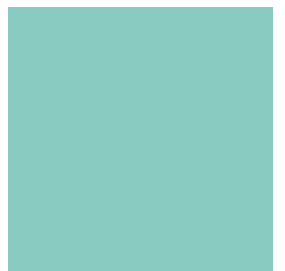
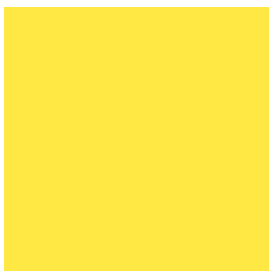
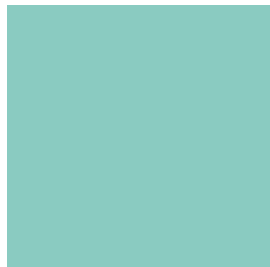


Annual Report and Accounts  
For the financial year ended 31 March 2014





Big Lottery Fund  
Annual Report and Accounts  
For the financial year ended 31 March 2014

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

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# Big Lottery Fund

## Annual Report and Accounts 2013/14

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# Section one: Introduction and summary

## By the Chair and Chief Executive

This has been another challenging year for many of the people and projects we are here to support. There are fewer opportunities to find funding elsewhere and so we are acutely aware of the responsibility we owe to communities and people most in need.

In 2013/14 we received £662 million from the National Lottery and we made £670 million in grant awards to over 12,000 projects across the United Kingdom. Over 90 per cent of our funds went directly to the voluntary and community sector. We also appreciate the importance of the small and the local – 88 per cent of our awards went to projects valued at £10,000 or less. Our total operating costs were 7.4 per cent and our core operating costs were 5.4 per cent of Lottery income.

Our work to improve the quality of life has touched the lives of many – from newborn infants to the veterans of World War II. We can look back across the year with some pride in the grants we have been able to make. The launch of the Spirit of 2012 Trust has created the chance to give real meaning and energy to the community legacy arising from the Olympic and Paralympic Games across the UK. In Wales, Grab a Grant has engaged with local media and the public to make changes in challenged communities; in Scotland – where we are looking forward to the Commonwealth Games – our 2014 Communities programme has provided new opportunities for people to get physically active. Our Culture for All programme in Northern Ireland supported small projects, playing a part in the Derry/Londonderry City of Culture celebrations; and in England we have continued to develop our open and responsive grant programmes and have developed a significant £150 million investment, Power to Change, which will support the growth of local community based enterprises across the country.

This has also been a challenging year for the Fund and a year of transition. We have replaced our 13-year-old funding management system with a new IT system which, like most new IT systems, has encountered some problems. It is greatly to the credit of our staff at all levels across the UK that they have continued to provide a valued service to our customers through what has undoubtedly been a difficult time.

Last year I paid tribute to the work of our departing Chief Executive Peter Wanless. In October the Board appointed Dawn Austwick to the post of Chief Executive. She has already implemented several changes to the way we work as an organisation. I know that change takes time and can be difficult but it is essential if we are to fulfill our mission to help communities and people most in need. Dawn has started to lead us through that change.

Dawn is also leading the organisation through a wide-ranging conversation – Your Voice Our Vision – which will inform how we distribute our National Lottery funding from 2015 to 2021. And at the time of writing we were able to welcome the publication of the Cabinet Office's Triennial Review of the Big Lottery Fund. The Review concluded the Fund is highly respected and "a valued organisation with an important role to play with the Voluntary, Community and Social Enterprise sector as well as with the public sector partners and business stakeholders." We are delighted by this vote of confidence.

**Peter Ainsworth**  
Chair



The work we do at the Big Lottery Fund is ultimately about people; and the people we fund are doing extraordinary things with our funding. We are privileged to be able to support thousands of community projects each year which benefit millions of people across the country.

Since my arrival I have been lucky enough to visit many of these projects and to meet people whose passion, ingenuity, and strength takes my breath away. For example, I recently visited Destined in Derry/Londonderry. Destined was set up by Dermot O'Hara to improve the life chances of his daughter Roisin who has a learning disability. The organisation has gone from strength to strength with our support providing vital training and social activities for people with a learning disability, giving them the independence to play a full role in their local community breaking down the barriers and isolation that people with a learning disability experience and helping the organisation develop important partnerships with different sectors.

Destined illustrates the kind of projects we want to support: local and people-centred, building on existing passions, strengths and opportunities and seeking to collaborate and build alliances with others.

Not all that we fund fits this mould. It's important that we continue to offer a blend of funding programmes across our four country and UK portfolios, using our funds to help others address knotty problems and seize opportunities. But our responsive, demand-led funding lies at the heart of what we do, providing a springboard for our thematic programmes such as Growing Community Assets or Headstart or Our Environment Our Future.

Our commitment to the voluntary and community sector remains constant but ultimately it's about the people who benefit from our funding. We want this focus on people to guide how we evolve as a funder. We are going through a period of change but our mission remains the same: to support communities and those most in need. But as with all organisations we need to reflect on how we should adapt and respond to the changing world around us.

As a major funder we are a repository of much knowledge and information. We want to unlock more of this, to develop our own practice and inform others. One small step this year has been to release grant data from 2004 onwards in open data format,

enabling others to analyse, interrogate, and comment on it. We are working with other funders to see how we can go further in this area. This desire to make more of a difference through partnership working is another area of focus for the future with other funders but also with colleagues in the public and private sectors. In so doing we want to develop a sustained conversation with our stakeholders, from beneficiaries to policy makers so that our decisions are informed by the world around us.

The work we have undertaken on Your Voice Our Vision, to inform our strategic framework from 2015 to 2021, reflects this ambition. We have been proactive in engaging and listening to beneficiary voices and practitioners across the UK both online and face-to-face. All these voices will help shape our future direction and it is brilliant that so many people want to contribute. These conversations have been wide-ranging and informative and they set a tone for how we want to work and engage.

As the Chair says, this has been a year of transition for the Fund. Despite this those who work at the Fund remain passionate and dedicated. I would like to thank colleagues for the warm welcome I received on my arrival, for the commitment, thoughtfulness, and teamwork they demonstrate every day, and for the confidence they give me as we look to the future. I am committed to working with them, the Board, and our other non-execs, to take the organisation forward so that we are best placed to respond to the opportunities and challenges we face, to cherish the local, and maximise the potential of National Lottery funding.

**Dawn Austwick**  
**Chief Executive**



# Section two: Our strategic report

## Development and Performance

Our strategic framework to 2015, available at [www.biglotteryfund.org.uk/about-big/our-approach/fresh-thinking](http://www.biglotteryfund.org.uk/about-big/our-approach/fresh-thinking) set out the principles which underpin our approach to funding in the UK. Each year we publish a corporate plan setting out a specific budget, objectives and targets for the year ahead. This annual report is our report back on our achievements against those commitments.

The Corporate plan 2013/14 identified three corporate objectives to shape our priorities and set 10 key performance indicators to measure success. Our performance against these has been monitored against our published targets and reported to the Board throughout the year. These objectives are:

**Efficiency** – We are managing public funds efficiently.

**Customer focus** – Those who enquired about, applied for or received our funding said we provide an excellent service to them. We have strong, positive relationships with key stakeholders, and with the public at large.

**Effectiveness** – Our funding programmes bring real improvements to the lives of our beneficiaries.

This is a brief summary of how we performed against the three objectives.



## Corporate objective one:

We are managing public funds efficiently.

Key Performance Indicator	End of year report
<p><b>1</b> The VCS receives at least 80 per cent of our funding.</p>	<p>During 2013/14 we awarded 92 per cent of our funding to the VCS.</p>
<p><b>2</b> More than 80 per cent of the total agreed grant budget for 2013/14 is committed.</p>	<p>In our corporate plan for 2013/14 we planned to award a total grant budget of £1,033.3 million, an unusually large amount because it included several large strategic grant programmes. The actual value of awards made during 2013/14 was £670 million (35.8 per cent less than the original budget). The target was not met largely because we decided that two strategic programmes, A Better Start (£150 million) and Ageing Better (£121 million), would be more effective if additional time was allowed for applications to be developed. These awards will now be made early in 2014/15. In addition £37 million was not used on the Advice Services Transition Fund due to a lower level of fundable applications, and this budget has been transferred to other programmes in future years.</p> <p>Our corporate plan target is based on actual awards made in the year and does not include the year-end adjustment for soft commitments where the award has not been formally accepted by the recipient. This is why the value is different from the grant commitments shown in the accounts.</p>
<p><b>3</b> Total operating costs (core and front-line costs) are not more than 7.4 per cent of Lottery income.</p>	<p>We met these targets, as our total operating costs were 7.4 per cent and our core operating costs were 5.4 per cent of Lottery income, despite Lottery income being £81 million less than expected.</p> <p>We budgeted for higher operating costs than in 2012/13, mainly because we started to amortise the new funding management system during the year. This added £1.2 million to our costs, but we still spent less than our budget.</p>
<p><b>4</b> Core operating costs are not more than 5.4 per cent of Lottery income.</p>	
<p><b>5</b> By year-end the grant paid out to all our funded projects is within 20 per cent of the payments total we forecast.</p>	<p>We paid out £592 million in grant payments in 2013/14 – 21 per cent below the original forecast. Payments were delayed on a number of strategic programmes as a result of decisions to defer awards for a few months as set out above. However, £17 million was paid earlier than expected in 2012/13 to the Big Local Trust.</p>

# Section two: Our strategic report

## Corporate objective two:

Those who enquired about, applied for or received our funding said we provided an excellent service to them. We have strong, positive relationships with key stakeholders, and with the public at large.

Key Performance Indicator		End of year report
1	<b>More than 77 per cent of customers are satisfied with our service.</b>	<p>This year Ipsos MORI completed more than 9,000 online interviews for us with customers including: unsuccessful applicants; successful applicants; those awaiting a decision; and pre-application enquirers as well as those currently delivering a project with our funding. The results show that 80.5 per cent of our customers were satisfied with the overall experience of our service.</p> <p>As well as overall satisfaction, we also measure satisfaction with: staff attitude; professionalism; quality of service; timeliness; and quality of information.</p> <p>The Fund handled more than 100,000 enquiries and applications over the year. Through our formal complaints procedure we have recorded 37 (35 2012/13) complaints about the service received.</p>
2	<b>The percentage of MPs and other stakeholders who perceive the Big Lottery Fund as effective.</b>	<p>During 2013 our sponsor department the Cabinet Office conducted a Triennial Review of the Big Lottery Fund, as part of this they undertook a survey of Big Lottery Fund's stakeholders. The Cabinet Office has released the findings of this survey as part of the Triennial Report which is available at <a href="http://www.gov.uk/government/publications/big-lottery-fund-triennial-review-2014">www.gov.uk/government/publications/big-lottery-fund-triennial-review-2014</a></p> <p>As a result we did not commission the stakeholder survey referred to in the 2013/14 Corporate Plan.</p>
3	<b>The percentage of national media coverage is favourable.</b>	<p>In 2013/14, 90 per cent (88 per cent in 2012/13) of coverage across national media was favourable. These results are well within the 75 per cent tolerance that the Board set.</p>

## Corporate objective three:

Our funding programmes bring real improvements to the lives of our beneficiaries.

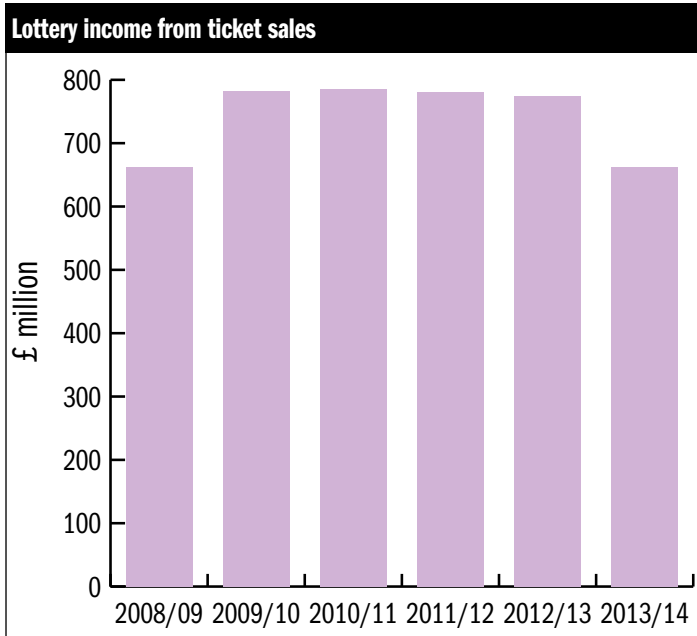
Key Performance Indicator		End of year report
1	<b>93 per cent of grant programmes achieve their agreed effectiveness rating.</b>	<p>This year 42 of our 72 programmes were reviewed and 39 (92.9 per cent of those reviewed) were judged as being 'effective'. Programmes are not reviewed in their first year.</p>

## Financial performance

### Income

During 2013/14 we received £662 million of income (2012/13 £774 million) in proceeds from the National Lottery, a reduction of £112 million on the previous year. While Lottery ticket sales fell 3.5 per cent to £6,731 million (2012/13 £6,977 million) this was not the main reason for the fall in our income. The main reasons for the reduction in income were:

- a reduction in the level of Euromillions rollovers (which generate a particularly high level of income for each £1 of ticket sales) of £42 million
- a reduction in the value of unclaimed prizes (which entirely come to the good causes) of £30 million
- an increase in the prize fund to support the launch of the £2 Lotto ticket in November 2013 (which will be returned to the good causes over the next few years) which reduced income by £25 million.



The net proceeds of the National Lottery are held in the National Lottery Distribution Fund (NLDF), which is under the stewardship of the Secretary of State for Culture, Media and Sport, until drawn down by Lottery distributors. The Big Lottery Fund receives the same share of the investment income of the NLDF as of proceeds from the National Lottery, currently 40 per cent. In 2013/14 this was £3.1 million (2012/13 £4.1 million).

In addition to National Lottery funding we run non-Lottery programmes, using powers given to us by the National Lottery Act 2006. These powers give us scope to work with others to distribute funds on behalf of, or alongside, other organisations.

Since November 2008 the Dormant Bank and Building Society Accounts Act has enabled banks and building societies to transfer money held in dormant accounts to a central reclaim fund for reinvestment in the community. We also receive transfers from Reclaim Fund Ltd of funds from dormant bank and building society accounts (2013/14 £83.6 million; 2012/13 £50.0 million). We deposit funds until required and received interest of £0.11 million (2012/13 £0.03 million). A Memorandum set of annual accounts appears on page 74 .

# Section two: Our strategic report

## How we decide how much to award

Our strategy is to award the maximum amount of funding that we safely can over a five-year period.

The strategy does not mean that we will make exactly the same value of awards or payments each year. It aims to produce a broadly stable level of public benefit from our funding each year. In some years this may include us making some larger awards and payments which produce benefit over a number of years.

Many of our grant awards pay out for a number of years after they are made. This reflects our policy of supporting projects that run for up to five years (sometimes longer) and our funding of capital projects.

The fact that many of our grants will be paid out several years after they are awarded means we can, and do, make commitments from money that we do not yet have. At 31 March 2014 we had £1,132 million (2012/13 £891 million) of outstanding commitments, but only had £383 million (2012/13 £354 million) with which to meet them: leaving excess commitments of £749 million (2012/13 £537 million) equivalent to about 12 months future income based on our current projections.

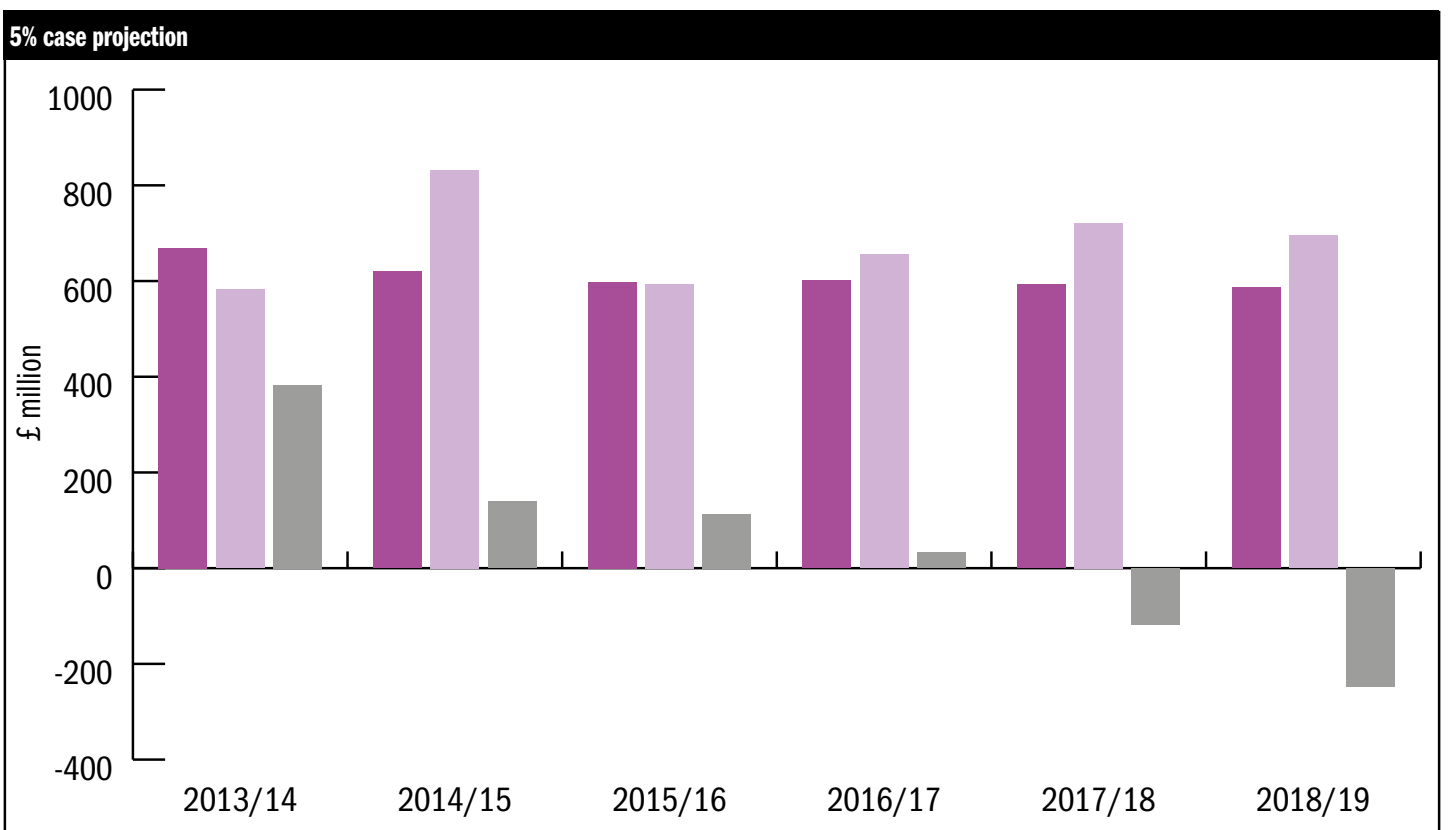
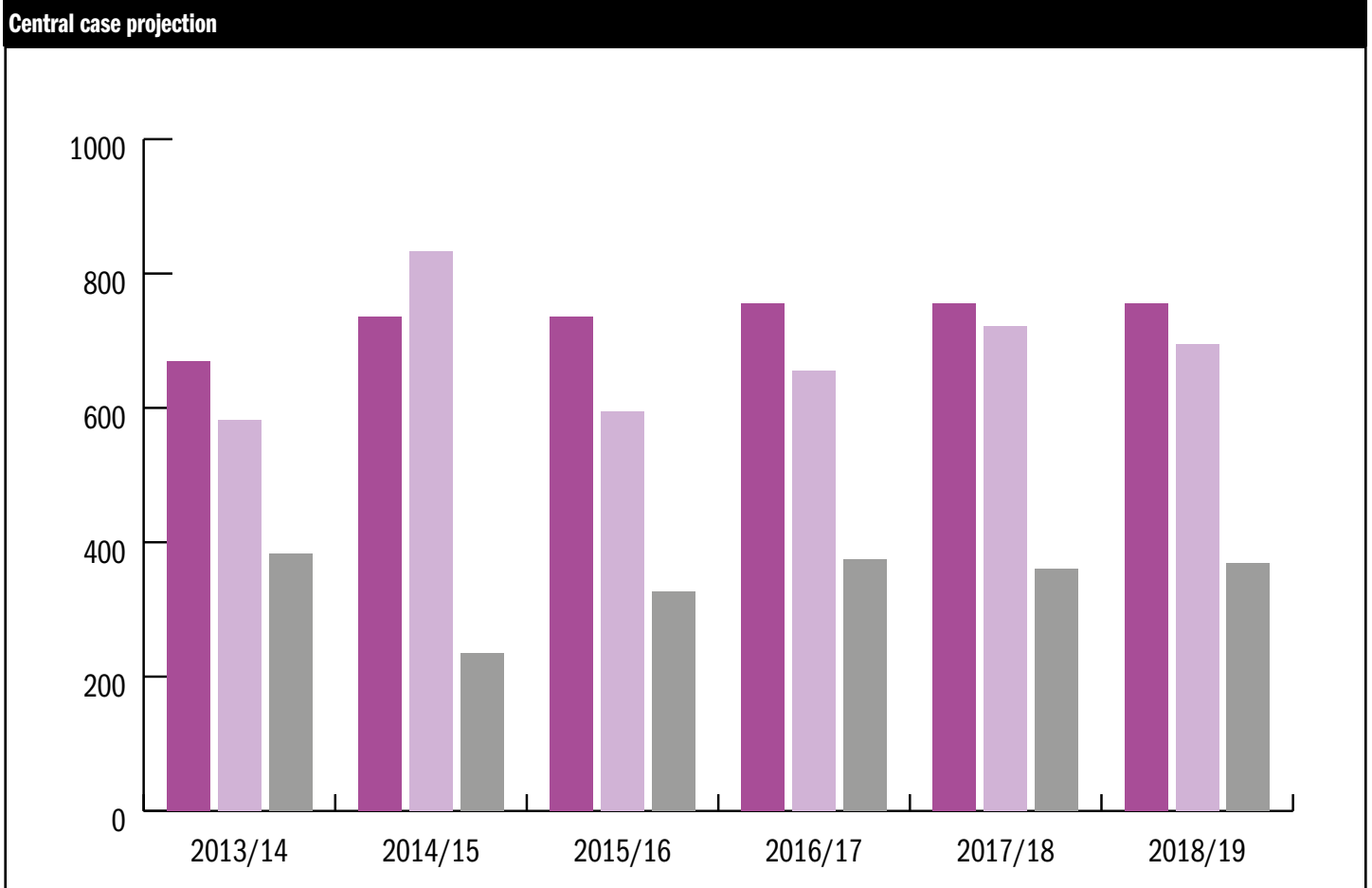
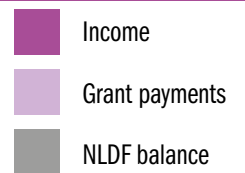
Our future income is uncertain – no one knows how much National Lottery income there will be. So we have to be prudent. The Department for Culture, Media and Sport produce projections of future income based on the assumption that National Lottery ticket sales will remain broadly at their current level into the future – we call this the ‘central case’ and use it for our long-term planning of likely future spending.

The graph on page 13 shows how things are expected to work out on the central case. These figures include our projections of our current planned programme spend for 2014 – 2017.

We cannot make actual grant commitments on the basis of the central case. If we did, and Lottery income fell, we might be unable to meet all our commitments. So we produce a more cautious projection based on historical movements in ticket sales which we call the ‘5 per cent case’ (because we estimate that it has about a 5 per cent chance of actually happening).

The history of the Lottery shows that this is not being over-prudent. While National Lottery ticket sales have grown strongly in recent years, actual ticket sales fell 17 per cent between 1998 and 2003. A fall of the scale in our 5 per cent projection is clearly a possible scenario.

We limit our actual grant commitments so that on the 5 per cent case our projected NLDF balance would not fall below zero. The following graph shows that on the 5 per cent case our planned commitments could not be met in full from 2017/18, and we would need to reduce our plans if income fell to this extent. All current commitments can be met on the 5 per cent case. Planning over several years in this way ensures that we can make any necessary changes to our programmes with little disruption.



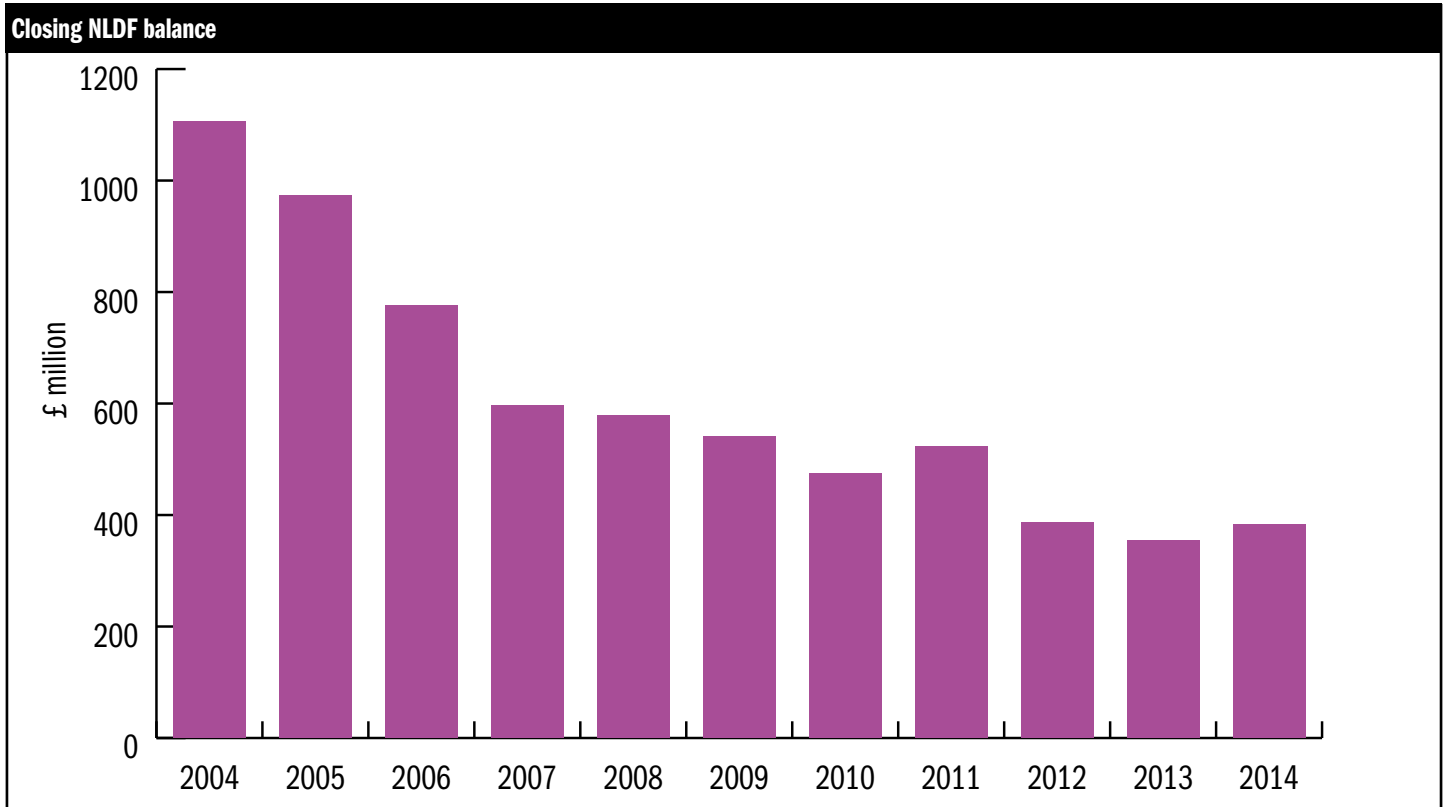
# Section two: Our strategic report

## National Lottery Distribution Fund (NLDF) balances

Our NLDF balance is £383 million (2012/13 £354 million) at 31 March 2014.

Our balance has reduced from over £1 billion in 2004, but is now fluctuating around the lowest prudent level.

We do not set a target for our NLDF balances. As we do not control National Lottery income, it is impossible for us to manage the balance in the short-term. The funding strategy set out above is to make the maximum value of grant commitments that we can over a five-year period. This will lead to the NLDF balance being as low as is prudent. The actual level will vary according to the structure of our programmes at any time.



## Our operating costs – ensuring we are working efficiently

Our key measure of financial efficiency is the share of our Lottery income that we spend on distributing it. We exclude from this measure costs that we recharge to other people, for example the costs of distributing non-Lottery money. We also exclude one-off costs that are investment to achieve future efficiencies. On this basis the cost of distributing Lottery money was £49.7 million (2012/13 £48.1 million). This represents 7.4 per cent of Lottery income (2012/13 6.2 per cent).

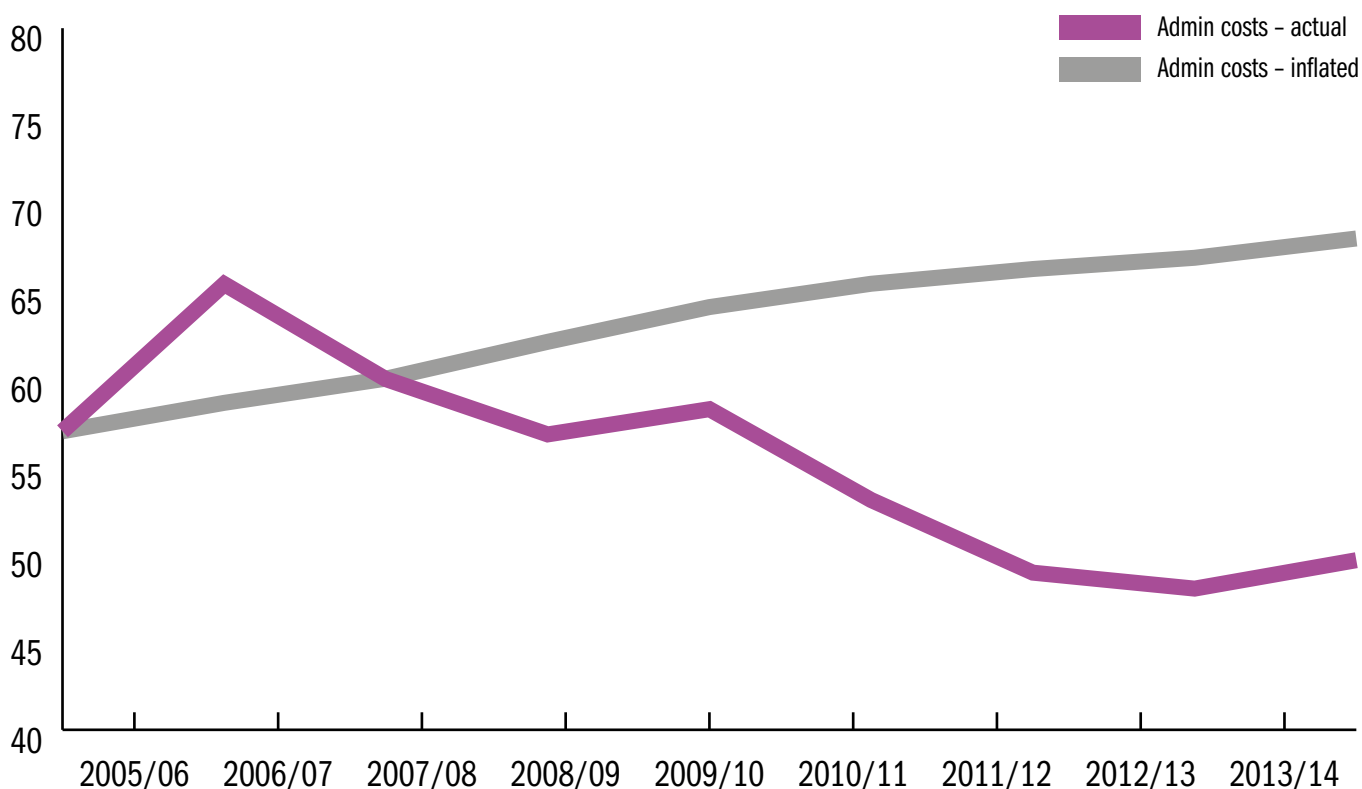
The Government has asked National Lottery distributors to reduce their operating costs to meet two targets: Lottery operating costs are to be limited to 8 per cent of Lottery income, while core administration costs are to be limited to 5 per cent of Lottery income. We have agreed to meet these targets by 2014/15. Core administration costs are mainly the costs of processing applications and managing grants, including all the support costs.

The narrower target of 5 per cent for core administration costs excludes those costs that are considered to provide front-line support to grant applicants and recipients and to the public. For example, the provision of advice and assistance to organisations applying for Lottery funding and activities to involve the public in Lottery decision-making.

We are already achieving the 8 per cent target. Our core administration costs were 5.4 per cent of Lottery income in 2013/14 and we have budgeted for further savings to achieve the target of 5 per cent in 2014/15.

### How our costs have reduced since 2004

We have made substantial savings since the Big Lottery Fund was created in 2004. The chart below shows how actual costs have reduced since 2004/05, the year that the Big Lottery Fund was formed through the merger of the New Opportunities Fund and the Community Fund, compared with what would have happened if they had simply risen in line with inflation.



# Section two: Our strategic report

## What we achieved in 2013/14

During the year we continued to work towards the delivery of the 5 per cent core operating cost target, which we will deliver in 2014/15. Although Lottery operating costs rose by £1.6 million during the year, £1.2 million of this was due to the amortisation of the new funding management system from when it was brought into use in September 2013. This was taken account of in our plans.

Most of our directorates have already achieved their targets. The exceptions relate to operational staffing, where savings of 100–150 posts were to be achieved from restructuring and from the implementation of the new system.

Because of the delay in implementation, planned reductions in operational staffing were delayed until early in 2014/15.

## What we are planning to achieve in 2014/15

We have budgeted to deliver the 5 per cent target in 2014/15. The target is based on Lottery income of £752 million, as projected by DCMS in December 2013, immediately before our budget was prepared. As this is higher than currently projected income, further savings will be required to maintain the target in future years, if income does not increase.

Most of the savings are being achieved through reductions in staffing. As at the end of May 2014 staffing had reduced by 46 from the numbers at 31 March 2014, and further reductions are planned for later in the year.

In addition, savings are being made from reductions in the space we occupy. These were delivered shortly before 31 March 2014.

Although we are not now expecting to achieve as high a level of savings from the new funding management system as was originally planned, we have been able to identify alternative savings which we expect will enable us to meet our target.

We have also developed contingency plans for additional savings, which we will implement if it became clear that operational difficulties will prevent the delivery of some of the budgeted savings.

## Our deficit for the year

We had a deficit for the year 2013/14 of £214 million (2012/13 surplus of £67 million). Our cumulative deficit at 31 March 2014 was £684 million (31 March 2013 £470 million).

Our accounting policy requires us to treat awards as expenditure as soon as they are accepted by the recipient. Consequently our funding policy of making awards that will be paid over a number of years that we are confident we will be able to meet from future income results in a deficit. This is not of any concern, and we do not manage our surplus or deficit from year to year. Instead we manage our cash flow over the long-term as explained earlier in this section.

## Auditors

Under the National Lottery Act 2006, our annual accounts must be examined and certified by the Comptroller and Auditor General.

## Public sector information holder

In common with all public bodies, the Big Lottery Fund is a public sector information holder. It has not permitted and has therefore not charged for specific reuse of information.

## Equalities and Employees

### Our commitment to equality

Our Equality Strategy sets out our priorities in this area, both as an employer and as a funder. In the last year, we have focused our efforts on promoting greater staff involvement in, and awareness of, equality considerations across the organisation. Our equalities policy, principles and guidance for applicants and grant holders is on our website: [www.biglotteryfund.org.uk/about-big/our-approach/equalities](http://www.biglotteryfund.org.uk/about-big/our-approach/equalities)

### Equality in our funding

The following table highlights the equality monitoring of our grant programmes.



	Number of applications and application rate <sup>1</sup>		Number of awards and application success rate		Requested amount (£'000) and % of requested amount <sup>2</sup>		Awarded amount (£'000) and % of awarded amount <sup>3</sup>	
<b>Ethnicity</b> (Applicants are asked if their project will mostly benefit people from a specific ethnic background. They can select up to three categories therefore these responses incorporate double and triple counting.)								
White UK	2,026	11%	1,229	61%	£202,538	10%	£38,115	8%
White other	749	4%	454	61%	£90,995	5%	£12,705	3%
Mixed/multiple ethnic groups	1,091	6%	660	60%	£33,594	2%	£14,570	3%
Asian/Asian UK	996	5%	621	62%	£169,754	9%	£19,627	4%
Black/African/Caribbean/ Black UK	987	5%	514	52%	£74,943	4%	£14,570	3%
Other ethnic group	441	2%	263	60%	£17,964	<1%	£9,430	2%
No specific ethnicity	15,230	79%	9,840	65%	£1,600,488	83%	£399,885	85%
<b>Age</b> (Applicants are asked if their project will mostly benefit people of a particular age group. Applicants can select more than one age group therefore responses may incorporate multiple counting.)								
0-24	8,803	45%	5,492	62%	£1,306,220	65%	£165,176	33%
25-64	3,895	20%	2,439	63%	£821,407	41%	£116,182	23%
65+	2,050	10%	1,449	71%	£117,272	6%	£68,190	14%
No specific age	8,636	44%	5,270	61%	£578,449	29%	£262,158	52%
<b>Gender</b> (Applicants are asked if their project will mostly benefit people from a specific gender.)								
Female	1,306	7%	795	61%	£132,713	6%	£47,945	9%
Male	458	2%	266	58%	£15,872	<1%	£11,130	2%
No specific gender	17,773	91%	11,222	63%	£1,906,250	93%	£481,182	89%
<b>Community background</b> (Applicants applying to programmes operating in Northern Ireland are asked which community those benefiting from their project mainly belong to.)								
Mainly Catholic	227	22%	131	58%	£4,159	16%	£1,155	16%
Mainly Protestant	251	24%	163	65%	£3,766	14%	£1,425	13%
Both	534	52%	312	58%	£19,959	65%	£5,183	59%
Neither	27	3%	15	56%	£1,171	4%	£1,057	12%
<b>Welsh language</b> (Applicants applying to programmes operating in Wales are asked how many people who will benefit from their project speak Welsh.)								
All Welsh	1	<1%	1	100%	£5	<1%	£5	<1%
Mainly non-Welsh	776	66%	541	70%	£61,309	80%	£35,969	84%
Mainly Welsh	304	26%	220	72%	£9,201	12%	£4,478	10%
No Welsh	87	7%	64	74%	£5,815	8%	£2,300	5%

<sup>1</sup>The application rate is shown as a percentage of the applications that requested the data

<sup>2</sup>The requested amount is shown as a percentage of applications that requested the data

<sup>3</sup>The awarded amount is shown as a percentage of the total funding awarded to those applications that requested the data

# Section two: Our strategic report

	Number of applications and application rate <sup>1</sup>		Number of awards and application success rate		Requested amount (£'000) and % of requested amount <sup>2</sup>		Awarded amount (£'000) and % of awarded amount <sup>3</sup>	
<b>Religion or belief</b> (Applicants are asked if their project will mostly benefit people of a particular religion or belief.)								
No religion	5	<1%	3	60%	£1,458	<1%	£1,293	<1%
Christian	454	2%	273	60%	£9,063	<1%	£4,959	1%
Buddhist	2	<1%	1	50%	£130	<1%	£9	<1%
Hindu	12	<1%	8	67%	£104	<1%	£62	<1%
Jewish	121	1%	65	54%	£2,149	<1%	£1,365	<1%
Muslim	135	1%	74	55%	£8,862	<1%	£2,991	<1%
Sikh	5	<1%	2	40%	£424	<1%	£11	<1%
Other religion	17	<1%	7	41%	£113	<1%	£429	<1%
No specific religion	18,780	96%	11,819	63%	£1,974,770	99%	£487,028	98%
<b>Disability</b> (Applicants are asked if their project will mostly benefit disabled people.)								
Disabled	2,390	12%	1,611	67%	£150,397	7%	£76,531	15%
Not disabled	17,115	88%	10,645	62%	£1,875,641	93%	£424,886	85%
<b>Sexual orientation</b> (Applicants are asked if their project will mostly benefit lesbians, gay men or bisexual people.)								
Lesbians/gay men/bisexual	147	<1%	96	65%	£11,340	<1%	£35,973	1%
Not specific to lesbians/gay men/bisexual	19,587	99%	12,255	63%	£1,999,176	99%	£531,418	99%

<sup>1</sup>The application rate is shown as a percentage of the applications that requested the data

<sup>2</sup>The requested amount is shown as a percentage of applications that requested the data

<sup>3</sup>The awarded amount is shown as a percentage of the total funding awarded to those applications that requested the data

## Equality in employment

Disability Status	Big Lottery Fund	Civil Service	UK economically active population
Staff with disability	4.5%	4%	13%
Staff without disability	95.5%	96%	87%
Gender	Big Lottery Fund	Civil Service	UK economically active population
Female	63.2%	52%	44%
Male	36.8%	48%	56%

Ethnic Group	Big Lottery Fund	UK economically active population
Asian	5.3%	3.0%
Black	2.6%	1.4%
Chinese	0.3%	0.3%
Mixed	1.0%	1.5%
Other	0.3%	0.4%
White Other	4.4%	3.4%
Total Black and minority ethnic (BME)	13.9%	10.0%
White UK	83.5%	90%
Not Known	2.0%	
Do not want to declare	0.6%	

In 2013/14 38 per cent of the Board, 52 per cent of the Senior Management Team and 61 per cent of senior staff (grade D and E) were female.

### **Section 75, Northern Ireland Act 1998**

As equality is central to all of our work we continue to deliver the requirements of the statutory duties under Section 75 of the Northern Ireland Act 1998. We submitted our equality annual report to the Equality Commission for Northern Ireland in August 2013. Between October 2013 and January 2014 we consulted publicly on our revised Equality Scheme and Action Plan, better aligning our work with the Fund's corporate Equality Strategy and the Commission's Section 75 Guide for Public Authorities.

### **Welsh Language Scheme**

Our Welsh Language Scheme was published in September 2009. It sets out how we will treat the English and Welsh languages on an equal basis in providing services to the public in Wales and in the process of awarding grants. The implementation of the Scheme is monitored and discussed at regular meetings between the Big Lottery Fund's Welsh Language Officer and the Welsh Language Commissioner's office. Our scheme was reviewed in 2013 in line with the new Welsh Language Measure, and found to be of a satisfactory standard. During 2013 we also held staff briefing sessions to update on the Census results and the forthcoming Welsh Language Standards as well as updating our internal guidance for funding officers. We look forward to working closely with the Welsh Language Commissioner's office on putting our new Welsh Language Standards in place over the next year.

### **Employee involvement**

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

### **Staff sickness absence**

We are committed to the health and well-being of our staff and have a comprehensive sickness absence policy. During 2013/14 the average number of days of sickness absence was 8.4 days per employee (7.0 days in 2012/13).

# Section two: Our strategic report

## Sustainability report

### Internal sustainability

#### Staff engagement

In late 2012 we established a network of Green Champions across the Fund. The Champions are volunteers from a wide range of teams and backgrounds, united by a desire to reduce our environmental impact. They have received training in order to develop and implement local sustainability plans and engage staff interest.

This year the network has been strengthened by the addition of a Coordinator. Their role is to facilitate organisation wide engagement and action and help to ensure the highest return on the Champions' efforts. The strengthening of the Champion network and the employment of a Coordinator was one of the suggestions taken forward from an independent report on our environmental performance, commissioned in 2012/13.

The report contained a number of detailed suggestions on behavioural change, equipment use and office upgrades. These, Champion and staff suggestions have been brought together by the Champions in the Fund's first UK-wide Environmental Policy (EOP) and Action Plan (EAP) which was formally adopted by the Senior Management Team in October 2013. These reflect our ambition to become a leader in good environmental practice, influencing our staff, customers and suppliers to reduce their environmental impacts.

The Champions are six months into implementing the plan, which focuses on the key areas of electricity and gas use, business travel, waste and water. The areas correspond with those set out in the Government's Greening Government (GG) initiative and the actions aim to help us achieve the GG targets.

The plan has also introduced a policy to restrict internal flights within England and Wales to exceptional use only and has resulted in a 10 per cent reduction in all travel budgets for the coming year 2014/15.

The Green Champions have used a number of approaches to engage with staff on environmental matters, including a Fund-wide travel less week, where all staff were asked to think carefully about how they plan their work and to avoid unnecessary travel. Staff have been asked to think more about the waste they produce and how they can reduce, reuse and recycle. External organisations such as bus service providers and cycle charities have been invited in to advise staff about greener ways to travel.

In 2014 we will improve our environmental sustainability by:

- reviewing the EP and EAP and continuing to implement actions that bring us closer to the ambitious Greening Government targets
- making monthly sustainability reports available to all staff and continuing to try new ways of engaging with all staff on sustainable behaviour change
- starting to think about we can help our customers to be greener, through guidance, process changes and packages of support.

## Emissions, waste and consumption

Greenhouse gas emissions		2012/13	2013/14
Non-financial indicators (tCO <sub>2</sub> E)	Total gross for Scopes 1 and 2	1,651	1,480
	Total net for Scopes 1 and 2 (less reductions i.e. green tariffs)	1,651	1,480
	Gross emissions for Scope 3 (business travel)	351	321
	Other Scope 3 emissions measured	0	0
Related energy consumption (kWh)	Electricity: non-renewable	2,830,692	2,655,317
	Electricity: renewable	0	0
	Gas	2,119,292	1,614,162
	LPG	0	0
	Other	0	0
Financial indicators (£'000s)	Expenditure on energy	£527	£523
	CRC Licence expenditure (2010 onwards)	£-	£-
	CRC income from recycling payments	£-	£-
	Expenditure on accredited offsets	£-	£-
	Expenditure on official business travel	£1,093	£1,009

Waste		2012/13	2013/14
Non-financial indicators (t)	Total waste	120	126
	Hazardous waste	-	-
	Non-hazardous waste		
	▶ Landfill	26	22
Financial indicators (£'000s)	▶ Reused/recycled	95	104
	▶ incinerated/energy from waste	-	-
	Total disposal cost	52	52
	Hazardous waste - Total disposal costs	-	-
	Non-hazardous waste - Total disposal costs		
	▶ Landfill	11	9
	▶ Reused/recycled	41	43
▶ incinerated/energy from waste	-	-	

Finite resources consumption/water		2012/13	2013/14
Non-financial indicators (m <sup>3</sup> )	Water consumption – supplied	7,416	6,229
Financial indicators (£'000s)	Water supply costs	£40	£40

'Scope 1 emissions' are those from producing greenhouse gases directly, for example by burning gas in boilers, while 'Scope 2 emissions' are those embedded in purchased energy such as electricity. At present we are unable to separate these because so much is indirectly bought through our landlords, but we're working to improve information for future years.

We are now seeing a further impact, following office space reductions made during the year, on our energy consumption, with a further reduction in emission levels. This is mirrored by a decrease in costs owing to energy pricing being less volatile during the year than previously.

# Section two: Our strategic report

'Scope 3 emissions' from business travel reduced slightly during the year. Our emissions are already low, but we will continue to look for ways of reducing them still further. Costs also decreased proportionately.

The table on page 21 shows waste production and the proportion we are sending to landfill reduced during the year.

Focus has been put on reducing water consumption in the offices and this decreased slightly during the year (as illustrated in the table on page 21).

Where information has not been available due to the timing of service charge reports from some landlords we have used figures from 2012/13 in order to provide a full picture of our sustainability.

## **Our payment policy and practice**

In accordance with the Better Payment Practice guide, we aim to pay all our creditors within 30 days of receiving an invoice, unless other terms and conditions have been negotiated. In 2013/14, 96 per cent (95 per cent 2012/13) of all creditors were paid within 30 days of receiving an undisputed invoice.

The percentage of suppliers paid within 10 days under the Government's prompt payment challenge was 36 per cent during 2013/14 (35 per cent 2012/13).

However, our overall creditor days (the total value of our creditors at 31 March 2014 divided by total creditor payments during 2013/14, expressed in days) was 12 days (11 days 2013/14).

## **Additionality**

In accordance with the National Lottery Act 2006 all Lottery distributors are required to report on their additionality policy and practice. Additionality is an important principle of our funding. We use the following definition:

"Lottery funding is distinct from Government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements Government and other programmes, policies and funding."

All awards made in 2013/14 were consistent with this definition of additionality.

In addition to this definition we also take account of the following provision on additionality set out in our policy directions

"ADDITIONALITY AND COMPLEMENTARITY – the development of programmes and funding of projects should complement, add value and be distinct from the work of other funders and parties working towards the Big Lottery Fund's goals."



# Section three: Our governance

**This section of the report contains:**

- ▶ **Statement of Accounting Officer's Responsibilities**
- ▶ **The governance statement of the Accounting Officer**
- ▶ **Membership of the Board, country committees and Senior Management Team**
- ▶ **The register of interests of members**
- ▶ **The remuneration report**

## **Statement of Accounting Officer's Responsibilities**

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

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

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

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

Big Lottery Fund was created by the National Lottery Act 2006, which set out the primary rules under which it operates. It has also been given functions under the Dormant Bank and Building Societies Act 2008. Big Lottery Fund is a non-departmental public body (NDPB) and I am fully accountable for Big Lottery Fund's funds to Parliament. Certain orders relating to National Lottery and dormant account money are made by the UK or Scottish Parliaments, but the main government oversight of Big Lottery Fund is exercised through directions issued by ministers.

As Accounting Officer, as far as I am aware, there is no relevant audit information of which the Big Lottery Fund's auditors are unaware. I have taken all reasonable steps as Accounting Officer to make myself aware of any relevant audit information and to establish that our auditors are aware of that information.

## **Delegated responsibilities**

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



## Joint schemes

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

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

In addition, the Big Lottery Fund's Accounting Officer is also responsible for the delivery of the systems used for operating the Awards for All England programme, which the Big Lottery Fund administers.

During 2013/14 the Big Lottery Fund has participated in the following joint scheme:

- Parks for People – a scheme administered by the Heritage Lottery Fund on behalf of the Heritage Lottery Fund and the Big Lottery Fund.

## Award partners

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

I retain responsibility for the overall safeguarding of the public funds provided to the Big Lottery Fund and for ensuring that award partners operate within our agreed terms and in line with the financial and policy directions provided to me.

Our award partners:

- as part of the Changing Spaces programme:
  - Royal Society of Wildlife Trusts – Local Food
  - Building Research Establishment Ltd
  - Groundwork Trust
  - Natural England
  - Mind
- as part of our People Powered Change outcomes:
  - The Foundation for Social Entrepreneurs
- as part of the Social Investment programme:
  - School for Social Entrepreneurs
- as part of the Space and Places programme:
  - Community Foundation for NI
- as part of the International Communities programme:
  - Basic Needs

## Dawn Austwick

Chief Executive and Accounting Officer  
10 July 2014

# Section three: Our governance

## The governance statement

As Chief Executive and Accounting Officer this governance statement is my responsibility. I have responsibility for maintaining a sound system of internal control that supports the achievement of the Big Lottery Fund's policies, aims and objectives whilst safeguarding the public funds and assets for which I am responsible.

I was appointed to this position with effect from 1 October 2013. I have obtained information from the Acting Chief Executive, Ceri Doyle, for the six months of the year prior to my appointment. I have considered the Head of Internal Audit's annual assurance report. This statement sets out how I have discharged my responsibility to manage and control Big Lottery Fund's resources during the year. It aims to give a clear understanding of the way in which the Fund works and is controlled and explains the main risks facing it and how well these are being managed.

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

The Fund operates across the UK and was created by the National Lottery Act 2006, which set out the primary rules under which it operates. It has also been given functions under the Dormant Bank and Building Societies Act 2008. The Fund is a non-departmental public body (NDPB) and I am fully accountable for our funds to Parliament. Certain orders relating to Lottery and dormant account money are made by the UK or Scottish Parliaments, but the main government oversight of the Fund is exercised through directions issued by ministers.

The Secretary of State for Culture, Media and Sport is accountable for the National Lottery Distribution Fund (NLDF) and therefore issues financial and accounts directions to the Fund in relation to its functions under the National Lottery Acts. For legal reasons the Minister for the Cabinet Office issues similar directions relating to dormant account money. These directions regulate the Fund's systems and processes.

The Fund's policy sponsor department is the Cabinet Office. The Minister for the Cabinet Office issues policy directions which the Fund must take into account when distributing funds, that apply generally to all UK funds and specifically to England. The devolved administrations in Scotland, Wales and Northern Ireland issue policy directions relating to the funds distributed in those countries. The directions applying during the year are included in Section five of this report.

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

### **Non-executive governance**

The Fund is governed by a Board comprising the Chair, the four chairs of the country committees and up to seven other members. The Board has appointed one of its members as Vice-Chair. Each country has a committee responsible for the funding programmes in their country; the Board has also appointed a committee for UK-wide funding. The Board sets the Fund's strategic framework, and the committees have delegated authority to determine the programmes in their countries, subject to this strategic framework and the policy directions for their country. They also make grant decisions, or agree the delegated arrangements for making them, within these programmes.

The Board has appointed an Audit and Risk Committee to advise it on financial reporting, audit and assurance and risk management issues. It includes one external member and one country committee member who have expertise in audit and accounting matters. It has also appointed a Remuneration Committee to deal with the matters set out in the remuneration report. The Board, Audit and Risk Committee and country committees meet at least quarterly, with additional meetings as they consider necessary. The Remuneration Committee normally meets annually.

The Board receives minutes from all of its committees. In addition from time to time it receives fuller reports of the programmes in each country portfolio, so that it can ensure that they conform to the strategic framework and that learning is shared. The Chair of Audit and Risk Committee reports to each Board meeting on any matters the Committee considers

need to be brought to their attention, and to provide assurance to the Board. Audit and Risk Committee also provide a full report to the Board on their work once each year.

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

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

### **Executive management**

I lead the executive management of the Fund supported by a Senior Management Team (SMT) which currently has seven members, including myself, but which had nine members during the year. SMT meet weekly with a formal meeting each month. In addition we draw together senior managers from across the organisation twice a year to review progress. SMT considers key policy, strategic and operational matters, provides advice to the Board on matters requiring its approval and oversees the performance and risk management of the Fund as a whole.

Our system of control, together with the oversight of an experienced management team, is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure in order to achieve our strategy and objectives and it can therefore only provide reasonable rather than absolute assurance of effectiveness. Given the difficulties faced this year, primarily triggered by the Funding Management System, it will be necessary to consider whether and how our risk and control systems should be refined. Further details on these matters and steps that I have already taken to address this matter can be found in the rest of this statement.

The members of SMT and their areas of responsibility are set out in the next section of this report. Since my appointment I have initiated a number of changes including the merging of two of the directorates under a new Chief of Staff post, but these did not take effect during the year 2013/14.

There are appropriate executive management structures across the organisation to oversee core activities and the projects and programmes being operated across the Fund. During the year I visited nine of the Fund's offices to meet staff and managers to elicit their views about the Fund, to attend country committee meetings, and to meet and hear from stakeholders. In addition I have met with officials from DCMS, the Cabinet Office, the Scottish and Northern Irish administrations and attended the Lottery Distributors Forum.

### **The new Funding Management System (FMS)**

By far the most significant governance issue affecting the Fund this year has been the implementation of our new Funding Management System (FMS). The FMS has been under development for several years, as part of a broader Business Process Reengineering Programme (BPR). After significant delays and increases in cost, a decision was made to proceed to internal go-live (IGL) in September 2013. Despite the extensive governance and risk management arrangements that had been put in place to provide assurance, the performance of the system after IGL was extremely disappointing. Staff found the new system difficult and time consuming to use, and significant operational difficulties were experienced.

The full implementation of the FMS has been subject to delay but as a result of a great deal of effort by both operational and technical staff, the Fund has been able to continue to make awards and payments at close to its normal level, although with some delays. The expected financial and non-financial benefits of the FMS have not therefore been delivered, and although some benefits will be realised once the system has been fully implemented, they are likely to be lower than originally planned.

In view of the difficulties experienced we cancelled the plan to proceed to external go-live (EGL). The customer portal which was considered unsatisfactory, has been written off.

### **Action taken to manage the introduction of the FMS**

Shortly after my appointment I personally took over the role of Senior Responsible Owner (SRO) of the FMS programme and asked the existing SRO and

# Section three: Our governance

Programme Board to step aside so that I and SMT could take over formal ownership of the programme. I replaced the existing project management arrangements with two new bodies, the Business Group and the Technical Group, led by senior managers and reporting directly to me. Non-executive oversight has continued to be exercised by a sub-group of the UK Board. The Audit and Risk Committee have been kept informed of the situation.

The focus of our activity since then has been to complete the transition to the new system.

We expect the programme to be brought to an end in early autumn 2014, with the operation and further development of the system being brought into business as usual.

Given the challenge in implementing the system the Audit and Risk Committee, at the request of the Chairman of the Board, has commissioned a review of the FMS programme. Roy Davies, a former partner at PwC Consulting, has been appointed to carry out the review and expects to report by July 2014. It's clear that the systems of governance, decision-making, risk management and project delivery at the Fund, which were thought to be satisfactory, failed to provide adequate assurance in relation to the programme. Several of the areas reported on below will therefore require review to ensure that they are fit for purpose and effective.

## Risks relating to the FMS

The current corporate risk register contains five risks relating specifically to FMS, all of these risks are being actively managed by SMT and myself:

- ▶ Staff dissatisfaction arising from delays in stabilising the FMS and operational cost savings impacting on our ability to deliver performance targets
- ▶ Stakeholder dissatisfaction arising from delays in stabilising the FMS
- ▶ The project does not deliver its planned outcomes (benefits) impacting on customer, staff and stakeholder satisfaction

- ▶ Customer dissatisfaction arising from delays in stabilising the FMS and operational cost savings
- ▶ A delay in stabilisation resulting in an inability to launch new programmes.

## Operating cost target risk

The Fund has undertaken to achieve an operating cost target of 5 per cent by financial year 2014/15. In order to do so a re-structuring programme across the Fund was developed. Much of the programme was implemented in a timely fashion. However this was not achieved on schedule in England because of a separate re-structuring programme. As this failure to deliver would have put the Fund's ability to meet its target as planned at risk, I asked the England Directorate to instigate a cost saving plan to be achieved by 31 March. This has duly been achieved and we have moved into a 5 per cent operating model with the new financial year.

There are contingency plans for further savings if it appears that the target is not going to be met, but the risk remains red rated.

## Other risks faced by Big Lottery Fund

In addition to the risks relating to the FMS and to the operating cost target, which are discussed above, there are currently five further risks within the corporate risk register.

- ▶ Failure to manage grant commitments and payments results in NLDF balance being higher than planned
- ▶ Stakeholders lose confidence in the Fund
- ▶ Corporate governance arrangements do not hold up to external scrutiny
- ▶ Failure to ensure compliance with regulatory and similar requirements
- ▶ Unforeseen physical events including system failures
- ▶ Failure to prevent significant internal or external fraud.

I am satisfied that the grant award and payment management risk has effective controls in place and are within acceptable tolerance. Our financial reporting arrangements have ensured that any deviation from plan is quickly recognised and action

taken. The deviation from plan this year was a consequence of a considered timing change, in the interests of grant applicants, and not a control failure.

All of the strategic risks recognise the potential impact on reputation should they materialise and include controls and contingencies to manage this. Other than the risks arising from the FMS implementation, I am satisfied that these risks are being properly managed. Close attention is paid to these aspects of our operations, and substantial efforts are made to obtain feedback from all of our customers and stakeholders to help improve our performance.

As we develop our new strategic framework I expect us to revise our strategic risk register such that it links closely to our corporate aims and ambitions.

Other than fraud the other risks are common to all organisations of similar complexity. No significant issues have arisen in these areas, and the Fund has effective systems and contingency plans that I am satisfied manage these risks satisfactorily.

### **Fraud risk**

The Fund unavoidably faces the risk of fraud. The greatest such risk comes from organised criminal attacks on our small grants system. We have an investigations team that supports our funding staff in carrying out risk assessment, and follows through all suspected cases of fraud or other deliberate wrongdoing. Other controls on fraud include: a clear fraud policy; a whistleblowing policy together with means for the public to directly refer concerns to our investigations team; clear reporting arrangements for suspected frauds, with material frauds being reported to me, the Audit and Risk Committee and to DCMS; and close working with the Police, Charity Commission and other agencies. The Fund is closely involved in cross-governmental anti-fraud initiatives. The number and value of suspected irregularities is monitored at all Audit and Risk Committee meetings.

While implementation of the FMS will present new fraud challenges as applications and grant management move online, it has also offered new opportunities to use more sophisticated technology to fight it. We also recognise that our funding staff have an important role to play in managing fraud. A review of the controls being applied to our small

grants programmes through the FMS is currently being carried out to ensure that any excessive controls which may have been included in the system are removed, whilst retaining sufficient assurance that systematic fraud is made very difficult.

### **Risk management and assurance**

The Fund operates a comprehensive system of risk management, with a corporate risk register being reviewed quarterly by SMT and the Audit and Risk Committee. The chair of the committee reports to each Board meeting on any matters that need to be brought to their attention. The Board, on the advice of the Audit and Risk Committee, has agreed the Fund's risk tolerance levels. These have been carefully developed to reflect the different tolerance levels that are acceptable for different risks. A key issue for the Fund is recognising that our aim to help communities and those most in need sometimes requires us to fund in challenging circumstances and for risks to be taken with regard to the success of some projects. This requires careful judgement on the part of our funding staff. The Board itself reviews the risk register at least annually to ensure there are no material omissions.

Similar risk registers are maintained at directorate and divisional level and for all projects and programmes and are reviewed at senior level each quarter. There is a system in place for escalating significant risk issues upwards to SMT. This system is being reviewed in light of the challenges experienced in implementing the new FMS.

A programme of internal audit work is prepared annually by the Head of Internal Audit (who has a direct reporting line to me) and agreed with SMT and the Audit and Risk Committee. This programme is designed to give assurance that appropriate controls have been designed and are operating correctly in relation to all the significant risks faced by the Fund.

The findings of the reports, especially any giving "no" or "limited" assurance are considered by me, the managers concerned and the Audit and Risk Committee. Actions are agreed by management in response to all recommendations made, and progress against these is reported to each Audit and Risk Committee meeting. Additional actions taken during 2013/14 were for SMT to consider a report on audit

# Section three: Our governance

progress from the Head of Internal Audit every quarter, and to consider his draft assurance report, both of which give SMT as a whole a clearer overview of the progress in addressing any control weaknesses, and enable them to contribute more effectively to agreeing the contents of the forward plan of audit work.

The number of actions outstanding after their agreed implementation date is key management information (KMI) with a target of zero. There was one recommendation with an overdue action at 31 March 2014, but this related to a low priority administrative matter.

External audit of this Annual Report and Accounts is carried out by the National Audit Office. Findings and recommendations arising from the external audit are dealt with in the same way as those from internal audit and fully considered by the Audit and Risk Committee. In some specialist areas (for example, health and safety compliance) further assurance is obtained by reports from other professional qualified advisers.

Each director has provided me with an assurance statement on the areas for which they are responsible and drawing on these and the results of internal audit reviews the Head of Internal Audit has provided me with an annual assurance report.

As a result of the issues surrounding the FMS project set out elsewhere and the impact of this on the Fund's core business, the Head of Internal Audit's annual assurance report provided a limited assurance on the design, adequacy and effectiveness of the Fund's system of internal control. The report does however note the progress being made by senior managers towards a more effective control framework. This is a view with which I concur.

## **Other significant control issues identified during the year**

During the year eleven internal audit reviews were carried out. Two of these gave limited assurance and management has taken action to address the weaknesses found during these reviews. The majority of Internal Audit's recommendations were aimed at improving the effectiveness of controls and were in response to control weaknesses that were not considered to have a significant impact on the

achievement of the objectives of the area under review, or on the Fund's reputation. Half of these arose during three FMS related reviews and were acted on immediately. Management has agreed appropriate action to address the remaining weaknesses.

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

The current arrangements for governance were developed following an independent review in 2010. They were designed to enable the Board to focus more effectively on the strategic management of the organisation. Funding programme matters within strategic parameters set by the Board are fully devolved to the five portfolio committees. Non-executive governance has been further reviewed in 2014 as part of the Triennial Review of the Fund by the Cabinet Office available at: [www.gov.uk/government/publications/big-lottery-fund-triennial-review-2014](http://www.gov.uk/government/publications/big-lottery-fund-triennial-review-2014)

The Board has engaged with all of the strategic, operational and financial challenges facing the Fund and is participating in tracking progress against the current strategic framework as well as developing the next one. It is satisfied that it is receiving sufficient accurate information to be confident about the effectiveness of the funding programmes and about the financial and operational performance of the business. The systems which provide this information are assured by being included in the internal audit programme. Given the stated difficulties with the new Funding Management System the Board's view of the appropriateness of process in this regard will be informed by the review of the FMS programme it has commissioned.

The Fund applies the Cabinet Office guidance "The Principles of Good Governance in Executive NDPBs", which is the equivalent of "The Corporate Governance Code for Central Government Departments" for NDPBs. I am satisfied that the principles of the Code, together with other sources of guidance on good practice in corporate governance, are fully reflected in the Fund's governance arrangements.

## Corporate planning and performance management

The Fund has a system of corporate planning designed to identify corporate priorities and plans in each period so as to deliver the strategy approved by the Board. Directorate and divisional plans are developed throughout the Fund, and feed into the personal objectives of staff.

The corporate plans identify key performance indicators (KPIs) and key management information (KMI). These are monitored and reported to SMT and the Board regularly, with corrective action being agreed wherever necessary. Extensive financial and performance information is also reported monthly to SMT and quarterly to non-executives.

Five KPI targets were materially missed during 2013/14 – four of these related to the BPR programme. The fifth related to funds awarded being substantially below the budgeted amount. This mainly reflected the decision to delay awards on two strategic programmes into 2014/15, rather than any operational failure. These two programmes were A Better Start (£150 million) and Ageing Better (£121 million).

The corporate planning and performance management systems are assured by being covered by the internal audit programme. A review of the controls over the KPI and KMI reporting systems was carried out during 2012: it recommended some improvements, but provided moderate assurance over the controls. However, I have initiated a number of improvements to the corporate planning arrangements to strengthen the relationship between our mission and strategic framework and our corporate planning. These will be developed during 2014/15.

## Third party funding

In October 2011, the Board endorsed the Fund's third party strategy which focused our activity and set out our approach, along with short-, medium- and long-term goals for delivery. In our strategy we outline how we put our experience, systems and learning at the disposal of others and add value where we can. The Board is actively engaged in decisions about what third party work it is appropriate for the Fund to take on, consistent with that strategy. We

apply a risks and a control regime to each opportunity consistent with the task set by the client, ensuring that there is no question of Lottery money being put at risk or cross subsidising non-Lottery work. We regularly review activities and opportunities to identify learning from the delivery of third party activities.

## Delegated and trust arrangements

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

The Fund also makes awards as endowments to trusts, normally created specifically for the purpose of the award. As well as conducting similar due diligence before the award, the Fund appoints an independent protector who has powers to ensure that the endowment is properly applied in accordance with the Fund's intentions.

## Loss of data

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

During 2013/14 there were no reportable losses of personal data.

## Overall assessment of governance and internal control

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

## Dawn Austwick

Accounting Officer and Chief Executive Officer  
10 July 2014

# Section three: Our governance

## The Senior Management Team

**Dawn Austwick** (Appointed on 1 October 2013)  
Chief Executive

**Robert Atkins**  
Deputy Director, Strategy and Performance

**Mark Cooke**  
Director, Finance and Corporate Services

**Ceri Doyle**  
Director, Strategy, Performance and Learning  
Acting Chief Executive (from 1 June 2013 to  
1 October 2013)

**Dharmendra Kanani**  
Director, England

**Jackie Kileen**  
Director, Scotland

**Joanne McDowell**  
Director, Northern Ireland

**Linda Quinn**  
Director Communications and Marketing

**John Rose**  
Director, Wales



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

Name	Role	Attendance 2013/14	Remuneration 2013/14 £	Remuneration 2012/13 £
<b>UK Board members</b>				
<b>Peter Ainsworth</b>	Chair, UK Board	5/5	28,800	28,800
	Chair, Remuneration Committee	1/1	-	-
	Chair, UK Funding Committee	5/5	-	-
<b>Anna Southall OBE</b>	Vice Chair, UK Board	5/5	13,080	13,100
	Member, Remuneration Committee	1/1	-	-
	Member, Audit and Risk Committee	3/4	-	-
	Member, UK Funding Committee	5/5	-	-
<b>Astrid Bonfield</b>	Member, UK Board	3/5	7,848	2,600
	Member, Remuneration Committee	1/1	-	-
	Member, UK Funding Committee	5/5	-	-
<b>Tony Burton CBE</b>	Member, UK Board	5/5	18,312	6,100
	Chair, Audit and Risk Committee	4/4	-	-
<b>John Gartside OBE</b>	Member, UK Board (until 30 November 2012)	-	-	6,400
<b>Frank Hewitt CBE</b>	Chair, Northern Ireland Committee	6/6	24,000	24,942
	Member, UK Board	5/5	-	-
	Member, UK Funding Committee	4/5	-	-
<b>Maureen McGinn</b>	Chair, Scotland Committee	10/10	24,000	24,000
	Member, UK Board	5/5	-	-
<b>Rajay Naik</b>	Member, UK Board	5/5	7,848	10,400
	Member, UK Funding Committee	5/5	-	-
<b>Nat Sloane</b>	Chair, England Committee	6/6	24,000	24,000
	Member, UK Board	4/5	-	-
<b>Sir Adrian Webb</b>	Chair, Wales Committee	4/4	18,000	18,000
	Member, UK Board	3/5	-	-
	Member, Audit and Risk Committee	4/4	-	-
<b>Diana Whitworth</b>	Member, UK Board	-	-	6,800
<b>Other England Committee members</b>				
<b>Dr Alan Billings</b>	Member, England Committee (until 29 January 2014)	6/6	11,331	13,200
<b>Geeta Gopalan</b>	Member, England Committee	6/6	11,351	10,200
	Member, Audit and Risk Committee (from 21 July 2013)	3/3	-	-
<b>Scott Greenhalgh</b>	Member, England Committee	5/6	13,324	14,800
<b>Charlie Howard</b>	Member, England Committee (from 1 February 2014)	2/2	872	-
<b>Steve Richards</b>	Member, England Committee	5/6	10,000	10,000
<b>Jane Robinson</b>	Member, England Committee (from 1 February 2014)	1/2	872	-
<b>Danny Silverstone</b>	Member, England Committee (until 29 January 2014)	6/6	10,000	10,900
<b>Albert Tucker</b>	Member, England Committee	6/6	10,708	10,800
<b>Nalini Varma</b>	Member, England Committee	5/6	10,572	10,300
<b>Geoffrey Wilkinson</b>	Member, England Committee (until 29 January 2014)	6/6	11,740	13,800

# Section three: Our governance

Name	Role	Attendance 2013/14	Remuneration 2013/14 £	Remuneration 2012/13 £
<b>Other Scotland Committee members</b>				
Tim Allan	Member, Scotland Committee (until 7 March 2014)	7/9	3,788	3,200
Elizabeth Cameron	Member, Scotland Committee	10/10	4,660	4,400
Stella Everingham	Member, Scotland Committee (from 8 March 2014)	1/1	436	0
Helen Forsyth	Member, Scotland Committee (until 7 March 2014)	9/9	5,232	3,900
David Green	Member, Scotland Committee (until 7 March 2014)	9/9	6,976	5,800
Alistair Grimes	Member, Scotland Committee (until 6 March 2013)	-	-	3,700
Hamira Khan	Member, Scotland Committee	9/10	5,232	900
John McDonald	Member, Scotland Committee	8/10	5,232	900
Alan McGregor	Member, Scotland Committee (from 8 March 2014)	1/1	436	0
Lucy McTernan	Member, Scotland Committee (until 7 March 2014)	8/9	5,396	3,200
Shalani Raghavan	Member, Scotland Committee (from 8 March 2014)	1/1	436	0
Deirdre Robertson	Member, Scotland Committee (from 8 March 2014)	1/1	436	0
John Watt	Member, Scotland Committee	10/10	5,232	900
Shirley Young	Member, Scotland Committee	-	-	1,800
<b>Other Wales Committee members</b>				
Rona Aldrich	Member, Wales Committee	4/4	5,232	3,000
Graham Benfield OBE	Member, Wales Committee (until 28 February 2014)	4/4	2,398	2,900
Sian Callaghan	Member, Wales Committee (from 5 February 2014)	1/1	872	0
Gareth Newton	Member, Wales Committee (until 25 February 2014)	3/3	4,796	6,300
Rob Pickford OBE	Member, Wales Committee (from 5th February 2014)	1/1	872	0
Janet Reed OBE	Member, Wales Committee	3/4	5,232	6,000
Rita Singh	Member, Wales Committee (from 5 February 2014)	1/1	872	0
Fran Targett OBE	Member, Wales Committee	4/4	2,616	4,000
Mike Theodoulou	Member, Wales Committee	4/4	5,232	6,600
Barbara Wilding CBE, QPM, CCMi	Member, Wales Committee (until 7 February 2014)	3/3	4,796	6,300
<b>Other Northern Ireland Committee members</b>				
Geraldine Campbell	Member, Northern Ireland Committee	6/6	5,232	4,900
Paul Cavanagh	Member, Northern Ireland Committee	6/6	5,232	5,800
Julie Harrison	Member, Northern Ireland Committee	3/6	5,232	3,500
Claire Keatinge	Member, Northern Ireland Committee	6/6	5,232	2,300
Peter Osbourne	Member, Northern Ireland Committee	5/6	6,785	3,400
<b>Other Audit and Risk Committee members</b>				
Hilary Gay	Member, Audit and Risk Committee (until 20 July 2013)	1/1	534	1,700
Angela Marshall	Member, Audit and Risk Committee	2/4	1,744	1,600

## Register of interests of members

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

If the Board or a committee takes any decisions which could 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.

The following table details awards made to organisations where Board and country committee members have declared a current or past interest.

Board or committee member	Nature of relationship	Existing total awards made to organisation	Awards made to the organisation in 2013/14	Payments made to the organisation in 2013/14	Outstanding grant award at 31 March 2014
<b>Tim Allan</b>	Business interest, Trossachs Area Community Transport	1 award of £419,398	Increase of award by £35,000	£16,392	£39,673
<b>Graham Benfield</b>	Chief executive, Wales Council for Voluntary Action	4 awards totalling £2,771,961	£-	£933,106	£368,443
<b>Alan Billings</b>	Spouse is former Board Member, Sheffield CAB	2 awards totalling £1,546,140	£-	£346,680	£1,108,296
<b>Geraldine Campbell</b>	Shadow Membership and Standards Committee member, Citizens Advice Northern Ireland	1 award of £1,119,053	£-	£330,055	£38,366
<b>Paul Cavanagh</b>	Adviser, North West Community Network	1 award of £296,217	Increase in award of £100,000	£102,936	£64,445
<b>Helen Forsyth</b>	Regeneration director, Places for People Group	1 award of £17,807,563	£-	£285,611	£678,743
	Chief executive, Berwickshire Housing Association (connected with Scottish Borders Housing Association)	£347,036	1 award of £347,036	£83,010	£224,355
<b>Geeta Gopalan</b>	Mentor of CEO, Beyond Youth CIC	5 awards totalling £650,741	1 award of £333,695	£514,612	£310,378
<b>Julie Harrison</b>	Associate consultant, Community Evaluation NI	1 award of £127,795	Increase in award of £42,960	£31,503	£8,433
	Adviser, East Belfast Independent Advice Centre	1 award of £500,000	Increase in award of £153,013	£131,511	£183,401
<b>Claire Keatinge</b>	Trustee and chair, Community Development and Health Network	1 award of £499,957	Increase in award of £113,450	£104,400	£139,431
	Panel member, Community Foundation NI	2 awards totalling £472,000	2 awards totalling £472,000	£-	£472,483
	NI committee member, Rethink	4 awards totalling £987,535	2 awards totalling £19,150	£276,295	£433,503

# Section three: Our governance

Board or committee member	Nature of relationship	Existing total awards made to organisation	Awards made to the organisation in 2013/14	Payments made to the organisation in 2013/14	Outstanding grant award at 31 March 2014
<b>Hamira Khan</b>	Spouse is Advisory Board Member, NSPCC	2 awards totalling £1,393,780	1 award of £320,000	£521,667	£738,780
<b>Maureen McGinn</b>	Chair of Board of Trustees, Action on Smoking and Health Scotland	1 award of £511,046	£-	£21,953	£-
	Unpaid ambassador, Tomorrow's People Trust	3 awards totalling £1,280,647	2 awards totalling £650,768	£527,867	£1,097,293
	Previous funding role, The Venture Trust	1 award of £696,354	3 awards totalling £204,425	£271,638	£297,026
<b>Lucy McTernan</b>	Former Chief executive, Citizens Advice Scotland, Angus Citizens Advice Bureau	1 award of £790,945	£-	£155,746	£338,595
	Former Chief executive, Citizens Advice Scotland (connected with Shelter)	6 awards totalling £3,437,947	2 awards totalling £10,292,269	£1,152,629	£11,536,052
<b>Peter Osborne</b>	Elected member, Castlereagh Borough Council	1 award of £930,447	£-	£203,804	£125,723
	Trustee, Extern and Extern Ireland	1 award of £494,111	£-	£163,918	£208,806
	Non-executive director, South and East Belfast Health Trust	1 award of £1,487,850	£-	£430,892	£842,826
<b>Nat Sloane</b>	Advisory committee member, Social Finance Limited	2 awards totalling £11,255,751	£-	£168,047	£5,942,089
	Vice-Chair and trustee, Impetus (connected with St Giles Trust and The Prisons Video Trust)	£584,154	2 awards totalling £614,288	£491,279	£683,101
	Connected with We Cook to Eat	£-	1 award of £2,060	£2,060	£-
<b>Fran Targett</b>	Trustee, Wales Council for Voluntary Action	5 awards totalling £2,888,232	£-	£1,017,269	£396,576
	Director, Wales CAB, Llandovery Young Men's Christian Association	1 award of £195,302	1 award of £249,839	£59,736	£231,435
	Director Wales, CAB, Rhondda Housing Association Group	2 awards totalling £457,173	£-	£148,959	£96,898
	Director, Wales CAB, Canolfan Cyngori Ynys Mon CAB	1 award of £76,437	£-	£13,000	£-
	Director, Wales CAB, Vision Impaired West Glamorgan	1 award of £51,222	£-	£6,807	£-
	Director Wales, CAB, Cyngor ar Bopeth Gwynedd & De Ynys Mon CAB	1 award of £465,114	£-	£107,114	£358,000

<b>Board or committee member</b>	<b>Nature of relationship</b>	<b>Existing total awards made to organisation</b>	<b>Awards made to the organisation in 2013/14</b>	<b>Payments made to the organisation in 2013/14</b>	<b>Outstanding grant award at 31 March 2014</b>
<b>Mike Theodoulou</b>	Executive chairman, Mid and West Wales Chamber	4 awards totalling £2,088,646	Increase in award of £205,871 1 new award £348,237	£577,818	£760,912
	Executive chairman, Mid and West Wales Chamber, Towy Community Church Trust	1 award of £798,202	£-	£188,643	£28,505
<b>Albert Tucker</b>	Non-executive director, Places for People Group	1 award of £17,669,831	£-	£678,743	£285,611
	Member of Grants Committee, People First Tameside	2 awards totalling £288,018	£-	£78,054	£175,806
	Member of Grants Committee, London Sports Trust	1 award of £186,360	£-	£64,636	£105,133
	Member of Grants Committee, Upper Room	2 awards totalling £453,063	£-	£94,486	£242,573
<b>Barbara Wilding</b>	Vice-President, Age Cymru	1 award of £608,884	£-	£114,186	£310,285
	Vice-President, Age Cymru (connected with a Community Voice programme portfolio of projects)	£3,746,443	1 award of £3,480	£773,596	£2,766,593
<b>Geoffrey Wilkinson</b>	Non-executive director, Eden Project	3 awards totalling £9,344,355	£-	£1,043,486	£3,164,851

# Section three: Our governance

## Remuneration report

### Remuneration of executive directors

#### Governance

The Remuneration Committee of the Board has responsibility to:

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

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

The decisions of the Committee are subject to:

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

#### Remuneration policy for executive directors

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

Directors including the Chief Executive receive a basic salary and a performance related payment. Their other terms and conditions of employment are the same as for other Fund employees. They are entitled to be members of the Principal Civil Service Pension Scheme. All directors are on permanent contracts subject to three months' notice. Any termination payments are paid in accordance with the Civil Service Compensation Scheme.

The directors including the Chief Executive receive annual increases to their basic salary on the same basis as other Fund employees. In 2010 and 2011 there were no pay increases because of the pay freeze for all public sector employees. In 2012 and 2013 a 1 per cent increase was awarded.

The Chief Executive is entitled to a performance related payment of up to 20 per cent of basic salary. The other directors are entitled to a payment of up to 8 per cent of their basic salary. Performance-related payments are unconsolidated (that is, they are not added to basic salary, and must be earned again each year). They are not included in pensionable pay. The Chief Executive waived any consideration of a performance-related payment for the year.

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

None of the directors received any termination payments during the year.

Details of the basic salary, performance related payments and pension benefits of directors are set out in the tables on page 39 and 40. Details of their expenses can be found on the website [www.biglotteryfund.org.uk/about-big/our-people/board/board-committee-and-smt-expenses](http://www.biglotteryfund.org.uk/about-big/our-people/board/board-committee-and-smt-expenses)

## Pay multiples (Audited Information)

We are required to disclose the relationship between the remuneration of our highest-paid director (which is the Chief Executive) and the median remuneration of Big Lottery Fund's employees.

Total remuneration includes salary, performance related pay, benefits in kind; it excludes termination payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The banding of the total remuneration during the year of the highest paid director was £140,000 to 145,000 (2012/13 £155,000–160,000), the median remuneration of the Big Lottery Fund's employees was £27,000 (2012/13 £27,000) and the ratio between them was therefore 5.3:1 (2012/13 5.8:1).

## Executives' remuneration (salary and performance related pay) (Audited information)

Executives	2013/14 Salary	2013/14 Performance related payments	2013/14 Total	2012/13 Salary	2012/13 Performance related payments	2012/13 Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Peter Wanless</b> (Chief Executive to 31 May 2013)	25-30 (annual equivalent 140-145)	N/A	25-30	140-145	15-20	155-160
<b>Dawn Austwick</b> (Chief Executive - appointed 1 October 2013 )	70-75 (annual equivalent 140-145)	N/A	70-75	-	-	-
<b>Mark Cooke</b> (Director, Finance and Corporate Services)	100-105	0-5	100-105	100-105	0-5	105-110
<b>Ceri Doyle</b> (Director, Strategy Performance and Learning*)	110-115	0-5	110-115	95-100	0-5	100-105
<b>Dharmendra Kanani</b> (Director, England)	105-110	0-5	105-110	100-105	0-5	105-110
<b>Jackie Killeen</b> (Director, Scotland)	70-75	5-10	75-80	70-75	0-5	70-75
<b>Joanne McDowell</b> (Director, Northern Ireland)	70-75	0-5	70-75	70-75	0-5	70-75
<b>Linda Quinn</b> (Director, Communications and Marketing)	80-85	0-5	80-85	75-80	0-5	80-85
<b>John Rose</b> (Director, Wales)	70-75	0-5	70-75	70-75	0-5	70-75

Band of highest paid director's total remuneration: 140-145 (2012/13: £155-160) Median total remuneration: £27,000 (2012/12: £27,000)

\* Ceri Doyle was Acting Chief Executive, 1 June 2013 to 1 October 2013

# Section three: Our governance

## Executives' remuneration (pensions) (Audited Information)

Executives	Accrued pension at age 60 as at 31/03/14 and related lump sum	Real increase in pension and related lump sum at pension	Cash Equivalent Transfer Values (CETV) at 31/03/14	Cash Equivalent Transfer Values (CETV) at 31/03/13	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
<b>Peter Wanless</b> (Chief Executive to 31 May 2013)	45-50 plus 140-145 lump sum	0-2.5 plus 0-2.5 lump sum	772	767	1
<b>Dawn Austwick</b> (Chief Executive - appointed 1 October 2013 )	0-2.5 plus 0 lump sum	0-2.5 plus 0 lump sum	21	20	5
<b>Mark Cooke</b> (Director, Finance and Corporate Services)	15-20 plus 0 lump sum	0-2.5 plus 0 lump sum	309	264	22
<b>Ceri Doyle</b> (Director, Strategy Performance and Learning*)	25-30 plus 0-2.5 lump sum	0-2.5 plus 0 lump sum	390	353	9
<b>Dharmendra Kanani</b> (Director, England)	10-15 plus 30-35 lump sum	0-2.5 plus 2.5-5 lump sum	170	145	11
<b>Jackie Killeen</b> (Director, Scotland)	10-15 plus 35-40 lump sum	0-2.5 plus 0-2.5 lump sum	169	151	5
<b>Joanne McDowell</b> (Director, Northern Ireland)	20-25 plus 20-25 lump sum	0-2.5 plus 0-2.5 lump sum	281	256	6
<b>Linda Quinn</b> (Director, Communications and Marketing)	25-30 plus 75-80 lump sum	0-2.5 plus 0-2.5 lump sum	578	561	8
<b>John Rose</b> (Director, Wales)	10-15 plus 0 lump sum	0-2.5 plus 0 lump sum	171	149	8

\*Ceri Doyle was Acting Chief Executive, 1 June 2013 to 1 October 2013

### Cash Equivalent Transfer Values (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of

their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

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



## Higher paid employees (Audited Information)

The following table sets out the number of staff, on a full-time equivalent basis, who received remuneration, including performance related payments where relevant, of £50,000 or more in the financial year.

These figures exclude the directors:

Total remuneration	Year ended 31 March 2014 No of staff (FTE)	Year ended 31 March 2013 No of staff (FTE)
£50,000 - £54,999	17.2	14.3
£55,000 - £59,999	5.3	6.6
£60,000 - £64,999	6.4	3.0
£65,000 - £69,999	6.0	8.0
£70,000 - £74,999	1.0	0.6
£80,000 - £84,999	1.0	1.0
£90,000 - £94,999	0.0	1.0

## Remuneration of Board and Committee members

The remuneration of Board and Committee members of the Big Lottery Fund is determined by the Minister for the Cabinet Office ('the Minister').

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

Before 22 November 2012 other Board and committee members received a daily allowance for each day they performed duties for the Fund. The daily allowance was £218. From that date the Minister approved new arrangements under which all Board and committee members would receive an annual salary based on an expected number of days' work. Existing members could choose to move to the new basis or continue to be paid a daily rate until their current appointment expired. The total amounts they received are shown in the table on pages 33 and 34.

The annual salaries and daily rate can be varied by the Minister, although no increase has in fact taken place since 2010.

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

### Dawn Austwick

Chief Executive and Accounting Officer  
10 July 2014

# Section four: Annual accounts

## Our financial statements

### **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT, NATIONAL ASSEMBLY FOR WALES, SCOTTISH PARLIAMENT AND NORTHERN IRELAND ASSEMBLY**

I certify that I have audited the financial statements of the Big Lottery Fund for the year ended 31 March 2014 under the National Lottery etc. Act 1993 and the Dormant Bank and Building Society Accounts Act 2008. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993 and the Dormant Bank and Building Society Accounts Act 2008. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Big Lottery Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Big Lottery Fund's affairs as at 31 March 2014 and of its deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and the Dormant Bank and Building Society Accounts Act 2008, and the Secretary of State directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Lottery etc Act 1993; and
- the information given in Section Two and Section Three of the Annual Report for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**

**Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

15 July 2014

# Section four: Annual accounts

## Statement of Comprehensive Income

	Note	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
<b>Income</b>			
<b>Lottery income</b>			
Proceeds from the National Lottery	13	661,508	774,185
Investment income from the National Lottery Distribution Fund	13	3,103	4,143
Bank and other interest receivable	2	79	26
Recoveries of grant	2	4,120	3,067
		<u>668,810</u>	<u>781,421</u>
<b>Dormant account money income</b>			
Transfers from Reclaim Fund Ltd		83,640	50,000
Bank interest receivable on dormant account money		106	32
		<u>83,746</u>	<u>50,032</u>
<b>Other income</b>	2	4,084	7,235
<b>Total income</b>		<u>756,640</u>	<u>838,688</u>
<b>Expenditure</b>			
<b>Lottery programme expenditure</b>			
Grant commitments made	3	820,420	587,507
Less lapsed or revoked commitments	3	(1,828)	(6,494)
Transfer to Olympic Lottery Distribution Fund		-	79,983
Direct expenditure in support of programmes	4	9,858	6,074
		<u>828,450</u>	<u>667,070</u>
<b>Dormant account money programme expenditure</b>			
Grant commitments made		78,954	49,341
<b>Operating costs</b>			
Operating costs for distributing Lottery income	5	49,662	48,052
Operating costs for distributing dormant account money	5	368	501
Recharged operating costs	5	4,084	7,235
Restructuring and investment	8	8,988	1,087
		<u>63,102</u>	<u>56,875</u>
<b>Total expenditure</b>		<u>970,506</u>	<u>773,286</u>

## Statement of Comprehensive Income (cont'd)

	Note	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
<b>(Deficit)/surplus before taxation</b>		(213,866)	65,402
Taxation	9	(16)	983
<b>(Deficit)/surplus after taxation</b>		<u>(213,882)</u>	<u>66,385</u>
<b>Other comprehensive income/expenditure</b>			
Increase/(decrease) on revaluation of investment	13	-	147
<b>Total comprehensive net income/(expenditure)</b>		<u>(213,882)</u>	<u>66,532</u>
<b>Reserves</b>			
Brought forward at 1 April 2013		(469,700)	(536,232)
Total comprehensive (expenditure)/income for the year		(213,882)	66,532
<b>Carried forward at 31 March 2014</b>		<u>(683,582)</u>	<u>(469,700)</u>

The Fund has no recognised gains and losses other than those above. There are no discontinued activities.

## Statement of changes in equity

	Note	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
<b>General reserves</b>			
Balance brought forward at 1 April 2013		(469,700)	(562,232)
Total comprehensive net (expenditure)/income for the year		(213,882)	66,532
Balance carried forward at 31 March 2014		<u>(683,582)</u>	<u>(469,700)</u>

The notes on pages 48 to 72 form part of these accounts.

# Section four: Annual accounts

## Statement of Financial Position

	Note	31 March 2014 £'000	31 March 2013 £'000
<b>Non-current assets</b>			
Property, plant and equipment	10	3,303	3,480
Intangible assets	11	22,088	18,234
		<u>25,391</u>	<u>21,714</u>
<b>Current assets</b>			
Trade and other receivables	12	10,959	25,554
Cash at bank and in hand		46,033	38,682
Investment balance in National Lottery Distribution Fund	13	382,862	354,421
		<u>439,854</u>	<u>418,657</u>
<b>Total assets</b>		<u>465,245</u>	<u>440,371</u>
<b>Current liabilities</b>			
Trade and other payables	14	(7,811)	(10,884)
Grant commitments	16	(563,357)	(369,632)
		<u>(571,168)</u>	<u>(380,516)</u>
<b>Total assets less net current liabilities</b>		<u>(105,923)</u>	<u>59,855</u>
<b>Non-current liabilities</b>			
Trade and other payables	14	(1,182)	(1,368)
Grant commitments	16	(568,622)	(521,478)
		<u>(569,804)</u>	<u>(522,846)</u>
<b>Provisions</b>			
Assets less liabilities	15	(7,855)	(6,709)
		<u>(683,582)</u>	<u>(469,700)</u>
<b>Represented by:</b>			
Lottery funds reserve		(696,117)	(477,811)
Dormant account money reserve		12,535	8,111
		<u>(683,582)</u>	<u>(469,700)</u>

Signed on behalf of the Big Lottery Fund Board on 10 July 2014.

**Dawn Austwick**  
Chief Executive and Accounting Officer

**Peter Ainsworth**  
Chair

The notes on pages 48 to 72 form part of these accounts.

## Statement of Cash Flows

	Note	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
<b>Cashflows from operating activities</b>			
Funds drawn down from the National Lottery Distribution Fund		636,170	822,897
Transfers from Reclaim Fund Ltd (dormant account money)		83,640	50,000
Payments relating to dormant account money		(76,319)	(44,740)
Recoveries of grant and cash from other sources		4,120	3,067
Other income		10,178	3,068
Interest received		185	58
Payments to suppliers		(26,322)	(19,072)
Payments to and on behalf of employees		(35,125)	(34,506)
Payments to grant recipients		(582,354)	(696,218)
Transfer to OLFDF		-	(79,983)
Cash paid and held by third parties		(356)	18,873
Tax refund received		982	(5)
Net cash flow from operating activities	19	<u>14,799</u>	<u>23,439</u>
<b>Cashflows from investing activities</b>			
Payments to acquire property, plant and equipment		(462)	(287)
Payments to acquire intangible assets		(6,986)	(6,460)
Opening balance adjustment		-	(104)
		<u>(7,448)</u>	<u>(6,851)</u>
<b>Increase in cash</b>		<u>7,351</u>	<u>16,588</u>
<b>Net increase in cash and cash equivalents</b>			
Cash balances carried forward		46,033	38,682
Less cash balances brought forward		(38,682)	(22,094)
<b>Increase in cash</b>		<u>7,351</u>	<u>16,588</u>

The notes on pages 48 to 72 form part of these accounts.

# Section four: Annual accounts

## Notes to the accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2013/14 Government Financial Reporting Manual (FReM) issued by HM Treasury, and the Accounts Directions issued by the Secretary of State for Culture, Media and Sport in accordance with Section 36A (2) of the National Lottery etc Act 1993 (as amended by the National Lottery Acts 1998 and 2006) and the Dormant Accounts and Building Society Act 2008. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Big Lottery Fund for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Big Lottery Fund for 2013/14 are described below. They have been applied consistently in dealing with items that are considered material to the accounts. We have not adopted any IFRS that have been issued but are not yet effective.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention. Current cost is considered a proxy for fair value.

For 2013/14 we do not believe that current costs are materially different to the historic cost shown in the Statement of Financial Position. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act, FReM and International Financial Reporting Standards, where appropriate.

#### 1.2 Going concern

The annual accounts have been prepared on a going concern basis. The grant commitments for future years have been entered into after consideration of the cash requirements of grant recipients (these can extend over three to five years) and after taking account of income projections provided by the Department for Culture, Media and Sport. In taking this view of future income the Board assumes as a matter of public policy the continued operation of the Lottery.

#### 1.3 National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund (NLDF) remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the Fund is as shown in the accounts and, at 31 March 2014, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by the Fund in respect of current and future commitments.

#### 1.4 Property, plant and equipment

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

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

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



## 1.5 Intangible assets

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

Funding system software	10 years
Website	5 years

For assets under construction we do not amortise.

## 1.6 Pension fund

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multi-employer defined benefit scheme. Pension benefits are paid by the PCSPS. Our liabilities are limited to a charge, which is set by the Chief Government Actuary, related to salaries paid in each year.

## 1.7 Operating leases

### Lessee

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

At 31 March 2014 all of the Fund's property leases are classified as operating leases. The lease payments for property cannot be reliably allocated between the land and building components. However it is clear that both elements of the lease arrangements do not transfer substantially all of the risks and rewards of the ownership to the Fund and therefore both elements have been classified as operating leases.

### Lessor

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

## 1.8 Expenditure on programmes

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

### Grant offers and commitments

The Accounts Direction issued by the Department for Culture, Media and Sport requires a distinction to be made between soft commitments and hard commitments.

Hard commitments are defined as the grant sum payable over the life of a scheme on which we have a written contractual agreement with the applicant. Hard commitments are charged to the Statement of Comprehensive Income in the year that the contracts are signed. Hard commitments are shown on the Statement of Financial Position as a liability, the balance being reduced as payments to grant recipients are released.

We define soft commitments as an agreement in principle to fund a scheme and an offer of grant made to the applicant, which the applicant has yet to accept formally. These are shown in a note to the accounts but are not treated as expenditure in the Statement of Comprehensive Income.

### Grants repaid and recovered

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

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

### Direct expenditure on programmes

We record as 'Direct expenditure on programmes' those costs incurred in delivering services directly to beneficiaries or grant recipients as arrangements under s43 of the National Lottery etc Act. For example, provision of grant applicant and recipient support structures and quality assurance for the direct benefit of grant recipients.

# Section four: Annual accounts

## 1.9 Taxation

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

We are registered for Valued Added Tax (VAT). VAT is charged and recovered on our activities that comply with the definition of business activities as set out in VAT legislation. This includes much of our third party activities.

## 1.10 Cash and cash equivalents

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

## 1.11 Provisions

The Fund recognises a provision where:

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

Currently we have provisions for restructuring costs and onerous lease transactions.

## 1.12 Grant management

### Delegated partners

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

### Trusts

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

### Joint schemes

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

### 1.13 Third party assets

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

### 1.14 Financial instruments

The Fund reviews all contracts against IAS 39 in respect of recognition and measurement of financial instruments. The assets and liabilities considered to be financial in nature are set out in note 20. We do not hold any complex financial instruments.

### 1.15 Segmental reporting

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

### 1.16 Dormant account money

Dormant account money has been accounted for under the same policies as Lottery funds, with the amounts distinguished in these financial statements. For clarity, memorandum financial statements relating only to dormant account money is included on page 74.

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

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2013/14. The application of the Standards as revised would not have a material impact on the accounts for 2013/14, were they applied in that year:

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<b>IFRS 9</b>	Financial Instruments – subject to consultation
<b>IFRS 13</b>	Fair Value Measurement – effective 2015-16

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# Section four: Annual accounts

## 2. Income

Recoveries of grant £4,120,000 (2012/13 £3,067,000) represent income received back from grant holders (see note 1.8).

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
<b>Bank and other interest receivable</b>		
Bank interest receivable	79	26
	<u>79</u>	<u>26</u>

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
<b>Other income</b>		
Income from delivering non-Lottery funding	1,954	4,821
Income from delivering Lottery funding on behalf of other distributors	266	289
Rental income	1,490	1,975
Other	374	150
	<u>4,084</u>	<u>7,235</u>

### 3. Programme expenditure

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

We do not allocate income but manage each geographical share through determination of grant budgets. As set out in section two of the annual report, grant budgets are set based on available cash resources. The Board has allocated indicative funding for the 2009–2015 Strategic plan to each country after a share of budget, up to 10 per cent, is top sliced for UK programmes. Of the remaining budgets England receives 77.5 per cent; Scotland 11.5 per cent; Wales 6.5 per cent and Northern Ireland 4.5 per cent. Over the plan period each country committee has discretion, within certain constraints, on the phasing of grant decisions. The table below sets out grant commitments charged to the Statement of Comprehensive Income in the year.

	UK	England	Scotland	Wales	Northern Ireland	Total Year ended 31 March 2014 £'000	Total Year ended 31 March 2013 £'000
Grant commitments made	86,033	580,412	87,538	43,236	23,201	820,420	587,507
Less lapsed and revoked commitments	(34)	(172)	(1,044)	(472)	(106)	(1,828)	(6,494)
Net grant commitments made	85,999	580,240	86,494	42,764	23,095	818,592	581,013

# Section four: Annual accounts

## 4. Direct expenditure in support of programmes

Costs relating to expenditure for the direct benefit of third party recipients made under contract rather than a grant award.

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Support provided directly to grant applicants and recipients	9,858	6,074
	<u>9,858</u>	<u>6,074</u>

The Fund has entered into the following contracts that will provide support directly to beneficiaries. The expenditure is accounted for when the services contracted for are provided. At 31 March the following financial commitments were outstanding on these contracts.

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
The National Council of Voluntary Organisations	4,508	5,287
Eden Projects – The Big Lunch	3,115	3,905
The Big Music Project	2,585	-
Ageing Better	7,755	-
Complex Needs support and development	2,016	-
Fulfilling Lives: A Better Start support and development	7,366	-
Big Potential	10,881	-
22 Contracts (2012/13: 22) to deliver the Lifeskills programme in Wales	1,651	3,063
29 Contracts (2012/13: 24) for other support and development contracts	10,427	6,671

## 5. Operating costs

	Operating costs for distributing Lottery income	Recharged operating costs	Operating costs for distributing dormant account money	Year ended 31 March 2014 Total operating costs	Year ended 31 March 2013 Total operating costs
	£'000	£'000	£'000	£'000	£'000
Employee remuneration	32,219	2,059	344	34,622	34,655
Travel and expenses:					
- Staff	1,476	22	-	1,498	1,612
- Board and committee members	63	-	-	63	48
Payments under operating leases:					
- Property	3,137	1,807	24	4,968	5,011
- Other	(740)	-	-	(740)	(164)
Other accommodation costs	2,620	-	-	2,620	3,027
Communication costs	1,374	48	-	1,422	2,018
Externally provided support for grant programmes	405	9	-	414	549
Programme evaluation	576	7	-	583	782
Staff recruitment and training	828	-	-	828	842
Professional fees	885	83	-	968	1,546
Auditors' remuneration for audit work	115	-	-	115	109
Auditors' remuneration for grant certification work	4	4	-	8	6
IT infrastructure costs	2,263	-	-	2,263	1,702
Other costs	929	45	-	974	1,044
VAT	1,673	-	-	1,673	2,317
Non-cash items:					
- Depreciation and amortisation	1,835	-	-	1,835	684
	49,662	4,084	368	54,114	55,788

# Section four: Annual accounts

## 6. Financial performance indicator

Our financial performance indicator is the proportion of our share of Lottery income that we spend on distributing it. We exclude from this measure costs that we recharge to other people, including the costs of distributing Lottery and non-Lottery money for other organisations and sublet properties. We also exclude the one-off costs of investment to achieve future efficiencies. On this basis the cost of distributing our share of Lottery income was 7.4 per cent of that income (2012/13 6.2 per cent).

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Operating costs for distributing Lottery income	49,662	48,052
Proceeds from National Lottery	661,508	774,185
Investment income	3,103	4,143
	<u>664,611</u>	<u>778,328</u>
Percentage	7.4%	6.2%

## 7. Staff numbers and costs

The total staff costs, including the remuneration of Board members, were as follows:

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Wages and salaries	26,988	28,287
Social security costs	2,214	2,309
Other pension costs	4,664	4,765
Agency staff costs	1,488	634
Capitalised salaries	(732)	(1,340)
	<u>34,622</u>	<u>34,655</u>

Some staff included above were seconded out to other organisations, for whom recoveries of £107,823 are included in other income. The salary and pension entitlement of the Fund's senior management and Board Members are included above; details are disclosed in the Remuneration Report. It is not possible to identify the number and cost of members of staff within the total who are not employed on a permanent basis with the exception of those employed through agencies.

Capitalised salaries relate to people working on the BPR project and are included in 'Funding software – under development' in Intangible assets (note 11).



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

	Average number of temporary staff (FTEs)	Average number of employees (FTEs)	Year ended 31 March 2014 Total average number of staff (FTEs)	Year ended 31 March 2013 Total average number of staff (FTEs)
Grant-making	53	546	599	572
Support to customers and stakeholders	5	221	226	241
Governance and administration	7	133	140	144
Staff engaged on capital projects	-	27	27	23
	<u>65</u>	<u>927</u>	<u>992</u>	<u>980</u>

At 31 March 2014, the Fund employed 980 full-time equivalent employees (2012/13 988). This included 65 full-time equivalent temporary employees (2012/13 40).

### Exit packages

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

Exit package cost band	Number of compulsory redundancies	Number of other departures	Total number of exit packages by cost band
<£10,000	5(4)	0(0)	5(4)
£10,000 - £25,000	20(6)	0(0)	20(6)
£25,001 - £50,000	19(4)	0(0)	19(4)
£50,001 - £100,000	5(3)	0(0)	5(3)
Total number of exit packages by type	<u>49(17)</u>	<u>0(0)</u>	<u>49(17)</u>
Total cost £'000	<u>1,361 (410)</u>	<u>0(0)</u>	<u>1,361 (410)</u>

Figures in brackets are prior year comparatives.

# Section four: Annual accounts

## 8. Restructuring and investment costs

We continually look at the way we are structured and make changes to deliver fit for purpose, efficient and effective services. As part of this process, during 2013/14, the costs of this restructuring included termination payments and property transactions, including new provisions for onerous leases in London and Birmingham.

Following the impairment review undertaken at March 2014 an impairment loss of £1.94 million for the Funding system intangible asset has been identified and is included within the Business process re-engineering review costs below.

We have invested in a review of our business processes including a new funding management system to improve customer service and increase efficiencies. Direct costs of staff working on this project, along with hardware and licences have been capitalised in accordance with IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' (see notes 10 and 11). Costs of remediation work following internal go-live to implement fixes to the system have not been capitalised and are instead shown as an investment cost.

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Termination payments	1,757	809
Property rationalisation	831	93
Unavoidable lease payments	2,508	-
Funding management system intangible asset impairment (see note 11)	1,937	-
Business process re-engineering review	1,955	185
	<u>8,988</u>	<u>1,087</u>

## 9. Taxation

The Fund only pays Corporation Tax on bank and any other interest received.

There is a net tax cost of £15,816 (2012/13 £983,000 credit) for the year. The prior year credit relates to a Corporation Tax repayment of £988,000 on tax originally paid on interest received in respect of cancelled renewable energy grants made by us.

Investment income generated on balances held in the National Lottery Distribution Fund under the stewardship of the Secretary of State is not taxable.

## 10. Property, plant and equipment

	Leasehold improvement £'000	IT £'000	Office equipment/ furniture and fittings £'000	Total £'000
<b>Cost</b>				
At 1 April 2013	6,820	2,737	300	9,857
Additions	202	155	105	462
Disposals	-	-	-	-
At 31 March 2014	<u>7,022</u>	<u>2,892</u>	<u>405</u>	<u>10,319</u>
<b>Depreciation</b>				
At 1 April 2013	4,174	1,903	300	6,377
Charge for the year	352	281	6	639
Disposals	-	-	-	-
At 31 March 2014	<u>4,526</u>	<u>2,184</u>	<u>306</u>	<u>7,016</u>
<b>Net book value</b>				
At 31 March 2014	<u>2,496</u>	<u>708</u>	<u>99</u>	<u>3,303</u>
<b>Cost</b>				
At 1 April 2012	6,820	2,450	300	9,570
Additions	-	287	-	287
Disposals	-	-	-	-
At 31 March 2013	<u>6,820</u>	<u>2,737</u>	<u>300</u>	<u>9,857</u>
<b>Depreciation</b>				
At 1 April 2012	3,818	1,688	291	5,797
Charge for the year	356	215	9	580
Disposals	-	-	-	-
At 31 March 2013	<u>4,174</u>	<u>1,903</u>	<u>300</u>	<u>6,377</u>
At 31 March 2013	<u>2,646</u>	<u>834</u>	<u>-</u>	<u>3,480</u>
At 31 March 2012	<u>3,002</u>	<u>762</u>	<u>9</u>	<u>3,773</u>

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

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## 11. Intangible assets

	Funding system software – under development £'000	Website £'000	Total £'000		Funding system software – under development £'000	Website £'000	Total £'000
Cost at 1 April 2013	17,876	358	18,234	At 1 April 2012	11,526	248	11,774
Additions	6,986	-	6,986	Additions	6,350	110	6,460
Impairment	(1,937)	-	(1,937)	Impairment	-	-	-
At 31 March 2014	22,925	358	23,283	At 31 March 2013	17,876	358	18,234
<b>Amortisation</b>							
At 1 April 2013	-	-	-	At 1 April 2012	-	-	-
Charge for the year	1,195	-	1,195	Charge for the year	-	-	-
At 31 March 2014	1,195	-	1,195	At 31 March 2013	-	-	-
<b>Net book value</b>							
At 31 March 2014	21,730	358	22,088	At 31 March 2013	17,876	358	18,234
At 31 March 2013	17,876	358	18,234	At 31 March 2012	11,526	248	11,774

In accordance with IAS 36 and IPSAS 21, following the impairment review undertaken at March 2014, an impairment loss of £1.94 million for the Funding system intangible asset has been identified and is included within the accounts.

## 12. Trade and other receivables

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
<b>Amount falling due within one year</b>		
Held by delegated partners for payment of grant commitments	3,532	11,852
Deposits and advances	1,178	4,042
Corporation Tax	-	988
Other receivables	2,368	2,252
	7,078	19,134
Prepayments and accrued income	3,881	6,420
	10,959	25,554

Balances receivable are as follows:

Amounts due from other Government bodies	3,372	12,069
Amounts due from local authorities	659	681
Amounts due from bodies external to Government	6,928	12,804

### 13. National Lottery Distribution Fund

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
<b>Balance as at 1 April 2013</b>		354,421
Proceeds from the National Lottery	661,508	
Investment income from the NLDF	3,103	
Funds drawn down from the NLDF	(636,170)	
Net increase in balance	28,441	
<b>Cost as at 31 March 2014</b>		382,862
Unrealised gain on investment		
<b>Market value at 31 March 2014</b>		382,862

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

The accounts for 2012/13 were prepared using an interim certificate issued by DCMS. Subsequent information was made available by DCMS, after the date of signature of the accounts, which would have revised this estimate of the balance to £343 million. The difference between the estimated valuations as at 31 March 2013 is shown as a reduction in the share of operator proceeds in 2013/14. Net operator proceeds would be £673 million without this adjustment.

### 14. Trade and other payables

	At 31 March 2014 £'000	At 31 March 2013 £'000
<b>Amount falling due within one year</b>		
VAT	65	261
Other taxation and social security	717	789
Trade payables	1,134	412
Owed to joint partner for payment of grant commitments	2,633	2,614
Other payables	540	3,965
Accruals and deferred income	2,722	2,843
	7,811	10,884
<b>Amount falling due in more than one year</b>		
Other payables, accruals and deferred income	1,182	1,368
<b>Total</b>	<b>8,993</b>	<b>12,252</b>

Included in the amounts above are the following balances payable to other Government bodies:

Amounts due to other Government bodies	3,509	3,665
Amounts due to local authorities	707	83
Amounts due to bodies external to Government	4,777	8,504
	8,993	12,252

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## 15. Provisions for liabilities and charges

	Unavoidable lease payments £'000	Early retirement contributions £'000	Redundancy provisions £'000	Total provisions £'000
Brought forward at 1 April 2013	5,241	299	1,169	6,709
New provisions created	2,508	-	1,197	3,705
Provisions used	(933)	(157)	(1,419)	(2,509)
Provisions released	-	17	(67)	(50)
Carried forward at 31 March 2014	<u>6,816</u>	<u>159</u>	<u>880</u>	<u>7,855</u>

### Unavoidable lease payments

We have sublet part of our London premises to three tenants. Part of the provision represents the difference between the rent charged to our tenants and that which the Fund is contracted to pay to its landlords. The provision for the difference in market rent is calculated using an assumed inflation rate of 3 per cent. The provision will be utilised over 12 years.

In addition, we have vacated and advertised as available office space in both London and Birmingham. As we have been unable to sublease these floors we have created a provision for these unavoidable lease payments.

At 31 March 2014, we have discounted the provision for unavoidable lease payments using the discount rate advised by HM Treasury, 2.2 per cent.

### Restructuring: retirement, redundancy and support

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

- ▶ Where eligible staff take early retirement the Fund is contracted to meet certain pension contributions until these staff reach statutory retirement date. An estimate of these future contributions is provided. Payments against this provision will continue to be made for up to 10 years.
- ▶ A provision has been made for the estimated redundancy costs of those staff with whom the Fund has entered into consultation prior to 31 March 2014. Redundancy payments are made in accordance with contractual arrangements and terms set out in the Principal Civil Service Pension Scheme arrangements. It is expected that the majority of this provision will be released over the course of the next financial year.
- ▶ Permanent employees are contractually entitled to up to £500 on being made redundant, in relation to the purchase of training courses or materials for development towards future employment. This has also been provided.

## 16. Grants committed for payment (hard commitments)

	£'000	£'000
<b>Hard commitments</b>		
Brought forward at 1 April 2013		891,110
Grant commitments made	834,507	
Lapsed and revoked commitments	(1,828)	
Grant commitments met	(591,810)	
Net movement in hard commitments		240,869
Carried forward at 31 March 2014		<u>1,131,979</u>

	At 31 March 2014 £'000	At 31 March 2013 £'000
--	---------------------------	---------------------------

### Ageing of hard commitments

The hard commitment balance at the year end represents amounts due to recipients in the following periods:

Grants committed for payment within one year	563,357	369,632
Grants committed for payment in more than one year	568,622	521,478
	<u>1,131,979</u>	<u>891,110</u>

Included in the above amounts are the following balances payable to other Government bodies.

Grants committed for payment to other Government bodies	24,690	20,337
Grants committed for payment to local authority bodies	48,514	91,974
Grants committed for payment to the National Health Service organisations	318	10,054

## 17. Soft commitments

Soft commitments represent grant offers that have yet to be formally accepted in writing by the applicant. As such these offers are not recognised as a financial commitment within these accounts.

	£'000	£'000
<b>Soft commitments</b>		
Brought forward at 1 April 2013		49,670
Soft commitments made	834,135	
Lapsed and revoked soft commitments	(536)	
Soft commitments transferred to hard commitments	(820,420)	
Net movement in soft commitments		13,179
Carried forward at 31 March 2014		<u>62,849</u>

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## 18. Joint schemes

### Parks for People

This scheme is administered by the Heritage Lottery Fund on behalf of all parties to the agreement. We have agreed to contribute up to £136 million to the total expected funding of £322 million. Included within hard commitments are £8.6 million (2012/13 £10.7 million) of new grant commitments; and grant commitments carried forward at 31 March include £29.1 million (2012/13 £30.2 million) representing our contribution to the Parks for People joint scheme. The creditors figure includes £2.6 million which is due to Heritage Lottery Fund in respect of our contribution to payments they have made to our grant recipients.

## 19. Reconciliation of income and expenditure to net cash flow from operating activities

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
(Deficit)/Surplus for the period	(213,882)	66,532
Depreciation of property, plant and equipment and amortisation of intangible assets	1,834	580
Impairment loss	1,937	
Opening balance adjustment	-	104
(Deficit)/Surplus adjusted for non-cash transactions	(210,111)	67,216
Decrease in trade and other receivables	14,593	3,152
(Increase)/decrease in NLDF balance	(28,441)	44,422
(Decrease) in trade and other payables	(3,257)	(2,468)
Increase/(Decrease) in provisions	1,146	(536)
Increase/(Decrease) in provision for grant commitments	240,869	(88,347)
Net cash inflow from operating activities	14,799	23,439

## 20. Financial risks

### Financial instruments

International Financial Reporting Standard 7 'Financial Instruments: Disclosures' (IFRS 7) requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments play a much more limited role in creating or changing risk for the Big Lottery Fund than is typical of the listed companies to which IFRS 7 mainly applies. The Big Lottery Fund does not have powers to borrow and can only invest grant-in-aid derived funds. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the organisation.

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

### Liquidity risks

Cash requirements for Lottery Expenditure are met by drawing down against weekly forecasts of need from the balances held on behalf of the Big Lottery Fund by the National Lottery Distribution Fund. At 31 March 2013 the fund balance was £354 million, this had increased to £383 million by 31 March 2014, at which point there were £1,132 million of grant commitments yet to be paid out. In budgeting for current expenditure the Big Lottery Fund balances the outflow of cash payments against grant commitments along with forward forecasts of Lottery Income provided by the DCMS.



In 2013/14 £662 million (87.4 per cent) of Big Lottery Fund's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the NLDF, £3 million (0.4 per cent), along with a small amount of bank interest and sundry income £8 million (1.1 per cent) and income from dormant account money £84 million (11.1 per cent).

<b>Liquid assets at 31 March 2014</b>	<b>£m</b>
Market value of NLDF investments	383
Cash	46
<b>Total</b>	<u>429</u>
<b>Forecast cashflows during 2014/15</b>	
Income from the National Lottery	720
Other income	15
Operating cost payments	(50)
Grant payments	(833)
<b>Net forecast outflow</b>	<u>(148)</u>
Forecast liquid assets at 31 March 2015	<u><u>281</u></u>

The income forecasts are based on projections provided by the Department for Culture, Media and Sport. The forecast grant payments are based on expected draw down profiles as compiled at 31 March 2014.

### Market and interest rate risks

The financial assets of Big Lottery Fund are invested in the NLDF, which invests in a narrow band of low-risk assets such as government bonds and cash. The Board has no control over the investment of these funds. At the date of the Statement of Financial Position, the market value of our investments in the NLDF was £383 million. Funds at the NLDF earned on average 0.5 per cent in the year. Cash balances, which are drawn down from the NLDF to pay grant commitments and operating costs, are held in instant-access variable rate bank accounts, which carried an interest rate of 0.5 per cent in the year. The Big Lottery Fund cash balance at the year-end was £46 million. The Board considers that Big Lottery Fund is not exposed to significant interest rate risks.

	<b>2013/14</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
Sterling at floating interest rates - Big Lottery Fund	25,296	25,372
Sterling at floating interest rates - dormant account money	20,737	13,310
Sterling at mixture of fixed rates	382,862	354,421
	<u>428,895</u>	<u>393,103</u>

### Credit risks

The Big Lottery Fund's receivables comprise prepayments mostly on property leases and intra-government balances. The intra-government balances are mostly with fellow Lottery distributors and all had been either repaid or agreed by the time of signing the accounts. The Board does not consider that the Big Lottery Fund is exposed to significant credit risk.

### Foreign currency risks

Big Lottery Fund is not exposed to any foreign exchange risks.

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## Financial assets by category

<b>Assets as per Statement of Financial Position</b>	<b>2013/14</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
Non-current assets	25,391	21,714
Investments available for sale	382,862	354,421
Cash and cash equivalents – Big Lottery Fund	25,296	25,372
Cash and cash equivalents – dormant account money	20,737	13,310
Loans and receivables	10,959	25,554
	<u>465,245</u>	<u>440,371</u>

## Financial liabilities by category

<b>Liabilities as per Statement of Financial Position</b>	<b>2013/14</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
Financial liabilities		
Grant commitments	563,357	369,632
Operating payables	7,811	10,884
	<u>571,168</u>	<u>380,516</u>

## Fair valuation

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

1. All cash deposits are with commercial banks.
2. Investments are controlled by the Secretary of State for Culture, Media and Sport. He provides the Board with details of the book value and fair value of our balances at the date of the Statement of Financial Position. The unrealised gain on investment is taken through the Statement of Comprehensive Income, resulting in book value equalling fair value.
3. No provision for bad debt is deemed necessary.
4. Whilst we disclose £569 million of grant commitments as not being due for payment until after one year, we have not made a fair value adjustment. The Board have a contractual obligation to pay these amounts on demand, subject to contract, and so the amounts could be paid within the next 12 months.
5. All payables are due within normal contractual terms, and so no difference exists between book value and fair value.

## Maturity of financial liabilities

Liabilities as per Statement of Financial Position	2013/14 £'000	2012/13 £'000
In less than one year	1,140,972	903,362
In more than one year, but less than two	-	-
In two to five years	-	-
In more than five years	-	-
	<u>1,140,972</u>	<u>903,362</u>

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

Theoretically, grantees could demand their entire grant in the next 12 months if their projects were completed in that period. Hence, we have adopted a prudent approach and shown the maturity of liabilities to be all within one year.

## 21. Financial commitments

### Commitments under operating leases

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

	As at 31 March 2014 £'000	As at 31 March 2013 £'000
<b>Property leases held as a lessee:</b>		
Not later than 1 year	6,124	6,085
Later than 1 year and not later than 5 years	23,040	23,073
Later than 5 years	<u>12,363</u>	<u>17,954</u>
	<u>41,527</u>	<u>47,112</u>
<b>Property leases where we are the lessor:</b>		
Not later than 1 year	1,370	1,416
Later than 1 year and not later than 5 years	4,398	4,791
Later than 5 years	<u>2,197</u>	<u>3,174</u>
	<u>7,965</u>	<u>9,381</u>

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

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## 22. Pension scheme

Pension benefits are provided through the Civil Service pension arrangements. Employees may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Consumer Prices Index (CPI). Members may also opt for either the appropriate defined benefit arrangement or a money purchase stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at a minimum rate for members with pensionable salaries under £15,000 of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. This increases in bands up to a maximum of 6.25 per cent and 8.25 per cent respectively for members with a pensionable salary over £60,000. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos members build up pensions based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with CPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits permitted by tax legislation.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

For 2013/14, employers' contributions of £149,592 were payable to the partnership pension account (2012/13 £138,206).

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

For 2013/14, employers' contributions of £4,545,429 were payable to the PCSPS (2012/13 £4,595,446) at one of four rates in the ranges set out below. Employer contributions are to be reviewed every four years following a full scheme valuation. The latest valuation, carried out by Hewitt Bacon and Woodrow, was on 31 March 2007. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Rates for 2013/14 are in line with recommendations from the Actuary.

There is currently a valuation of the Principal Civil Service Pension Scheme being undertaken which is expected to be completed in 2014 and is being carried out according to the methodology set out in the Treasury Directions. Currently employers pay an average of 18.9 per cent of their employees' salary as a pension contribution. The exact figure depends upon the salaries of the individual employees. A new average rate of employer contribution will be set from 2015/16 which will be identified by the valuation currently ongoing. Indications are that the final contribution rate may be up to 7 per cent higher than the current average pension rate of 18.9 per cent.

<b>Bands</b>	<b>Year ended 31 March 2014</b>
£21,500 and under	16.7%
£21,501 - £44,500	18.8%
£44,501 - £74,500	21.8%
£74,501 and over	24.3%

<b>Bands</b>	<b>Year ended 31 March 2013</b>
£21,500 and under	16.7%
£21,501 - £44,500	18.8%
£44,501 - £74,500	21.8%
£74,501 and over	24.3%

The number of staff for whom pension contributions were made in 2013/14 was 167 Classic, 382 Premium and 452 Nuvo. The total of 1,001 represents approximately 90 per cent of the permanent staff employed.

The forecast level of employer's contributions to the PCSPS for 2014/15, based on a 1 per cent pay award on 2013/14 pay levels, is £4,728,826.

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

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

## 23. Losses and special payments

Losses occur where there is no evidence that a funded project's objectives were met. In the financial year to 31 March 2014 we have written off losses of £1,635,632 representing 68 awards (2012/13 £1,952,737 representing 116 awards). There were two write-offs that exceeded £100,000 as detailed below.

Neighbourhood Initiatives Foundation	£336,526
Ceramica Trust	

Special payments arise where:

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

In the financial year to 31 March 2014 three special payments totalling £29,004 (2012/13 £40,795 representing 6 awards) were made in relation to grant transactions.

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## 24. Related party transactions

The Big Lottery Fund is a non-departmental public body. Policy sponsorship of the Fund was transferred from DCMS to the Cabinet Office on 13 April 2011, but we have a continuing financial relationship to DCMS which retains responsibility for Lottery funding. Accordingly, both DCMS and the Cabinet Office have been treated as related parties throughout the year.

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

Transactions with DCMS reflect income received through the NLDF (National Lottery Distribution Fund) and the inward secondment of staff. Transactions with other Lottery distributors include income received for management of Awards for All and rental of office space. Payments are made to Heritage Lottery Fund and Sport England for their services in running grant programmes (Note 18).

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

- Natural England sponsored by Department for Environment, Food and Rural Affairs is a recipient of a grant award
- Highlands and Islands Enterprise, sponsored by the Scottish Ministers, delivers a grant programme on our behalf
- HM Revenue and Customs relating to PAYE and NI transactions
- The Department for Education has contracted to the Fund the management of the myplace grant programme
- The Office for Civil Society has contracted to the Fund the management of the Community Assets programme and the Transition Fund.

## Board members

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

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

A number of Board members have declared interests with public, voluntary and charitable bodies with which we have non-material business interests. These are disclosed on pages 35 to 37.

The Chief Executive Officer, Dawn Austwick, was a Director of Big Society Capital prior to her appointment to the Big Lottery Fund. She resigned from this position on 10th September 2013. Following her resignation she became a member of the Big Society Capital Advisory Board a position which she still holds. Big Society Capital is a recipient of money from the Dormant Accounts Fund via the Big Society Trust (see Memorandum accounts on page 73).

## 25. Third party assets

These assets represent bank balances held on behalf of third parties on whose behalf we manage grant programmes, the Olympic Lottery Distributor and the National Lottery Promotions Unit to meet payments processed by the Fund under service level contracts. These balances are not included within our own accounts.

At 31 March 2014 the following bank balances were held on behalf of third parties:

	31/03/2013 £	Inflows £	Outflows £	31/03/2014 £
Department for Education – the myplace programme	368,306	129	(368,435)	0
Cabinet Office – Community Assets, Transition Fund, Advice Services Fund, Social Incubator Fund, Transforming Local Infrastructure	6,078,661	24,398,838	(24,908,436)	5,569,063
Arts Council England – Awards for All England	3,854	3,071		6,925
Heritage Lottery Fund – Awards for All England, Wales, Scotland, Northern Ireland	3,752	2,704	(3,173)	3,283
Sport England – Awards for All England	4,123	4,039		8,162
Creative Scotland – Awards for All Scotland	19,213	281,525	(406,058)	(105,320)
National Lottery Promotions Unit	1,112,196	2,003,850	(2,574,181)	541,865
Welsh Assembly Government – Community Assets Transfer	496,134	1,541,936	(2,062,442)	(24,372)
Scottish Early Intervention Fund	0	12,824,519	(12,572,499)	252,020
Scottish Celebrate	0	274,847	(719,118)	(444,271)
Sports Scotland – Awards for All Scotland	(144,646)	774,845	(881,155)	(250,956)
Scottish Government – Communities and Family Fund, Scottish Land Fund	810,444	4,638,551	(3,822,630)	1,626,365
HM Treasury – Coastal Communities Fund	910,001	8,882,114	(7,405,182)	2,386,933

## 26. Joint venture – National Lottery Promotions Unit

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

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

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

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## 27. Capital commitments

There were £579,452 contracted capital commitments at 31 March 2014 (2012/13 £3,121,332) relating to the new funding management system. Of this, £215,985 is held on the Statement of Financial Position as capital accruals.

## 28. Contingent assets

The National Lottery distributors are entitled to a share of the future receipts of the sale of the Olympic Park. This entitlement is in return for the additional funding contribution of £675 million for the 2012 Games. It has been made clear to the Lottery distributors that payments would be achieved over the longer term, given the 25 year timescale for the Olympic Park development programme and its dependence on market performance. The current estimate from DCMS is that payment should start in the mid-2020s with the full amount paid back by 2030/31.

As successor to the Millennium Commission, the Fund is entitled to a share of the proceeds of land sales on the Greenwich Peninsula made by the Greater London Authority, once certain costs have been covered. No payments have become due, but payments of £87 million are forecast to be received between 2014 and 2031.

## 29. Contingent liabilities

Soft commitments are detailed at Note 17. There are no other contingent liabilities to report (2012/13 £0).

## 30. Post balance sheet review

There are no significant events having a financial impact on the annual accounts between 31 March 2014 and the date these accounts were authorised for issue, 15 July 2014.

The Accounting Officer authorised these financial statements for issue on 10 July 2014.



## Memorandum: dormant account money

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

Reclaim Fund Ltd transfers funds which it is satisfied are not required to meet future claims from the owners of the dormant account money to the Big Lottery Fund. The Big Lottery Fund distributes those funds in accordance with the Act and directions issued to it by the Minister for the Cabinet Office ('the Minister') and the devolved administrations. Funds are apportioned between the four countries of the UK in accordance with a statutory instrument approved by Parliament.

Costs incurred by the Big Lottery Fund, and by the Minister in relation to the operation of the scheme as a whole, are deducted before apportionment between the countries. Costs incurred by the Minister and the devolved administrations in relation to the individual countries are deducted from the apportioned funds.

In relation to England, directions provide that all funds transferred to the Big Lottery Fund are to be transferred to Big Society Trust for the purpose of capitalising Big Society Capital, a social investment wholesaler. Prior to the establishment of Big Society Trust, the Big Lottery Fund made awards in accordance with directions.

In relation to the other three countries, the Big Lottery Fund makes grant awards in a similar manner to Lottery funds, so that there are outstanding commitments from grant awards made that have not yet been drawn down by grant recipients.

The Big Lottery Fund holds funds not yet drawn down on deposit at commercial banks.

# Section four: Annual accounts

## Memorandum of accounts – dormant account money

### Statement of Comprehensive Income for the year ended 31 March 2014

Transfers from Reclaim Fund Ltd	83,640	50,000
Bank interest receivable	106	32
Total income	<u>83,746</u>	<u>50,032</u>
<b>Programme expenditure</b>		
Transfers to Big Society Trust	(69,897)	(41,360)
Other grant commitments made	(9,057)	(7,981)
<b>Operating costs</b>		
Cost incurred by Minister and devolved administrations	-	-
Other operating costs	(368)	(501)
<b>Total expenditure</b>	<u>(79,322)</u>	<u>(49,842)</u>
Surplus before taxation	<u>4,424</u>	<u>190</u>
Taxation	-	-
Surplus after taxation	<u>4,424</u>	<u>190</u>
Total comprehensive income	<u><u>4,424</u></u>	<u><u>190</u></u>
<b>Reserves</b>		
Brought forward at 1 April 2013	8,111	7,921
Total comprehensive net income for the year	<u>4,424</u>	<u>190</u>
Carried forward at 31 March 2014	<u><u>12,535</u></u>	<u><u>8,111</u></u>

### Statement of Financial Position as at 31 March 2014

#### Current assets

Cash at bank and in hand	20,737	13,310
Total assets	<u>20,737</u>	<u>13,310</u>

#### Current liabilities

Trade and other payables	(57)	(169)
Grant commitments	(8,145)	(5,030)

#### Assets less liabilities

Retained surplus	<u>12,535</u>	<u>8,111</u>
	<u><u>12,535</u></u>	<u><u>8,111</u></u>

## Detailed Income and Expenditure Account with country apportionment

	Year ended 31 March 2014					Total Year ended 31 March 2013 £'000
	Total	England	Scotland	Wales	Northern Ireland	
Transfers from Reclaim Fund Ltd	83,640					50,000
Bank and other interest receivable	106					32
<b>Total income</b>	<b>83,746</b>					<b>50,032</b>
Big Lottery Fund's operating costs of distributing dormant account money income	(368)					(501)
<b>Available for apportionment to countries</b>	<b>83,378</b>					<b>49,531</b>
Share of each country		83.9%	8.4%	4.9%	2.8%	
Apportioned to each country	83,378	69,954	7,004	4,086	2,334	49,531
Transfers to Big Society Trust	(69,897)	(69,897)				(41,360)
Other grant commitments made	(9,057)	-	(5,717)	(3,340)	-	(7,981)
<b>Balance of funds for year ended 31 March 2014</b>	<b>4,424</b>	<b>57</b>	<b>1,287</b>	<b>746</b>	<b>2,334</b>	<b>190</b>
<b>Balance of funds brought forward</b>	<b>8,111</b>	<b>463</b>	<b>793</b>	<b>4,137</b>	<b>2,718</b>	
<b>Balance of funds carried forward at 31 March 2014</b>	<b>12,535</b>	<b>520</b>	<b>2,080</b>	<b>4,883</b>	<b>5,052</b>	

# Section five: Our statutory background

## Policy Directions

Our sponsor department is given power under the Lottery etc. Act 1993 to give Directions as to matters to be taken into account in grant-making.

Responsibility for the Big Lottery Fund, including setting policy directions transferred from the Department for Culture, Media and Sport to the Cabinet Office on 13 April 2011. Following a wide consultation we now have new policy directions for our England, Isle of Man and UK-wide funding that took effect from 1 April 2012.

The Big Lottery Fund has complied with these Directions throughout the financial year 2013/14 in every material aspect.

## England and UK

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

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

## England, Isle of Man and United Kingdom General Directions

1. In exercising any of its functions in relation to 1. In exercising any of its functions in relation to United Kingdom expenditure, the Fund shall take into account the following matters in determining the persons to whom, the purposes for which and the conditions subject to which the Fund distributes its money under section 25(1).
  - A. The need to ensure over time that the distribution of money:
    - (i) Ensures people are engaged and involved in using the Fund's funding to provide solutions to the issues that matter to them in their communities;
    - (ii) Helps identify and enable those who are ready to lead the process of providing these solutions and removes barriers for those that may need help in doing so; and
    - (iii) Supports new and innovative solutions alongside tried and tested models, and generates learning to help the development of policy and practice beyond the Fund's funding.
  - B. The need to ensure that the Fund achieves the distribution of funds to a reasonably wide spread of projects, primarily those delivered by the voluntary and community sector and social enterprises, including small organisations, those organisations operating at a purely local level, newly constituted organisations, organisations operating as social enterprises and organisations with a base in the United Kingdom and working overseas.
  - C. The need to ensure that money is distributed for projects which promote the public and social benefit and are not intended primarily for private gain.
  - D. The need to involve the public in making policies, setting priorities and making grants and which may involve partnerships with broadcasting, electronic, print, digital and other media.
  - E. The need to ensure funds are distributed on the basis of need, delivering measurable outcomes and broader impact for communities and individuals.

- F. The need to include a condition in all grants for recipients to acknowledge Lottery funding using the common Lottery branding.
- G. The Fund, in distributing money under section 25 (1), shall take into account the following principles:
1. **ENGAGEMENT** – the development of programmes should be based on the active engagement of public, private and voluntary & community sector and social enterprise partners.
  2. **REPRESENTATION** – the development of programmes should take account of those most in need by targeting inequality and improving the capability of people and communities to contribute to, participate in and benefit from outcomes funded through the Fund’s programmes.
  3. **SUSTAINABILITY** – a programme’s ability to improve the environment today and for future generations and reduce the impact on the environment.
  4. **LONGER TERM BENEFIT** – that projects can achieve longer-term financial viability and resilience.
  5. **ADDITIONALITY AND COMPLEMENTARITY** – the development of programmes and funding of projects should complement, add value and be distinct from the work of other funders and parties working towards the Fund’s goals.
  6. **COLLABORATIVE WORKING** – where this produces better results, the development of programmes and funding of projects should support collaborative action between funded organisations and public, private and civil society partners.

## England and Isle of Man devolved expenditure

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

Signed by the Minister for the Cabinet Office

28 March 2012

# Section five: Our statutory background

## Scotland

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

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

### General Directions

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

- A. The need to ensure that money is distributed under section 25(1) for projects which promote the public good and which are not intended primarily for private gain.
- B. The need to ensure that money is distributed under section 25(1) to projects which make real and sustainable improvements to the quality of life of local communities.
- C. The need to encourage innovation balanced with the need to manage risk in a manner commensurate with type of project and applicant.
- D. The need to further the objectives of sustainable development.
- E. The need to set specific time limits on the periods in respect of which grants are payable, whether for capital or revenue expenditure.

F. The need:

- (i) in all cases, for applicants to demonstrate the financial viability of the project for the period of the grant;
- (ii) where capital funding is sought:
  - (a) for a clear business plan incorporating the need for resources to be available to meet any running and maintenance costs associated with each project for a reasonable period, having regard to the size and nature of the project; and
  - (b) to ensure that project evaluation and management process for major projects match those of the Office of Government Commerce’s Gateway Reviews.
- (iii) in other cases, for consideration to be given to the likely availability of other funding to meet any continuing costs for a reasonable period after completion of the Lottery award, taking into account the size and nature of the project, and for Lottery funding to be used to assist progress towards viability wherever possible.

G. The desirability of working with other organisations, including other distributors, where this is an effective means of delivering elements of the Fund’s strategy.

H. The need to ensure that the Fund has such information as it considers necessary to make decisions on each application, including independent expert advice where required.

I. The need to require an element of partnership funding and/or contributions in kind from other sources commensurate with the reasonable ability of different kinds of applicants, or applicants in particular areas, to obtain such support.

J. The need to include a condition in all grants to acknowledge Lottery funding using the common Lottery branding.

K. The need to involve the public in making policies, setting priorities and making grants.

### Scottish Devolved Expenditure

3. In exercising any of its functions in relation to Scottish devolved expenditure, the Fund shall take into account the following matters in determining the persons to whom, the purposes for which and the conditions subject to which the Fund distributes money:
- A. The need to operate within the distinctive policy context in Scotland, adding value where appropriate to Scottish Ministers' strategy; supporting a fairer Scotland with the development of opportunities for everyone to flourish within a more successful and sustainable Scotland.
  - B. The need to ensure that the Fund, achieves over time the distribution of money to address the priorities of tackling disadvantage, the advancement of well-being and addressing inequalities; while ensuring a reasonably wide spread of recipients, including small organisations, those organisations operating at a purely local level, social enterprises and organisations with a base in Scotland and working overseas.
  - C. The need to have regard to the interests of Scotland as a whole, the interests of different parts of Scotland and the relative population sizes of, and the scope for reducing economic and social deprivation in, the different parts of Scotland.
  - D. Finally, the need to ensure that the Fund achieves over time, the distribution of money reasonably equally between the expenditure on or connected with:
    - (i) the promotion of community learning;
    - (ii) the promotion of community safety and cohesion; and
    - (iii) the promotion of physical and mental well being. The priority of tackling disadvantage and the need to address inequalities.
4. In relation to Scottish devolved expenditure the Fund shall take into account the need to distribute money under section 25(1) to projects which are intended to achieve one or more of the following objectives:
- A. SMARTER: People having better chances in life.
  - B. SAFER AND STRONGER: Communities work together to tackle inequalities.
  - C. GREENER: People have better and more sustainable services and environments.
  - D. HEALTHIER: People and communities are healthier.
5. In relation to Scottish devolved expenditure the Fund, in distributing money under section 25(1), shall take into account the following principles:
- the development of programmes should be based on the active engagement of public, private and third sector partners.
  - ensuring that individuals and communities across Scotland have the opportunity to contribute to, participate in, and benefit from a more successful Scotland.
  - to improve Scotland's environment today and for future generations while reducing Scotland's impact on the global environment.
  - the development of programmes should complement and add values to the strategies and activities of partners and stakeholders.
  - where possible, the outcomes of projects and programmes should benefit from effective collaboration between organisations and between public, private and third sector partners.

Signed on behalf of Scottish Ministers by John Swinney, Cabinet Secretary for Finance and Sustainable Growth, a member of the Scottish Government

July 2009.

# Section five: Our statutory background

## Wales

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

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

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

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

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

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



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

# Section five: Our statutory background

## Northern Ireland

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

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

### General Directions

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

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

## **Northern Ireland Devolved Expenditure**

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

Signed on behalf of Secretary of State NI

# Section five: Our statutory background

## Financial Directions

The Financial Directions set out below apply across all our operations in all four UK countries. We have complied with these directions through implementation of procedures throughout the organisation to ensure the requirements of the Statement of Financial

Requirements are followed. We maintain an internal audit service to check on a sampling basis that all officers and departments are following the agreed procedures, and to ensure that these procedures are properly documented and disseminated. The full Statement of Financial Requirements can be obtained from the Department of Culture, Media and Sports' website: [http://www.culture.gov.uk/what\\_we\\_do/national\\_lottery/4202.aspx](http://www.culture.gov.uk/what_we_do/national_lottery/4202.aspx)

### **FINANCIAL DIRECTIONS ISSUED UNDER SECTIONS 36E(3) OF THE NATIONAL LOTTERY ETC. ACT 1993 (AS AMENDED BY THE NATIONAL LOTTERY ACT 2006).**

The Big Lottery Fund was established under section 36A of the National Lottery etc. Act 1993 ("the Act") and became fully functional on 1 December 2006. The Big Lottery Fund shall comply with the requirements contained within the attached Statement of Financial Requirements, which have the status of directions under section 36E(3) of the National Lottery etc. Act 1993.

The Statement of Financial Requirements complements, and should be read in conjunction with, the Big Lottery Fund's Management Statement, which deals with corporate governance and management matters.

Signed by authority of the Secretary of State for Culture, Media and Sport.

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

The Minister for the Cabinet Office in exercise of the powers conferred on him by section 22(3) of the Dormant Bank and Building Society Accounts Act 2008 (c.31) and having consulted the Big Lottery Fund ("the Fund"), pursuant to section 22(7) of that Act, hereby gives the following directions to the Fund:

The Fund will distribute the whole of the English portion of dormant account money in the form of non-repayable grants to the Big Society Trust (part of the Big Society Capital Group) to invest in Big Society Capital, acting as a social investment wholesaler in accordance with section 18 of the Dormant Bank and Building Society Accounts Act 2008.

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

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

#### **General Directions**

1. In exercising any of its functions in distributing dormant account money under that Act in relation to Scottish expenditure, the Fund must comply with the following general directions in determining the persons to whom the Fund makes distributions, the purposes for which the Fund makes distributions, the process used to determine what payments to make and the terms and conditions on which the Fund makes distributions.
2. The distribution of dormant account money;
  - A. must be to projects which promote the public good and which are not intended primarily for private gain;
  - B. must be to projects which make real and sustainable improvements to the quality of life of local communities;

- C. may only be to third sector organisations i.e. organisations that exist wholly or mainly to provide benefits for society or the environment;
  - D. must balance the need to encourage innovation with the need to manage risk in a manner commensurate with the type of project and applicant; and
  - E. should seek to further the objectives of sustainable development.
3. In distributing dormant account money BIG must ensure that applicants:
- A. in all cases demonstrate the financial viability of the project for the period of the distribution;
  - B. in cases where capital funding is sought:
    - a). demonstrate a clear business plan incorporating any running and maintenance costs associated with each project for a reasonable period, having regard to the size and nature of the project; and
    - b). demonstrate, for major projects, that project evaluation and management processes match those of the Office of Government Commerce's Gateway Reviews; or
  - C. in cases where capital funding is not sought, demonstrate the likely availability of other funding to meet any continuing costs for a reasonable period after dormant account funding ceases, taking into account the size and nature of the project, and for the dormant account funding to be used to assist progress towards viability wherever possible.
4. In distributing dormant account money BIG must;
- A. set specific time limits on the periods in respect of which distributions are payable, whether for capital or revenue expenditure;
  - B. include a condition in all distributions that recipients acknowledge the use of Dormant Accounts funding, using the agreed branding for the Dormant Accounts Scheme for Scotland;
  - C. ensure that it has such information as it considers necessary to make decisions on each application, including independent expert advice where required;
  - D. work with other organisations, including other distributors, where this is an effective means of fulfilling its functions and objectives;
  - E. involve the public, where possible, in making policies, setting priorities and making distributions;
  - F. operate within the distinctive policy context in Scotland, adding value where appropriate to Scottish Ministers strategy; supporting a Fairer Scotland with the development of opportunities for everyone to flourish within a more successful and sustainable Scotland;
  - G. ensure over time a distribution of money to a reasonably wide range of recipients, including small organisations, those organisations operating at a purely local level, social enterprises, and organisations with a base in Scotland and working overseas;
  - H. have regard to the interests of Scotland as a whole, the interests of different parts of Scotland and their relative population sizes and the scope for reducing economic and social deprivation in the different parts of Scotland;
  - I. ensure that projects are intended to contribute towards the achievement of the Scottish Government's overarching purpose of increased and sustainable economic growth and also one or more of the following strategic objectives:
    - SMARTER: People having better chances in life
    - SAFER AND STRONGER : Communities work together to tackle inequalities
    - GREENER: People have better and more sustainable services and environments
    - HEALTHIER: People and Communities are healthier; and
  - J. take into account the following principles:
    - ENGAGEMENT – the development of programmes should be based on the active engagement of public, private and third sector partners.
    - SOLIDARITY AND COHESION – ensuring that individuals and communities across Scotland have the opportunity to contribute to, participate in, and benefit from a more successful Scotland.

# Section five: Our statutory background

- SUSTAINABILITY – to improve Scotland’s environment today and for future generations while reducing Scotland’s impact on the global environment.

## Specific Directions

5. Before exercising any of its functions in distributing dormant account money in relation to Scottish expenditure the Fund must comply with the following specific direction in determining the persons to whom the Fund should make distributions and the purposes for which the Fund should make those distributions:
  - A. The Fund must produce an evidence based impact assessment of distributing the dormant account money in accordance with prescribed restrictions laid down in the Dormant Bank and Building Society Accounts (Scotland) Order 2010 and in accordance with one of the following options:
    - Option 1: To support 4 broad policy themes: the Fund would have to ensure that the distribution of money is reasonably apportioned to support 4 broad policy themes:
      - Opportunities for children and young people;
      - Addressing health inequalities through increased activity;
      - Strengthening inter-generational activities; and
      - Creating community based employment opportunities.
    - Option 2 To apportion 50%, 67% or 100% of the initial funds to be passed by the BIG Lottery to an endowed trust. The remainder of the monies would then be distributed by the Fund to support the 4 broad policy themes. ..

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

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

### General Directions

1. In exercising any of its functions in distributing dormant account money in relation to Welsh expenditure the Fund must comply with the following general directions in determining the persons to whom the Fund makes grants, the purposes for which the Fund makes grants, the process used to determine what payments to make and the terms and conditions on which the Fund makes grants:
  - A. Dormant account money must be distributed to projects which promote the public good and which are not intended primarily for private gain.
  - B. Dormant account money must be distributed to projects which make real and sustainable improvements to the quality of life of local communities.
  - C. Dormant account money must be distributed primarily to ‘third sector’ organisations, i.e. organisations that exist wholly or mainly to provide benefits for society or the environment. Exceptionally, money may be distributed to local authorities or other statutory bodies where a project involves a partnership or consortium, and the statutory body is acting in a coordinating capacity.
  - D. The distribution of dormant account money must balance the need to encourage innovation with the need to manage risk in a manner commensurate with the type of project and applicant.
  - E. The distribution of dormant account money must promote and support the Welsh language and reflect the bilingual nature of Wales, including giving effect to the principle of equality between the English and Welsh languages.

- F.** The distribution of dormant account money must further the objectives of sustainable development.
- G.** The distribution of dormant account money must set specific time limits on the periods in respect of which grants are payable, whether for capital or revenue expenditure.
- H.** In distributing dormant account money the Fund must ensure that:
- i). in all cases, applicants demonstrate the financial viability of the project for the period of the grant;
  - ii). where capital funding is sought:
    - a). applicants demonstrate a clear business plan incorporating any running and maintenance costs associated with each project for a reasonable period, having regard to the size and nature of the project; and
    - b). applicants demonstrate, for major projects, that project evaluation and management processes match those of the Office of Government Commerce's Gateway Reviews.
  - iii). where capital funding is not sought applicants demonstrate the likely availability of other funding to meet any continuing costs for a reasonable period after dormant account funding ceases, taking into account the size and nature of the project, and for the dormant account funding to be used to assist progress towards viability wherever possible.
- I.** In distributing dormant account money the Fund must work with other organisations where this is an effective means of delivering elements of its strategic plan (see para' 4).
- J.** In distributing dormant account money the Fund must ensure that it has such information as it considers necessary to make decisions on each application, including independent expert advice where required.
- K.** In distributing dormant account money the Fund must include a condition in all grants that grantees acknowledge the use of Dormant Accounts funding, using the agreed branding for the Dormant Accounts Scheme for Wales.
- L.** In distributing dormant account money the Fund must adopt an outcome focussed approach, working closely with appropriate partners to achieve the best pattern of investment for the benefit of communities across Wales.
- M.** In distributing dormant account money the Fund must take into account the assessment of needs and priorities it has identified in its strategic plan and achieve over time a distribution of money to a reasonably wide spread of recipients, including small organisations, those organisations operating at a purely local level, and social enterprises.
- N.** In distributing dormant account money the Fund must have regard to the interests of Wales as a whole, the interests of different parts of Wales, the relative population sizes and the scope for reducing economic and social deprivation in the different parts of Wales.
- Specific Directions**
- 2.** In exercising any of its functions in distributing dormant account money in relation to Welsh expenditure the Fund must comply with the following specific directions in determining the persons to whom the Fund makes grants and the purposes for which the Fund makes grants:
- A.** In distributing dormant account money the Fund must act in accordance with the prescribed restrictions laid down in the Dormant Bank and Building Society Accounts Act 2008 (Prescribed Restrictions) (Wales) Order 2010 and in accordance with the following themes:
    - 'Supporting children and young people to achieve their full potential working through the third sector to promote social inclusion'; and
    - 'Tackling climate change and promoting wider sustainable development through focused community-based activity'.

# Section five: Our statutory background

**B.** In distributing dormant account money BIG must act in accordance with the following sub-themes:

## **Supporting children and young people**

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

## **Tackling climate change and promoting wider sustainable development**

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

**C.** In distributing dormant account money BIG must take account of the wider benefits that applications may offer, in terms of:

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

## **Strategic Plan**

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





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**Accessibility**

Please contact us to discuss any specific communications needs you may have.

**Our equality principles**

Promoting accessibility; valuing cultural diversity; promoting participation; promoting equality of opportunity; promoting inclusive communities; reducing disadvantage and exclusion. Please visit our website for more information.

**We care about the environment**

The Big Lottery Fund seeks to minimise its negative environmental impact and only uses proper sustainable resources.

**Our mission**

Helping communities and people most in need.

**Our values**

We have identified three values that underpin our work: being supportive and helpful, making best use of Lottery money and using knowledge and evidence. You can find out more about us, our values and the funding programmes we run by visiting our website [www.biglotteryfund.org.uk](http://www.biglotteryfund.org.uk)

The Big Lottery Fund is committed to valuing diversity and promoting equality of opportunity, both as a grantmaker and employer. The Big Lottery Fund will aim to adopt an inclusive approach to ensure grant applicants and recipients, stakeholders, job applicants and employees are treated fairly.



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