

Financial Directions Issued Under Section 22 of the Dormant Bank and Building Society Accounts Act 2008 and Section 36E (1)(b) of the National Lottery etc Act 1993

The Big Lottery Fund ("the Fund") shall comply with the requirements contained within the attached Statement of Financial Requirements, which have the status of directions under section 22 of the Dormant Bank and Building Society Accounts Act 2008 ("the Act").

The Statement of Financial Requirements complements, and should be read in conjunction with, the Fund's Management Statement issued by the Minister for the Cabinet Office, which deals with corporate governance and management matters.

The Statement of Financial Requirements is not in relation to Welsh, Scottish or Northern Ireland expenditure except insofar as it is given under section 22(4) of the Dormant Bank and Building Society Accounts Act 2008 ("the Act").

Signed by authority of the Minister for the Cabinet Office



STATEMENT OF FINANCIAL REQUIREMENTS

BIG LOTTERY FUND

This Statement of Financial Requirements is effective from 26 JUNE 2012

General principles

1. This Statement of Financial Requirements ("SFR") complements and should be read in conjunction with the Management Statement issued to the Fund by the Cabinet Office under the National Lottery etc Act 1993, Accounts Directions and other appropriate guidance contained in "Dear Accounting Officer" ("DAO") letters and any other relevant guidance issued from time to time by the CO. It also complements and should be read in conjunction with the SFR issued to it from time to time by the Department for Culture, Media and Sport ("DCMS") under the National Lottery etc Act 1993 and the Memorandum of Understanding (MOU) in place between the Department for Culture, Media and Sport ("DCMS") and the Cabinet Office ("CO") specifying the responsibility for various functions of the Fund and the Management Statement issued to the Fund by the CO.

2. This SFR applies to all activities of the Fund relating to the distribution of dormant account funds under the Act and to certain CO sponsor responsibilities for Lottery and non-Lottery distribution as set out in the MOU for the Fund. The distribution of Lottery funds and other non-Lottery funds under the National Lottery etc Act 1993 is dealt with in the SFR issued from time to time to the Fund by DCMS.
3. The Fund must operate within the principles of administrative law. Dormant accounts funds may only be distributed to make investments in connection with successful applications for dormant account funds or to defray administration expenses incurred in the distribution of those funds (including those connected with delegation of dormant accounts funds). The Fund should have regard to value for money in all aspects of its administration of dormant accounts funds.

Management and investment of dormant accounts funds

4. Dormant accounts funds are paid to the Fund by Reclaim Fund Ltd when it is satisfied that they will not be required to meet bank customer claims for repayment.
5. The Fund shall base its forward plans and commitments on the information provided by the Reclaim Fund about expected future cash flows of dormant accounts. The Fund shall have due regard to past and projected income flows and to the need to keep its balance of dormant accounts funds to a level which is consistent with safeguarding its commitments, without being unnecessarily large.
6. Dormant accounts funds paid to the Fund shall be held in one or more bank accounts separate from other funds held by the Fund.
7. The Fund is empowered to invest surplus dormant accounts funds until they are required in an interest-bearing account. The Fund shall establish and operate a prudent management and investment policy to safeguard dormant account funds, which it shall submit to the CO for approval. The Fund shall review the policy from time to time and obtain approval from the CO and Devolved Administrations for any changes it proposes.

Social investment wholesaler (English expenditure)

8. On receipt of spending direction(s) from the CO to distribute the whole of the English expenditure from dormant accounts funds to a social investment wholesaler, the Fund may then transfer the whole of the dormant accounts funds which becomes available to it for English expenditure to the social investment wholesaler identified in the spending directions.

Management and control of devolved dormant accounts funds (in accordance with Section 22(4) of the Dormant Bank and Building Society Accounts Act 2008 ("the Act"))

9. For devolved dormant accounts funds the Fund shall make guidance on how to apply for dormant accounts funds widely available. It may distribute funds in response to applications. It may also, where it is clear that there are strategic benefits to be gained, distribute funds without the need for an open application process. In such cases, the Fund must allocate funds according to clear, set and transparent formulae or criteria agreed in advance by the Fund's Board and consistent with any policy directions, which should be made publicly available. Internal procedures, and a decision-making process, for allocating funds shall be established. These procedures and processes should be designed to avoid creating a system of allocation that could be construed as being unfair or arbitrary and shall ensure that those involved in making decisions avoid actual or perceived conflicts of interest.
10. For devolved dormant accounts funds the Fund may co-ordinate applications for dormant accounts funds with other organisations and may exercise as it sees fit, having put in place appropriate management and accountability arrangements, its powers under the Act to delegate internally or externally decisions as to whom dormant accounts funds are to be distributed.
11. For devolved dormant accounts funds the Fund should collect what information it considers appropriate on each application it receives, and on each successful application. The Fund shall supply information to the CO and Devolved Administrations as and when requested.
12. For devolved dormant accounts funds the terms and conditions with which each investment recipient must comply should be clearly set out. The Fund will determine the term and, if appropriate, the security required and the asset monitoring period by reference to the period during which it expects the investment to be carried out. The investment agreement should include a provision that the investment can be clawed back if there is a change of purposes from the one originally intended. The terms and conditions should also include a provision for access by the Comptroller and Auditor General and for the applicant to repay the investment in full or in part if any of the conditions are breached, including instances where the purpose for which the investment was made is not fulfilled, or seems unlikely to the Fund to be fulfilled. The Fund may vary the terms and conditions of an investment by written agreement with the recipient.
13. The Fund should set up appropriate arrangements for monitoring and evaluating devolved dormant account fund investments both while they are in progress and after completion.

Fraud, write offs and special payments – dormant account funds

14. The Fund should have effective measures in place to detect and counteract fraud in relation to its dormant accounts funds distribution activities. It may share information on applications with other bodies where it judges that there is a significant risk that an applicant could fraudulently apply to more than one body. The Fund shall keep a record of all frauds and thefts discovered and report them and in addition it should immediately report any suspected fraud in excess of £10,000 to the CO and the relevant Devolved Administration.
15. The Fund may write off an investment if it considers that this would be appropriate having regard to all the circumstances. However, individual write-offs and special payments exceeding £100,000 must be reported to the CO and the relevant Devolved Administration.

Risk management and general financial controls for dormant account funds

16. Risk management principles should be applied to all aspects of the Fund's dormant accounts funds activities. Systems of internal control deployed by the Fund should be designed to manage risk to a reasonable level rather than eliminate all risk of failure to the achievement of policies, aims and objectives. Systems of internal control should be based on an ongoing process to identify and prioritise the principal risks to the Fund not achieving its objectives, to evaluate the likelihood and impact of those risks and to manage them efficiently, effectively and economically.
17. The Chief Executive of the Fund is the Accounting Officer for the dormant accounts funds under the Fund's control, and the responsibilities are set out in the Accounting Officer's designation letter. In addition to satisfying him/herself on an ongoing basis of the adequacy of the Fund's internal control systems, as reflected in the annual Statement on Internal Control, the Accounting Officer should seek assurance at appropriate intervals that the Fund's administrative and financial systems as a whole remain adequate for the purpose of discharging the Fund's dormant accounts funds distribution functions. He/she should, notify the CO if he/she has any concerns that this is not the case in relation to the Fund's dormant accounts distribution functions. The Accounting Officer is also responsible for signing the accounts for the Fund's dormant accounts funds distribution activities and for ensuring that:
 - The Fund keeps proper accounts and records in relation to them, and retains financial records as appropriate;
 - Dormant account funds are distributed with due regard to regularity and propriety;
 - Bodies engaged as partners or agents for the purpose of processing dormant accounts fund applications, paying out such funds, or delegated to make

decisions on the Fund's behalf, are fit and proper and have established appropriate management arrangements;

- Dormant account funds are used economically, efficiently, and effectively even though investment decisions may have been delegated to an outside person, organisation or committee; and
 - Cases of significant fraud are reported to the police, and, as appropriate to the Serious Fraud Office and other authorities.
18. The Accounting Officer shall bring to the CO attention any expenditure arising during the year and not foreseen when the budget was submitted which in the judgement of the Fund's Accounting Officer could raise issues of public concern on the grounds that the expenditure in question could be seen as novel, contentious, unusual or not strictly related to the Fund's dormant accounts funds distribution functions under the Act.
 19. The Fund's Accounting Officer should make sure an effective internal audit service for the Fund's dormant accounts funds distribution functions is in place, operating to standards defined in the Government Internal Audit Manual. He/she should send a copy of the Fund's Annual Internal Audit Report to the CO by 31 July each year.
 20. The Comptroller and Auditor General is the statutory auditor of the Fund's accounts in relation to the distribution of dormant account funds. The Fund's statement of accounts, along with the books, documents or papers of the Fund that relate to them, shall be open to inspection by the Comptroller and Auditor General and to any persons so authorised by the CO and Devolved Administrations.
 21. The Accounting Officer is responsible for ensuring that the Fund's banking arrangements for dormant account funds meet the requirements of Managing Public Money and are carried out efficiently, effectively, and economically
 22. The Fund must not issue any guarantee, indemnity, or letter or statement of comfort which creates a financial commitment, nor incur any other contingent liability (whether or not in legally binding form) in respect of dormant accounts funds except as approved by the CO. Liabilities entered into in the normal course of the Fund's business (see Managing Public Money for definitions) will not be classed as contingent liabilities for this purpose.
 23. The Fund must not use dormant accounts funds for the purpose of making gifts, except where the total value of gifts to any one person in a financial year is £50 or less. Board members or members of staff should only accept gifts where they are worth less than £25.

Annual Report and Accounts for dormant account funds

24. The Fund shall produce an Annual Report and Accounts for its dormant accounts funds distribution functions. The fund will prepare one set of accounts covering financial statements for England, Wales, Scotland and Northern Ireland and submit financial statements to CO, Welsh Ministers, Scottish Ministers and the Department of Finance and Personnel in Northern Ireland at the same time as the financial statements are sent to the C&AG for audit. C&AG shall audit the financial statements and lay them in Parliament, and before the Scottish Parliament, National Assembly for Wales and NI Assembly.
25. The Funds shall incorporate the Report and Accounts with its report and accounts relating to lottery distribution activities. The Report and Accounts shall comply with the Government Financial Reporting Manual (FRM) and the accounts will be prepared in accordance with the relevant statutes and, so far as relevant, consistently with the Accounts Direction issued by the Secretary of State for Culture, Olympics, Media and Sport relating to lottery funds. A separate annex shall be provided giving details of dormant accounts funds income, expenditure, assets and liabilities, analysed where appropriate by country.
26. The Annual Report will be laid before Parliament by the Minister for the Cabinet Office and made available thereafter to the public, on the Internet whenever possible. The Fund will send a copy of the report to Welsh Ministers, Scottish Ministers, the Northern Ireland Department of Finance and Personnel. Devolved Administrations will lay the annual report before their respective legislatures.
27. Draft accounts including full notes and the report must be submitted to the CO by 31 July and final accounts by 30 September. The publication of annual reports and accounts for dormant account funds should take place by 31 October. However, if practicable the report and accounts should be prepared and submitted for approval in time so that they can be laid before Parliament before the summer recess.