

# BIG LOTTERY FUND MANAGEMENT AGREEMENT 2019-2022

## Contents

Section	Content	Page
Introduction	About this document	3
	About The National Lottery Community Fund	4
<b>Part A</b>	<b>The National Lottery Community Fund Priorities, Funding and Engagement</b>	<b>6</b>
A.1	Secretary of State's Priorities	6
A.2	Financial Allocation	7
A.3	Performance Measures	7
A.4	Engagement and Partnership	7
<b>Part B</b>	<b>Financial Controls</b>	<b>12</b>
B.1	Delegated Financial Limits	12
B.1.1	Capital Expenditure	12
B.1.2	Single Tender Contracts	13
B.1.3	Gifts	13
B.1.4	Fraud	13
B.1.5	Non-Statutory Contingent Liabilities	13
B.1.6	Losses and Special Payments	14
B.1.6.1	Classification of Losses	14
B.1.6.2	Special Payments	15
B.1.6.3	Disposal of Assets	16
B.2	Spend Controls	16
B.3	Procurement	16
B.4	Management Information	17
<b>Part C</b>	<b>The National Lottery Community Fund Governance Framework</b>	<b>21</b>
C.1	Legislation	21
C.2	Governance and Accountability	22

C.3	DCMS Principal Accounting Officer's Responsibilities	22
C.4	The National Lottery Community Fund Accounting Officer's Responsibilities	23
C.5	The National Lottery Community Fund Board	25
C.6	The Chair's Responsibilities	26
C.7	Individual Board Members' Responsibilities	27
C.8	Publications and Information Strategy	27
C.9	Internal Audit	29
C.10	External Audit	30
C.11	Right of Access and of Review	31
C.12	Managing Public Money and other Government-wide Corporate Guidance and Instructions	31
C.13	Risk and Fraud Management	32
C.14	Business Planning and Reporting Performance	32
C.15	The National Lottery Community Fund Staff	33
C.16	Arrangements in the event that an Arm's Length Body (ALB) is wound up	34
C.17	Budgets and Grant-in-Aid	35
C.18	Delegated Authorities	35
C.19	Grant Administration on behalf of Government Departments	36
C.20	Capital projects	36
C.21	Compliance with the Equality Act 2010	37
C.22	Cyber Security	37
<b>Agreement</b>	<b>Signatures of Minister, Chair and Chief Executive</b>	<b>38</b>
<b>Part D</b>	<b>Annexes</b>	<b>39</b>
A	Essential guidance and instructions for public bodies	39
B	Acronyms and abbreviations explained	41
C	The National Lottery Community Fund's strategic priorities	42
D	Key Performance Indicators	43
E	Engagement Plan	44

# Introduction

## About this document

1. This management agreement has been drawn up by the Department for Digital, Culture, Media and Sport (**DCMS**) in consultation with the Big Lottery Fund (**the Fund**). It is equivalent to the 'framework document' required for all Arm's Length Bodies (**ALBs**) as set out in HM Treasury guidance on Managing Public Money<sup>1</sup>, aims to reflect the principles and priorities set out in the Cabinet Office Code of Good Practice for Partnerships between Departments and Arm's Length Bodies<sup>2</sup>, and sets out the broad framework within which the Fund will operate.
2. The Big Lottery Fund was established by the National Lottery Act 2006 bringing together the functions of two predecessor organisations. While the legal name remains as given in the Act, the Fund has adopted a new trading style – The National Lottery Community Fund – which better describes both its role in funding and the source of that funding. This name better connects with its applicants and grant holders and the wider stakeholder group. The new name will be used wherever possible in carrying out its role with the legal name continuing where legally required. This applies throughout this document where The National Lottery Community Fund or The Fund will be used unless referring to a legal matter.
3. This document does not convey any legal powers or responsibilities. It is signed and dated by DCMS and the Fund. Copies of the document will be placed in the Libraries of both Houses of Parliament and made available to members of the public on the Fund's website, with a link to it also on the DCMS section of the gov.uk website.
4. This agreement will replace all previous agreements, and remain in place until it is superseded by a new agreement. The agreement should be treated as a living document and reviewed by both sides annually in March. Any changes to ministerial priorities, policy requirements<sup>3</sup> and performance measures will be made by exchange of letters between the Minister and the Fund's Chair; all other changes will be made by the exchange of letters between the DCMS Permanent Secretary and the Fund's Chief Executive.
5. Legislative changes will take precedence over any part of this document. Significant

---

<sup>1</sup> See: Chapter 3 on Accounting Officers, especially section 3.8s; Chapter 7 on Working with Others, especially sections 7.2, 7.3 and 7.6.

<sup>2</sup> Sections on Purpose and Assurance particularly apply.

<sup>3</sup> This applies only where such policy requirements are not appropriate for inclusion in statutory policy directions, to which a different process applies.

variations will be cleared with HM Treasury or the Cabinet Office as appropriate.

6. Nothing under this agreement shall prevent the Fund from carrying out its legal duties under its founding legislation or under any other legislation which impacts on its functions, activities or powers (**see Part C, Section 1**).
7. This agreement complements and should be read alongside the Policy Directions, Financial and Accounts Directions and Statement of Financial Requirements (**SFR**) issued to the Fund (as applicable) under the National Lottery etc. Act 1993 as amended, and the Dormant Bank and Building Society Accounts Act 2008.
8. If the Public Accounts Committee (PAC) were ever to decide to investigate The National Lottery Community Fund, for any reason, the accounting officers of both the Fund and DCMS would normally be called as witnesses. The PAC will always seek to be satisfied that the sponsor department's oversight of an ALB is adequate, and this management agreement would provide a key source of information and assurance on this in relation to The National Lottery Community Fund.
9. The content of this document is based on a template used for management agreements with all the ALBs of DCMS, but has been tailored specifically to The National Lottery Community Fund, in line with the Department's intention to be proportionate and risk-based in its approach to ALB partnerships. It is in four parts, summarised in this table.

Part	Heading	Purpose
A	Priorities, funding and engagement	Establishes a shared understanding of purpose and outcomes, and sets out how the partnership will work, including key points of engagement and relationship building at all levels of seniority. All policy, governance and accountability activities will operate within the context set in the Engagement and Partnership section.
B	Financial controls	Sets out the Department's key expectations of the Fund's financial stewardship of the public money it receives. Also sets out the management information required of the Fund to provide the Department with sufficient levels of assurance and oversight.
C	Governance framework	Sets out the accountability arrangements across and between the two organisations, and key requirements relevant to the Fund as a public body.
D	Annexes	Provides useful supplementary reference information.

### About The National Lottery Community Fund

10. The National Lottery Community Fund is a corporate body created by and operating under the National Lottery etc Act 1993 (the NLA) as amended. It has in addition certain functions conferred on it under the Dormant Bank and Building Society

Accounts Act 2008 (the DA Act). It has an unusually complex set of accountabilities reflecting its multiple functions and operation across the four countries of the United Kingdom.

11. The principal functions of the Fund comprise:

- Distribution of National Lottery good causes funds (**Lottery money**) to meet expenditure which is charitable or connected with health, education or the environment;
- Distribution of non-Lottery funds for the same four purposes, normally on behalf of government departments (**third party work**);
- Distribution of funds from dormant bank and building society accounts issued to it by the Reclaim Fund Ltd (**Dormant Accounts money**) to meet expenditure that has a social or environmental purpose.

12. The National Lottery Community Fund is the largest distributor of National Lottery good causes money, receiving 40% of the total. It is therefore the single largest funder of voluntary and community organisations across the UK. It is an Executive Non-Departmental Public Body (**NDPB**) within the DCMS family of ALBs, which also includes the other distributors of National Lottery good causes money that operate in England and UK-wide.

13. The NLA states that 'the Fund shall not be regarded as the servant or agent of the Crown or as enjoying any status, immunity or privilege of the Crown'. The Fund is operationally autonomous as an organisation, albeit subject to the content of this management agreement, to statutory constraints including directions, and to the controls and guidance that apply to it specifically as a Lottery distributor or that apply more generally to all public bodies (the latter are listed in **Annex A**).

14. Subject to policy directions from Ministers and the Devolved Administrations (the scope of which is defined in statute), the Fund makes its funding decisions independently. It is required by statute to report on its policy and practice in relation to the principle that Lottery and Dormant Accounts money should be used to fund projects, or aspects of projects, for which funds would be unlikely to be made available by the UK Government or Devolved Administrations. This is known as the 'additionality principle' ensuring that the development of programmes and funding of projects is additional to and distinct from government funding, while complementing and adding value to it in areas of mutual policy interest.

15. More information about the work of the Fund and about who leads it can be found on its website.

## **Part A: The National Lottery Community Fund Priorities, Funding and Engagement**

### **1. Secretary of State's Priorities**

1.1. The Secretary of State's priorities for The National Lottery Community Fund are that:

1.1.1. It distributes Lottery good causes money and Dormant Accounts money in a manner that is consistent with the relevant legislation and with the associated policy and other directions issued to it by ministers in the four UK governments.

1.1.2. The Fund and the Office for Civil Society (**OCS**) collaborate and partner effectively on policy agendas of mutual interest to achieve positive outcomes and impact for communities; doing so while taking into account the 'additionality principle' defined in the National Lottery etc Act 1993, as amended (the NLA) and Dormant Bank and Building Society Accounts Act 2008.

1.1.3. Where the Fund is distributing grants on behalf of or is match-funding with OCS, the Fund will comply with the relevant funding agreement and design and delivery requirements agreed with OCS or other government departments.

1.1.4. The Fund contributes grant-making knowledge, expertise and evidence to inform policy development and practice across Whitehall.

1.1.5. The Fund works with OCS to design and implement a new approach to distributing Dormant Accounts money in England.

1.1.6. The Fund works collaboratively with other Lottery distributors, Camelot, the Gambling Commission and DCMS to promote the National Lottery and its funding of good causes. The Fund currently hosts the National Lottery Promotions Unit (NLPU), a joint venture between the lottery distributors, Camelot and DCMS. The Funds Accounting Officer holds the AO role for NLPU and the Fund provides necessary services.

1.1.7. The Fund maintains organisational resilience while implementing any corporate change programme to deliver its 2015-21 Strategic Framework, and that the changes made under this programme do not disproportionately increase the financial, legal, operational or reputational risks under which the Fund operates, including with regard to fraud.

1.1.8. The Fund is subject to an efficiency measure set by DCMS. This currently

provides that total operating costs in respect of lottery operations should not exceed 8% of lottery income, assessed over a 3-year rolling period.

1.1.9. DCMS and the Fund work together to implement the Code of Good Practice for Partnerships between Departments and Arm's Length Bodies, as appropriate to the unique nature and priorities of the relationship.

1.2. In addition, the Fund sets out and publishes a Corporate Plan setting out its priorities and KPIs. The strategic priorities are set out in Annex C and the latest set of KPIs are set out in Annex D.

## **2. Financial Allocation**

2.1. The National Lottery Community Fund receives no financial settlement from the Department. Its funding derives substantially from National Lottery returns to good causes. The Fund's allocation is established in the National Lottery etc Act 1993, as amended. Since 2012 the Fund has received a 40% apportionment of the total good causes returns from the National Lottery.

2.2. The Fund also receives income from its secondary functions of distributing Dormant Accounts money and non-Lottery grants programmes on behalf of third parties. The Fund's operating costs to manage and deliver these schemes are entirely covered from within these funding streams, on a cost recovery basis, generating no profit for the Fund.

## **3. Performance Measures**

3.1. The Fund develops and operates its own system for analysing its administrative efficiency and organisational performance. It agrees its key performance measures and targets with the Department on an annual basis and includes them in its Corporate Plan (for more information on performance management and reporting requirements, **see Part C, Section 14**).

### **3.2. Key Performance Indicator/s**

The Fund set out its **Key Performance Indicators (KPIs)** in its 2017/18 Corporate Plan in support of its corporate objectives (**see Annex D for the KPIs**).

## **4. Engagement and Partnership**

### **4.1. Overview of partnership approach**

Overall the partnership is led and managed in DCMS by the OCS Strategy and Partnership Team and in the Fund by the Engagement Team. These central teams work together to build and maintain a healthy governance and policy relationship

between the Department and the Fund, characterised by transparency and mutual trust across all levels and points of engagement. In particular, the OCS Strategy and Partnership Team aims to:

- (1) Strengthen the conditions for, and facilitate, policy and funding collaborations between Government and the Fund;
- (2) Champion and support the Fund as an organisation that is the largest funder of the UK voluntary and community sector;
- (3) Ensure there is a robust governance and accountability framework in place that provides clarity for the Fund and assurance for Government;
- (4) Ensure that all statutory requirements and legislative work in relation to the Fund are appropriately delivered.

#### **4.2. Engagement plan**

The high level of planned engagement, at the most senior levels of both organisations, demonstrates the significance of The National Lottery Community Fund to the Department, as an ALB and as the largest National Lottery distributor. It also recognises the valued role the Fund fulfils as the single largest funder of voluntary and community organisations across the UK, and as a key stakeholder and partner on policies under the 'enriching lives' element of the Department's corporate mission of *'driving growth, enriching lives, and promoting Britain to the world'*.

An indicative engagement plan between members of OCS and The National Lottery Community Fund can be found in Annex E. In addition, members of OCS and The National Lottery Community Fund senior management teams can meet as appropriate.

#### **4.3. Dormant Asset Advisory Board**

A Dormant Asset Board with representation from DCMS, The National Lottery Community Fund and the Reclaim Fund Ltd (RFL) has been established to act as a point of liaison between the three organisations on practical aspects of the distribution of Dormant Accounts money on which the three organisations have a shared interest and need to reach collective agreement. How the Board operates will be agreed through Terms of Reference, but it will be advisory only, with two main functions:

1. **Oversight of the financial forecasting in any given year.** It will collectively agree the annual forecast on the release that is required from RFL, and make recommendations to the Secretary of State. The Secretary of State will then make a recommendation (rather than direction) to RFL by letter with details of the proposed release for the coming year. The release will normally take place after the publication of the RFL annual accounts, but may vary as appropriate.
2. **Oversight of the public communications concerning dormant accounts**



**distribution.** It will review and discuss the relevant section of the Fund's draft annual report and accounts before publication. It will also review and discuss any other public communications concerning dormant accounts distribution which feature or impact on all three organisations on the Board.

#### **4.4. Nature of engagement and partnership**

As set out in Part A, Section 1.19, DCMS and the Fund will work together in line with the Code of Good Practice for Partnerships between Departments and Arm's Length Bodies, as appropriate to the unique nature and priorities of the relationship.

To build and maintain transparency and mutual trust, both organisations commit to a 'no surprises' approach and to acting as 'critical friends':

**4.4.1. The 'no surprises' approach** means considering and taking into account the potential impact of decisions on the other organisation, including reputational risk.

**4.4.2. The 'critical friends' approach** involves proactively raising any concerns as early as possible with the aim of resolving them, and giving constructive criticism which acknowledges the aims that the other organisation is trying to achieve.

#### **4.5. Operational support, information exchange and engagement**

**4.5.1.** In addition and to supplement the engagement plan, DCMS and The National Lottery Community Fund teams may agree a separate calendar of routine and policy-led engagement at operational levels. Teams that will require direct engagement include:

- **Finance and Procurement/Commercial teams** - on day to day financial management business;
- **DCMS ALB Policy Team and the Fund's Finance/HR/Governance teams** - where departmental approvals are required and on public body policy matters relevant to all ALBs;
- **OCS Strategy and Partnership Team and the Fund's Engagement Team** - to arrange ministerial meetings and visits and when necessary to answer Parliamentary Questions or draft correspondence;
- **The Fund's Governance Team and the DCMS Public Appointments Team** - to plan and implement public appointments to the Fund's UK Board and in relation to appointments to the Fund's England Committee;
- **DCMS Lottery Policy Team and the Fund's Engagement/Finance teams** - on day to day business regarding the National Lottery Distribution Fund and Lottery good causes;
- **OCS and Fund policy and programme teams** - when developing and

- delivering grant programmes in partnership with or on behalf of DCMS;
- **OCS and Fund policy and programme teams** - when developing proposals for the expenditure of Dormant Accounts money in England;
  - **News and Comms teams** - to plan public announcements and respond to media coverage.

4.5.2. DCMS operates a number of information channels, circulation lists and networking opportunities for its family of ALBs (see table below), in which the Fund is a welcome participant. To ensure that it maintains access to these, the Fund should contact the relevant team in DCMS to update the Department's circulation list/s whenever Fund contacts leave the organisation or change role and are replaced by somebody new.

<b>DCMS information channel/team</b>	<b>Fund contacts/representatives</b>
ALB Policy <a href="mailto:albteam@culture.gov.uk">albteam@culture.gov.uk</a>	Any Fund representative needing to contact this team for advice, or when sending information to this team.
<a href="#">DCMS Connect (extranet)</a> and email circulation list for ALB contacts	The following have extranet access: <ul style="list-style-type: none"> <li>● Finance Director</li> <li>● Senior Head of Finance</li> <li>● HR Director</li> <li>● Deputy Director - Engagement</li> <li>● Deputy Director - Corporate Governance</li> </ul>
Approvals under public sector spending controls (single point of contact into relevant teams) <a href="mailto:controls@culture.gov.uk">controls@culture.gov.uk</a>	Finance Director or others authorised to request approval of controlled spend on behalf of the Fund
Public Appointments <a href="mailto:publicappointments@culture.gov.uk">publicappointments@culture.gov.uk</a>	Corporate Governance and Board Secretariat
Finance Business Partners - <a href="mailto:smartfinance@culture.gov.uk">smartfinance@culture.gov.uk</a>	Finance team
Consolidated Accounts/Year End process <a href="mailto:alignment@culture.gov.uk">alignment@culture.gov.uk</a>	Finance team
Finance Partnership webpage (extranet) <a href="http://www.agora.culture.gov.uk">www.agora.culture.gov.uk</a> (secure portal)	The following have extranet access: <ul style="list-style-type: none"> <li>● Finance Director</li> <li>● Senior Head of Finance</li> <li>● Head of Finance - Controls &amp; Reporting</li> <li>● Head of Finance - Grants</li> </ul>
Fraud section of the Finance	Head of Internal Audit and deputy

Partnership webpage (extranet) - <a href="http://www.agora.culture.gov.uk">www.agora.culture.gov.uk</a> (secure portal)	
Financial Directors networking group - <a href="mailto:smartfinance@culture.gov.uk">smartfinance@culture.gov.uk</a>	Finance Director and deputy
Commercial Leads networking group - contact email address available on request	Commercial Directors or the equivalent and deputy
HR Directors - contacts TBC	HR Director
DCMS Evidence and Analysis Unit <a href="mailto:eau@culture.gov.uk">eau@culture.gov.uk</a>	Knowledge and Learning Directorate <b>(see Part C Section 8 - Publications and Information)</b>

## Part B: FINANCIAL CONTROLS

### 1. Delegated Financial Limits

The scope of this section is primarily the operational and corporate expenditure by the Fund. Grants issued with Lottery and Dormant Accounts money are subject to various statutory controls including directions, while non-Lottery grants distributed on behalf of third parties are subject to controls in the individual grant agreement negotiated for each programme. Delegated financial limits in this section will therefore not normally apply to expenditure through the Fund's grant distribution functions, except where specified below.

All delegations (including grant distribution functions) are subject to the overarching requirement that spending proposals falling within *Managing Public Money Annex 2.2, box A.2.2C* should be referred to DCMS. These are areas of expenditure and resource commitment that HM Treasury will never be able to delegate:

1. Items which are novel, contentious or repercussive, even if within delegated limits;
2. Contractual commitments to significant spending in future years for which plans have not been set;
3. Items requiring primary legislation (e.g. to write off National Loans Fund (NLF) debt or Public Dividend Capital (PDC));
4. Any item which could set a potentially expensive precedent;
5. Where Treasury consent is a specific requirement of legislation.

**The delegation of operational and corporate spending decisions to The National Lottery Community Fund is unlimited unless otherwise specified below and in Part C section 18 of this agreement - Delegated Authorities.**

#### 1.1 Capital Expenditure

Description	Delegation
Non-grant expenditure on new construction, land, extensions of, and alterations to, existing buildings and the purchase of any other fixed assets (e.g. machinery, plant, and vehicles), art works and additions to the collection (as applicable) with an expected working life of more than one year. Also includes exchanges of fixed assets.	£5 million
Non-grant expenditure on the signing of new leases, renewals of existing leases, the non-exercise of lease break options, any new property acquisitions (including those made through a Public Finance	£100,000 <sup>4</sup>

<sup>4</sup> Cabinet Office spending controls apply (see MPM section A4.15.10). Approval for leases over £100,000 can only be given by the Chief Secretary to the Treasury and must provide value for money for Government as a whole or demonstrate exceptional circumstances.

Initiative Provider), new build developments, sale and leaseback, and any freehold sales as part of national property controls	
--	--

## 1.2 Single Tender Contracts

The delegation to the Fund for approval of single tender contracts is set at **£50,000** for each contract. Proposals for awarding single tender contracts outside this delegated limit must have the prior approval of DCMS before any contract is awarded.

## 1.3 Gifts

Description	Delegation
Gifts received by The National Lottery Community Fund	Unlimited
In a financial year, any one gift or total of gifts given by the Fund: <ul style="list-style-type: none"> <li>• to one person/organisation</li> <li>• to individual staff members</li> </ul>	£1,000
However, gifts given to or received by The National Lottery Community Fund staff are also subject to <a href="#">Cabinet Office guidance</a> ; both staff and Non-Executives are also subject to the Fund's own policies and procedures regarding gifts and hospitality.	

Proposals for making gifts outside this delegated limit must have the prior approval of DCMS. The Fund must keep a record of gifts given. Details of gifts to one person or organisation should be noted in the annual accounts if, individually or collectively, they exceed **£1,000**.

## 1.4 Fraud

No delegation. All cases of attempted, suspected or proven fraud, irrespective of the amount involved, must be reported by The National Lottery Community Fund to the Department as soon as it is discovered. This control applies to money awarded through the Fund's three distribution functions (Lottery money, Dormant Accounts money, and its third party work) as well as to the Fund's operational and corporate centre.

## 1.5 Non-Statutory Contingent Liabilities (*excluding Lottery grant commitments*)

All contingent liabilities above **£100,000** should in the first instance be notified to DCMS Finance. The Fund should also be aware that contingent liabilities above **£300,000** require an extra level of approval by HM Treasury under the [Contingent Liability Approval Framework](#). This control excludes Lottery grant commitments which are classified as liabilities under the 2014 change to accruals accounting.

## 1.6 Losses and Special Payments (excluding Lottery grant write-offs)

The write-off of losses or approval of special payments should only be carried out by staff authorised to do so within the delegated financial limits listed in 1.6.1 below, by and on behalf of The National Lottery Community Fund's Accounting Officer. The Fund should consult and get approval from DCMS, regardless of the amount, where cases:

- Involve important questions of principle;
- Raise doubts about the effectiveness of existing decision-making or systems;
- Contain lessons which might be of wider interest;
- Are novel or contentious;
- Might create a precedent for other departments in similar circumstances;
- Arise because of obscure or ambiguous instructions issued centrally.

The write off of losses on grants is covered in Lottery and Dormant Accounts financial directions and within grant agreements on third party work.

### 1.6.1 Classification of Losses

Type	Description	Delegation
<b>A.</b>	<b>Losses</b>	
(i)	<u>Cash losses</u> : Physical losses of cash and its equivalents (e.g. banknotes, credit cards, electronic transfers, payable orders)	£100,000
(ii)	<u>Bookkeeping losses</u> : <ul style="list-style-type: none"> <li>● unvouched or incompletely vouched payments, including missing items;</li> <li>● charges to clear inexplicable or erroneous debit balances.</li> </ul>	£100,000
(iii)	<u>Exchange rate fluctuations</u> : Losses due to fluctuations in exchange rates or revaluations of currencies.	£100,000
(iv)	<ul style="list-style-type: none"> <li>● Losses of pay, allowances and superannuation benefits paid to civil servants, members of the armed forces and NDPB employees:</li> </ul>	£100,000
	<ul style="list-style-type: none"> <li>● overpayments due to miscalculation, misinterpretation, or missing information</li> </ul>	£50,000
	<ul style="list-style-type: none"> <li>● unauthorised issues, e.g. inadmissible payments</li> </ul>	£50,000
	<ul style="list-style-type: none"> <li>● losses arising from other causes, e.g. non-disclosure of full facts by the beneficiary, short of proven fraud.</li> </ul>	£100,000
(v)	Losses arising from overpayments of social security benefits, grant, subsidies, etc. arising from miscalculation, misinterpretation or missing information.	£50,000

(vi)	Losses arising from failure to make adequate charges for the use of public property or services.	£50,000
<b>B.</b>	<b>Losses of accountable stores:</b>	
(i)	because of proven or suspected fraud, theft, arson or sabotage, or any other deliberate act (including repairable damage caused maliciously to buildings, stores; etc. even where a legal claim is not possible).	£25,000
(ii)	losses arising from other causes.	£100,000
<b>C.</b>	<b>Fruitless payments and constructive losses</b>	£100,000
<b>D.</b>	<b>Claims waived or abandoned</b>	£100,000

A record of losses should be maintained and if the total of losses or special payments in the year exceeds **£2,000**, the annual accounts should include a statement, with any individual losses and special payments exceeding **£100,000** specifically identified.

### 1.6.2 Special Payments

Special severance payments: There is no delegation for special severance payments (payments made to the employee outside their statutory or contractual entitlement upon termination of their employment contract). Each payment, regardless of value will require HM Treasury approval before an offer can be made.

Redundancy payments: All redundancy payments outside contractual terms, require DCMS and Cabinet Office permission in all cases.

Type	Special payments description	Description
(i)	extra-contractual and ex gratia payments to contractors;	£100,000
(ii)	other ex gratia payments;	£100,000
(iii)	compensation payments;	£100,000
(iv)	extra-statutory and extra-regulatory payments.	£100,000
(v)	consolatory payments: a special payment to address an inconvenience or hardship to a third party, arising from administrative failures, i.e. where the organisation has not acted properly or provided a poor service. These can include: wrong advice, discourtesy, mistakes and delays.	£500

### 1.6.3 Disposal of Assets

Limit for land and buildings previously purchased wholly or mainly with Exchequer money or National Lottery funds: **£1 million.**

All assets disposals, regardless of value, should be notified to DCMS through the regular estimates forecasting and year end reporting processes.

## 2. Spend controls

2.1 The National Lottery Community Fund is subject to the latest Cabinet Office spend controls set out at <https://www.gov.uk/government/publications/cabinet-office-controls> and the DCMS thresholds for spend controls, as set out in the latest [DCMS Spend Control Guidance](#)<sup>5</sup>.

2.2 The fund do not require approval for marketing and advertising but all other Cabinet Office spend controls apply. The first point of contact on all spending controls queries and approvals for controlled spend requests is with DCMS via [controls@culture.gov.uk](mailto:controls@culture.gov.uk)

## 3. Procurement

3.1 As a *Sub Central Contracting Authority* as set out at [Schedule 1 of the Public Contracts Regulations 2015](#), The National Lottery Community Fund is subject to certain thresholds when tendering for a procurement opportunity. As detailed in [Procurement Policy Note - Reforms to make public procurement more accessible to SMEs \(Information Note 03/15\)](#) and [www.ojec.com/thresholds.aspx](http://www.ojec.com/thresholds.aspx).

3.2 The Fund shall:

Acquire goods and services through fair and open competition, using [LEAN methodology](#) where appropriate, delivering value for money through procurement and contract management, and operating in line with European and UK law as applicable, including restrictions on state aids and current best practice, inclusive of open procurements for requirements under £100,000 where appropriate and restricted use of Pre-Qualification Questionnaires.

- Comply with current requirements on additional spend controls, delegated authorities and authorisations on procurement and leases as notified to them by the Department.
- Support collaborative procurement and commercial efforts across DCMS and its family of other ALBs.
- To actively promote the Social Value agenda in all procurement and contract management activities, guidance and processes, and commit to implement new

---

<sup>5</sup> Access to this guidance is restricted to those with password access to the DCMS Connect extranet - see **Part A, Section 4.5.2**



Social Value guidance and best practice as and when introduced.

- To include Social Value within procurement requirements, evaluated where possible unless justified as inappropriate. To report on the Social Value impact and benefits derived from awarded contracts utilising the suggested metrics in Section 4.

## 4. Management Information

4.1 The table below sets out the management information that the Department expects The National Lottery Community Fund to provide in the course of a 12 month period; for ease of reference, we have also included some that are not specifically financial. The Fund should also refer to the Financial Directions for reporting requirements specific to Lottery distributors and the NLDF.

4.2 The reports below may be subject to change depending on future information requirements, including those emerging from public body reform and other agendas from the Cabinet Office. There may also be additional reporting requirements negotiated and agreed as Dormant Accounts policy development progresses, to be agreed through correspondence during the course of 2018 / 2019, as set out in the introduction to this document.

4.3 Performance reporting on individual third party work programmes is negotiated through grant agreements.

Frequency	What	How	Purpose
Weekly	Standard reporting of new, amended and withdrawn Lottery grant awards	By email to NLDF team	To support the regular reporting to the public of all National Lottery awards via the National Lottery Grants Database.
Quarterly	Consultancy return (including nil returns)	By e-mail to DCMS Procurement and Commercial Team	To enable Cabinet Office to keep track of the number of public sector consultancy contracts.
Monthly	Spend over £25,000	On the The National Lottery Community Fund website	Transparency: to inform the public how public money is spent
Quarterly	Key metrics (total procurement spend, spend with SMEs and the Voluntary,	By e-mail to DCMS Procurement and Commercial Team	Benchmarking of procurement spend and provision of data on economic effect of

	Community and Social Enterprise sector and social value benefit)		spend by Departments and ALBs
Quarterly	Exchequer funds held in commercial bank accounts	By e-mail to Finance	To supply HM Treasury with details of how much government funding is held outside GBS
Quarterly	Standard "Lot" returns on forward commitments, forecast drawdown, and drawdown apportionment across capital/resource	By email to NLDF team	To inform a variety of DCMS purposes including briefings to Ministers and senior management and returns to Office of Budget Responsibilities
Quarterly	Minutes and papers for the Fund's UK Board meetings, including strategic risk register	By email to OCS Strategy and Partnership Team, within a week of the meeting date	To inform briefings to ministers and DCMS Board, and risk and assurance reporting processes
Six-monthly	Forecasts required for the Supplementary Estimates	By e-mail to DCMS Finance	Reported to HM Treasury through the (OSCAR) system and used by HM Treasury.
Six-monthly	Publication of senior salaries and organograms	On the The National Lottery Community Fund website or hosted on DCMS website	Transparency: to inform the public how public money is spent
Annually	Alignment/ <u>Whole of Government Accounts</u> (WGA)	Alignment consolidation packs, and WGA transactions and balances exercise	Alignment: to consolidate the ALB's resource accounts within the DCMS resource accounts WGA: to gather counter-party details for consolidation.
Annually	Sustainability data	By e-mail to DCMS Finance and Sustainability Champion	To meet HM Treasury requirement to supply centre with sustainability data
Annually - Mid August	Country and regional	By e-mail to DCMS	HM Treasury

	analysis data	Finance	requirement - feeds into the Core Tables for the Annual Report and Accounts
Annually	Annual report and accounts	By e-mail to DCMS Finance as per timetable (separate guidance is issued on this)	Statutory obligation
Annually	Pay remit and pay remit outturn	By e-mail to DCMS ALB Team	To ensure spend on pay is aligned across Government
Annually	Publication of salaries over £150,000	By e-mail to DCMS ALB Team (for publication on Cabinet Office website)	Transparency: to inform the public how public money is spent
Annually	Head of Internal Audit annual report on risk management, control and governance.	By email to OCS Strategy and Partnership Team	Assurance of financial management including compliance with Financial Directions (Lottery and Dormant Accounts)
Annually	Confirmation that the Chair, Board members and CEO have all received an annual performance appraisal	By email to OCS Strategy and Partnership Team	Assurance that these processes have been completed in line with DCMS guidance
Annually (or whenever changed)	Confirmation of apportionment of Lottery income to the five national funding portfolios	By email to OCS Partnership Team	To ensure that accurate briefing information is provided to ministers
Ad hoc/ immediate as required	Completion and updating of e-Pims™ database	Directly into e-Pims™ system	To ensure accurate property and estate information is maintained at all times
Ad hoc/ immediate as required	Completion and updating of the Government Grant Information System (GGIS)	Spreadsheet by email to OCS Grants and Programmes Team	To ensure accurate information is maintained at all times on all grants distributed on behalf of DCMS and other

			government departments (Exchequer money only)
On request	Sharing of audit strategy, periodic audit plans and audit reports	With OCS Strategy and Partnership Team and other teams as appropriate	Assurance of financial stewardship and operational systems
At least annually	Sharing of operational and performance data, including customer satisfaction metrics	With DCMS ALB team, copied to OCS Strategy and Partnership Team	For briefing of ministers and for departmental contributions to cross-Whitehall initiatives relevant to the efficiency and public bodies reform agendas. The Fund may also be asked for additional information if its performance varies significantly from forecast or target, e.g. on expenditure.

# Part C: The National Lottery Community Fund Governance Framework

## 1. Legislation

1.1. The statutory and other duties of The National Lottery Community Fund derive from:

- National Lottery etc Act 1993 as amended (the NLA)
- Big Lottery Fund (Prescribed Expenditure Order) 2006 (the PEO)
- Dormant Bank and Building Society Accounts Act 2008 (the DA Act)

1.2. In the unlikely circumstances that provisions of these Acts may conflict, the provisions may be interpreted in line with the DA Act, as the more recent legislation. However, such concerns should be discussed on a case by case basis.

1.3. Apportionment of funds to countries and good causes

Funding source	Country apportionment	Good causes apportionment
Lottery money	The Fund's Board makes decisions independently of Government on apportionment of its Lottery good causes income to five funding portfolios: England, Scotland, Wales, Northern Ireland, UK	Set out in Part 2, Section 22(3)(d) of the <u>NLA</u>
Dormant Accounts money	Prescribed in the <u>Distribution of Dormant Account Money (Apportionment) Order 2011</u>	<p><b>England:</b> Three purposes are prescribed in Part 2, Section 18 of the <u>DA Act</u></p> <p><b>Devolved Administrations:</b> Set out in Part 2, Section 16 of the <u>DA Act</u> as being for social or environmental purposes, and subsequently prescribed in more detail in secondary legislation for:</p> <p><u>Scotland</u></p> <p><u>Wales</u></p> <p>At time of writing, the Northern Ireland Executive has not issued instructions to the Fund for distribution of its share.</p>

## **2. Governance and accountability**

- 2.1. The Secretary of State and other members of the DCMS ministerial team will account for the Fund's business in Parliament.
- 2.2. The respective responsibilities of the DCMS Principal Accounting Officer and Accounting Officers for NDPBs and other arm's length bodies are set out in Chapter 3 of Managing Public Money which is sent separately to the Accounting Officers on appointment and summarised below.
- 2.3. The terms of appointment of the Chair and Board members are as set out in the Fund's founding legislation or other founding documents. Where such appointments are made by Ministers, they will comply with the Code of Practice of the Commissioner for Public Appointments.
- 2.4. In line with the founding legislation (the NLA) or documents, and, where applicable, the Government's Code of Practice on Corporate Governance, the Board will consist of a Chair, together with between 8 and 11 members who have a balance of skills and experience appropriate to directing the Fund's business, including the four Chairs of the Country Committees representing the interests of England, Scotland, Wales and Northern Ireland. The Fund also currently operates a UK portfolio whose Chair is, at present, the Fund's Chair.
- 2.5. The Chief Executive is appointed by the Board of the Fund. They report to the Board on the day-to-day running of the organisation and its performance against objectives. In addition to this, they will normally be the Accounting Officer for the Fund and will have specific duties in this regard, which are set out in **Section 4** below.
- 2.6. The ALB Partnership Manager in the Office for Civil Society is the primary contact for the Fund within the Department.

## **3. DCMS Principal Accounting Officer's responsibilities**

- 3.1. The DCMS Permanent Secretary, as Principal Accounting Officer for the DCMS family of ALBs, is accountable to Parliament for: (a) the National Lottery Distribution Fund (NLDF); (b) assurance of the systems for the Fund's distribution of monies received from (i) the NLDF, (ii) the Reclaim Fund Ltd and (iii) the Department; and (c) issue of any grant-in-aid to The National Lottery Community Fund (should that occur in the future). The Fund's annual accounts are consolidated into the DCMS Group accounts.
- 3.2. The DCMS Permanent Secretary, as Principal Accounting Officer for the DCMS family of ALBs is also responsible for ensuring arrangements are in place to:

- monitor the Fund's activities on a continuous basis;
- address significant problems in the Fund, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the Department and the Fund's objectives and activities;
- inform the Fund of relevant government policy in a timely manner; and,
- bring concerns about the activities of the body to the full The National Lottery Community Fund Board; requiring explanations and assurances that appropriate action has been taken.

#### 4. The National Lottery Community Fund Accounting Officer's responsibilities

- 4.1. The DCMS Principal Accounting Officer will normally appoint the permanent head of The National Lottery Community Fund, i.e. the Chief Executive, to be the Accounting Officer for the body. The duties of the Fund's Accounting Officer are set out in full in the Permanent Secretary's appointment letter to him/her. The Accounting Officer is responsible for accounting to Parliament, DCMS, the Fund's Board and other stakeholders.
- 4.2. The National Lottery Community Fund Accounting Officer is personally responsible for: safeguarding the public funds for which he or she has charge; ensuring propriety and regularity in the handling of those public funds; and, reporting to the Board of the Fund, for the day-to-day operations and management of the Fund and the achievement of its strategic aims. In this context, '**public funds**' include:
- Lottery money drawn down from the NLDF;
  - Dormant Accounts money received from the Reclaim Fund<sup>6</sup>;
  - Exchequer money transferred to the Fund by DCMS or other Government departments for grant distribution programmes implemented on the Government's behalf;
  - and, should this occur in the future, grant in aid.
- 4.3. In addition, he or she should ensure that the Fund as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in the ***standards expected of the accounting officer's organisation*** section of Managing Public Money (Box 3.1 at the time of writing).
- 4.4. The key accountabilities are:

---

<sup>6</sup> Although the direct source of Dormant Accounts money is the financial sector, it is included here because the Fund is entrusted to distribute it on behalf of the public, and Managing Public Money therefore applies to the Fund's financial stewardship of it.

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with Treasury guidance and with any directions issued by the Secretary of State;
- signing a Statement of Accounting Officer's Responsibilities, for inclusion in the annual report and accounts;
- signing a Governance Statement concerning the organisation's management and control of resources during the year and setting out how risk has been managed, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the Fund are established and made widely known within the body;
- acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office;
- giving evidence, normally with the Accounting Officer of DCMS and, if applicable, of a Government department on whose behalf the Fund is distributing money, when summoned before the PAC on the Fund's stewardship of public funds.

#### 4.5. Particular responsibilities to DCMS are:

- informing the Department of progress in helping to achieve DCMS's policy objectives in accordance with the policy directions issued for distribution of Lottery and Dormant Account money;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the Department; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Department in a timely fashion; and
- to work collectively with the Department and other members of the DCMS 'families' of arm's length bodies and Lottery distributors in support of each other and the DCMS group as a whole.

#### 4.6. The duties of the Accounting Officer with respect to the Board of The National Lottery Community Fund are:

- advising the Board on the discharge of its responsibilities as set out under the founding legislation, in this document, and in any other relevant statutory directions, instructions and guidance that may be issued from time to time;
- advising the Board on the Fund's performance compared with its Strategic Framework and other corporate aims and objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed;



- taking action as set out in paragraphs 3.8.5 and 3.8.6 of Managing Public Money if the Board, or its Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, questionable feasibility, or is unethical.

## **5. The National Lottery Community Fund Board**

- 5.1. Arrangements for the constitution (Part 1) and proceedings (Part 2) of the Fund's non-executive Board are set out in Schedule 4A of the NLA.
- 5.2. The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems.
- 5.3. The Board must set up an Audit Committee chaired by a Board member. The Audit Committee should support the Board and Accounting Officer by providing advice and assurance on risk management, governance and internal control.
- 5.4. Where the Board does not consider issues relating to staff remuneration itself, it shall ensure that an effective mechanism for such consideration exists, e.g. a remuneration committee or similar body performing the same purpose.
- 5.5. The Board is specifically responsible for:
  - ensuring that the Fund fulfils the aims and objectives set out in its founding legislation and within the policy and resources framework determined by the Secretary of State;
  - setting the Fund's strategic direction;
  - determining the steps necessary to deal with any developments which are likely to affect the Fund's ability to fulfil its aims and objectives and keeping the responsible DCMS Minister informed if any such developments arise;
  - ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority, within the resources framework determined by the Secretary of State and any delegated authority agreed with the sponsor department (as applicable), and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by the sponsor department;
  - ensuring that the Board receives and reviews regular financial information concerning the management of the Fund; is informed in a timely manner about any concerns about the activities of the Fund; and provides positive assurance

- to the Department that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance at all times, including using its Audit Committee to help the Board to address key financial and other risks;
- appointing a Chief Executive and, in consultation with the Department, set remuneration terms linked to performance against objectives for the Chief Executive;
- ensuring that any public functions of the Fund are carried out in compliance with statutory duties.

## **6. The Chair's responsibilities**

6.1. The Chair is responsible to the Secretary of State for ensuring that The National Lottery Community Fund fulfills its statutory purpose as set out in its founding legislation, that where appropriate the Fund's policies are consistent with those of the Secretary of State, and that the Fund's affairs are conducted with probity. The Chair is also responsible for good governance and for ensuring that the principles set out in the 'DCMS Guidance on Board Appraisal Processes for ALBs' are followed.

6.2. The Chair's duties specific to the requirements of The National Lottery Community Fund are set out in his or her agreed terms and conditions of public appointment, but in summary the Chair has the following leadership responsibilities:

- formulating the Board's strategy for discharging its statutory duties;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the responsible minister or the Department;
- supporting the Accounting Officer in promoting the efficient and effective use of staff and other resources;
- supporting the Accounting Officer in delivering high standards of regularity and propriety; and
- representing the views of the Board to the general public.

6.3. The Chair also has an obligation to ensure that:

- the performance of the Board and its individual members are reviewed annually and operate effectively and to instigate remedial action should this not be the case;
- the Board has a balance of skills appropriate to directing the Fund's business, as set out in the Government Code of Good Practice on Corporate Governance;
- the responsible minister is advised of the Fund's needs when Board vacancies arise;
- he or she assesses the performance of individual Board members when being

- considered for re-appointment;
- there is a code of practice for Board members in place consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies;
- Board members are fully briefed and understand their terms of appointment, duties, rights and responsibilities;
- when required, he or she, together with the other Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice.

## **7. Individual Board members' responsibilities**

7.1. The duties of Board members specific to the requirements of The National Lottery Community Fund are set out in their agreed terms and conditions of public appointment, but in summary individual Board members should:

- comply at all times with the Board Members' Code of Practice and with the rules relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Board's rules on conflicts of interest and the acceptance of gifts and hospitality;
- act in good faith and in the best interests of The National Lottery Community Fund.

7.2. Four members of the Board have been appointed, as required by the NLA, to represent the interests of the four countries of the United Kingdom. These Board members have additional duties in their agreed terms and conditions of public appointment, related to their responsibilities as Chairs of the non-executive committees that make funding decisions in each of the four countries.

## **8. Publications and information strategy**

8.1. The National Lottery Community Fund will have responsibility for contributing to the Government's system of democratic accountability by making information available to the public on the quality and productivity of its services, value for money, performance and progress on delivery. The Fund will:

- provide timely and accurate information required for Parliamentary Questions, responses by Chief Executives to Parliamentary Questions and contributions to Ministerial and public correspondence within specified timeframes; the Department will aim to give the Fund as much notice as possible of these requirements but is itself required to meet service level agreements when providing information to Parliament and MPs;

- be responsible for responding to requests under the Freedom of Information Act within the statutory time limit;
- as a statutory requirement, publish, or cause to be published, an annual report of its activities together with its audited resource accounts after the end of each financial year. The Fund shall provide the Department with its finalised (audited) accounts in accordance with the annual guidance produced by DCMS;
- publish other information as required by the Department in the interests of transparency (**see Part B Section 4**) and as communicated from time to time.

8.2. The annual report must:

- cover any corporate, subsidiary or joint ventures under its control;
- comply with the Treasury's Financial Reporting Manual (**FReM**) which may be updated manually;
- contain a governance statement, setting out the ways in which the Accounting Officer has managed and controlled the resources used in the organisation during the course of the year, demonstrating how well the organisation is managing risks to the achievement of its aims and objectives;
- outline main activities and performance during the previous financial year both corporately and across the Fund's three distribution functions (Lottery and Dormant Accounts money and third party work) and set out in summary form forward plans under these functions.

8.3. Regarding Dormant Accounts money, the Fund will from 2017/18 fulfil its reporting requirements under Schedule 3, Part 3 of the DA Act by producing an appropriate section within the Annual Report and Accounts on its functions under the Act, covering England and Devolved Regions, to provide transparency across the greater complexity of work undertaken. In addition, the Governance Statement by the Accounting Officer in the Annual Report and Accounts should be expanded to include Dormant Account functions, in addition to Lottery funds. DCMS will work with the Fund to determine the specific nature of the reporting and this will be confirmed in correspondence.

8.4. The report and accounts shall be laid in Parliament and made available on the Fund's website and GOV.UK, in accordance with the guidance in the FReM. The Fund should aim to submit a draft of the report to the Department in May/early June. The final version should be submitted for Ministerial approval at least three weeks before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the Department as well as the FReM.

8.5. Additionally the Fund will be expected to publish information relating to the delivery of its services and policies. In particular this should include information that will help the

public to: (i) see progress against activity which the Fund has made a public commitment to deliver; (ii) judge if the services and/or outputs offer value for money; and (iii) consider whether the way in which the body operates gives rise to any issues around fairness.

- 8.6. Where the Fund conducts or commissions social or economic research, relevant professional standards should be applied to ensure that research is impartial, of sufficient quality, legal and ethical. The Fund should nominate a lead contact for research of this type and share their programme of planned and published research with the Head of the DCMS Evidence and Analysis Unit for information purposes. Further guidance on conducting research can also be obtained from the DCMS Evidence and Analysis Unit.

## 9. Internal Audit

- 9.1. The National Lottery Community Fund shall:

- establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards (GIAS);
- ensure DCMS is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments;
- set up an Audit Committee of its Board in accordance with the **Cabinet Office's Guidance on Code of Practice for Public Bodies** and the Audit Committee Handbook;
- forward the audit strategy, periodic audit plans and annual audit report, including the Fund Head of Internal Audit's opinion on risk management, control and governance to the sponsor department as specified in **Part B Section 4** of this agreement;
- have effective controls to prevent fraud and theft; and
- report all cases of attempted, suspected or proven fraud, irrespective of the amount involved, and notify the Department of any unusual, novel or major incidents as soon as they are discovered, irrespective of the amount involved.

- 9.2. DCMS's internal audit service has a right of access to all documents prepared by the Fund's internal auditor, including where the service is contracted out, for the purpose of obtaining assurance as to the Fund's handling of public funds and effectiveness of financial controls.

- 9.3. The internal audit arrangements described above shall cover all of the Fund's operations, including (but not restricted to) its Lottery, Dormant Accounts and third party work distribution functions.

## 10. External Audit

10.1. The Comptroller & Auditor General (C&AG) audits The National Lottery Community Fund's annual accounts. Ministerial approval must be given before the C&AG can sign off the accounts.

10.2. In the event that the Fund has set up and controls subsidiary companies:

- the Fund will ask (or will have asked) HM Treasury to designate the company as either profit making or non-profit making;
- where HM Treasury determines that the company is non-profit making, it will be (or will have been) included in a Government Resources and Accounts Act (GRAA) Order, which will make (or will have made) the C&AG its statutory auditor. The company should appoint the C&AG as auditor by agreement until such time as the GRAA Order is issued;
- where HM Treasury determines that the company is profit making, it should either appoint the C&AG when its audit contract next comes up for renewal or, where they are required to go out to tender for audit services, the C&AG should be invited to compete. Where the C&AG is not appointed, the company must clearly explain the reasons for selecting a different auditor to DCMS.

10.3. The C&AG:

- will consult the Department and the Fund on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the Fund;
- will share with DCMS information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the Department's responsibilities in relation to financial systems within the Fund;
- will, where asked, provide departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

10.4. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the Fund has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the Fund shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as

may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

## **11. Right of access and of review**

11.1. Subject to any overriding legal rights or obligations, The National Lottery Community Fund will provide access to the Department to all the Fund's records and personnel for all purposes including, for example, operational investigations.

11.2. The National Lottery Community Fund may be reviewed periodically, in accordance with:

- the business needs of DCMS and of the Fund;
- Cabinet Office guidance, particularly in relation to the Public Bodies Transformation Programme;
- National Audit Office decisions to conduct value for money studies and/or to investigate issues reported to it.

11.3. For reviews conducted on its behalf, the Department will aim to agree terms of reference in advance with the Fund, and findings will be discussed with the Fund before publication of any reports. Any necessary exceptions to this approach will be explained to the Fund in advance.

## **12. Managing Public Money and other government-wide corporate guidance and instructions**

12.1. Unless agreed by the Department and (as necessary) HM Treasury, The National Lottery Community Fund shall follow the principles, rules, guidance and advice in Managing Public Money in relation to its three income streams (Lottery money, Dormant Accounts and third party work), referring any difficulties or potential bids for exceptions to DCMS in the first instance. A list of guidance and instructions with which the Fund should comply is in **Annex A**.

12.2. The Fund's business operations are primarily funded by Lottery good causes money, with activities specific to distribution of Dormant Accounts money and grant distribution (third party work) programmes funded at cost through administration fees taken from this funding and not from Lottery income. Within the share of the NLDF allocated to it under the NLA, The National Lottery Community Fund shall have authority to incur expenditure without further reference to the Department, on the following conditions:

- the Fund shall comply with all restrictions imposed by statute and secondary legislation;
- the Fund shall comply with all restrictions imposed in statutory directions or

Statement of Financial Requirements;

- the Fund shall comply with operating cost limits applied by the Department to all Lottery distributors; at the time of writing this is as specified in **Part A paragraph 1.1.8** of this document;
- the Fund shall comply with the delegated financial limits agreed with the Department. These delegations shall not be altered without the prior agreement of DCMS;
- the Fund shall comply with Managing Public Money, including with regard to novel, contentious or repercussive proposals and will inform the Department of proposals that may potentially fall into this category, for early discussion;
- the Fund shall provide DCMS with such information about its operations, performance of individual projects or other expenditure as the Department may reasonably require;
- the Fund shall comply with any additional requirements notified to them by the Department, for instance on spending controls or delegated authorities.

### **13. Risk and fraud management**

13.1. The National Lottery Community Fund shall ensure that the risks it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance in the public sector, and develop a risk management strategy, in accordance with HM Treasury guidance.

13.2. It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the **Treasury's guide: Managing the Risk of Fraud**. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to which it wishes to award a grant or grants under any of its three distribution functions; in doing so the Fund should comply with any statutory directions addressing the management of fraud.

13.3. The Government has established a Fraud, Error, Debt and Grants function which leads a National Fraud Initiative and supports and advises public bodies on their exposure to the risk of fraud. Although Lottery distributors set up their own individual and collective arrangements to manage fraud within their grant-making operations, as a public body The National Lottery Community Fund may also choose to engage with national counter-fraud initiatives run by the Cabinet Office, where these offer benefits.

### **14. Business Planning and Reporting Performance**

14.1. To operate its business effectively, The National Lottery Community Fund should produce management planning and information documents covering at least three financial years ahead. These may take the form of strategic or corporate plans (for



three years ahead), and should include a business plan (one year ahead)<sup>7</sup>. The first year of the planning document can include the business plan incorporated as a single document.

- 14.2. The Fund should agree its performance measures and targets with the Department before including them in the final business plan; although these measures and targets are a matter for the Fund's Board to give final approval on, the Department will seek to add value as a 'critical friend' as was the case in previous years when the Fund was sponsored by the Cabinet Office.
- 14.3. The business plan should include a forecast of income and expenditure suitably classified by activity and key objectives. These forecasts should represent the Fund's best estimate of its available income, including from Lottery money, Dormant Accounts money and grant distribution programmes (third party work).
- 14.4. The Department should be sent copies of each of the completed planning documents. These plans should be made available to the public for the purposes of transparency, via the internet if possible.
- 14.5. The National Lottery Community Fund shall operate management information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans.
- 14.6. The Fund's performance against corporate objectives and KPIs should be published, as is the Fund's normal practice, in its Annual Report. Its performance shall be reviewed by the Department periodically in accordance with the engagement strategy and the management information requirements listed in **Part B Section 4**.

## **15. The National Lottery Community Fund staff**

- 15.1. Within the arrangements approved by the responsible minister The National Lottery Community Fund will have responsibility for the recruitment, retention and motivation of its staff. The Civil Service is aiming to become the most inclusive employer in the UK by 2020; although Fund staff are 'public servants' and not members of the Civil Service, the Department would welcome and support Fund efforts that align with the vision set out in the Civil Service Diversity and Inclusion Strategy. As a minimum, the broad responsibilities of the Fund toward its staff are to ensure that:
  - the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued;
  - appointment and advancement is based on merit: there is no discrimination on

---

<sup>7</sup> This requirement replaces and enhances the 'Corporate Plan' document published annually by the Fund under the previous 2012 Management Statement.

grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;

- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness.

15.2. The National Lottery Community Fund staff are subject to levels of remuneration and terms and conditions of service (including pensions) within the general pay structure approved by DCMS. These terms and conditions will be subject to an agreed annual pay negotiating remit and should be in line with the current public sector pay policy guidelines issued by the Treasury. The remit will be subject to the agreement of the DCMS. The Fund has no delegated power to amend these terms and conditions.

15.3. The Fund shall operate pay restraint, particularly in terms of senior salaries. The Fund shall be subject to the terms issued each year by the Cabinet Office and the Review Body on Senior Salaries. For senior pay and bonuses above the thresholds set out in the 'Guidance for Approval of Senior Pay', the Fund must seek approval from the Secretary of State and the Chief Secretary of the Treasury.

15.4. The Fund is subject to the Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees, and any guidance that may supersede it. The Fund shall not remunerate employees via special purpose companies or by means of any other tax avoidance devices. Senior staff with significant financial responsibility must be on the payroll, unless there are exceptional temporary circumstances, which must be agreed by the Fund's Accounting Officer and not exceed a period of six months. The Fund is also responsible for ensuring that any temporary off-payroll workers employed are meeting their tax obligations.

## **16. Arrangements in the event that an Arm's Length Body (ALB) is wound up**

16.1. In the event of the decision being made to wind up The National Lottery Community Fund, the Fund will be required to wind-up its affairs [as soon as practicable / in accordance with the timetable agreed with the Department] and to put in place a plan for its closure. This will include arrangements for the handover of its residual business and assets and liabilities.

16.2. The draft wind-up plan should be forwarded to DCMS [as soon as practicable / in accordance with the agreed timetable].

16.3. DCMS shall put in place arrangements to ensure that, when an ALB is wound up, this shall be done in an orderly manner. In particular DCMS should ensure that where an ALB is wound up, the assets and liabilities of the body are passed to any successor organisation and accounted for properly. In the event that there is no successor

organisation, the assets and liabilities should revert to the sponsor department. To this end, the Department, in conjunction with The National Lottery Community Fund, shall:

- ensure that procedures are in place in The National Lottery Community Fund to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
- ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit and that funds are in place to pay for such audits;
- arrange for the most appropriate person to sign the closing accounts. In the event that another ALB takes on the role, responsibilities, assets and liabilities, the succeeding ALB Accounting Officer should sign the closing accounts. In the event that the Department inherits the role, responsibilities, assets and liabilities, the Permanent Secretary should sign.

16.4. The National Lottery Community Fund shall provide the Department with full details of all agreements where the Fund or its successors have a right to share in the financial gains of developers. It should also pass to the Department details of any other forms of claw-back due to the Fund.

## **17. Budgets and Grant-in-Aid**

17.1. There is no process of annual budget agreement between DCMS and the Fund, which receives no Grant in Aid (**GIA**). Should this change at any point during the lifetime of this management agreement, this document will be updated outside of the annual review process in March.

## **18. Delegated authorities**

18.1. The National Lottery Community Fund shall obtain the Department's prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the delegations;
- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;
- redirecting funding provided by the Department for one purpose to other purposes;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or

- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

## **19. Grant administration on behalf of Government departments**

- 19.1. When distributing grants on behalf of Government departments (third party work) or other partners, the Fund will operate on a cost recovery basis. The operating costs of managing, administering and developing the funding programme, and of working with the third party organisation, where these are additional to existing budget, will be agreed with the client or partner body (or bodies) in advance of expenditure and will be paid for by them.
- 19.2. Where the Fund enters into a match-funding arrangement in which it blends Lottery money with Exchequer money or funds from other partner bodies, it will cover from its Lottery income a percentage of the operating costs commensurate with its share of the total monies being distributed through the blended scheme.
- 19.3. Before reaching agreement on operating costs, the Fund should ensure that all clients or partners understand the resourcing model used and have agreed in writing the assumptions underpinning this. A change control process should be agreed that will enable all parties to propose, assess and formally agree potential changes to delivery and resourcing requirements during the programme's lifetime; this process should enable all parties to make informed decisions on whether and how to proceed with a proposed change, and the implications of doing so.
- 19.4. In all cases when Exchequer money is to be distributed, the programme design and resourcing must be planned to include compliance with the Government Grant Standards and completion of reporting requirements for the Government Grants Register or equivalent.

## **20. Capital projects (non-grant expenditure)**

- 20.1. All capital projects, whether already underway or beginning during this period, are subject to the Department's investment appraisal processes. Any capital expenditure that exceeds The National Lottery Community Fund's delegated capital limit must be referred to the DCMS Finance Committee for approval at three stages of development, as set out in guidance issued by the Department. The figure used in calculating whether the costs exceed the delegated limit is the lifetime cost of the capital project, including non-exchequer funding and any increased running costs ensuing from it.
- 20.2. Where projects are reliant on donations or sponsorship that have yet to be confirmed, demonstration of a staggered approach to completion (i.e. that takes account of the funds secured to date before proceeding with each stage) will be more likely to

receive approval to proceed.

20.3. When considering the case for capital projects, the Fund is expected to use the Treasury's Green Book methodology (or its successor), as modified or enhanced by guidance from DCMS. This is the case for evaluating a capital project regardless of whether the project requires DCMS Finance Committee approval. The Department reserves the right to receive copies of business cases for projects below the Fund's delegated limit or elements of it, such as the Net Present Value calculation.

## **21. Compliance with the Equality Act 2010**

21.1. In exercising public functions The National Lottery Community Fund is subject to the public sector equality duty in section 149 of the Equality Act 2010, requiring the Fund to have due regard to the need to:

- Eliminate unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- Advance equality of opportunity between people who share a relevant protected characteristic (age; disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation) and people who do not; and
- Foster good relations between people who share a relevant protected characteristic and people who do not.

## **22. Cyber Security**

22.1. As part of its approach to risk management and information assurance the Fund should ensure the robustness of its cyber security to protect itself against data breaches, service disruption, loss and reputational damage. The level of provision should be proportionate to the Fund's size and the level of risk it carries in terms of cyber vulnerability. A range of relevant Government advice and guidance can be found on [gov.uk](http://gov.uk).

22.2. As a minimum, the Fund should take steps to ensure it has basic cyber security controls in place. These should be at least at the level set out in the [Cyber Essentials scheme](#).

**This Management Agreement for the 2019-2022 period is signed by:**



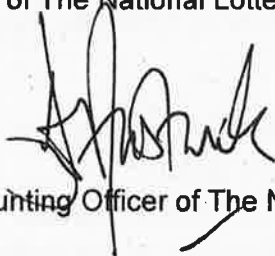
**Secretary of State for Digital, Culture, Media and Sport**

**Date: 04/11/2019**



**Chair of The National Lottery Community Fund**

**Date: 29/10/2019**



**Accounting Officer of The National Lottery Community Fund**

**Date: 29/10/2019**

## Annex A: Essential guidance and instructions for public bodies

The The National Lottery Community Fund shall be aware of and, where necessary, comply with the following general guidance documents and instructions:

- Appropriate adaptations of sections of the Corporate Governance Code for Central Government Departments;  
<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>
- Managing Public Money (MPM);  
<https://www.gov.uk/government/publications/managing-public-money>
- Consolidated Budgeting Guidance (issued annually);  
<https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2018-to-2019>
- Public Sector Internal Audit Standards;  
<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>
- Appropriate adaptations of the Audit Committee Handbook;  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/512760/PU1934\\_Audit\\_committee\\_handbook.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/512760/PU1934_Audit_committee_handbook.pdf)
- Management of Risk: Principles and Concepts;  
<https://www.gov.uk/government/publications/management-of-risk-in-government-framework>
- Government Financial Reporting Manual (FReM);  
<https://www.gov.uk/government/publications/government-financial-reporting-manual-2018-to-2019>
- If applicable, the Charities SORP;  
[http://www.charitycommission.gov.uk/Charity\\_requirements\\_guidance/Accounting\\_and\\_reporting/Preparing\\_charity\\_accounts/sorpfrent.aspx](http://www.charitycommission.gov.uk/Charity_requirements_guidance/Accounting_and_reporting/Preparing_charity_accounts/sorpfrent.aspx)
- Fees and Charges Guide, Chapter 6 of MPM;  
<https://www.gov.uk/government/publications/managing-public-money>
- Banking guidance, annex 5.6 of MPM;  
<https://www.gov.uk/government/publications/managing-public-money>
- Relevant Dear Accounting Officer letters;  
<https://www.gov.uk/government/collections/dao-letters>
- The Parliamentary Ombudsman's Principles of Good Administration;  
<http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples/principles-of-good-administration>
- Consolidation Officer Memorandum, and relevant DCO letters;
- Relevant Freedom of Information Act guidance and instructions;  
<https://ico.org.uk/for-organisations/guide-to-freedom-of-information/>

- Model Code for Staff of Executive Non-departmental Public Bodies: Chapter 5 (Annex A) of Public Bodies: A Guide for Departments (Cabinet Office);  
<https://www.gov.uk/government/collections/public-bodies-information-for-departments>
- Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;  
<https://www.gov.uk/government/collections/whole-of-government-accounts>
- Guidance on major projects issues by the Major Projects Authority;  
<http://www.cabinetoffice.gov.uk/content/major-projects-authority>
- The Statistics and Registration Services Act 2007;  
<http://www.legislation.gov.uk/ukpga/2007/18/contents>
- The Code of Practice for Official Statistics;  
<https://www.statisticsauthority.gov.uk/code-of-practice/>
- Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/418726/PPN\\_08-15\\_Tax\\_arrangements\\_for\\_public\\_appointees.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/418726/PPN_08-15_Tax_arrangements_for_public_appointees.pdf)
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to the The National Lottery Community Fund



## Annex B: Acronyms and abbreviations explained

Acronym or abbreviation	Definition
additionality principle	Legislative principle regarding what Lottery money can be used for - can be reviewed <a href="#">here</a>
ALB	Arm's Length Body (a public body in the wider 'family' of bodies related to a government department)
AME	Annually Managed Expenditure
C&AG	Comptroller and Auditor General
the DA Act	<a href="#">The Dormant Bank and Building Society Accounts Act 2008</a>
DCMS	<a href="#">Department for Digital, Culture, Media and Sport</a>
the Department	<a href="#">Department for Digital, Culture, Media and Sport</a> OR DCMS
the Fund	<a href="#">The National Lottery Community Fund</a>
GIA	Grant in Aid
GRAA	<a href="#">Government Resource and Accounts Act 2000</a>
KPI	Key Performance Indicator, ie. measurable targets
MPM	<a href="#">Managing Public Money</a> , key HM Treasury guidance for all public bodies
NAO	National Audit Office
NDPB	Non-Departmental Public Body, are explained on <a href="#">gov.uk</a>
the NLA	<a href="#">National Lottery etc Act 1993, as amended</a> (legislation that established Big Lottery Fund and set out all the statutory requirements for its Lottery distribution and governance)
OCS	Office for Civil Society (the directorate in DCMS which leads on the policy relationship with the Fund)
PEO	Prescribed Expenditure Order
RFL	<a href="#">Reclaim Fund Limited</a>
SFR	Statement of Financial Requirements
WGA	<a href="#">Whole of Government Accounts</a>

## **Annex C: The National Lottery Community Fund's strategic priorities 2019/21**

<b>Goal 1 - The National Lottery Community Fund supports ideas and projects that matter to people and communities.</b>	
<b>Strategic focus area 1</b>	Move to a common funding approach, using service design principles
<b>Strategic focus area 2</b>	Harness our insight and learning to inform policy and practice
<b>Goal 2 - We use our funding and relationships to help create stronger, more connected communities.</b>	
<b>Strategic focus area 3</b>	Ensure our funding is open to all and, together with our workforce, reflects the diversity of the UK
<b>Strategic focus area 4</b>	Use our funding, influence and relationships to build connections across and within communities
<b>Goal 3 - Charities and community organisations across the UK are vibrant, diverse and active.</b>	
<b>Strategic focus area 5</b>	Integrate our strategy for supporting charities and community organisations into our day to day working practices
<b>Strategic focus area 6</b>	Champion and support the sector's contribution to society
<b>Goal 4 - The National Lottery Community Fund is valued, trusted and efficient.</b>	
<b>Strategic focus area 7</b>	Build a culture of efficiency and continuous improvement at the Fund
<b>Strategic focus area 8</b>	Celebrate the difference that National Lottery funding makes to communities
<b>Strategic focus area 9</b>	Implement and support effective environmental action

## **Annex D: Key Performance Indicators 2019/21:**

**KPI1:** Customer satisfaction will be over 77%

**KPI2:** Operating costs will be in line with our agreed threshold of 8% of income over three years

**KPI3:** Grant awards to be +/- 5% of budget

**KPI4:** At least 65% of our colleagues will recommend the fund as a good place to work

**KPI5:** People who are aware that the National Lottery funds good causes is above 45%

**KPI6:** At least 80% of our grants will be awarded to charities and community organisations

## Annex E: Engagement Plan

Who in the Fund	Who in DCMS	Purpose	Frequency
<b>Board-level Strategic engagement</b>			
Chair and Chief Executive	Secretary of State and/or Minister for Sport and Civil Society	Strategic overview and general progress review	2 or 3 times a year
Chair	Permanent Secretary	Strategic overview and general progress review	Annually
UK Board meeting	Permanent Secretary	Strategic overview and relationship building	Annually
Chief Executive	Permanent Secretary	Accounting officer review and discussion of the Fund's organisational development and health	Annually
Chief Executive	Director General	Strategic opportunities (wider DCMS) and relationship building	At least once a year
Chief Executive	OCS Director	Strategic opportunities with OCS, policy collaborations, high level governance matters and general progress overview	6 to 8 weeks
Chair and Chief Executive	Permanent Secretary, Director General, Directors of Strategy and Governance	Invitation to the programme of DCMS ALB Chair and Chief Executive engagement events	2 or 3 times a year
UK Board meeting	OCS Director or Deputy Director	Relationship building, to discuss topics of mutual interest, or where the Board would welcome an opportunity for face to face discussion with DCMS officials	Occasional
Finance Director (and colleagues as appropriate to agenda)	Finance Director (may also include Commercial Director and/or OCS Director depending on agenda)	Relationship building, addressing and resolving financial and/or commercial and/or governance questions and issues across the Fund's operations and functions.	2 or 3 times annually