

MEETING OF THE NATIONAL LOTTERY COMMUNITY FUND BOARD
28 March, 2024
09:30-15:30
NCVO Office, 8 All Saints St, London N1 9RL / via MS Teams

MINUTES

BOARD MEMBERS

PRESENT:

Paul Sweeney	Interim Chair and Chair, Northern Ireland Committee
John Mothersole	Vice Chair, Chair England Committee
Emma Boggis	Board member, Senior Independent Director
Richard Collier- Keywood (Teams)	Chair, Audit and Risk Committee
Stuart Hobley	Board member
Simone Lowthe- Thomas	Chair, Wales Committee
Helen Stephenson	People Committee Chair
Peter Stewart	Board member
Kate Still (Teams)	Chair, Scotland Committee
Danielle Walker- Palmour	Board member

IN ATTENDANCE:

David Knott	Chief Executive
Becky Morrison	Director, Youth and Civil Society, DCMS
Phil Chamberlain	England Director (Items 13&14)
Shane Ryan	Senior Advisor (Items 13&14)
Laura Lucking	Funding Strategy, Communications & Impact Director
Emma Corrigan	England Director (Items 13&14)
Stuart Fisher	Chief Finance & Resource Officer
Kate Beggs	Northern Ireland Director (Items 13&14)
Neil Ritch	Scotland Director (Item 13&14)
John Rose	Wales Director (Items 13&14)
Tom Leftwich	Senior Strategy Advisor (Item 5)
Catherine Roberts	Head of Governance (Minutes)
Kalema White	Business Manager to the CEO, Governance (Minutes)

1. CLOSED SESSION

- 1.1. The Board met in closed session, with the CEO invited to join for the second part of the session.

Becky Morrison, Stuart Fisher, Laura Lucking, Catherine Roberts and Kalema White joined the meeting.

2. INTRODUCTORY REMARKS

- 2.1. The Chair opened the meeting and welcomed all. He greeted Becky Morrison (Director, Youth and Civil Society, DCMS) who was observing. He noted the positive relationship of the Board with DCMS and SMT colleagues, and the productive work of Board committees and groups between meetings.
- 2.2. There were no apologies or declarations of interest.
- 2.3. The minutes of the meeting held on 7th December 2023, and with an additional note that Danielle Walker Palmour had left the Climate Action Fund (CAF) Panel and Richard Collier-Keywood was no longer a member of UKFC, were **APPROVED**

ACTION: Governance

ACTIONS ARISING - P01

- 2.4. The Board **NOTED** the status of actions. The update on system accessibility was raised and the Board were assured that options for a new application would be shared with them for their feedback.

3. CHAIR'S INTRODUCTION

- 3.1. The Chair congratulated Kate Still and John Mothersole on their recent re-appointment as Chairs of their respective Committees. He mentioned the positive sponsorship workshop between DCMS and the Board which had taken place in January. The Culture Inquiry started in 2021 had now closed, with residual work continuing within other programmes.
- 3.2. The Chair acknowledged that Board sub-groups had been active and commended Richard Collier-Keywood on steering the Corporate Plan Sub-Committee and Kate Still the People Committee. Kate had now handed over the chair to Helen Stephenson. The Chair expressed thanks to Helen and acknowledged the work of Danielle Walker-Palmour as new chair of the UK Funding Panel as well as Peter Stewart, Chair of the CAF Panel and Simone Lowthe-Thomas, member of CAF.
- 3.3. Becky Morrison gave an update on the ongoing Chair's recruitment, and the Vice-Chair provided an update on the governance review. He sought Board members' views and confirmation of the choice of a facilitator to support a Board development programme.
ACTION: John Mothersole, Governance
- 3.4. The Board asked that risk consideration should run through all decision making and the connection with risk appetite be more overt. Stuart Fisher would lead a reflection with SMT.

ACTION: Stuart Fisher

4. CEO UPDATE AND OUTLOOK - P02

- 4.1. The Board **NOTED** the overview provided by the CEO:
- The search for a new Director of People and Culture and a Chief of Staff was underway, and Stuart Fisher had taken an enhanced brief as Chief Resource and Finance Officer.
 - The Fund stood in a favourable position at financial year end, with good momentum on the strategy and refreshed KPIs. The latest all-colleague pulse survey had seen a sharp increase in the engagement score.
 - The Fund was preparing for a new Chair in early summer and there had been much work done with new operator Allwyn and their ten-year plan.
 - There was strong resolve in the organisation to deliver against the strategy. The new Corporate Plan expressed this and would translate into performance and organisational delivery.
- 4.2. The Board responded that they would welcome a discussion on the impact of s114 notices on Civil Society. They felt it was important to consider the issues of demand versus capacity of local authorities.

5. CORPORATE PLAN - P03

- 5.1. The Chair acknowledged Richard Collier-Keywood and the Corporate Plan Sub-Committee for their support developing the Plan. The Sub-Committee had met several times and the executive had taken their views into consideration. The Sub-Committee, content with the Corporate Plan and the proposed new KPIs, recommended them to the Board. The Chair and CEO thanked all involved in the process for their input.
- 5.2. The executive confirmed that the link through the Corporate Plan, Strategy and business planning would translate further into individual objectives, enabling all Fund colleagues to work towards common goals. KPIs would be the baseline to inform the Board of

progress in strategic delivery. Tom Leftwich's key role in developing the KPIs was acknowledged.

5.3. The Board questioned the 15% quantified environmental KPI, articulated in the strategy through the four missions and themes. As the environment was central to the strategy the KPI was elevated. The executive confirmed that the infrastructure to monitor and report was being developed, and by September the Board would have sight of all results.

5.4. The Board asked for a consistent narrative across all strategy documents, and that the draft of KPI6 be revised to include a minor change.

ACTION: Laura Lucking, Verity Prime

5.5. The Chair expected that the Corporate Plan would continue to evolve, and an impact strategy should be designed with consideration of a KPI to measure its delivery in the future.

5.6. Subject to the adjustment discussed, the Board welcomed and **APPROVED** the Corporate Plan. On behalf of the Board, the Chair thanked Richard Collier-Keywood for driving the Sub-Committee, Stuart Fisher for leading the completion of the Plan and Becky Morrison for liaising with the Department.

6. PEOPLE COMMITTEE REPORT - P04

6.1. Helen Stephenson reported that she had taken over the Chair in January and thanked Kate Still for her contribution. Kate would remain as a member of the Committee.

6.2. The Committee had looked at the People data dashboard and had discussed developing People performance standards. They had also received regular updates on the staff survey and commended the executive on the last results.

6.3. The Board reflected on:

- the strategic risk in the People plan and whether its framing reflected the real risk around People
- the importance of ensuring there was strategic interaction between ARC and the People Committee.

6.4. The Board **NOTED** the minutes of both People Committee meetings and the comprehensive work programme, commending its helpful contribution. The Chair congratulated the CEO and team for a much-improved employee engagement score.

7. CURRENT PERFORMANCE - P05

7.1. Laura Lucking presented the performance of the Fund. The Board **NOTED** the Fund's progress against current KPIs and looked forward to the implementation of the new KPIs.

8. FINANCIAL SUMMARY - P06

8.1. Stuart Fisher presented key highlights of the financial performance to February 2024. The position on KPI3 was a predicted 2% at year end. Stuart noted that there had been a collective effort across funding directorates to improve this position, and recently they had seen forecasts delivered across the portfolios.

8.2. Regarding the differential between 9.1% in the previous quarter and an estimated 2% final position, the executive explained they were striving to smooth out grant awards over the year and reassured the Board that this KPI was critical to SMT.

8.3. The Board raised:

- The underspend on offices, requesting an update on office attendance. There had been no changes to the approach to returning to the office, with colleagues still working within communities, and teams convening for meaningful interactions.
- The importance of a smooth pipeline in view of the new operator's ambitions, noting it was still early days for projections.
- The vacancies carried. It was explained that the budgeting process had changed this year to give more capacity across the Fund and better access to corporate contingency. The assumptions about FTE, circa 5% vacancies, were typical.

8.4. The CEO offered an insight into the governance of the National Lottery and where accountabilities lie. It was felt there was sufficient governance to have sight of the license operator's plans and how they developed in the future. EDI had been taken into account in the development of the plans, noting how the process of selecting a new operator had been consultative and involved representations from many sources. It was suggested to invite the Allwyn CEO to a future Board meeting.

ACTION: David Knott

8.5. Potential reputational risks in how the operator might raise additional funds were discussed. It was **AGREED** that the CEO would include in his report the points raised in the meeting.

ACTION: David Knott

9. UPDATE OF GRANT AWARDS - P07

9.1. Stuart Fisher introduced the paper. The Board were asked to note the forecast outturn and provide support for the indicative award profile. At section 4.10, the paper asked for the release of £250m from the NLDF.

9.2. The Board discussed or queried:

- The nature of allocated and non-allocated funds and the challenge of how to potentially deliver more income, with the Board seeking assurance that they could have future conversations on ways to do this.
- The forecast for 24/25, which the Board were assured would be monitored closely. They discussed ensuring that grant spending was in line with forecast and that there was a correlation between spend profiling and staff resourcing.
- The challenges the community and voluntary sector was experiencing as a result of diminishing Local Authorities funding. A strategic conversation was needed on implications for example funding demand, additionality and learnings.
- The Board commented on the high NLDF balances and emphasised that a strategic conversation would be helpful, and that investment options could be considered to deliver strategic ambitions.

9.3. The Board **NOTED** and **CONFIRMED** that they were content with the Fund's income projections as presented in Section 1 of the paper. The Board also **APPROVED** the updates to 2023/24 and future indicative allocations.

9.4. Subject to further tactical conversations on the most impactful use of funds, the Board **APPROVED** the release of £250m from the NLDF balance with the expectation that the majority of this additional award allocation be built over the 5-year planning period across all portfolios, to mitigate the risk of income growth not materialising.

9.5. The Board requested a further conversation on the use of the £250m at the June meeting, and a broader, more strategic discussion on growth and demand, challenges and opportunities in the Autumn.

ACTION: Stuart Fisher, David Knott, Governance

- 9.6. It was **AGREED** that ahead of June Board, the executive would commission high-level research into the external environment and report the intelligence gathered at the next meeting.

ACTION: Stuart Fisher, Laura Lucking, Verity Prime

10. BUDGET PROPOSALS - P08

- 10.1. Stuart Fisher introduced the paper which reported a static operational budget. The approach to the proposals had been to manage the historic underspend and be more strategic.
- 10.2. To a question on moving to a 2-year rather than annualised budget, the executive felt this should be explored in later years once there was more certainty around income.
- 10.3. The Board were provided with more detail on recovery and Third-Party programmes: One Million Hours and Cost of Living. They noted that as a group, National Lottery distributors had agreed with DCMS to work to an 8% operating cost threshold over the next couple of years, and there was good engagement with DCMS about Third Party programmes.
- 10.4. The Board **APPROVED** the 2024/25 operating cost budget.

11. *The Board were shown [a video](#) of grant holders sharing their thoughts on the new NLA4A funding and the benefits for their communities.*

12. AUDIT AND RISK -

- 12.1. Richard Collier-Keywood presented an update following the recent ARC meeting. He set out key points discussed including:
- Approval of the new internal audit plan for 24/25 and the forward audit plan
 - Discussions on cyber security
 - The Head of Internal Audit expected to provide a moderate opinion on the adequacy and effectiveness of the Fund's internal controls.
 - External auditors had no cause for concern with the audit plan and had highlighted the positive working relationship with the Fund's finance team.
 - The risk register was well managed with a minor suggestion to bring more clarity in the difference between first and second lines of defence.
 - The time taken to investigate fraud cases had decreased and a further reduction was expected later in the year.
 - The Committee had received a presentation from funding portfolios and were satisfied with the management of risks and controls.
 - Following the Board discussion in December about a reduced appetite in grant making across portfolios ARC had cautioned against any consequences on front line operations.
- 12.2. The Board discussed:
- The whistleblowing policy and **AGREED** that there would be further reflection on designating a Board sponsor for whistleblowing.
- ACTION:** Stuart Fisher, Richard Collier-Keywood
- Regarding the risk appetite around grant making, the risk had been lowered to medium with regards to the quality and probity of leadership and governance, rather than funding. The Vice-Chair clarified that it was not intended to stifle innovation or new ways of investing in communities, but to acknowledge the risks attached to the rapid flow of more responsive funding. The conversation would continue at the December Board meeting.
- 12.3. The Chair thanked Richard for a comprehensive report. The Board expressed their appreciation to Ruth Marchington for her contribution as external member of ARC.

13. FUNDING STRATEGY - STRATEGY IMPLEMENTATION AND PORTFOLIO DEVELOPMENT - P09

- 13.1. Phil Chamberlain introduced the paper, which brought together all portfolio activity in response to the Strategy. He thanked the funding Committee chairs for their contributions and highlighted three key aspects of portfolios' ambitions:
- the expansion of grassroot funding,
 - a focus on community led missions
 - exploring potential new ways of working.
- 13.2. Portfolio reviews had been instigated and progress made across all portfolios on the delivery of programmes. A cross-Fund framework had been developed to track delivery and impact. Phil also reported on the work packages supporting the equity-based approach and highlighted themes, challenges and opportunities that were emerging across portfolio activity.
- 13.3. The Board discussed:
- Ways of working and different models moving forward, ensuring that they aligned with the prospect of growth.
 - Challenges faced by the sector and how the Fund could respond to their impact, as well as supporting the executive to navigate the external context.
 - The cost of funding for National Lottery applicants. The executive confirmed that they were improving processes, experiences and accessibility for all customers with more work to do.
 - The approach to risk and how it could come from a positive perspective and be structured to address the power imbalance.
 - Additionality in the context of sector challenges and the complexity of defining additionality within the current environment, as well as the position of the Fund with respect to health and the definition of health.
 - The need for strategic conversations to define the most effective and impactful approach. The Board were keen to explore new ways of working, referring to the example of the CAF model, this included taking an investment lens.
- 13.4. They noted that the executive were building up internal governance and capacity to further reach communities and manage more risk in funding, on which they would work closely with the Board. The executive would also conduct research on the cost of applying for various populations.

ACTION: Laura Lucking, Verity Prime

- 13.5. Shane Ryan gave an update on the work of the Innovation team as they continued to look at different and new ways of working with communities. A more comprehensive report would be brought to the Board in due course.

ACTION: Shane Ryan, Governance

- 13.6. The Chair thanked funding directors and other colleagues for their attendance and helpful contribution.

14. UK PORTFOLIO - P10

- 14.1. Mel Eaglesfield presented the UK portfolio update. It had been a successful year with the launch of the UK Fund as part of the strategy. The budget had been spent successfully thanks to the outstanding work of the team.
- 14.2. In July, programmes supporting two of the new strategy missions, Youth and Environment, had launched. The portfolio now had a solid platform for its grant making, enabling the development of the UK ambitions and working with other portfolios.

14.3. The last round of CAF had been launched, with more projects across the UK ready to scale up. Peter Stewart, Chair of CAF, acknowledged the remarkable efforts of the team and the process improvements which had elevated the quality of grant making. £94m out of the £100m had been committed so far, and CAF would continue to evolve and stay ahead of environmental issues. The Chair of the UK Fund Panel gave an update on the work of the new Panel and recent discussions.

14.4. The Board discussed:

- how learnings from CAF could inform portfolio development. They were reassured that it was part of the Impact and Evidence work strand.
- Referring to the earlier discussion on adjusting to changes in the sector, it was suggested that it was important to take soundings from portfolios first to develop a shared view.
- It was noted that Kevin Bone had left the Fund and Lyndsay Graham from Scotland Committee had joined the Panel.
- Thanks were recorded for Mel Eaglesfield and the UK Team following a successful year.

15. BOARD FORWARD LOOK - P10

15.1. The Board reviewed the Forward Look to Q4 2025. It was confirmed that the September Board meeting would be held in Newcastle in September and London in December.

15.2. The date of the Board and Committee Day was being rescheduled and would be shared as soon as possible. The Board also asked that the date of the face-to-face meeting later in the year be diarised promptly.

ACTION: Governance

16. ANY OTHER BUSINESS

16.1. There being no other business the Chair closed the meeting at 15.28.

END

Date: 27 June 2024

Chair's signature: 