangement. From 1 October 2015, the employer makes a basic contribution of between 8 per cent and 14.75 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer’s basic contribution).

Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally- provided risk benefit cover (death in service and ill health retirement).

For 2018/19, employers’ contributions of £174,211 were payable to the partnership pension account (2017/18 £182,834).

Further details about the Civil Service pension arrangements can be found at the website

[www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

For 2018/19, employers' contributions of £5,055,895 were payable to the PCSPS (2017/18: £4,798,382) at one of four rates in the ranges set out below. Employer contributions are due to be reviewed at every full scheme valuation. The latest valuation, carried out by Hewitt Bacon and Woodrow, was on 31 March 2012. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Rates for 2018/19 are in line with recommendations from the Actuary. A further valuation is currently underway. It will conclude in 2019/20 but contributions rates increase from April 2019 in anticipation of the predicted outcomes.

Currently, employers pay an average of 20.9 per cent of their employees' salary as a pension contribution. The exact figure depends upon the salaries of the individual employees.

<b>Bands</b>	<b>Year ended 31 March 2019</b>	<b>Bands</b>	<b>Year ended 31 March 2018</b>
£23,000 and under	20.0%	£23,000 and under	20.0%
£23,001 - £45,500	20.9%	£22,501 - £45,500	20.9%
£45,501 - £77,000	22.1%	£45,501 - £76,000	22.1%
£77,001 and over	24.5%	£76,001 and over	24.5%

The number of staff for whom pension contributions were made in 2018/19 was 10 classic, 24 premium, 4 nuvos, 849 alpha, 41 partnership and 54 CSOC. The total of 982 represents the majority of the total number of individual members of staff employed over the course of the year.

The forecast level of employer's contributions to the PCSPS for 2019/20, based on a 1.5 per cent pay award on 2018/19 pay levels and revised contribution rates from April 2019, is £6,531,733.

As a multi-employer unfunded scheme operating principally in the public sector, the PCSPS holds discussions with Government, Trade Unions and members in relation to its financial standing, its actuarial position, and likely levels of both employee and employer contributions. In common with all other major public service pension schemes, the likelihood of increased contribution levels are part of these discussions.

The PCSPS is multi-employer defined benefit scheme, so we cannot identify our share of the assets or liabilities of the scheme.

## **22. Losses and special payments**

Losses occur where there is no evidence that a funded project's objectives were met. In the financial year to 31 March 2019 we have written off losses of £568,385 representing 70 awards (2017/18 £1,923,040 representing 180 awards). There were no write-offs that exceeded £100,000 (2017/18 zero).

### **Special payments arise where:**

- a grant has been made inadvertently to an organisation that is ineligible under the law but where the grant is within the broad intention of statutory legislation. All these awards were spent on project objectives in accordance with the grant terms and conditions.
- ex-gratia payments are approved.

In the financial year to 31 March 2019, no special payments were made (2017/18 £6,089 representing 1 payment).

### **23. Related party transactions**

The Fund is a non-departmental public body. Its sponsor department is DCMS. Accordingly, DCMS has been treated as a related party throughout the year.

During the year, we have had various material transactions with DCMS and other bodies for which DCMS is regarded as the sponsor department: National Lottery Heritage Fund, Sport England and Arts Council England.

Transactions with DCMS reflect income received through the NLDF and the inward secondment of staff. Transactions with other Lottery distributors include income received for management of awards and for the provision of professional services.

Payments are made to the National Lottery Heritage Fund for their services in running grant programmes.

In addition, we have a number of material transactions with Government departments and bodies that regard other Government departments as their sponsor department:

- HM Revenue and Customs relating to PAYE and NI transactions
- The European Social Fund has, through DWP as managing authority, contracted to the Fund the management of the Building Better Opportunities Fund
- The Department for Communities and Local Government has contracted to the Fund the management of the Coastal Communities Fund. Under these arrangements, each of the devolved administrations for Scotland, Wales and Northern Ireland determines the approach to funding with the relevant portfolio for the Fund
- The Office for Civil Society has contracted to the Fund the management of the Social Incubator Fund, Life Chances Fund, Youth Investment Fund, Place Based Social Action, #iwill Fund, Safeguarding Training Fund and the Building Connections Fund.

Both the Youth Investment Fund and #iwill Fund are matched funding programmes where the Fund contributes its lottery funding resources and also is responsible for making grant award decisions

### **Board members**

The Fund abides by the Cabinet Office code of practice for Board members of public bodies. As a matter of policy and procedure, Board members maintain publicly available registers of interests and declare any direct interests in grant applications made to the Fund and commercial interests where organisations have or may have a relationship with us.

Where any committee decisions are taken which would reasonably be seen as giving rise to a conflict of interest, principally over grants to voluntary bodies, the chair of the meeting ensures at the outset that disclosure is made and the committee member withdraws for the duration of any discussion of the relevant item. Our staff are also required to disclose any relevant interests in organisations we Fund or from who we receive applications. Our procedures ensure that staff are not engaged in processing applications or managing grants in which they would have an interest.

A number of Board members have declared interests with public, voluntary and charitable bodies with which we have business interests. These are disclosed on pages 74 to 75.

## 24. Third party assets

These assets represent bank balances held on behalf of third parties on whose behalf we manage grant programmes and the National Lottery Promotions Unit to meet payments processed by the Fund under service level contracts. Timing difference amounts in relation to these balances are included in receivables or payables in the statement of financial position as appropriate.

At 31 March 2019 the following bank balances were held on behalf of third parties:

	31/03/2018	Inflows	Outflows	31/03/2019
	£000	£000	£000	£000
DCMS : Social Incubator Fund, Local Sustainability Fund, Life Chances Fund, Youth Investment Fund, #iwill Fund, Place Based Social Action, Building Connections Fund, Safeguarding Training Fund	1,573	17,309	17,573	1,309
Arts Council England; Awards for All England	7	-	-	7
Heritage Lottery Fund; Awards for All; England, Wales, Scotland, Northern Ireland	3	-	-	3
Sport England; Awards for All England	9	-	-	9
Creative Scotland; Awards for All Scotland	(10)	522	574	(62)
National Lottery Promotions Unit	1,384	2,005	2,248	1,141
Welsh Assembly Government; Community Assets Transfer	2	-	-	2
Scottish Celebrate	84	-	1	83
Sports Scotland; Awards for All Scotland	(913)	790	591	(714)
Scottish Government; Communities and Family Fund, Scottish Land Fund, Delivering Financial Inclusion	2,709	13,946	11,093	5,562
HM Treasury; Coastal Communities Fund	4,912	890	4,690	1,112
European Funding – Cabinet Office	-	54,830	54,784	46

## **25. Joint Venture – National Lottery Promotions Unit**

The National Lottery Promotions Unit (NLPU) is a joint venture between Camelot Group plc, Lottery distributors and DCMS. The NLPU has been set up to raise positive public awareness of and support for the benefits of the distribution of Lottery funding across the UK, thereby contributing to the broad health of the National Lottery and promoting loyalty and participation. The NLPU is funded one third by Camelot and two-thirds directly from the NLDF. Total expenditure is limited to £3 million. It is accountable to a Management Board comprising representatives from the three key stakeholders: Camelot, Lottery distributors and DCMS, with the Gambling Commission attending as an observer.

The proportion of the joint venture which relates to the Fund has not been consolidated within the annual accounts in view of its immateriality.

More information and the accounts of the NLPU is available at [lotterygoodcauses.org.uk/contact](http://lotterygoodcauses.org.uk/contact)

## **26. Capital commitments**

At 31 March 2019, the Fund had begun the process of refurbishing space at our Exeter office. The capital commitment amounts to £0.1 million (2017/18 £0.1 million).

## **27. Contingent assets**

The National Lottery Distributors are entitled to receive a share of receipts from the sale of land on Queen Elizabeth Olympic Park in return for their contribution of an additional £675 million to the funding of the London 2012 Olympic and Paralympic Games. The arrangements are set out in a legal agreement between the Secretary of State and the Greater London Authority (GLA) dated 29 March 2012 which sets out the distribution of funds between the GLA and the Lottery Distributors (via the core department). Land sales are likely to take place over a lengthy period, estimated to be from 2017-18 to 2036-37. The department estimates the first payments to the Lottery Distributors will be received in the early to mid-2020s.

As successor to the Millennium Commission, the Fund is entitled to a share of the proceeds of land sales on the Greenwich Peninsula made by the Greater London Authority once certain costs have been covered. Payments of £32 million (2017/18 £50 million) are now forecast to be received between 2016 and 2037, of which £7.8 million had been received by the end of 2017/18. No further sums were received in 2018/19.

## **28. Post balance sheet review**

At the time of signing the accounts, there had been no events after the balance sheet date which would adjust the figures reported in the financial statements or require disclosure. The accounts were authorised for issue on the date the Comptroller and Auditor General signed the audit certificate.

## 29. Dormant accounts

Under the provisions of the Dormant Bank and Building Society Accounts Act 2008 banks and building societies may pass funds from dormant accounts to Reclaim Fund Ltd, a not-for-profit entity authorised to act as the reclaim fund.

Reclaim Fund Ltd transfers funds which it is satisfied are not required to meet future claims from the owners of the dormant account money to Big Lottery Fund. The Fund distributes those funds in accordance with the Act and directions issued to it by the Secretary of State for the Department of Digital, Culture, Media and Sport with regard to expenditure in England and by the devolved administrations with regard to expenditure in each of Scotland, Wales and Northern Ireland.

Funds are apportioned between the four countries of the UK in accordance with a statutory instrument approved by Parliament.

Costs incurred by the Fund, and by the Minister in relation to the operation of the scheme as a whole, are deducted before apportionment between the countries.

Costs incurred by the Minister and the devolved administrations in relation to the individual countries are deducted from the apportioned funds.

DCMS announced in January 2018 a further release of funds arising from Dormant Bank Accounts anticipated to be up to £330 million over four years. A portion of these funds, up to £135 million, will continue to be made available to Big Society Trust to enable Big Society Capital in its role as a social investment wholesaler to fund stable and long term accommodation for vulnerable groups. The remainder of the portion of the total available funds for England will be awarded through two programmes one of which relates to Youth Employment and one to Financial Inclusion. These programme will be delivered by two new organisations, independent of government established for the purpose. The Fund has worked with DCMS to establish these organisations and the governance to ensure they meet the aims of the scheme and enable the Fund to meet its obligations under the Act. The two organisations have now been established – Fair4All Finance and Youth Futures Foundation – and their governance and structures are in development. Initial funding to establish the organisations has been agreed under directions from the Secretary of State and in respect of the youth scheme some initial grants have been made by the Fund to test possible approaches in this area.

Reclaim Fund Ltd has identified £71.8 million as available for distribution to the Fund in its financial year to December 2018 (to December 2017 £152.8 million) and recorded this as a creditor. The Fund has therefore recorded this as income receivable and will draw down the cash as required to support grant programmes. Awards for Scotland and Wales are being made under existing programmes while transfers to new organisations for England are likely to begin to be made during 2019/20 along with further distributions to Big Society Trust. Awards made under these programmes will be treated in the same way as for awards made with respect to National Lottery incomes and in accordance with the accounting policies set out in this report. The Fund has recognised as a provision the proportion of the income available that is anticipated to be transferred to Big Society Trust, Fair4All Finance and Youth Futures Foundation but which has not yet been transferred.

In relation to Scotland, Wales and Northern Ireland the Fund makes grant awards in a similar manner to Lottery funds, so that there are outstanding commitments from grant awards made that have not yet been drawn down by grant recipients. To date the directions in respect of Northern Ireland have not been finalised and as a result no awards have been made.

The Fund holds funds drawn down from Reclaim Fund Limited but not yet paid on deposit at commercial banks.

## 29a. Dormant accounts - Statement of comprehensive income

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
<b>Income</b>		
Received/Receivable from Reclaim Fund Ltd	71,771	152,800
Bank interest receivable	232	103
Recoveries of grant	3	-
<b>Total income</b>	<b>72,006</b>	<b>152,903</b>
<b>Expenditure</b>		
<b>Programme expenditure</b>		
Transfers/transferable to designated distributors	123,850	59,700
Grant expenditure	5,063	3,904
Less lapsed or revoked grant expenditure	(54)	(14)
	128,859	63,590
<b>Operating costs</b>		
Operating costs	680	349
<b>Total expenditure</b>	<b>129,539</b>	<b>63,939</b>
<b>Surplus before taxation</b>	<b>(57,533)</b>	<b>88,964</b>
Taxation	-	-
<b>Surplus after taxation</b>	<b>(57,533)</b>	<b>88,964</b>
<b>Total comprehensive net income</b>	<b>(57,533)</b>	<b>88,964</b>
<b>Reserves</b>		
Brought forward at 1 April 2018	101,010	12,046
Total comprehensive net income for the year	(57,533)	88,964
Carried forward at 31 March 2019	43,477	101,010

## 29b. Statement of financial position as at 31 March 2019

	As at 31 March 2019	As at 31 March 2018
	£000	£000
<b>Current assets</b>		
Trade and other receivables	71,771	152,800
Cash at bank and in hand	77,115	20,895
<b>Total assets</b>	<u>148,886</u>	<u>173,695</u>
<b>Current liabilities</b>		
Trade and other payables	(125)	(91)
Provisions	(93,300)	(59,700)
Grant commitments	(11,984)	(12,893)
<b>Total liabilities</b>	<u>(105,409)</u>	<u>(72,685)</u>
<b>Assets less liabilities</b>	<u><b>43,477</b></u>	<u><b>101,010</b></u>
Retained surplus	<u>43,477</u>	<u>101,010</u>

## 29c. Detailed Income and Expenditure Account with Country apportionment

	Year ended 31 March 2019					Year ended 31 March 2018
	England	Scotland	Wales	Northern Ireland	Total	Total
	£000	£000	£000	£000	£000	£000
<b>Segmental Analysis</b>						
Income	-	-	-	-	72,003	152,903
Less operating costs	-	-	-	-	(680)	(349)
Net Income available for distribution					71,323	152,554
<b>Available to each country</b>	59,840	5,991	3,495	1,997		
Recoveries of grant	-	-	3	-	3	-
Transfers/transerable to designated distributors	(123,850)	-	-	-	(123,850)	(59,700)
Grant Commitments made	(910)	(4,086)	(13)	-	(5,009)	(3,890)
Surplus/(Deficit) for the year	(64,920)	1,905	3,485	1,997	(57,533)	88,965
Balance of funds brought forward	68,460	12,936	5,252	14,362	101,010	12,046
<b>Balance of funds carried forward at 31 March 2019</b>	<b>3,540</b>	<b>14,841</b>	<b>8,737</b>	<b>16,359</b>	<b>43,477</b>	<b>101,010</b>
<b>Movement of grant accruals</b>						
Grant commitments brought forward at 1 April 2018	-	3,264	9,629	-	12,893	15,374
Grant commitments made	949	4,099	13	-	5,061	3,904
Lapsed and revoked commitments	(39)	(12)	-	-	(51)	(14)
Recoveries of grant	-	-	(3)	-	(3)	-
Grant commitments met	(266)	(3,266)	(2,384)	-	(5,916)	(6,371)
<b>Accrual carried forward at 31 March 2019</b>	<b>644</b>	<b>4,085</b>	<b>7,255</b>	<b>-</b>	<b>11,984</b>	<b>12,893</b>
<b>Ageing of grant accruals</b>						
Due within one year	644	2,387	3,359	-	6,390	5,784
Due within more than one year but less than two years	-	1,292	3,011	-	4,303	3,528
Due within more than two years but less than three years	-	406	425	-	831	2,706
Due within more than three years but less than four years	-	-	229	-	229	429
Due within more than four years but less than five years	-	-	206	-	206	230
Due after more than five years	-	-	25	-	25	215
	<b>644</b>	<b>4,085</b>	<b>7,255</b>	<b>-</b>	<b>11,984</b>	<b>12,893</b>

# Our statutory background

## Policy Directions

Our sponsor department and the devolved administrations are given power under the National Lottery etc. Act 1993 to give Directions as to matters to be taken into account in grant making.

The current policy directions with regard to England, the Isle of Man and UK funding are set out below. These were issued by the Cabinet Office and took effect from 1 April 2012. Responsibility for future policy directions will be the responsibility of the Secretary of State for the Department of Culture, Media and Sport following a transfer of functions from the Cabinet Office during the year.

The Fund has complied with these Directions throughout the financial year 2018/19 in every material aspect.

The current policy directions with regard to Scotland, Wales and Northern Ireland, issued by the respective devolved administrations, are set out later in this section.

## England and UK

### **DIRECTIONS GIVEN TO BIG LOTTERY FUND UNDER SECTION 36E(1)(b) OF THE NATIONAL LOTTERY ETC ACT 1993 (as amended)**

**In these Directions any reference to a section is a reference to a section of the National Lottery etc. Act 1993 (as amended).**

**The Minister for the Cabinet Office in exercise of the powers conferred on him by section 36E(1)(b) and having consulted Big Lottery Fund (“ the Fund”), National Assembly of Wales, Scottish Ministers and Northern Ireland Department of Culture, Arts and Leisure pursuant to section 36E (5), hereby gives the following directions to the Fund:**

## England, Isle of Man and United Kingdom

### General Directions

1. In exercising any of its functions in relation to United Kingdom expenditure, the Fund shall take into account the following matters in determining the persons to whom, the purposes for which and the conditions subject to which the Fund distributes its money under section 25(1).
  - A. The need to ensure over time that the distribution of money:
    - (i) Ensures people are engaged and involved in using the Fund’s funding to provide solutions to the issues that matter to them in their communities;
    - (ii) Helps identify and enable those who are ready to lead the process of providing these solutions and removes barriers for those that may need help in doing so; and
    - (iii) Supports new and innovative solutions alongside tried and tested models, and generates learning to help the development of policy and practice beyond the Fund’s funding.

- B. The need to ensure that the Fund achieves the distribution of funds to a reasonably wide spread of projects, primarily those delivered by the voluntary and community sector and social enterprises, including small organisations, those organisations operating at a purely local level, newly constituted organisations, organisations operating as social enterprises and organisations with a base in the United Kingdom and working overseas.
- C. The need to ensure that money is distributed for projects which promote the public and social benefit and are not intended primarily for private gain.
- D. The need to involve the public in making policies, setting priorities and making grants and which may involve partnerships with broadcasting, electronic, print, digital and other media
- E. The need to ensure funds are distributed on the basis of need, delivering measurable outcomes and broader impact for communities and individuals.
- F. The need to include a condition in all grants for recipients to acknowledge Lottery funding using the common Lottery branding.
- G. The Fund, in distributing money under section 25 (1), shall take into account the following principles:
  - 1. ENGAGEMENT–the development of programmes should be based on the active engagement of public, private and voluntary and community sector and social enterprise partners.
  - 2. REPRESENTATION – the development of programmes should take account of those most in need by targeting inequality and improving the capability of people and communities to contribute to, participate in and benefit from outcomes funded through the Fund’s programmes.
  - 3. SUSTAINABILITY– a programme’s ability to improve the environment today and for future generations and reduce the impact on the environment.
  - 4. LONGER TERM BENEFIT – that projects can achieve longer-term financial viability and resilience.
  - 5. ADDITIONALITY AND COMPLEMENTARITY– the development of programmes and funding of projects should complement, add value and be distinct from the work of other funders and parties working towards the Fund’s goals.
  - 6. COLLABORATIVE WORKING – where this produces better results, the development of programmes and funding of projects should support collaborative action between funded organisations and public, private and civil society partners.

## England and Isle of Man devolved expenditure

2. In exercising any of its functions in relation to English and Isle of Man devolved expenditure, the Fund shall take into account the following matters in determining the persons to whom, the purposes for which and the conditions subject to which the Fund distributes money:-
  - A. The need to operate within the distinctive context of policy, government and civil society action adding value in appropriate ways to the aim of creating a fairer, freer and more responsible society where everyone has a part to play in improving their community and helping one another.
  - B. The need to ensure that money is distributed to projects that benefit local people and local communities served by the voluntary and community sector.
  - C. The need to ensure over time that the distribution of money addresses one or more of the following priorities:
    - (i) Encouraging social involvement in communities and removing barriers;
    - (ii) Strengthening the capacity of voluntary and community organisations and social enterprises; and
    - (iii) Strengthening and increasing the capacity of the social investment market for supporting public benefit and social action.
  - D. The need to have regard for:
    - (i) The interests of and scope for taking effective action for England or the Isle of Man as a whole and for different parts of England or the Isle of Man; and
    - (ii) The relative population sizes and levels of economic and social deprivation in different parts of England and the Isle of Man.

Signed by the Minister for the Cabinet Office

28 March 2012.

## Scotland

### **DIRECTIONS GIVEN TO BIG LOTTERY FUND UNDER SECTION 36E(4)(b) OF THE NATIONAL LOTTERY ETC. ACT 1993**

**Scottish Ministers, in exercise of the powers conferred on them by section 36E(4)(b) of the National Lottery etc. Act 1993 and having consulted Big Lottery Fund ('the Fund') and obtained the consent of the Minister for the Cabinet Office pursuant to section 36E(8) of that Act, hereby give the following directions to the Fund:**

1. In these directions any reference to a section is a reference to a section of the National Lottery etc. Act 1993.

## General Directions

2. In exercising any of its functions in relation to Scottish devolved expenditure the Fund shall take into account the following matters in determining the persons to whom, the purposes for which and the conditions subject to which the Fund distributes money:

- A. The need to ensure that money is distributed under section 25(1) for projects which promote the public good and which are not intended primarily for private gain.
- B. The need to ensure that money is distributed under section 25(1) to projects which make real and sustainable improvements to the quality of life of local communities.
- C. The need to encourage innovation balanced with the need to manage risk in a manner commensurate with type of project and applicant.
- D. The need to further the objectives of sustainable development.
- E. The need to set specific time limits on the periods in respect of which grants are payable, whether for capital or revenue expenditure.
- F. The need:
  - (i) in all cases, for applicants to demonstrate the financial viability of the project for the period of the grant,'
  - (ii) where capital funding is sought:
    - a) for a clear business plan incorporating 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; and
    - b) to ensure that project evaluation and management process for major projects match those of the Office of Government Commerce's Gateway Reviews.
  - (iii) in other cases, for consideration to be given to the likely availability of other funding to meet any continuing costs for a reasonable period after completion of the Lottery award, taking into account the size and nature of the project, and for Lottery funding to be used to assist progress towards viability wherever possible.
- G. The desirability of working with other organisations, including other distributors, where this is an effective means of delivering elements of the Fund's strategy.
- H. The need to ensure that the Fund has such information as it considers necessary to make decisions on each application, including independent expert advice where required.
- I. The need to require an element of partnership funding and/or contributions in kind from other sources commensurate with the reasonable ability of different kinds of applicants, or applicants in particular areas, to obtain such support.
- J. The need to include a condition in all grants to acknowledge Lottery funding using the common Lottery branding.
- K. The need to involve the public in making policies, setting priorities and making grants.

## Scottish Devolved Expenditure

3. In exercising any of its functions in relation to Scottish devolved expenditure, the Fund shall take into account the following matters in determining the persons to whom, the purposes for which and the conditions subject to which the Fund distributes money:
  - A. The need to operate within the distinctive policy context in Scotland, adding value where appropriate to Scottish Ministers' strategy; working within the context of the national performance framework to build a fairer Scotland and tackle inequalities.
  - B. The need to ensure that the Fund, achieves over time the distribution of money to address the priority of reducing inequality; while ensuring a reasonably wide spread of recipients, including small organisations, those organisations operating at a purely local level, social enterprises and organisations with a base in 'Scotland and working overseas.
  - C. The need to have regard to the interests of Scotland as a whole, the interests of different parts of Scotland and the relative population sizes of, and the scope for reducing economic and social deprivation in, the different parts of Scotland.
  - D. The need to ensure that the Fund contributes to sustainability by supporting activity that helps to embed change and influences long-term development,
  - E. Finally, the need to ensure that the Fund achieves over time, the distribution of money reasonably equally between the expenditure on or connected with:
    - (i) The promotion of community learning and development;
    - (ii) The promotion of community safety and cohesion;
    - (iii) The promotion of community empowerment and inclusive opportunities for participation and
    - (iv) The promotion of physical and mental well-being.
4. In relation to Scottish devolved expenditure the Fund shall take into account the need to distribute money under section 25(1) to work which is intended to achieve 'one or more of the following objectives.'
  - (i) Reducing inequalities through tackling disadvantage and discrimination
  - (ii) Empowering people, through enabling people's engagement and influence,
5. In relation to Scottish devolved expenditure the Fund, in distributing money under section 25(1) shall take into account the principles of:
  - (i) Achieving the most effective use of resources by selecting the most appropriate approach in specific policy areas in order to add value to the overall public effort
  - (ii) Leveraging the highest potential value for people and communities from resources through support for volunteering, fair work and sustainable procurement.

Signed on behalf of Scottish Ministers February 2016.

## Wales

### **DIRECTIONS GIVEN TO BIG LOTTERY FUND UNDER SECTION 36E OF THE NATIONAL LOTTERY ETC. ACT 1993**

**In these Directions any reference to a section is a reference to a section of the National Lottery etc. Act 1993 (as amended).**

Welsh Ministers/The National Assembly for Wales, in exercise of the powers conferred on them/it by Section 36E(4)(a) of the National Lottery etc. Act 1993 and having consulted Big Lottery Fund (“the Fund”) and obtained the consent of the Minister for the Cabinet Office pursuant to Section 36E(8)(b) of that Act, hereby give/gives the following directions to the Fund.

#### **DIRECTIONS – WELSH DEVOLVED EXPENDITURE**

**In exercising any of its functions in relation to Welsh devolved expenditure, the Fund shall take into account the following matters in determining the persons to whom, the purposes for which and the conditions subject to which the Fund distributes the money under Section 25(1).**

- A. The need to ensure that the Fund achieves the distribution of funds to a reasonably wide spread of projects, primarily those delivered by the third sector, including small organisations, as well as regional and national organisations, those organisations operating at a purely local level, newly constituted organisations, organisations operating as social enterprises and organisations with a base in the United Kingdom and working overseas.
- B. The need to operate within the distinctive Welsh policy, governmental, social, economic, environmental and cultural context, ensuring funds complement and add value to, whilst remaining distinct from, the work of Government.
- C. The need to ensure that funds are distributed on the basis of need, targeting disadvantage and inequality to deliver real and sustainable improvements for communities and individuals which have a lasting impact beyond the duration of the Fund’s funding, and which support collaborative approaches across the public, third and private sectors in conjunction with and complimentary to the Welsh Government’s central organising principle of sustainable development.
- D. The need to have regard to the interests of Wales as a whole and of the different parts of Wales, the relative population sizes and the levels of economic and social deprivation in the different parts of Wales.
- E. The need to ensure that money is distributed for projects which promote the public and social benefit and are not intended primarily for private gain.
- F. The need to involve the public in setting priorities and distributing funds.
- G. The need to promote and support the Welsh language and to reflect the bilingual nature of Wales, and to ensure that grant recipients adopt the principle of equality between the English and Welsh languages.
- H. The need to ensure that money is distributed which improves Wales’s environment today and for future generations whilst promoting its potential to improve the quality of life for communities and individuals

- I. The need to provide support for those applying to the Fund, and to organisations receiving funding, in order to improve the delivery of project outcomes and to enable them to provide effective solutions to the issues that matter to them and to their communities.
- J. The need to support new and innovative solutions alongside tried and tested models, generating learning to help the development of policy and practice beyond the Fund's funding.
- K. The need to include a condition in all awards for recipients to acknowledge Lottery funding using common Lottery branding.
- L. Finally, the need to ensure that the Fund focuses expenditure on the achievement of the following outcomes over time:
  - People are healthy and living productive lives in a prosperous and innovative society
  - A resilient rural and urban environment with more sustainable use of Wales's natural resources
  - Conditions are strengthened for stronger, safer and more cohesive communities, enhancing social justice whilst mitigating the effect of poverty as well as encouraging sustainable economic growth.

## Northern Ireland

### **DIRECTIONS GIVEN TO BE BIG LOTTERY FUND UNDER SECTION 36E (4)(b) OF THE NATIONAL LOTTERY ETC. ACT 1993**

**Secretary of State for Northern Ireland, in exercise of the powers conferred on them by section 36E(4)(b) of the National Lottery etc. Act 1993 and having consulted Big Lottery Fund ("the Fund") and obtained the consent of the Secretary of State for Culture, Media and Sport pursuant to section 36E(8) of that Act, hereby give the following directions to the Fund:**

1. In these Directions any reference to a section is a reference to a section of the National Lottery etc. Act 1993.

#### **General Directions**

2. In exercising any of its functions in relation to Northern Ireland devolved expenditure, the Fund shall take into account the following matters in determining the persons to whom, the purposes for which and the conditions subject to which the Fund distributes money:
  - A. The need to ensure that money is distributed under section 25(1) for projects which promote the public good and which are not intended primarily for private gain.
  - B. The need to ensure that money is distributed under section 25(1) to projects which make real and sustainable improvements to the quality of life of local communities.
  - C. The need to encourage innovation balanced with the need to manage risk in a manner commensurate with type of project and applicant.
  - D. The need to further the objectives of sustainable development.

- E. The need to set specific time limits on the periods in respect of which grants are payable, whether for capital or revenue expenditure.
- F. The need: in all cases, for applicants to demonstrate the financial viability of the project for the period of the grant;
  - (ii) where capital funding is sought:
    - (a) for a clear business plan incorporating 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; and
    - (b) to ensure that project evaluation and management process for major projects match those of the Office of Government Commerce's Gateway Reviews.
  - (iii) in other cases, for consideration to be given to the likely availability of other funding to meet any continuing costs for a reasonable period after completion of the Lottery award, taking into account the size and nature of the project, and for Lottery funding to be used to assist progress towards viability wherever possible.
- G. The desirability of working with other organisations, including other distributors, where this is an effective means of delivering elements of the Fund's strategy.
- H. The need to ensure that the Fund has such information as it considers necessary to make decisions on each application, including independent expert advice where required.
- I. The need to require an element of partnership funding and/or contributions in kind from other sources commensurate with the reasonable ability of different kinds of applicants, or applicants in particular areas to obtain such support.
- J. The need to include a condition in all grants to acknowledge Lottery funding using the common Lottery branding.
- K. The need to involve the public in making policies, setting priorities and making grants.

### **Northern Ireland Devolved Expenditure**

- 3. In exercising any of its functions in relation to Northern Ireland devolved expenditure, the Fund shall take into account the following matters in determining the persons to whom, the purposes for which and the conditions subject to which the Fund distributes money:
  - A. The need to ensure that the Fund, taking into account its assessment of needs and any priorities it has identified in its strategy, achieves over time the distribution of money to a reasonably wide spread of recipients, including small organisations, those organisations operating at a purely local level, social enterprises, and organisations with a base in Northern Ireland and working overseas.

- B. The need to ensure that the Fund achieves over time the distribution of money reasonably equally between the expenditure on or connected with:
    - (i) the promotion of community learning;
    - (ii) the promotion of community safety and cohesion; and
    - (iii) the promotion of physical and mental well-being.
  - C. The need to have regard to the interests of Northern Ireland as a whole, the interests of all the different parts of Northern Ireland and the relative population sizes of, and the scope for reducing economic and social deprivation in, the different parts of Northern Ireland.
4. In relation to Northern Ireland devolved expenditure the Fund shall take into account the need to distribute money under section 25(1) to projects which are intended to achieve one or more of the following outcomes:
- A. People have the opportunity to achieve their full potential
  - B. People can actively participate in their communities to bring about positive change
  - C. Community ownership of better and safer rural and urban environments.
  - D. Improved physical and mental health for all people.
5. In relation to Northern Ireland devolved expenditure the Fund, in distributing money under section 25(1), shall take into account the need to ensure one or more of the following priorities are met:
- A. Improve essential skills to meet social and economic needs.
  - B. Increase opportunity for community based learning.
  - C. Build community capacity.
  - D. Increase opportunity for volunteering and engagement within and between communities.
  - E. Build community and voluntary/statutory partnerships.
  - F. Improve community facilities, access and services.
  - G. Increase community involvement in protecting, restoring and sustaining the urban and rural environment.
  - H. Help individuals and communities to develop skills to make healthier lifestyle choices.
  - I. Promote mental health and emotional well-being at individual and community level.

Signed on behalf of Secretary of State NI

## Accounts Direction

### **GIVEN BY THE SECRETARY OF STATE FOR DIGITAL, CULTURE, MEDIA & SPORT IN ACCORDANCE WITH SECTION 36E OF THE NATIONAL LOTTERY ETC ACT 1993 AND SECTION 22 OF THE DORMANT BANK AND BUILDING SOCIETY ACCOUNTS ACT 2008.**

1. This direction applies to the Big Lottery Fund (operating as “National Lottery Community Fund”) in respect of the annual accounts that it is required to prepare both in respect of its distribution of lottery funds and of its distribution of dormant accounts funds.
2. National Lottery Community Fund shall prepare accounts for the financial year ended 31 March 2019 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury (“the FReM”) which is in force for the financial year for which the accounts are being prepared, together with any additional disclosure or other requirements as agreed with the department.
3. The accounts shall be prepared so as to:
  - give a true and fair view of the state of affairs at 31 March 2019 and subsequent financial year-ends, and of the income and expenditure (or, as appropriate, net resource outturn), changes in taxpayers’ equity and cash flows for the financial year then ended; and
  - provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
  - Follow the additional accounting and disclosure requirements set out in Annex A and Annex B.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed with the Department for Digital, Culture, Media & Sport and HM Treasury.
5. Accounts should conform to all relevant guidance and requirements as per the Consolidated Budgeting Guidance (CBG), Managing Public Money (MPM) and the management agreement.

**Signed by Authority of the Secretary of State for Digital, Culture, Media and Sport**

## ANNEX A

### **Additional Accounting and Disclosure Requirements (effective December 2006)**

The following paragraphs detail the additional requirements as agreed by the Treasury, the Department and Big Lottery Fund, over and above those disclosures required in the FReM.

1. The Statement of Net Comprehensive Income/Expenditure shall include as separate items, where material:
  - a. the share of Lottery proceeds attributable to Big Lottery Fund
  - b. the share of investment income of the National Lottery Distribution Fund attributable to Big Lottery Fund
  - c. interest receivable on lottery funds
  - d. repayment of grants
  - e. any other income
  - f. grant made from Lottery funds
  - g. lapsed or revoked grant previously recorded as commitments from Lottery funds
  - h. the total operating costs incurred in respect of National Lottery distribution activities
2. The Statement of Financial Position shall include:
  - a. under the heading "Current assets": shown as an investment, the balance held on behalf of Big Lottery Fund at the National Lottery Distribution Fund;
  - b. Grant falling due for payment within one year should be disclosed separately under the heading "Current Liabilities".
  - c. Grant falling due for payment after more than one year should be separately disclosed under the heading "Non-current liabilities"
3. The Cash Flow Statement shall use the indirect method when presenting "Cash flow from Operating Activities";
4. The Notes to the Accounts should meet the requirements of the FReM and include:
  - a. A statement that the Accounts have been prepared in a form directed by the Secretary of State with the consent of Treasury in accordance with Section 35(3) of the National Lottery etc. Act 1993
  - b. A statement of the accounting policies. This must include a statement explaining the nature of the balances held on Big Lottery Fund's behalf in the National Lottery Distribution Fund as follows:

"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 Big Lottery Fund is as shown in the Accounts and, at the Statement of Financial Position date, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by Big Lottery Fund in respect of current and future commitments."
  - c. the value of grant commitments at the year- end which Big Lottery Fund has made but which have not been included as liabilities in the Statement of Financial Position because they did not meet the criteria for being treated as liabilities at that date

- d. Where grants exceed available resources as shown in the Statement of Financial Position, a note explaining the rationale for the over-commitment taking into account any advice received from the Department as appropriate.
- e. A note reconciling the opening and closing balance of investments held at the NLDF. This should disclose proceeds received from the National Lottery, investment income, unrealised gains and losses on investment, and cash drawn down from the NLDF
- f. A breakdown of the total grant liabilities (current and non-current) in the SoFP to show:
  - Liability brought forward
  - Commitments in the year
  - Decommitments
  - Commitments paid
  - Liability carried forward
 A breakdown of the liability for each year up to and including 5 years and over 5 years

**DIRECTIONS GIVEN TO THE BIG LOTTERY FUND UNDER SECTION 22(3) OF THE DORMANT BANK AND BUILDING SOCIETY ACCOUNTS ACT 2008 AS AMENDED**

The Secretary of State for Digital, Culture, Media and Sport in exercise of the powers conferred on him by section 22(3) of the Dormant Bank and Building Society Accounts Act 2008 (c.31) and having consulted the Big Lottery Fund (“the Fund”) pursuant to section 22(7) of that Act, hereby gives the following directions to the Fund:

1. The Secretary of State for DCMS issued a Spending Direction on 10 August 2018 under section 22(3) of the Act which required the Fund to distribute up to £1.2m in total from the English portion of dormant account money in the form of non-repayable grants to youth-focussed voluntary organisations in targeted locations, such grants having been agreed by Big Lottery Fund and DCMS. The Fund will continue to manage these grants until their completion.
2. The Fund will, subject to sufficient assurances being in place, also distribute up to £1m to support the effective organisational development of a new organisation whose purpose is to meet expenditure on or connected to the provision of services, facilities or opportunities to meet the needs of young people, in line with s18(1)(a) of the Act.
3. The Fund will, subject to sufficient assurances being in place, also distribute up to £1m to support the effective organisational development of a new organisation whose purpose is to meet expenditure on or connected to (i) the development of individuals’ ability to manage their finances, or (ii) the improvement of access to personal financial services, in line with s18(1)(b) of the Act.
4. The Fund is directed to make no other payments of the English portion of dormant account money until further Directions are issued by the Secretary of State under the Act.

### **DIRECTIONS GIVEN TO THE BIG LOTTERY FUND UNDER SECTION 22(3) OF THE DORMANT BANK AND BUILDING SOCIETY ACCOUNTS ACT 2008 AS AMENDED**

The Secretary of State for Digital, Culture, Media and Sport in exercise of the powers conferred on him by section 22(3) of the Dormant Bank and Building Society Accounts Act 2008 (c.31) and having consulted the Big Lottery Fund (“the Fund”) pursuant to section 22(7) of that Act, hereby gives the following directions to the Fund:

1. The Secretary of State for DCMS issued a Spending Direction on 10 August 2018 under section 22(3) of the Act which required the Fund to distribute £90m from the English portion of dormant account money in the form of non-repayable grants to the Big Society Trust to invest in Big Society Capital and to contribute to the funding of Access - the Foundation for Social Investment. That spending Direction is withdrawn with immediate effect.
2. The Fund will distribute up to £1.2m in total from the English portion of dormant account money in the form of non-repayable grants to youth-focussed voluntary organisations in targeted locations, such grants having been agreed by Big Lottery Fund and DCMS. The Fund will manage these grants until their completion.
3. The Fund is directed to make no other payments of the English portion of dormant account money until further Directions are issued by the Secretary of State under the Act.

### **DIRECTIONS GIVEN TO THE BIG LOTTERY FUND UNDER SECTION 22(3) OF THE DORMANT BANK AND BUILDING SOCIETY ACCOUNTS ACT 2008 AS AMENDED**

The Secretary of State for Digital, Culture, Media and Sport in exercise of the powers conferred on him by section 22(3) of the Dormant Bank and Building Society Accounts Act 2008 (c.31) and having consulted the Big Lottery Fund (“the Fund”) pursuant to section 22(7) of that Act, hereby gives the following directions to the Fund:

1. The Secretary of State for DCMS issued a Spending Direction on 28 March 2018 under section 22(3) of the Act which required the Fund to hold and make no further distributions in respect of the English portion of any dormant account money transferred to it by the reclaim fund. This Spending Direction is withdrawn with immediate effect.
2. The Fund will distribute £90m from the English portion of dormant account money in the form of non-repayable grants to the Big Society Trust to invest in Big Society Capital and to contribute to the funding of Access - the Foundation for Social Investment, acting as social investment wholesalers in accordance with section 18 of the Dormant Bank and Building Society Accounts Act 2008.
3. The Fund is directed to make no other payments of the English portion of dormant account money until further Directions are issued by the Secretary of State under the Act.

## **DIRECTIONS GIVEN TO BIG LOTTERY FUND UNDER SECTION 22(5)(b) OF THE DORMANT BANK AND BUILDING SOCIETY ACCOUNTS ACT 2008 IN RELATION TO SCOTTISH EXPENDITURE**

The Scottish Ministers, in exercise of the powers conferred on them by section 22(5)(b) of the Dormant Bank and Building Society Accounts Act 2008 and having consulted Big Lottery Fund (“the Fund”) pursuant to section 22(7) of that Act, hereby give the following directions to the Fund:

### General Directions

1. In exercising any of its functions in distributing dormant account money under that Act in relation to Scottish expenditure, the Fund must comply with the following general directions in determining the persons to whom the Fund makes distributions, the purposes for which the Fund makes distributions, the process used to determine what payments to make and the terms and conditions on which the Fund makes distributions.
2. The distribution of dormant account money;
  - A. must be to projects which promote the public good and which are not intended primarily for private gain;
  - B. must be to projects which make real and sustainable improvements to the quality of life of local communities;
  - C. may only be to third sector organisations i.e. organisations that exist wholly or mainly to provide benefits for society or the environment;
  - D. must balance the need to encourage innovation with the need to manage risk in a manner commensurate with the type of project and applicant; and
  - E. should seek to further the objectives of sustainable development.
3. In distributing dormant account money Big Lottery Fund must ensure that applicants:
  - A. in all cases demonstrate the financial viability of the project for the period of the distribution;
  - B. in cases where capital funding is sought;
    - a). demonstrate a clear business plan incorporating any running and maintenance costs associated with each project for a reasonable period, having regard to the size and nature of the project; and
    - b). demonstrate, for major projects, that project evaluation and management processes match those of the Office of Government Commerce’s Gateway Reviews; or
  - C. in cases where capital funding is not sought, demonstrate the likely availability of other funding to meet any continuing costs for a reasonable period after dormant account funding ceases, taking into account the size and nature of the project, and for the dormant account funding to be used to assist progress towards viability wherever possible.

4. In distributing dormant account money BIG must;
- A. set specific time limits on the periods in respect of which distributions are payable, whether for capital or revenue expenditure;
  - B. include a condition in all distributions that recipients acknowledge the use of dormant accounts funding, using the agreed branding for the Dormant Accounts Scheme for Scotland;
  - C. ensure that it has such information as it considers necessary to make decisions on each application, including independent expert advice where required;
  - D. work with other organisations, including other distributors, where this is an effective means of fulfilling its functions and objectives;
  - E. involve the public, where possible, in making policies, setting priorities and making distributions;
  - F. operate within the distinctive policy context in Scotland, adding value where appropriate to Scottish Ministers strategy; supporting a Fairer Scotland with the development of opportunities for everyone to flourish within a more successful and sustainable Scotland;
  - G. ensure over time a distribution of money to a reasonably wide range of recipients, including small organisations, those organisations operating at a purely local level, social enterprises, and organisations with a base in Scotland and working overseas;
  - H. have regard to the interests of Scotland as a whole, the interests of different parts of Scotland and their relative population sizes and the scope for reducing economic and social deprivation in the different parts of Scotland;
  - I. ensure that projects are intended to contribute towards the achievement of the Scottish Government's overarching purpose of increased and sustainable economic growth and also one or more of the following strategic objectives:
    - SMARTER: People having better chances in life
    - SAFER AND STRONGER: Communities work together to tackle inequalities
    - GREENER: People have better and more sustainable services and environments
    - HEALTHIER: People and Communities are healthier; and
  - J. take into account the following principles:
    - ENGAGEMENT – the development of programmes should be based on the active engagement of public, private and third sector partners.
    - SOLIDARITY AND COHESION – ensuring that individuals and communities across Scotland have the opportunity to contribute to, participate in, and benefit from a more successful Scotland.
    - SUSTAINABILITY – to improve Scotland's environment today and for future generations while reducing Scotland's impact on the global environment.

## **Specific Directions**

5. Before exercising any of its functions in distributing dormant account money in relation to Scottish expenditure the Fund must comply with the following specific direction in determining the persons to whom the Fund should make distributions and the purposes for which the Fund should make those distributions:

A. The Fund must produce an evidence based impact assessment of distributing the dormant account money in accordance with prescribed restrictions laid down in the Dormant Bank and Building Society Accounts (Scotland) Order 2010 and in accordance with one of the following options:

Option 1: To support 4 broad policy themes: the Fund would have to ensure that the distribution of money is reasonably apportioned to support 4 broad policy themes:

- Opportunities for children and young people;
- Addressing health inequalities through increased activity;
- Strengthening inter-generational activities; and
- Creating community based employment opportunities.

Option 2 To apportion 50%, 67% or 100% of the initial funds to be passed by the BIG Lottery to an endowed trust. The remainder of the monies would then be distributed by the Fund to support the 4 broad policy themes.

## **DIRECTIONS GIVEN TO BIG LOTTERY FUND UNDER SECTION 22 OF THE DORMANT BANK AND BUILDING SOCIETY ACCOUNTS ACT 2008 IN RELATION TO WELSH EXPENDITURE**

The Welsh Ministers, in exercise of the powers conferred on them by section 22 of the Dormant Bank and Building Society Accounts Act 2008 and having consulted Big Lottery Fund (“the Fund”), hereby give the following directions to the Fund:

### **General Directions**

1. In exercising any of its functions in distributing dormant account money in relation to Welsh expenditure the Fund must comply with the following general directions in determining the persons to whom the Fund makes grants, the purposes for which the Fund makes grants, the process used to determine what payments to make and the terms and conditions on which the Fund makes grants:

- A. Dormant account money must be distributed to projects which promote the public good and which are not intended primarily for private gain.
- B. Dormant account money must be distributed to projects which make real and sustainable improvements to the quality of life of local communities.
- C. Dormant account money must be distributed primarily to ‘third sector’ organisations, i.e. organisations that exist wholly or mainly to provide benefits for society or the environment. Exceptionally, money may be distributed to local authorities or other statutory bodies where a project involves a partnership or consortium, and the statutory body is acting in a coordinating capacity.

- D. The distribution of dormant account money must balance the need to encourage innovation with the need to manage risk in a manner commensurate with the type of project and applicant.
- E. The distribution of dormant account money must promote and support the Welsh language and reflect the bilingual nature of Wales, including giving effect to the principle of equality between the English and Welsh languages.
- F. The distribution of dormant account money must further the objectives of sustainable development.
- G. The distribution of dormant account money must set specific time limits on the periods in respect of which grants are payable, whether for capital or revenue expenditure.
- H. In distributing dormant account money the Fund must ensure that:
  - i). in all cases, applicants demonstrate the financial viability of the project for the period of the grant;
  - ii). where capital funding is sought:
    - a). applicants demonstrate a clear business plan incorporating any running and maintenance costs associated with each project for a reasonable period, having regard to the size and nature of the project; and
    - b). applicants demonstrate, for major projects, that project evaluation and management processes match those of the Office of Government Commerce's Gateway Reviews.
  - iii). where capital funding is not sought applicants demonstrate the likely availability of other funding to meet any continuing costs for a reasonable period after dormant account funding ceases, taking into account the size and nature of the project, and for the dormant account funding to be used to assist progress towards viability wherever possible.
- I. In distributing dormant account money the Fund must work with other organisations where this is an effective means of delivering elements of its strategic plan (see para' 4).
- J. In distributing dormant account money the Fund must ensure that it has such information as it considers necessary to make decisions on each application, including independent expert advice where required.
- K. In distributing dormant account money the Fund must include a condition in all grants that grantees acknowledge the use of Dormant Accounts funding, using the agreed branding for the Dormant Accounts Scheme for Wales.
- L. In distributing dormant account money the Fund must adopt an outcome focussed approach, working closely with appropriate partners to achieve the best pattern of investment for the benefit of communities across Wales.
- M. In distributing dormant account money the Fund must take into account the assessment of needs and priorities it has identified in its strategic plan and achieve over time a distribution of money to a reasonably wide spread of recipients, including small organisations, those organisations operating at a purely local level, and social enterprises.

N. In distributing dormant account money the Fund must have regard to the interests of Wales as a whole, the interests of different parts of Wales, the relative population sizes and the scope for reducing economic and social deprivation in the different parts of Wales.

### **Specific Directions**

2. In exercising any of its functions in distributing dormant account money in relation to Welsh expenditure the Fund must comply with the following specific directions in determining the persons to whom the Fund makes grants and the purposes for which the Fund makes grants

A. In distributing dormant account money the Fund must act in accordance with the prescribed restrictions laid down in the Dormant Bank and Building Society Accounts Act 2008 (Prescribed Restrictions) (Wales) Order 2010 and in accordance with the following themes:

‘Supporting children and young people to achieve their full potential working through the third sector to promote social inclusion’; and

‘Tackling climate change and promoting wider sustainable development through focused community-based activity’.

B. In distributing dormant account money Big Lottery Fund must act in accordance with the following sub-themes:

Supporting children and young people

Equipping young people with the skills and competences they need to fulfil their potential in relation to employability and wider benefits; in particular by addressing the needs of young people who are NEET (Not in Education, Employment or Training).

Tackling climate change and promoting wider sustainable development

Developing a community led and inclusive approach to address the causes of climate change and/or build resilience to its impacts, with the aim of encouraging behaviour change and with the potential to be rolled out to other parts of Wales.

- C. In distributing dormant account money Big Lottery Fund must take account of the wider benefits that applications may offer, in terms of:
- (i) their potential to make the resources go further, by means of contributions from other sources, e.g. match funding
  - (ii) their contribution to relevant Welsh Government policies and strategies, including:
    - the Skills and Employment Strategy and Action Plan; ‘Reducing the proportion of young people not in education, employment or training in Wales: Delivering Skills that Work for Wales’ (The NEETs Plan); ‘A Fair Future for Our Children’: the child poverty strategy; the 14-19 ‘Learning Pathways’ framework for young people’s learning provision ; the ‘Extending Entitlement’ policy for youth support services; the National Youth Service Strategy; the All Wales Youth Offending Strategy; the ‘Reach the Heights’ career opportunities initiative.- ‘One Wales: One Planet’, the Sustainable Development Scheme for Wales; The Climate Change Strategy.

### **Strategic Plan**

3. As provided for under Part 1 of Schedule 3 of the Act, the Fund shall prepare and adopt a strategic plan for the distribution of dormant account money for meeting Welsh expenditure to clarify the Fund’s policies for the distribution of dormant account money and for the prioritisation of applications.





## Annual report and accounts 2018-19

Further copies available from:

Our website            [tnlcommunityfund.org.uk](http://tnlcommunityfund.org.uk)

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Text Relay             18001 plus 0345 4 10 20 30  
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