



Community Fund Annual Report and Accounts
For the financial year ended 31 March 2006



Community Fund

ANNUAL REPORT AND ACCOUNTS

For the financial year ended 31 March 2006

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Community Fund

Annual Report and Accounts 2005/06

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Introduction

by the Chair and Chief Executive

This Annual Report sets out the achievements of the Big Lottery Fund during 2005/06. Last year we reported on the successful administrative merger of the New Opportunities Fund and Community Fund, which came together to form the Big Lottery Fund. Until the legislation to formalise this administrative merger is enacted, we will formally report separately on the activities of the two statutory bodies. This report sets out the development and performance of the Big Lottery Fund as it relates to the Community Fund, including how those resources made available to the Community Fund have been used.

2005/06 has seen several key developments for the Big Lottery Fund, the preparation of our strategic plan for the period to 2009, planning and launching a range of new programmes UK-wide and the implementation of a major change programme designed to deliver business efficiencies.

In continuing to integrate the structures of the two legacy funds and to develop our new business, we have used the results of the major, UK wide consultations with our stakeholders and the wider public to develop the strategic plan for the Big Lottery Fund. Details are set out in section 2 of this report.

During 2005/06, a significant amount of effort has been devoted to developing new grant programmes reflecting the themes and outcomes that emerged from our consultations. As the Big Lottery Fund does not yet legally exist we will, for expediency, make awards through these programmes using New Opportunities Fund powers.



Introduction

We have developed a mixed portfolio approach to funding, both strategic and demand led. We have introduced full cost recovery on legitimate overhead costs for voluntary and community organisations, and more flexibility in the length of our funding. We have also developed an evaluation, research and learning strategy for 2005 to 2009. In all, we have launched 16 programmes, including the demand-led, lightly prescribed Reaching Communities programme in England, People and Places in Wales and the Young People's Fund programmes in Scotland, Wales and Northern Ireland. We are currently working up a number of other programmes and will launch a further 23 in 2006/07. Details of our programmes are set out in this report.

At the same time, we have also successfully integrated and restructured our offices in Scotland, Wales and Northern Ireland, opened the Newcastle Centre and refocused our regional presence in England, with an expanded remit for regional intelligence outreach and partnership working. The Birmingham Centre is expected to open by the end of 2006. The two new centres in Newcastle and Birmingham will deliver the large majority of our grant management functions in England. A phased transition of many of the functions currently based in London and in the previous England Regional Offices is being undertaken and will be substantially completed during 2007.

During 2005/06, we have made the final awards under the Community Fund's legacy grant programmes. Through these legacy programmes and our new Big Lottery Fund programmes, we have in 2005/06 committed £350 million of funding. We have worked with our key partners and grant holders to ensure that the funding awarded is reaching beneficiaries as quickly as possible; during the year we have paid out £227 million in grants.

Finally, we have continued to lead the way in taking forward the agenda for joint working, public involvement and promotion of the benefits of the National Lottery, spelt out by the Secretary of State in 2003. We have set up the framework for a capital centre of excellence and redesigned the joint distributor website, supported the work of the National Lottery Promotions Unit, including the drive towards common branding, launched a programme (People's Millions) which enables people to vote for their favourite projects as seen on TV and engaged young people in the decision-making on grants under our Young People's Fund.

We would like to express our thanks to all those who have played a part in the Big Lottery Fund's considerable achievements this year. They could not have happened without the leadership and direction of the Board and Committee members and the hard work, professionalism and dedication of the staff, for many of whom it has been a year of significant personal uncertainty.

We believe that the new, different and better funder promised last year is emerging; a more intelligent funder that will bring real improvements to communities and the lives of people most in need.

Sir Clive Booth

Chair

Stephen Dunmore

Chief Executive

10 November 2006

Section one

About us, our framework and what we do

Our history and statutory framework

In February 2003, the Secretary of State for Culture, Media and Sport asked the Community Fund (the operating name of the National Lottery Charities Board) and the New Opportunities Fund to come together to create a new Lottery distributor, building on the strengths of both organisations. In November 2003, Stephen Dunmore was appointed Chief Executive of both bodies and he put together a joint management team to lead the new distributor. With the appointment of a Chair and Board, the Big Lottery Fund was administratively created on 1 June 2004.

We expect the Big Lottery Fund to be formally commenced on 1 December 2006 subject to the Parliamentary timetable. The new Big Lottery Fund Board is likely to meet for the first time in December 2006. Until this point, both 'legacy' organisations will continue to work as an administratively merged body and lay the foundations for the new organisation. Until the legislation is in place the statutory powers of the Community Fund and the New Opportunities Fund will continue to be used and we will report separately on the work, performance and finances of each of the two bodies. This report deals with the Community Fund.

The Department for Culture, Media and Sport has responsibility within government for National Lottery policy and sets the policy and financial framework within which the distributing bodies work. There are currently 15 independent distributing bodies responsible for awarding Lottery grants.

The Community Fund was established by the National Lottery etc. Act 1993. The Community Fund is a UK-wide-non-departmental public body, regulated in accordance with the Management Statement, Financial Directions and Policy Directions issued by the Secretary of State for Culture, Media and Sport.

What we do – grant making

The Community Fund was set up to make National Lottery grants to the voluntary and community sector. We receive policy directions from government which set out the principles with which we must comply. These Policy Directions are set out in Section six of this annual report.

New policy directions were issued in 2005 for the transformational grants initiative, now established as the Living Landmarks and People's Millions programmes.

In 2005, the Government also agreed with the Big Lottery Fund a set of strategic themes and outcomes. These allow us to develop policies and programmes in consultation with key stakeholders.

Our new funding programmes follow three broad themes that allow us to support a wide range of projects across the UK:

- supporting community learning and creating opportunity
- promoting community safety and cohesion
- promoting well-being.

We have also set out a number of outcomes for our programmes. The outcomes – what will be achieved with our funding – are the result of separate consultations in each UK country. They are therefore different in each country, reflecting the unique challenges and demands in England, Scotland, Wales and Northern Ireland.

During 2005/06, we have been developing the new programmes derived from these themes and outcomes.

We have launched a number of programmes including:

- Reaching Communities, Parks for People and Children's Play in England
- Young People's Fund in Scotland
- People and Places and the Young People's Fund in Wales
- Change UR Future in Northern Ireland.

We are currently working up a number of other programmes and will launch a further 23 programmes in 2006/07.

As well as developing Big Lottery Fund programmes, we have continued the work of our legacy programmes through offering a high quality service to our applicants, grant holders, key partners and stakeholders. During 2005/06, we made the final awards on Community Fund's legacy grants programmes.

In 2005/06, we made awards of £350 million. We have worked with our key partners and grant holders to ensure that the funding awarded is reaching the beneficiaries as quickly as possible; during this year we paid out £227 million in grants.

You can find details of all our programmes in section three of this report.

Our restructuring

Last year we reported on the successful administrative merger between the New Opportunities Fund and Community Fund. During 2005/06, we have continued the programme of integration and restructuring to deliver the expected savings and efficiencies from this merger.

The offices in Scotland, Wales and Northern Ireland were successfully integrated and restructured during 2004/05.

Within England we have implemented a major change programme, the "Structural Review". We looked at how and where we want to administer our England grant-making activities and corporate support functions to achieve operational efficiencies and improved customer service.

Grant assessment and grant management activities within England will be consolidated within two centres in Newcastle and Birmingham. We will retain and enhance regional presence to maintain and develop local stakeholder links and outreach activities. Corporate support functions will be located either in London or within the Birmingham Centre.

We started to implement these decisions during this reporting year. During 2005/06, we consulted with the two recognised Trades Unions about the loss of posts in our regional offices. We recruited 87 staff to our Newcastle Centre and we moved into our new building in March 2006. Our Birmingham Centre will open during 2006/07.

Section one

Our Lottery Funding

Our income comes from the National Lottery. The Community Fund receives 16.67 per cent of all income raised by the National Lottery for the good causes. This income is invested in the National Lottery Distribution Fund (NLDF), which is under the stewardship of the Secretary of State for Culture, Media and Sport. We receive interest earned on our NLDF balances.

The Board has approved grant budgets totalling £2.2 billion for new programmes for the period to 31 March 2009 based on forecast available funds. In setting these budgets, the Board took into account the risk that our income might go down, should ticket sales for the National Lottery decline. The Lottery will also contribute to the cost of the 2012 Olympic Games. We also considered the possible impact of the end of the current National Lottery licence in 2009.

Relationships with key stakeholders

Following on from the wide-scale consultations in 2004, the Big Lottery Fund has continued to build relationships with key stakeholders. We have organised a number of meetings to review our funding policies and to review our undertaking to give 60–70 per cent of our funding to the voluntary and community sector. In England we held a joint forum with ACEVO to disseminate our full cost recovery policy and encourage other funders to adopt full cost recovery principles. We remain committed to being a listening organisation, using feedback to shape our policies, procedures and funding programmes.

Our mission and values

Our mission at the Big Lottery Fund is to bring real improvements to communities and the lives of people most in need.

We have identified seven values that underpin all our work. They are:

- ▶ **Fairness** – putting equality and diversity at the heart of our work.
- ▶ **Accessibility** – making it easier to access our funding and providing help to grant applicants and recipients.
- ▶ **Strategic focus** – working in partnership and joining up with existing strategies, developing programmes that are focused on the outcomes and the difference they make for communities.
- ▶ **Involving people** – involving local communities in our work and making sure the public know and care about our work.
- ▶ **Innovation** – building evidence-based programmes, sharing what we learn and considering new ways of making grants.
- ▶ **Enabling** – working with communities, partners and other funders to help achieve lasting change.
- ▶ **Additional to government** – ensuring our funding is distinct from government funding and adds value.

We have also consulted widely with staff to establish a set of internal values: accountability, valuing people, teamwork and service excellence. These express the type of employer the Big Lottery Fund intends to be and what we expect from our staff.

Looking forward

We are looking ahead to a number of developments affecting our funding and the way we are organised to deliver it.

The Big Lottery Fund recently announced its new programmes for England, Scotland, Wales and Northern Ireland. It will distribute £2.2 billion between 2006–2009.

Programmes are divided into two broad areas: demand-led programmes and strategic programmes. The demand-led programmes encourage organisations to bring their own ideas to us for funding. The strategic programmes focus more specifically on the outcomes that the Big Lottery Fund wants its funding to achieve.

As well as our new programmes we have announced a range of measures to help communities get funding from us more easily. We will:

- have different approaches to funding, with at least a third of our grant income going to demand-led, lightly prescribed, accessible programmes, including the expanded Awards for All scheme
- be more flexible in the length of funding, making grants available for up to five years
- adopt the principle of full cost recovery by allowing voluntary and community organisations to recover the cost of their legitimate overheads

- ensure that 60–70 per cent of our funding will go to the voluntary and community sector
- focus the work of our regional offices on policy development, regional intelligence, outreach, partnership working and external relations
- establish two centres for England in Newcastle and Birmingham to ensure a strong, unified funding policy
- make efficiency savings of 10–20 per cent (£6–£12 million) on the running costs of the two legacy organisations to be ploughed back into funding of projects
- introduce a two-stage application process, where appropriate, to reduce the administrative burden on applicants.

Public involvement in the National Lottery is an important priority for the Government and for us. We are looking at new ways of involving the public in deciding where money for good causes should go. Under the Young People's Fund we recruited young people to sit on national and regional committees to help make funding decisions. We have consulted widely on our new programmes, including commissioning research on how Lottery players think Lottery money should be spent.

We have also launched in 2005 our People's Millions programme, which allowed TV viewers to vote for their favourite community based project. In 2005, we awarded 53 grants of £50,000 under this scheme and launched a programme to award one large grant of up to £1.5 million which will be voted on by the public.

Section one

We are committed to evaluation and learning, sharing good practice and influencing policy nationally and locally.

Where appropriate, we will work in partnership with Government and complement Government priorities and programmes to achieve maximum impact with our money. We have affirmed our commitment to helping people and communities in need, even if that means funding projects that may be unpopular with some people.

Most important of all, the Big Lottery Fund will be neither the Community Fund nor the New Opportunities Fund. It will be a new and different funder, focused not on whom we give the money to (whether specific sectors or priority groups) but on outcomes – what we fund and who benefits from it.





Section two

How we work, our strategy and structure

Our strategy

The years 2004 – 2006 have been transitional. Against a background of merger, restructuring, delivery, closure of existing programmes and development of new programmes we have been laying a solid foundation for the Big Lottery Fund to become a new, different and better funder.

During this period, we have established annual plans rather than a longer term strategy. In our 2005/06 corporate plan we identified the following challenges for the year:

- to develop and launch new grants programmes that meet our main themes, outcomes and priorities
- to meet delivery targets on all existing grant programmes, while restructuring the England regional offices, our grant management and our corporate services
- to design and develop a strategic and corporate business planning model and process for 2006–09, strengthening the management and improving the performance of the new organisation
- to continue to integrate the New Opportunities Fund and the Community Fund, and to implement coherent strategies and policies to deliver our business.

We set ourselves six objectives supported by 23 performance indicators. In section four of this report we set out how we have performed against these objectives.

We can now consider our longer term strategy. We are finalising our strategic plan for the period April 2006 to March 2009. This will be the Big Lottery Fund's first Strategic Plan.

The Strategic Plan will set out who we are, where we are now and where we want to be in 2009. It will include the following.

- ▶ Our mission, values and legislative framework. These describe who we are and what we stand for. It differentiates us from other grant-making bodies.
- ▶ Our key achievements in the past two years, which establish where we are at the beginning of this Strategic Plan period.
- ▶ Our consultations, new policy directions and our destination statement, which set out where we want to be in 2009.
- ▶ Our funding frameworks and new programmes explaining the difference we would like to make to communities and the lives of people most in need.
- ▶ Our annual corporate plan reflecting our priorities and resources for each year to move us towards our goals for 2009.

The annual corporate plan will contain our corporate objectives, key performance indicators and the grant and operating budgets for that year.

Our performance against these objectives and targets are monitored and reported to the Board every three months and will be published each year in our Annual Report and Accounts.

The Strategic Plan will be published in hard copy and will also be available from the Big Lottery Fund website at: www.biglotteryfund.org.uk

How we are run

The Board

We have a single Board for both organisations of 17 members (including a Chair, Vice-Chair, three members each from Northern Ireland, Scotland and Wales and six general members). All Board members served for the whole of the financial year.

The Board is responsible for the overall strategic direction and performance of the Big Lottery Fund, including our accountability to Government and other stakeholders. To fulfil its accountabilities the Board has committees (the Resources Committee, the Audit and Risk Committee and the Remuneration Committee), advisory panels (the Equalities Forum and the Evaluation and Learning Panel) and committees for advising and making funding decisions for specific programmes. The full list of Board members and their responsibilities for chairing committees of the Board are set out below.

The Board meets every two months; members of the Senior Management Team attend meetings. The Audit and Risk Committee meets every three months. It approves the internal audit programme, endorses the risk register and scrutinises the outcome of internal and external audit reports. The Resources Committee meets every three months. It approves the annual budget and oversees expenditure. The Remuneration Committee meets at least once a year and is responsible for overseeing the performance and salaries of the Chief Executive and the Senior Management Team.



Sir Clive Booth

Chair
Joint Chair, Big Lottery Fund/Millennium Commission Committee
Chair, Remuneration Committee



Dame Valerie Strachan

Vice Chair
Chair, Strategic Grants Committee



Dr Samuel Burnside

Northern Ireland Member
Chair, Active Lifestyles Northern Ireland Committee



David Campbell CBE

Scotland Member
Chair, New Opportunities for PE and Sport Scotland Committee
Chair, Scottish Land Fund Committee

Section two



Paul Cavanagh
Northern Ireland Member
Chair, Young People's Fund
Northern Ireland Committee



John Gartside OBE
England Member
Douglas Graham
Scotland Member
Chair, Active Futures Scotland
Committee
Chair, Audit and Risk Committee
Chair, Reaching Communities
Committee



Tom Davies
Wales Member
Chair, New Opportunities for P E
and Sport Wales Committee



Taha Idris
Wales Member
Chair, Mentro Allan Wales
Committee



Roland Doven MBE
General Member
Chair, Equality Forum



Dugald Mackie
General Member
Chair, New Opportunities for P E
and Sport England Committee
Chair, Resources Committee



Professor Breidge Gadd CBE
Northern Ireland Member
Chair, New Opportunities for P E
and Sport Northern Ireland
Committee
Chair, Voluntary and Community
Funding Programme, Northern
Ireland Committee



**John Naylor OBE – Resigned
31 March 2006**
Scotland Member
Chair, Developing Communities
Scotland Committee
Chair, Evaluation and Learning
Advisory Panel (to March 2006)
Chair, Young People's Fund
Scotland Committee



Esther O'Callaghan
General Member
Chair, Young People's Fund
National Grants England
Committee



Anna Southall
General Member
Chair, Living Landmarks
Committee

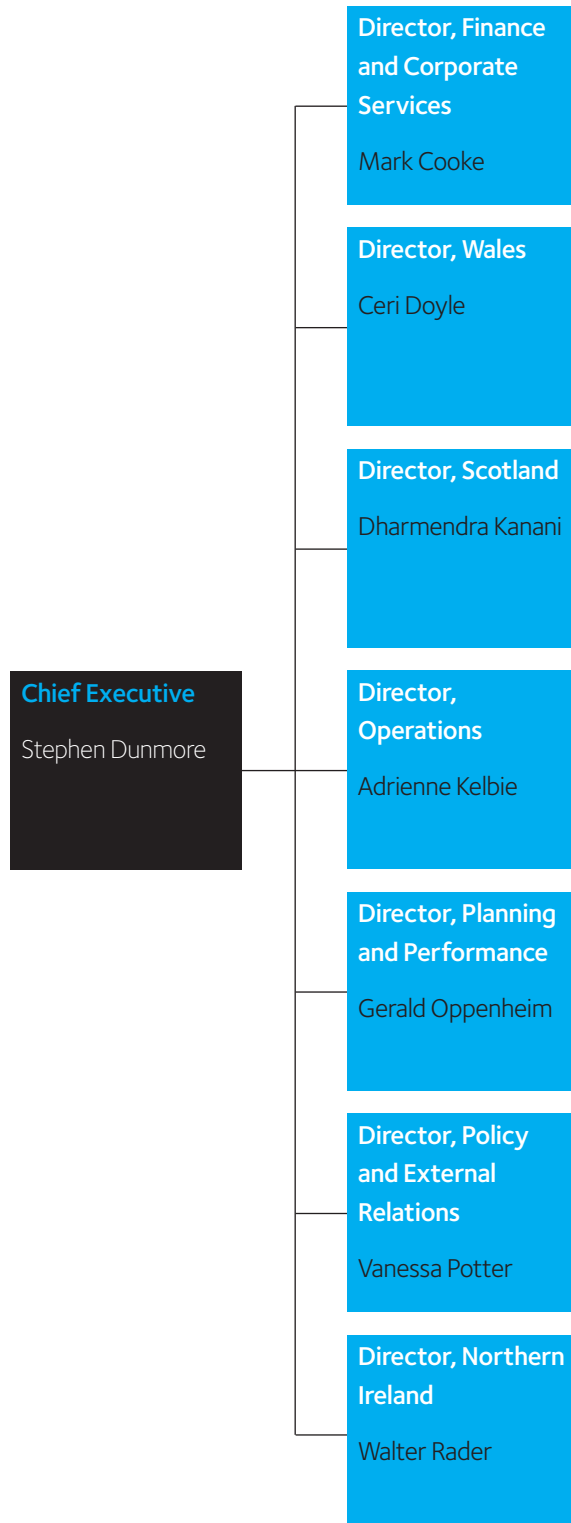


Huw Vaughan Thomas
Wales Member
Chair, Voluntary and Community
Funding Programme, Wales
Committee
Chair, Young People's Fund Wales
Committee
Chair, Evaluation and Learning
Panel (from March 2006)



Diana Whitworth
General Member

Section two



The Senior Management Team

The Chief Executive is appointed by the Board and is also the Accounting Officer. He chairs the Senior Management Team, which supports the Board in the strategic management of the Big Lottery Fund. The Senior Management Team consider policy and key strategic and operational matters which require the approval of the Board and its main committees. The Senior Management Team also maintain an overview of the day-to-day operations of the organisation.

The Senior Management Team is made up of the Chief Executive and seven Directors. Each Director's remit is set out in the organisation chart left.

The Big Lottery Fund has two management Boards (Organisational Management Board and Grant Programme Board) which are responsible for oversight of cross Directorate activities, making recommendations to, and implementing decisions made by, the Senior Management Team and the Board. They report to the Senior Management Team.

Register of Interests

All Big Lottery Fund Board and committee members, assessors and members of advisory panels must declare any relevant interests under our code of ethics. This code complies with the Cabinet Office code of practice for Board members of public bodies.

If the Board or committee takes any decisions which would reasonably be seen as giving rise to a conflict of interest, principally over grants to organisations but also any commercial relationships, the Chair of the meeting makes sure at the outset that disclosure is made and that the member withdraws while the relevant item is discussed.

All staff must complete an annual declaration setting out any relevant interests. Training ensures that all staff know they must report any conflicts of interest that arise in their day to day work.

The public can look at the register of declared interests and hospitality declarations by writing to the Director of Planning and Performance. Board members' declarations of interest are published on the Big Lottery Fund's website.