



Cabinet Office

Triennial Review of The Big Lottery Fund

Annexes B to H to Main Report

June 2014

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Annex B - Written Ministerial Statement

MINISTER FOR CIVIL SOCIETY

Triennial Review of the Big Lottery Fund

21 November 2013

I am today announcing the start of the Triennial Review of the Big Lottery Fund.

All government departments are required to review their Non-Departmental Public Bodies at least once every three years. The Review will be conducted in two stages. The first stage will examine whether there is a continuing need for the functions performed by the Big Lottery Fund, and whether the organisation should continue to operate in its current form. If it is determined that there is a continuing need for the organisation in its current form, the second stage will assess whether the body's control and governance arrangements continue to meet the recognised principles of good corporate governance and whether the Fund operates in an effective and efficient way.

The findings of both stages of the Review will be examined by a Challenge Group. Copies of the report will be placed in the Libraries of the House.

Annex C - Challenge Group Membership and Engagement

Membership

- Ed Welsh, Executive Director, Transformation, Efficiency and Reform Group, Cabinet Office
- Dominic Lake, Head of Arts, Libraries and Cultural Property, Department for Culture, Media and Sport
- Dame Barbara Stocking, Non Executive Director of Cabinet Office and President of Murray Edwards College, Cambridge
- Mark Florman, Chairman of Time Partners (independent member nominated by the Minister for the Cabinet Office)

Role

At the first meeting (25 November) of the Challenge Group, the review team sought comments on the proposed scope and approach of the Review. The Challenge Group provided comments on the Terms of Reference, a 'sources of evidence' paper including a proposed list of stakeholders to consult, and the draft Call for Evidence.

The group requested a reading pack to inform their role, and was provided with a pack consisting of information on Triennial Reviews, sponsorship documents for the Fund, and the Fund's corporate and strategic documents. They also had access to Triennial Review reports of other NDPBs, the Fund's policy directions, details of Board membership and strategic management and the Call for Evidence.

The second meeting of the Challenge Group (17 December) provided the group with an opportunity to comment on the Review's emerging findings. The group provided comments on an 'emerging themes' paper, reviewed the stakeholder engagement which had taken place up to that point, and suggested areas for further investigation by the Review.

The Challenge Group then met again on 6 February, 19 February and 10 March to review further drafts of the report before confirming they agreed the content of the final report for submission to Cabinet Office Ministers.

Annex D – Terms of Reference for the Review



Cabinet Office

Cabinet Office
2013/14 Review of the Big Lottery Fund
Terms of Reference

Background

The Big Lottery Fund (the Fund) exists as an executive Non-Departmental Public Body (NDPB) under the National Lottery etc Act 1993 as amended. Policy and sponsorship responsibilities for the Fund transferred to the Minister for the Cabinet Office on 13 April 2011, having previously been the responsibility of the Secretary of State for Culture, Media and Sport. The Fund's principal functions are to distribute National Lottery funds to meet expenditure which is charitable or connected with health, education, or the environment; to distribute non-Lottery funds for these purposes; and to distribute funds from dormant bank and building society accounts to meet expenditure that has a social and environmental purpose.

In accordance with the Cabinet Office requirement for all government departments to review their NDPBs at least once every three years, a review of the Fund must have commenced by the end of the 2013/14 financial year. The review must assess the continuing need for the functions and forms of the organisation, and should the review conclude that the current NDPB structure should remain, it will then go on to examine the Fund's control and governance arrangements. A Challenge Group will agree the scope and examine the findings of the review. Ministerial clearance will be sought for the final report of the review, which will then be placed in the Libraries of the House.

Objective

In accordance with Cabinet Office guidelines, this Review has two principal aims, represented by two stages:

- i. To examine whether there is a continuing need for the functions performed by the Fund and, if there is, whether these functions should be delivered by an alternative delivery model;
- ii. If it is agreed that the functions of the Fund should continue to be delivered as an NDPB, to review the control and governance arrangements in place to ensure that the Fund is complying with the recognised principles of good corporate governance.

The structure, efficiency, and effectiveness of the Fund will be considered as part of both stages.

Scope

Stage One

Stage One of the review will verify the functions of the Fund, assess how the functions contribute to the core business of the Cabinet Office and the Fund, and consider whether they are still needed.

Within this context, the review will consider:

- Whether delivery of the functions continues to contribute to wider government policy and constitutes a justifiable use of public money;
- Whether there is a demand for the function or activity from users;
- Whether providing the function is a justifiable use of taxpayers' money;
- The 'counterfactual' – that is, the cost and effects of not delivering the function.

Where it is concluded that a function is still needed, Stage One will go on to examine how this function might best be delivered. The Review will first examine whether the function would be better delivered by any of the following delivery models:

- Moved out of central government, to be delivered by local government, the private sector, the voluntary and community sector (VCS), under contract by the private sector or VCS, or as a mutual, Community Interest Company, or social enterprise;
- Brought in-house, to be delivered by a parent department or by an existing agency of the parent department;
- Merged with another body, either another area of central government, or another public body;
- Delivered by a new Executive Agency.
- Remain as an NDPB.

In order to conclude that the NDPB delivery model is suitable, the review will examine whether the Fund meets one of the Government's three tests for remaining as an NDPB:

- Delivering a technical function requiring external expertise;
- Performing activity which needs to be and be seen to be delivered with absolute political impartiality;
- Performing activity which needs to be delivered independently of Ministers to establish facts and figures with integrity.

Stage Two

If the outcome of Stage One is that the Fund should remain as an NDPB, Stage Two will go on to review the control and governance of the Fund. The Review will adopt a 'comply or explain' approach to examine whether the Fund is operating within the recognised principles of good corporate governance in relation to its accountability arrangements, roles and responsibilities, financial management, communications, and behavioural conduct. The review will also consider whether there is adequate capability within the organisation.

Effectiveness and efficiency (stages one and two)

Stage One will also need to consider the effectiveness and efficiency of the Fund, in order to assess how the NDPB model contributes to the effectiveness and efficiency of the Fund, and whether efficiency and effectiveness might be improved by another delivery model.

Stage Two will also consider the structure, efficiency and effectiveness of the organisation, as part of the assessment of how well the Fund operates under its current control and governance arrangements.

Within this context, the review will consider:

Whether the Fund is as efficient as possible, taking into account:

- Whether the Fund makes the best use of public money;
- Whether the internal processes of the Fund are sufficiently lean;
- Whether there is any scope for and/or benefit to the sharing of non-core functions, including finance, legal, HR, and communications;
- Given the cost of administering small grants, whether the Fund directs an appropriate proportion of its resources to such grants;
- Whether the degree of grant management undertaken by the Fund is appropriate, taking into account comparative grant management of other funders where relevant.

Whether the Fund is structured in the best way, taking into account:

- The current structure of country directorates plus a UK/corporate centre;
- The number, structure, and resourcing of the regional offices;
- Whether the Fund uses partnerships effectively.

Whether the Fund operates as an effective grant making organisation, taking into account whether:

- The Fund is working effectively with its key stakeholders, including (but not limited to) senior management, staff, grant applicants, the wider VCS, the Cabinet Office, the wider Government, Devolved Administrations and members of communities across the UK;
- The Fund is delivering optimum outcomes against its strategic direction and its policy directions;
- The Fund is perceived to be an effective grant maker within the communities it aims to reach;
- Those in receipt of grants think that the relationship they have with Fund is effective and proportionate;
- The Fund has a clear view of the impact of its investments and whether this impact is proportionate.

Principles

The review will comply with the following principles, which apply to all Triennial Reviews:

- i. Proportionate: Not overly bureaucratic and appropriate for the size and nature of the NDPB;
- ii. Timely: Stage One should be completed within three months;

- iii. Challenging: A wide range of alternative delivery options must be examined and evaluated;
- iv. Inclusive: The NDPB and other key stakeholders must be engaged in the review; Parliament should be informed about the commencement and conclusion of the review;
- v. Transparent: All reviews should be announced and all reports published;
- vi. Value for money: Reviews should be conducted in a way to maximise value for money. The cost of reviews should be kept to the minimum necessary and any additional costs should be published in the final report.

Methodology

Once the Review has been launched by the publication of a Written Ministerial Statement (WMS), the Review will gather evidence, including:

- Existing evidence: stakeholder surveys, relevant press, and ministerial correspondence;
- Interviews: held with Board, Executive Team members and staff within the Fund; key stakeholders; Devolved Administrations;
- Call for Evidence: published on the websites of the Fund and the Cabinet Office.

This evidence will be analysed by the review team, who will then produce the Stage One report. Ministerial clearance will be sought for the report, which will also be reviewed by the Challenge Group and shared with the appropriate people within the Fund. If the Stage One report recommends that the Fund should continue to operate as an NDPB, and if ministerial clearance is obtained for this recommendation, the Review will analyse the evidence to produce the Stage Two report. The evidence will be gathered simultaneously for Stage One and Stage Two in the interests of timeliness and value for money only, and is not an expression of pre-judgement as to the outcome of Stage One on the part of the Review.

Stakeholder engagement

The Review will conduct a stakeholder mapping exercise in the planning phase of the review. Stakeholders will then be engaged through interviews and a Call for Evidence.

The Review will be announced by WMS in both Houses of Parliament and Ministers will inform relevant Ministers in the Devolved Administrations. The Review will also notify the Public Accounts Select Committee and the Culture, Media and Sport Select Committee of the Review and invite them to contribute.

The Fund must be engaged in the Review, and will have the opportunity to comment and input from the planning phase onwards. The Fund will also be given the opportunity to comment on the conclusions and recommendations of the Review as these emerge.

Departmental governance arrangements

Cabinet Office Ministers own the cross-government policy on Triennial Reviews and are formally consulted about all reports. To maintain an appropriate separation of responsibilities between Cabinet Office Ministers in the case of this review, the Minister for Civil Society will take responsibility for the Fund's review in particular, and the Minister for the Cabinet Office will retain responsibility for Cabinet Office ministerial oversight. Both Ministers will be sighted on all

relevant submissions.

Resourcing requirements

Review team

The review team will be responsible for launching the review, engaging stakeholders, gathering and analysing evidence, writing the report, and making available its conclusions and recommendations. The review team will keep the Challenge Group informed and will ensure they are consulted at the appropriate points during the Review.

The review team will be independent of the Fund and its sponsors within the Cabinet Office, and will consist of people with an appropriate range and level of skills and expertise. The lead reviewer will be supported by three other review team members, and will consider additional support as required.

Challenge Group

The headcount and budget of the Fund necessitates that the Review is overseen by an independent Challenge Group. In accordance with Cabinet Office guidance, the independent Challenge Group will meet two or three times to provide a robust challenge to the scope and findings of the review. The Challenge Group will consist of a representative from the Department for Culture, Media and Sport, a Cabinet Office Non-Executive Director, a Cabinet Office Director and a further independent external member.

Output

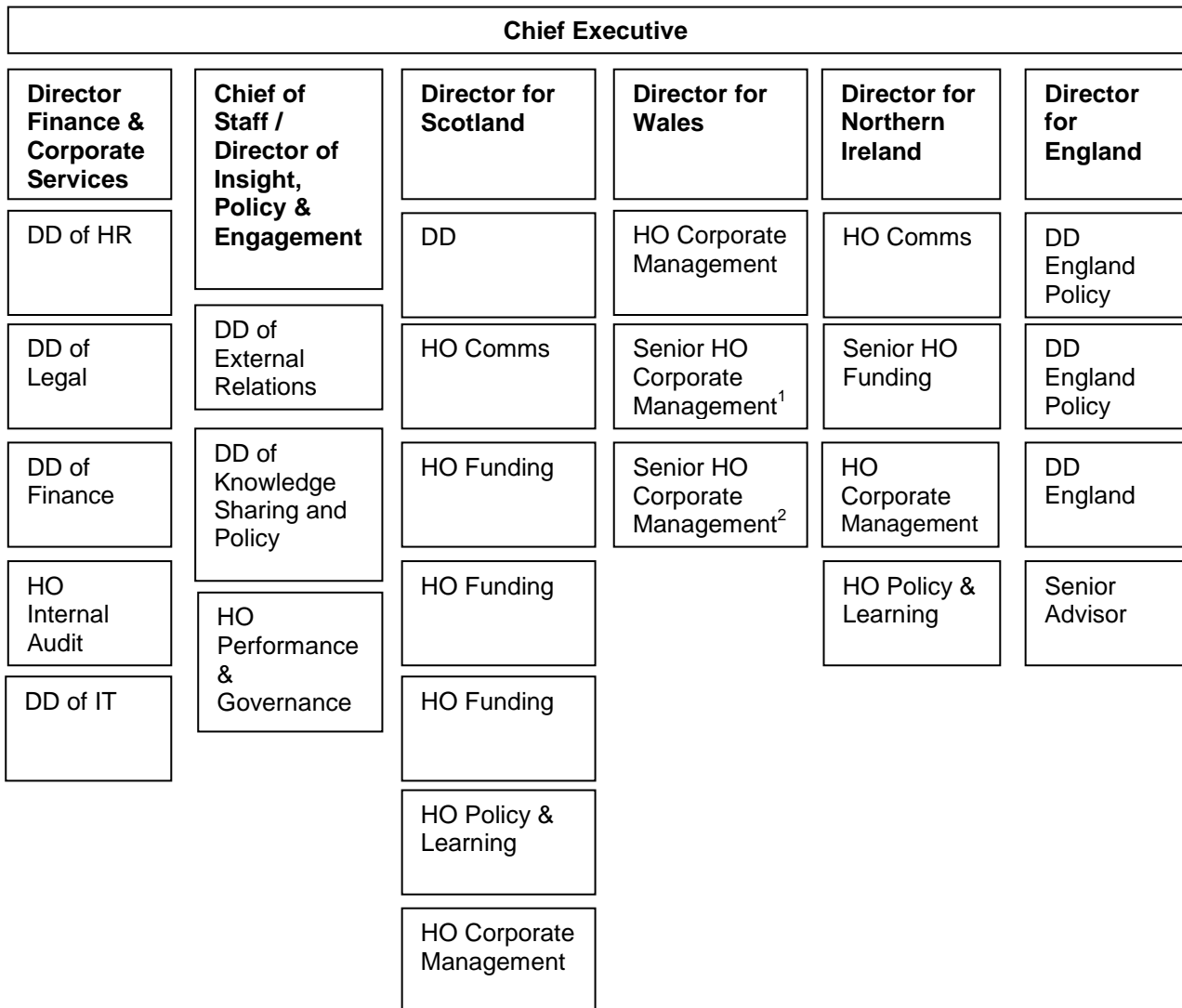
The results of the Review will be presented as a report with an executive summary. The end of the Review will be announced by WMS, and copies of the report will be placed in the Libraries of the House.

Constraints and dependencies

The Review must commence before the end of the 2013/14 financial year. In practice, the Review will commence in November 2013 and will be substantially completed by the end of the financial year. This timescale will adhere to the principles of timeliness and value for money, and will minimise disruption to the Fund. It also allows for the availability of the lead reviewer, and will be useful for the new Chief Executive of the Fund.

Annex E - Background to the Big Lottery Fund

Senior management structure of the Big Lottery Fund (from 1 April 2014)



Key:

DD	Deputy Director
HO	Head of
Comms	Communications

1Funding, Policy & Learning
2Comms, Policy & Learning

Big Lottery Fund Board and committees

The Big Lottery Fund has a Board, a Senior Management Team, and four Country Committees.

The Fund also has funding committees which sit underneath each country committee, as well as a UK funding committee.

The Board is composed of a Chair, vice-chair, four country chairs, and three general members.

The Senior Management Team is composed of the Chief Executive and the directors of each function and country directorate.

Big Lottery Fund corporate documents

The mission and values of the Big Lottery Fund are outlined at:

<http://www.bigLotteryfund.org.uk/about-big/our-approach/mission-and-values>

Policy directions can be found at:

<http://www.bigLotteryfund.org.uk/about-big/publications/corporate-documents>

Annual report and accounts can be found at:

<http://www.biglotteryfund.org.uk/about-big/our-approach/corporate-documents>

Information on the Fund's strategic direction can be found in the following documents:

- Corporate Plan: <http://www.bigLotteryfund.org.uk/about-big/our-approach/corporate-documents>
- Big Thinking – Strategic Framework to 2015 http://www.bigLotteryfund.org.uk/-/media/Files/Corporate%20documents/Fresh%20thinking/bt_strategic_framework.pdf
- Fresh Thinking - the next chapter <http://www.bigLotteryfund.org.uk/about-big/our-approach/fresh-thinking>

Please note: At the time of writing the Big Lottery Fund annual report and accounts for 2013/14 had not been finalised and published. The figures below are the ones which were available to the review team during the evidence gathering and findings stages of the Review.

Big Lottery Fund staffing

The following figures were obtained from the Big Lottery Fund annual report and accounts.

Number of staff at financial year end (FYE)

	31 March 2013	31 March 2012
Number of permanent FTE	948	922
Number of temporary FTE	40	33
Total number of FTE employed	988	955

Total average number of full time equivalent staff employed during the financial year (FTE)

FYE 31 March 2013	FYE 31 March 2012	FYE 31 March 2011
980	951	982

Average number of staff (FTEs) during the financial year, broken down by function and permanent/temporary

	Temporary staff	Employees	Total average staff		
			FYE 31 March 2013	FYE 31 March 2012	FYE 31 March 2011
Grant making	20	552	572	581	605
Support to customers and stakeholders	4	237	241	176	186
Governance and administration	4	140	144	164	170
Staff engaged on capital projects	0	23	23	30	21
Totals	28	952	980	951	982

Big Lottery Fund spend

The following figures were obtained from the Big Lottery Fund annual report and accounts.

Income and expenditure for the financial year ended 31 March 2013:

	£'000
Income	
Lottery income	781,421
Dormant accounts income	50,032
Other income	7,235
Total income	838,688
Expenditure	
Lottery programme expenditure	667,070
Expenditure on dormant accounts	49,341
Operating costs	56,875
Total expenditure	773,286
Surplus/(deficit) before taxation	65,402
Taxation	983
Surplus/(deficit) after taxation	66,385

The Big Lottery Fund budget for 2013-14 is:

	£'000
Funding budget	
UK-wide	138,450
England	732,870
Scotland	103,130
Wales	44,840
Northern Ireland	25,380
Total funding budget	1,044,670
Operating budget	54,700
Total budget	1,099,370

Grant budgets over three years

	2013-14 (£m)	2012-13 (£m)	2011-12 (£m)
UK-wide Funding	138.45	64.32	117.71
England	732.87	499.20	473.13
Scotland	103.13	98.87	140.41
Wales	44.84	45.06	32.05
Northern Ireland	25.38	48.11	43.20
Total	1,044.67	770	806.50

Operating cost budgets over three years

Year	Budget (£m)	FMS notes
2013/14	54.7	Takes into account the expected extra costs of the new FMS (depreciation, IT support costs), but does not yet factor in any benefits realisation from the investment as set out in the FMS business case; benefits will start to flow from the moment the system goes live. ¹
2012/13	52.3	Excludes FMS investment
2011/12	53.3	Excludes £13m FMS investment

¹ An update on this will be provided in the 2013/14 Big Lottery Fund annual report and accounts.

Annex F – Big Lottery Fund Policy Directions

England and UK

DIRECTIONS GIVEN TO THE BIG LOTTERY FUND UNDER SECTION 36E(1)(b) OF THE NATIONAL LOTTERY ETC ACT 1993 (as amended)

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 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.

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.

Northern Ireland

DIRECTIONS GIVEN TO BE BIG LOTTERY FUND UNDER SECTION 36E (4)(b) OF THE NATIONAL LOTTERY ETC. ACT 1993

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:
 - (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.

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
 - C. 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 & economic needs
 - B. Increase opportunity for community based learning
 - C. Build community capacity
 - D. Increase opportunity for volunteering & 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

Scotland

DIRECTIONS GIVEN TO THE BIG LOTTERY FUND UNDER SECTION 36E(4)(b) OF THE NATIONAL LOTTERY ETC. ACT 1993

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.
- 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 strategic 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:

- A. ENGAGEMENT - the development of programmes should be based on the active engagement of public, private and third sector partners.
- B. 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.
- C. SUSTAINABILITY - to improve Scotland's environment today and for future generations while reducing Scotland's impact on the global environment.
- D. ADDITIONALITY and COMPLEMENTARITY - the development of programmes should complement and add value to the strategies and activities of partners and stakeholders.
- E. COLLABORATION - where possible, the outcomes of projects and programmes should benefit from effective collaboration between organisations and between public, private and third sector partners.

Annex G - List of Stakeholders Engaged and Evidence Used

List of stakeholders engaged

Management and staff

The Review interviewed the following Board and Senior Management Team (SMT) members):

Board

- Peter Ainsworth
- Tony Burton
- Anna Southall
- Sir Adrian Webb
- Nat Sloane
- Rajay Naik
- Dr Astrid Bonfield

SMT

- Dawn Austwick
- Mark Cooke
- Ceri Doyle
- Dharmendra Kanani
- Jackie Killeen
- Joanne McDowell
- Linda Quinn
- John Rose

The Review further engaged with Big Lottery Fund management as follows:

- Attended the Wales and England country committees;
- Engaged with the Multiple and Complex Needs (MCN) funding committee by attending the MCN decision panel;
- Interviewed 17 members of senior management;
- Interviewed seven members of middle management, and further engaged with middle management in a focus group held at the Birmingham office, and at an all staff meeting held at the Nottingham office.

Engagement with non management staff was as follows:

Big Lottery Fund Office	Birmingham	Exeter	Nottingham
Funding staff	Funding officers from Talent Match (strategic) and Reaching Communities/Awards for All (open)	Funding officer Funding manager	Two funding officers
Corporate functions	Staff from across different functions including IT, HR, Strategy Policy and Learning, Impact & Influence, and England directorate	Policy and Learning	Communications officer, corporate assistant

In addition, 39 members of Big Lottery Fund staff/management responded to the Call for Evidence.

Beneficiaries (grant applicants, project users and communities)

Location	Engagement	Details
Exeter	Project visits (x2)	Talked to two successful grant applicants (one big and one small)
Cardiff	Project visits (x2)	Talked to successful grant applicants and a range of stakeholders
	Stakeholder reception	
Leeds	Stakeholder roundtable	Twelve VCSEs and community stakeholders engaged
Nottingham/Leicester	Project visit	Nottingham city centre project
	Roundtables (x2)	Eight VCSEs and community stakeholders engaged
Manchester	Meetings	Eight VCSEs and community stakeholders engaged

The following potential beneficiaries responded to the Call for Evidence:

- Grant recipients – 137
- Unsuccessful grant applicants - 59
- People involved with Big Lottery Fund projects – 41
- Interested members of the public - 26

Other funders

The Review engaged with other funders as follows:

- 30 invited to respond to the Call for Evidence
- 17 engaged with through one funders' forum
- 10 engaged with through another funders' forum
- 3 interviewed
- 2 attended Leicestershire stakeholder roundtable

25 stakeholders from grant making organisations responded to the Call for Evidence.

Umbrella organisations

The Review engaged with umbrella organisations as follows:

- 26 invited to respond to the Call for Evidence
- 9 attended a roundtable run by the Review in London
- 2 interviewed
- 1 engaged with through one of the funders' forums

58 stakeholders from umbrella organisations responded to the Call for Evidence.

VCSE organisations

The Review engaged with VCSE organisations as follows:

- 25 invited to respond to the Call for Evidence
- 7 engaged with through Manchester meetings

- 5 engaged with through Leicestershire and Nottingham roundtables
- 1 interviewed

102 stakeholders from VCSE organisations responded to the Call for Evidence.

Government

The Review invited 21 Government stakeholders to respond to the Call for Evidence, including:

- 5 from the Cabinet Office
- The Office for Civil Society within the Cabinet Office
- 5 from other government departments
- 8 from local government
- 3 from the Devolved Administrations

The Review interviewed 16 people from Government, including:

- 7 from the Cabinet Office
- 3 from other government departments
- 6 from the Devolved Administrations

A Local Authority representative attended the Leeds stakeholder roundtable, and the Review observed local commissioners presenting at the Multiple and Complex Needs decision panel. Three local commissioners also attended one of the funder's forums roundtables.

20 Government stakeholders responded to the Call for Evidence.

Unions

The Review interviewed the union representatives from the Big Lottery Fund Joint Union Group.

Media

The Review invited 11 media commentators to respond to the Call for Evidence.

Private sector

The Review interviewed one stakeholder who had engaged with the Fund in respect of the Fund's private sector engagement.

Face-to-face stakeholder engagement

In summary, face-to-face stakeholder engagement was carried out as follows:

Type of stakeholder	Type of face-to-face engagement
Board	Attendance at Glasgow Board meeting Interviews
Senior Management Team	Interviews
Country committees	Attendance at Wales and England Country Committees Interviews

Funding committees	Attendance at Multiple and Complex Needs decision panel
Senior management	Interviews
Middle management	Interviews Focus groups (Birmingham and Nottingham offices)
Staff (mix of front and back office)	Interviews Focus groups (Birmingham, Nottingham and Exeter offices)
Grant applicants	Project visits (Wales, Exeter, Leeds, Nottingham, Manchester) Roundtables (Leeds, Leicester, Manchester)
Project users	Project visits (Exeter, Nottingham, Manchester)
Communities	Roundtables (Leeds, Leicester, Manchester) Meetings with community organisations (Manchester)
Other funders	Two funders' forums in London Interviews Roundtable (Leicester)
VCSE umbrella organisations	Roundtable (London) Funder's forum Interviews
VCSE organisations	Interviews Roundtables (Leicester and Manchester)
Cabinet Office	Interviews
Other government departments	Interviews
Local government	Meetings (Manchester) Roundtable (Leeds) Multiple and Complex Needs decision panel
Devolved Administrations	Interviews

Additional evidence used (not received via stakeholder engagement)

The Review received four written submissions from stakeholders who did not wish to use the survey. These were taken into account as additional evidence.

To assist with assessing corporate governance, the Review asked the Fund and its Cabinet Office sponsor to complete a joint self-assessment. In addition, the Fund provided some Board and committee papers to assist with understanding how specific matters had been treated by the Fund, and to help the Review to further understand the corporate governance arrangements of the Fund.

The Review made use of previously conducted surveys, reports, and commentary, in keeping with the principle of proportionality.

The Fund provided some factual information to assist the review team with their understanding of the Fund's internal workings and policies, including overviews of certain functions, pieces of guidance and policies, and information about the staffing and structure of the Fund. The Fund also provided some strategic documents to the Review, to help them understand the Fund's approach to areas of interest, for example on certain functions, operating costs, and certain principles such as additionality and need.

In addition to the factual and strategic information provided, the Fund responded to a number of specific questions posed by the Review and provided evidence to support this, in order to provide further clarification on the Fund's approach to specific issues.

Annex H - Assessment of Alternative Delivery Model Options

1. Delivery model options inside central government

Bring the Fund's functions in-house

This would mean integrating the existing Fund organisation and its staff into the Cabinet Office, which is the central government department that sponsors the Fund as a grant making body. The Cabinet Office is a small, policy delivery department that does not have existing grant making expertise and resources in place to take on the additional transactional functions of the Fund. It does, however, include the Office for Civil Society, which leads on policy-making and engagement with the VCSE sector.

Merge the Fund with another public body

The most appropriate merger would seem to be with one of the other Lottery distributors sponsored by the Department for Culture Media and Sport (DCMS), all of which are currently focused on good causes in relation to policy areas relevant to DCMS, i.e. the arts, heritage, or sport. The Fund is by far the largest Lottery distributor, as it receives 40% of the Lottery income for good causes, while the other 11 distributors share the remaining 60%.

Deliver the Fund's functions via an Executive Agency

An Executive Agency is part of a government department and enables executive functions within Government to be carried out by a well defined business unit that has a clear focus on delivering specified outputs, within a framework of accountability to Ministers. They are therefore closer to their sponsoring department than are NDPBs. Executive Agency staff are civil servants.

Continue delivery by the existing NDPB

This means retaining the status quo, with the Fund operating as an executive NDPB.

TABLE 1: Do the options inside central government fulfil all the delivery model criteria?

TABLE 1: Delivery model assessment criteria	Bring the Fund's functions in-house	Merge the Fund with another public body	Deliver the Fund's functions via an Executive Agency	Continue delivery by the existing NDPB
a) Give full governance accountability and operational control to the Fund's Board to lead, manage and improve the organisation	No Under this model the Fund would likely be run by a Director General, reporting into the Permanent Secretary of the Cabinet Office.	Probably Likely to be the same or similar to the status quo.	Maybe Although Executive Agencies are led by chief executives, they are still civil servants.	Yes This is the status quo, although the Review found evidence to suggest that governance and accountability of the Fund's UK Board could and should be further strengthened and clarified.
b) Enable Ministers to fulfil their statutory responsibilities for the Big Lottery Fund as a National Lottery distributor	Yes This model gives far greater control to the Secretary of State.	Yes Likely to be the same as the status quo.	Yes This model gives greater control to the Secretary of State.	Yes NDPB status is a key means of ensuring this while also giving the Fund autonomy in day to day management and funding decisions.
c) Be an appropriate vehicle for the financial management of public money, providing sufficient controls, transparency, and assurance to DCMS Ministers	Yes Subject to HM Treasury and Cabinet Office spending controls and public sector pay restraints. Clear Accounting Officer reporting lines. Subject to Freedom of Information requirements and Civil Service transparency policies.	Yes Subject to HM Treasury and Cabinet Office spending controls and public sector pay restraints. Clear Accounting Officer reporting lines. Subject to Freedom of Information requirements and Civil Service transparency policies.	Yes Subject to HM Treasury and Cabinet Office spending controls and public sector pay restraints. Clear Accounting Officer reporting lines. Subject to Freedom of Information requirements and Civil Service transparency policies.	Yes Subject to HM Treasury and Cabinet Office spending controls and public sector pay restraints. Clear Accounting Officer reporting lines. Some requirements are laid out in statute; others are specified in Statement of Financial Requirements issued by

TABLE 1: Delivery model assessment criteria	Bring the Fund's functions in-house	Merge the Fund with another public body	Deliver the Fund's functions via an Executive Agency	Continue delivery by the existing NDPB
	Would be required to deliver work for third parties on a cost recovery basis, as now.	Would be required to deliver work for third parties on a cost recovery basis, as now.	Would be required to deliver work for third parties on a cost recovery basis, as now.	DCMS. Subject to Freedom of Information requirements and Civil Service transparency policies. Is required to deliver work for third parties on a cost recovery basis.
d) Meet the second test for being an NDPB, by ensuring that the Fund can make all its funding decisions independently of government influence, and with political impartiality	No Civil servants are required impartially to support the Government of the day in developing and implementing its policies and in delivering public services. They are not in a position to refuse to carry out a Minister's instructions (although they can, and in some cases must, advise a Minister against pursuing a particular course).	Yes All the other Lottery distributors are NDPBs sponsored by DCMS, so also operate 'at arm's length' from Government as the Fund does.	No Executive Agency staff are civil servants required impartially to support the Government of the day in developing and implementing its policies and in delivering public services. They are not in a position to refuse to carry out a Minister's instructions (although they can, and in some cases must, advise a Minister against pursuing a particular course).	Yes Although stakeholders express concern about the Fund being 'too close to Government', this appears to be a perception rather than a fact; the Review has found no evidence of Ministers influencing funding decisions. The policy directions given to the Fund are broad enough to allow a great deal of grant making autonomy for the Fund.

TABLE 1: Delivery model assessment criteria	Bring the Fund's functions in-house	Merge the Fund with another public body	Deliver the Fund's functions via an Executive Agency	Continue delivery by the existing NDPB
<p>e) Allow and enable the Fund to fulfil its purpose in distributing Lottery money to good causes, as set out in legislation, and recognising the 'additionality principle'</p>	<p><u>Probably</u> Cabinet Office Ministers lead on policy in relation to civil society – unlikely that this policy will significantly change during this Parliament. However, there may be a risk that the Fund will come under pressure to use Lottery funds to save government expenditure.</p>	<p><u>Probably</u> This should be possible, although nearly all other Lottery distributors have additional sources of income (unlike the Fund) and may therefore have different drivers and priorities.</p>	<p><u>Probably</u> Any Executive Agency would be established expressly for this purpose. However the closer relationship with Cabinet Office means there may be a risk that the Fund will come under pressure to use Lottery funds to save government expenditure.</p>	<p><u>Yes</u> The Review found evidence that the Fund does this well, although the 'additionality principle' can be challenging to apply in times of austerity.</p>
<p>f) Allow and enable effective delivery of all the functions of the Fund, as currently set out in legislation</p>	<p><u>Yes</u> Current functions could continue.</p>	<p><u>Probably</u> This should be possible, although any merger of functions between two organisations with different agendas may have an impact on what the Fund does and how it does it.</p>	<p><u>Yes</u> Any Executive Agency could be established expressly for this purpose.</p>	<p><u>Yes</u> The Review found evidence that overall the Fund is an effective grant making body, although the third party work function could be developed further.</p>
<p>g) Allow and enable effective delivery of all the functions at a national level right across the UK</p>	<p><u>Maybe</u> There may be additional challenges for the Cabinet Office operating in the Devolved Administrations, e.g. risk of the organisation becoming Whitehall-centric, or being perceived to be so.</p>	<p><u>Maybe</u> Of the other Lottery distributors, only the Heritage Lottery Fund, British Film Council and UK Sport currently operate nationally, the others serve only one of the home nations.</p>	<p><u>Maybe</u> There may be additional challenges for civil servants operating in the Devolved Administrations, e.g. risk of the organisation becoming Whitehall-centric, or being perceived to be so.</p>	<p><u>Yes</u> The Fund operates at both national and regional levels, with independent funding decisions being made by the Funding Committees for each of the five funding portfolios (UK, England, Scotland, Wales, and Northern Ireland).</p>

TABLE 1: Delivery model assessment criteria	Bring the Fund's functions in-house	Merge the Fund with another public body	Deliver the Fund's functions via an Executive Agency	Continue delivery by the existing NDPB
<p>h) Allow and enable the Fund to manage open demand-led funds and also develop and deliver longer term strategic programmes</p>	<p><u>Yes</u> In essence this is what the Fund excels in, and what would be brought in-house, although the longer term strategic programmes would be most similar to the Cabinet Office 'business as usual'.</p>	<p><u>Probably</u> This should be possible, although any merger of functions between two organisations may have an impact on what the Fund does and how it does it.</p>	<p><u>Yes</u> Any Executive Agency would be established to be able to do this, especially if the existing NDPB were converted into an Executive Agency rather than a new organisation created.</p>	<p><u>Yes</u> The Review found evidence that overall the Fund is an effective grant making body across its funds and programmes.</p>
<p>i) Has credibility with both the VCSE sector and with the Lottery ticket buying public</p>	<p><u>No</u> This model would be extremely unpopular with the VCSE sector, which wants the Fund to be politically impartial and autonomous. Also likely to raise public concerns about whether Lottery money is genuinely ring fenced and kept separate from departmental income received from the Exchequer.</p>	<p><u>Maybe</u> There would be widespread concern if the Fund was perceived to lose focus on its current funding priorities, or if the scope of its funding narrowed to reflect the other Lottery distributor's funding priorities.</p>	<p><u>No</u> This model would be extremely unpopular with the VCSE sector, which wants the Fund to be politically impartial and autonomous. Lottery ticket buying public are unlikely to understand the difference between an NDPB and an Executive Agency, and may wonder why Government is spending public money on a change from which they cannot see any obvious benefits.</p>	<p><u>Probably</u> There is strong evidence that the Fund is a highly valued organisation across both groups of stakeholders. The Call for Evidence received a total of 1,600 text comments across 288 responses – the majority of these express aspirations for how the Fund could be enhanced rather than replaced. However, the Review also found evidence to suggest that perceptions and misunderstandings about the Fund's status as an NDPB do affect its credibility in some parts of the VCSE sector.</p>

TABLE 1: Delivery model assessment criteria	Bring the Fund's functions in-house	Merge the Fund with another public body	Deliver the Fund's functions via an Executive Agency	Continue delivery by the existing NDPB
<p>j) Allow and enable the Fund to keep operating costs to a minimum so it can channel the maximum amount of its income into funding and frontline services</p>	<p><u>Probably</u> Once the Fund is inside central government it would be subject to the same Civil Service pay, procurement and spending controls as the rest of the Cabinet Office. However, as Cabinet Office is unfamiliar with running a transactional organisation on the scale of the Fund, savings may initially prove challenging to secure without impacting on the Fund's effectiveness.</p>	<p><u>Probably</u> A merger should provide greater economies of scale and efficiencies, particularly in back office functions. However, as the Fund is the largest Lottery distributor and would therefore most likely be absorbing the other organisation, the potential savings may in fact accrue to the other distributor.</p>	<p><u>Yes</u> Any Executive Agency would be established to be able to do this. Once the Fund is inside central government it would be subject to the same Civil Service pay, procurement and spending controls as the rest of the Cabinet Office.</p>	<p><u>Probably</u> The Review found evidence to suggest that the Fund could be more efficient and cost-effective.</p>
<p>k) OPTIONAL Allow the Fund to fulfil a leadership and capacity building role within the VCSE sector</p>	<p><u>No</u> The VCSE sector values autonomy from central government, and charities themselves must be politically impartial, so may be concerned about Cabinet Office having such influence over the sector.</p>	<p><u>Probably</u> All the other Lottery distributors are NDPBs sponsored by DCMS, so also operate 'at arm's length' from Government as the Fund does.</p>	<p><u>No</u> The VCSE sector values autonomy from central government, and charities themselves must be politically impartial, so may be concerned about civil servants having such influence over the sector.</p>	<p><u>Probably</u> The Review found evidence to suggest that the Fund could do more of this, as there is an increasing demand for it from the VCSE sector.</p>

TABLE 1: Delivery model assessment criteria	Bring the Fund's functions in-house	Merge the Fund with another public body	Deliver the Fund's functions via an Executive Agency	Continue delivery by the existing NDPB
<p>l) OPTIONAL</p> <p>Allow the Fund to innovate and collaborate with partners in both the VCSE sector and the public sector</p>	<p><u>Maybe</u></p> <p>Collaboration with other parts of the public sector may increase once the functions are run under the Cabinet Office name. However, the actual or perceived loss of autonomy for the Fund could reduce VCSE sector willingness to collaborate with it.</p>	<p><u>Probably</u></p> <p>This would most likely maintain the status quo, although some parts of the VCSE sector may withdraw if the Fund starts to focus more on good causes relevant to the other Lottery distributors, and/or is perceived to have done so.</p>	<p><u>Maybe</u></p> <p>Collaboration with other parts of the public sector may increase, as an Executive Agency is by nature part of its parent department. However, the actual or perceived loss of autonomy for the Fund could reduce VCSE sector willingness to collaborate with it.</p>	<p><u>Probably</u></p> <p>The Review found evidence to suggest that stakeholders would like the Fund to collaborate and innovate more than it does currently.</p>
<p>m) OPTIONAL</p> <p>Allow the Fund to contribute to development of government policy (by both central and local government)</p>	<p><u>Yes</u></p> <p>Once the Fund is inside central government, there would naturally be more opportunities and an expectation that Fund staff should be involved in the development of relevant policies.</p>	<p><u>Maybe</u></p> <p>This model would most likely maintain the status quo, although at the moment this is not a major activity for the Fund. However, merging with another distributor focused on good causes in a different specialist sector increases the breadth and complexity of engagement that would be required.</p>	<p><u>Yes</u></p> <p>Once the Fund is inside central government, there would naturally be more opportunities and expectation that Fund staff should be involved in the development of relevant policies.</p>	<p><u>Maybe</u></p> <p>The Review found evidence to suggest that the Fund could do more of this, as there is a demand for it in Whitehall, and an expectation of it was also expressed in response to the Call for Evidence. However, NDPBs are restricted from publicly campaigning and/or challenging government policy.</p>

TABLE 1: Delivery model assessment criteria	Bring the Fund's functions in-house	Merge the Fund with another public body	Deliver the Fund's functions via an Executive Agency	Continue delivery by the existing NDPB
<p>Summary assessment of suitability of each delivery model for the Big Lottery Fund</p>	<p>This option has significantly fewer advantages than disadvantages, for central government, for the Fund and for the VCSE sector in particular. It also conflicts with the political impartiality test, which identifies the Fund as a body that should operate at arm's length from Ministers.</p> <p>NOT RECOMMENDED</p>	<p>This option appears to offer some potential for efficiency savings, but these are not outstanding enough to outweigh the cost, risks and disruption of implementing such a merger.</p> <p>NOT RECOMMENDED</p>	<p>There are limited benefits under this option, and it also conflicts with the political impartiality test, which identifies the Fund as a body that should operate at arm's length from Ministers.</p> <p>NOT RECOMMENDED</p>	<p>By far the strongest option within central government, albeit with some areas for improvement.</p> <p>RECOMMENDED</p>

2a. Delivery model options outside central government and the VCSE sector

Summary of the options:

Transfer the Fund's functions to local government

This would require the devolution of (a) Lottery income, (b) funding decisions and (c) grant making administration to a local level, e.g. via the local authority (LA), Local Enterprise Partnership (LEP), or to charitable trusts set up locally by either of these, etc. It may also require a means of calculating the proportions of Lottery income to be received by each local authority, which would need to be set out in statute, as is the current apportionment between Lottery distributors. Therefore, rather than dealing with 12 Lottery distributors, the National Lottery Distribution Fund would be dealing with up to 400 local authorities and 11 distributors, as the current Fund organisation would cease to exist.

Outsource the Fund's functions to the private sector

This would require identification of a private sector organisation with capability and capacity to deliver the functions. Alternatively it could mean privatising the existing Fund organisation, but changing its relationship with Government to a contractual one.

Convert the current NDPB into a Public Corporation (PC)

'Public Corporation' is a broad term that covers a number of different models, e.g. chartered or statutory corporations, Government owned companies, joint ventures or Public Private Partnerships. Public Corporations are market bodies that must derive more than 50% of operating costs from the sale of goods and services. Their shareholders are normally the relevant Minister/s for the policy area in which they operate. What they do can be defined or constrained by the list of reserved matters in Articles of Association.

Convert the current NDPB into a Company Limited by Guarantee (CLG)

CLGs can be in the public or private sector. If public sector, they might be an NDPB, a public corporation, or 'unclassified' within the central government sector if they do not have the characteristics of a specific classification (as defined by the Office for National Statistics). A CLG is much like an ordinary private company limited by shares. It is registered at Companies House, must register its accounts and an annual return each year, has Directors, etc. Major differences are that CLGs are normally not-for-profit organisations and do not have a share capital or any shareholders, but rather founding 'Members', who at least initially are most likely to be the relevant Minister/s for the policy area/s in which the CLG operates, although they may opt to appoint additional members.

TABLE 2: Do the options outside central government and the VCSE sector fulfil all the delivery model criteria?

TABLE 2: Delivery model assessment criteria	Transfer the Fund's functions to local government (LA)	Outsource the Fund's functions to the private sector	Convert the current NDPB into a Public Corporation (PC)	Convert the current NDPB into a Company Limited by Guarantee (CLG)
a) Give full governance accountability and operational control to the Fund's Board to lead, manage and improve the organisation	<u>No</u> Under this model there would be no such corporate Board.	<u>No</u> The Board of the private sector provider would be accountable for delivering against the contractual requirements.	<u>Yes</u> This model would provide a more accountable and commercial PC Board, with responsibility to ensure the organisation fulfils, for example, the revenue generation requirements of PCs.	<u>Yes</u> This model would provide a more accountable and commercial CLG Board. Directors are fully protected by limited liability, i.e. to the amount of the guarantee set out in the CLG's Articles (typically just £1). However, they could be liable for CLG debts if guilty of some wrongdoing, such as wrongful or fraudulent trading.
b) Enable Ministers to fulfil their statutory responsibilities for the Big Lottery Fund as a National Lottery distributor	<u>No</u> Ministers would lose ability and leverage to fulfil current statutory responsibilities.	<u>Yes</u> Ministers would have greater control while the provider would have less autonomy.	<u>Probably</u> This depends on the corporation's Articles, but as the PC's shareholders, Ministers should be able to ensure their statutory responsibilities are met.	<u>Yes</u> This model provides clarity of accountability, and day to day autonomy for the CLG Board. As a founding Member, the Minister is also able to hold the Board to account and remove Directors who are considered not to be performing satisfactorily.

TABLE 2: Delivery model assessment criteria	Transfer the Fund's functions to local government (LA)	Outsource the Fund's functions to the private sector	Convert the current NDPB into a Public Corporation (PC)	Convert the current NDPB into a Company Limited by Guarantee (CLG)
<p>c) Be an appropriate vehicle for the financial management of public money, providing sufficient controls, transparency, and assurance to DCMS Ministers</p>	<p><u>Maybe</u> Local authorities are already subject to controls around public money and transparency requirements. However, this model would make transparency on Lottery funding on a national level very difficult, and would make fulfilling DCMS requirements to account for all the income received from the National Lottery much more complex.</p>	<p><u>Probably</u> This model would require the establishment of a new contract management function in central government to act as an intelligent client.</p>	<p><u>Yes</u> PCs are subject to the requirements of the Companies Act, which lays out the accountabilities and financial liabilities of Directors. Annual report and accounts must be filed with Companies House and are available for a fee. If an NDPB would be subject to FOI. Any further controls and transparency arrangements required by Ministers could be written into the Articles.</p>	<p><u>Yes</u> CLGs are subject to the requirements of the Companies Act, which lays out the accountabilities and financial liabilities of Directors. Annual report and accounts must be filed with Companies House and are available for a fee. If an NDPB would be subject to FOI. Any further controls and transparency arrangements required by Ministers could be written into the Articles.</p>
<p>d) Meet the second test for being an NDPB, by ensuring that the Fund can make all its funding decisions independently of government influence, and with political impartiality</p>	<p><u>No</u> Political impartiality would be more difficult for LAs to maintain given climate of local politics and budget cuts. VCSE sector may view delivery by LAs as being less politically impartial than the status quo.</p>	<p><u>No</u> As a contractor, a private company would have to take more, not less, direction from their clients in central government.</p>	<p><u>Probably</u> PCs have substantial day to day operational independence. However a PC would likely have ministerial shareholders, or otherwise be subject to ministerial control, although funding decision freedoms may be constrained by the list of reserved matters in Articles.</p>	<p><u>Probably</u> A CLG would normally have greater autonomy than the existing NDPB. The Members who have legal control of the CLG (who are Ministers) may have reserve powers to make funding decisions, but only if included in company Articles.</p>

TABLE 2: Delivery model assessment criteria	Transfer the Fund's functions to local government (LA)	Outsource the Fund's functions to the private sector	Convert the current NDPB into a Public Corporation (PC)	Convert the current NDPB into a Company Limited by Guarantee (CLG)
<p>e) Allow and enable the Fund to fulfil its purpose in distributing Lottery money to good causes, as set out in legislation, and recognising the 'additionality principle'</p>	<p><u>Maybe</u> For LAs there would be pressure to use Lottery funding to fill gaps left by contracting LA budgets. This could lead to a blurring in the distinction between Lottery funding and government funding, which is what the additionality principle is aimed at avoiding: where appropriate Lottery funding can complement and add value to government funding, but it shouldn't be a substitute for it.</p>	<p><u>Probably</u> This would depend on the terms of the contract with central government.</p>	<p><u>Yes</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff.</p>	<p><u>Yes</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. Most CLGs are not-for-profit organisations, which fits well with the existing purpose of the Fund.</p>
<p>f) Allow and enable effective delivery of all the functions of the Fund, as currently set out in legislation</p>	<p><u>No</u> Devolving the functions to local level would be inefficient. The economies of scale and funding expertise, including well-established processes, that enable the Fund to fulfil its functions now, would be lost under this model. LAs unlikely to have extra resources to undertake such</p>	<p><u>Yes and No</u> Any private sector provider of grant making services should be able to contract not just for distribution of Lottery funds, and could be expected to have additional sources of revenue such as third party work. However, the outsourcing model works best for transactional activities, yet</p>	<p><u>No</u> Selling grant making services to other organisations would be fundamental to the success of this model. However, the Fund would need to demonstrate that 50% of its operating costs were from outside income before it could become a PC, and increasing third party work to this level does not appear possible within</p>	<p><u>Yes</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. A CLG has legal capacity to enter into agreements and transact business with third parties in its own name.</p>

TABLE 2: Delivery model assessment criteria	Transfer the Fund's functions to local government (LA)	Outsource the Fund's functions to the private sector	Convert the current NDPB into a Public Corporation (PC)	Convert the current NDPB into a Company Limited by Guarantee (CLG)
	additional functions.	currently the perceived effectiveness of the Fund (across its three functions) reflects the added value of expert advice and support given to grant applicants, rather than its processing efficiency alone.	its current resources and the constraints around uses of Lottery income, i.e. the Fund is not allowed to use Lottery money to bid for third party work.	
g) Allow and enable effective delivery of all the functions at a national level right across the UK	<p>No</p> <p>LAs could potentially deliver demand-led funds and small grants in local areas. BUT delivery would vary depending on resources and expertise of individual LAs. Unlikely to achieve a consistent level of operational effectiveness across the 400 LAs. This model does not support strategic delivery of programmes, which are best run on a UK wide and/or home nation basis.</p>	<p>Maybe</p> <p>This may work if the existing Fund organisation became a new company, retaining the existing knowledge base. BUT existing Fund staff are very unlikely to welcome a move to the private sector, resulting in 'brain drain'. Alternatively this would depend on capabilities and geographic reach of an existing or new private sector provider.</p>	<p>Maybe</p> <p>This may work if the existing Fund organisation became a new company, retaining the existing knowledge base. However, existing Fund staff may not welcome a move into a corporation with a strong driver to sell goods and services, resulting in 'brain drain'. Alternatively this would depend on capabilities and geographic reach of an existing or new PC.</p>	<p>Yes</p> <p>This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. Relationships with Devolved Administrations may need to be renegotiated.</p>

TABLE 2: Delivery model assessment criteria	Transfer the Fund's functions to local government (LA)	Outsource the Fund's functions to the private sector	Convert the current NDPB into a Public Corporation (PC)	Convert the current NDPB into a Company Limited by Guarantee (CLG)
<p>h) Allow and enable the Fund to manage open demand-led funds and also develop and deliver longer term strategic programmes</p>	<p><u>No</u> This model does not support strategic programmes across LA boundaries – current effectiveness would be undermined.</p>	<p><u>Maybe</u> This may work if the existing Fund organisation became a new company, retaining the existing knowledge base. BUT existing Fund staff are very unlikely to welcome a move to the private sector, resulting in 'brain drain'. Alternatively this would depend on capabilities and capacity of an existing or new private sector provider.</p>	<p><u>Maybe</u> This may work if the existing Fund organisation became a new company, retaining the existing knowledge base. Alternatively would depend on capabilities and geographic reach of an existing or new PC. The PC requirement to cover 50% of operating costs from sale of goods and services could also prohibit the organisation's current flexibility, as a PC would need to prioritise activities that generate revenue.</p>	<p><u>Yes</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff.</p>
<p>i) Has credibility with both the VCSE sector and with the Lottery ticket buying public</p>	<p><u>No</u> The VCSE sector is very unlikely to welcome the dissolution of the Fund organisation, and is likely to be sceptical of local government as a credible alternative.</p>	<p><u>No</u> Private sector handling of public money in terms of Lottery income and dormant account money is likely to be questioned by the VCSE sector and the public. E.g. It could be seen as an example of 'selling off the Crown Jewels' to the private sector. Depth of private sector</p>	<p><u>Maybe</u> In part this depends on the corporation's Articles and credibility of the leadership of the PC. The requirement to generate revenue from non-Lottery sources could be seen by both stakeholder groups as a distraction.</p>	<p><u>Probably</u> This option would likely involve changing the constitution of the existing NDPB while retaining its functions and staff, so outwardly the Fund should not be dissimilar to the status quo. However, the degree of trust from the VCSE sector will depend on what kind of organisation they perceive it to</p>

		understanding of the VCSE sector it serves would also likely be questioned.		be and whether that is viewed as being in the best interests of the sector.
j) Allow and enable the Fund to keep operating costs to a minimum so it can channel the maximum amount of its income into funding and frontline services	No Devolving existing grant making activities to local level would mean replication of funding administration costs and resources across 400 LAs.	Maybe Commercial expertise would be used to drive efficiencies. BUT it could in practice increase operating costs, as private operators charge market rates (cost plus margin) for their services.	Probably Commercial expertise would be used to drive efficiencies. However, PCs typically employ their own staff (not civil servants), and may not be subject to public sector pay-scales, so any increase in staff costs could erode efficiencies.	Probably Through recruitment over time commercial expertise would be used to drive efficiencies. However, CLGs typically employ their own staff (not civil servants), and may not be subject to public sector pay-scales, so any increase in staff costs could erode efficiencies.
k) OPTIONAL Allow the Fund to fulfil a leadership and capacity building role within the VCSE sector	No Devolving distribution to the local level would result in loss of the central expertise and reputation that the Fund has now.	No Would totally lack credibility with the VCSE sector.	Maybe Would likely lack credibility with the VCSE sector as being closer to both public and private sectors.	Maybe This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. However, the degree of trust from the VCSE sector will depend on what kind of organisation they perceive it to be and whether that is viewed as being in the best interests of the sector.

TABLE 2: Delivery model assessment criteria	Transfer the Fund's functions to local government (LA)	Outsource the Fund's functions to the private sector	Convert the current NDPB into a Public Corporation (PC)	Convert the current NDPB into a Company Limited by Guarantee (CLG)
<p>l) OPTIONAL</p> <p>Allow the Fund to innovate and collaborate with partners in both the VCSE sector and the public sector</p>	<p><u>Yes and No</u></p> <p>VCSE sector engagement and collaboration may be improved on a local level</p> <p>However, engagement and collaboration with national bodies in both VCSE sector and central government would be much more difficult, given need to engage with 400 LAs.</p>	<p><u>No</u></p> <p>This would be difficult for a private sector provider – it would either need to charge for such work over and above its existing contract, or would want to do this as a loss leader for business generation purposes.</p> <p>VCSE sector in particular unlikely to warm to collaboration that they believe may lead to profits for the provider.</p>	<p><u>Maybe</u></p> <p>In theory this model is ideal for driving innovation, and as a PC it should be well placed to collaborate with public sector bodies.</p> <p>However, the VCSE sector may not warm to collaboration that may lead to new business opportunities for the PC.</p>	<p><u>Probably</u></p> <p>In theory this model is ideal for driving innovation.</p> <p>However, the degree of engagement with both VCSE and public sector may be affected by what the organisation is perceived to be by stakeholders, e.g. if VCSE organisations are concerned that the CLG is closer to Government than the status quo and/or has private sector drivers.</p>
<p>m) OPTIONAL</p> <p>Allow the Fund to contribute to development of government policy (by both central and local government)</p>	<p><u>Maybe</u></p> <p>Engagement channels to central government could be more complex, e.g. involving Cabinet Office, DCLG and DCMS.</p> <p>Also difficult for local government to objectively engage with central government on the subject of addressing social need, given austerity climate backdrop of budget cuts, and in some cases opposing political persuasions.</p>	<p><u>No</u></p> <p>Although a private sector provider could be contracted to incubate and pilot new policies developed by Government, they would have insufficient credibility with the sector and/or experience to work effectively with Government in this way.</p>	<p><u>Maybe</u></p> <p>PCs are institutional units separate from their sponsor departments, which may weaken their incentive to work with and influence Government.</p> <p>A PC may (need to) see this activity as a chargeable consultancy service, contributing to their 50% of operating costs covered by sales.</p>	<p><u>Probably</u></p> <p>This role could be written into the company's Articles.</p>

TABLE 2: Delivery model assessment criteria	Transfer the Fund's functions to local government (LA)	Outsource the Fund's functions to the private sector	Convert the current NDPB into a Public Corporation (PC)	Convert the current NDPB into a Company Limited by Guarantee (CLG)
<p>Summary assessment of suitability of each delivery model for the Big Lottery Fund</p>	<p>This model would result in both the loss of the Fund as a key asset in the VCSE sector, and a drop in efficiency and effectiveness. NOT RECOMMENDED</p>	<p>This model may deliver greater efficiencies and increased control for Ministers, but those limited benefits would be offset by a reduction in effectiveness and credibility. NOT RECOMMENDED</p>	<p>This model offers some potential benefits but the fundamental requirement for a Public Corporation to cover 50% of its operating costs from selling goods and services is not feasible for the Fund, which cannot use Lottery income to subsidise the necessary business generation activities. NOT RECOMMENDED</p>	<p>This model offers several benefits, including clarity of autonomy for the CLG Board coupled with its greater accountability. The key challenges would be around credibility of this model within the VCSE sector the Fund serves, and potentially with the public. BEST OF THESE FOUR OPTIONS</p>

2b. Delivery model options outside central government – VCSE sector

Some stakeholders proposed, in response to the Call for Evidence, a variety of alternative delivery models for the Fund, but the largest group amongst these favoured a move closer towards, or even into, the VCSE sector itself. The landscape of delivery models in the VCSE sector is in a process of change and expansion, and the Review therefore considered some of the most high-profile options rather than an exhaustive list of alternatives. These options consider removing NDPB status and establishing delivery through a VCSE structure.

Summary of the options:

Convert the current NDPB into a Charitable Company Limited by Guarantee (CCLG)

This is as for a Company Limited by Guarantee (see section 2a above) under the Companies Act, but with additional requirements under charity law, including registration with the Charity Commission. Key provisions of the Articles of Association are regulated (these must be agreed by the Charity Commission), e.g.:

Charitable 'objects' must be set out (part of the asset lock);

Trustee remuneration provisions (if any);

Dissolution provisions (part of the asset lock).

A CCLG has (a) Members and (b) Directors who run the organisation on a day to day basis, and would also be classed as its Trustees. The Members at least initially are most likely to be the relevant Minister/s for the policy area/s in which the CCLG operates, although they may opt to appoint additional Members.

Convert the current NDPB into a Charitable Incorporated Organisation (CIO)

This is also similar to a CLG (see section 2a above), but is only registered with and regulated by the Charity Commission under charity law, i.e. the Companies Act does not apply. A CIO has (a) Members and (b) Trustees who run the organisation on a day to day basis, or who delegate responsibility for this while retaining legal accountability. There are two models (i) 'Foundation' (where the Trustees are the only Members) and (ii) 'Association' (where there is a wider body of Members).

Convert the current NDPB into a Charity or Charitable Trust (CCT)

Set up to fulfil one or more charitable 'objects', set out in the charity's governing document. The objects of the charity must conform to the provisions set out in the Charities Act, as must the manner in which the charity is run in general. Objects are the aims and objectives, including what the charity is setting out to do, who or what will be the beneficiaries of its work, and how the charity will go about doing what it aims to do. May be an unincorporated

association governed by a document called a trust deed. In exceptional cases a charity can be in the public sector, such as the national museums and galleries, but this has to be established by statute.

Convert the current NDPB into a Community Interest Company (CIC)

The CIC model is designed to provide an effective legal form for enterprises which aim to provide benefit to the community or to trade with a “social purpose,” rather than to make a profit. The asset lock feature of CICs ensures that any assets, profits, and surpluses generated (aside from those distributed in accordance with the rules on dividend capping) are retained by the CIC and used to benefit the community. As a limited company, a CIC must comply with the requirements of company law in general, and accordingly must file annual accounts and returns at Companies House in addition to its responsibilities to the CIC Regulator. Most CICs are limited by guarantee. They are not subject to the regulations and limitations applied to charities, but as they have charitable purposes, should have an objects clause in their Articles of Association.

TABLE 3: Do the VCSE sector options fulfil all the delivery model criteria?

TABLE 3: Delivery model assessment criteria	Convert the current NDPB into a Charitable Company Limited by Guarantee (CCLG)	Convert the current NDPB into a Charitable Incorporated Organisation (CIO)	Convert the current NDPB into a Charity or Charitable Trust (CCT)	Convert the current NDPB into a Community Interest Company (CIC)
a) Give full governance accountability and operational control to the Fund’s Board to lead, manage and improve the organisation	<u>Yes</u> As a charity a CCLG must be independent and the Companies Act lays out the accountabilities for Directors. However, accountability includes submitting an annual report and set of accounts to both Companies House and the Charity Commission, and an additional annual return to the Charity Commission.	<u>Yes</u> As a charity a CIO must be independent and is regulated only by the Charity Commission. Trustees can delegate to a management team but remain legally responsible.	<u>Yes</u> Charities must be independent and are regulated by the Charity Commission. Trustees can delegate to a management team but remain legally responsible.	<u>Yes</u> This model would provide a more accountable and commercial Board, subject to requirements of the Companies Act and of the CIC Regulator. Under a limited by guarantee model, CIC Directors are fully protected by limited liability but would be liable for debts if guilty of some wrongdoing, such as wrongful or fraudulent trading.

TABLE 3: Delivery model assessment criteria	Convert the current NDPB into a Charitable Company Limited by Guarantee (CCLG)	Convert the current NDPB into a Charitable Incorporated Organisation (CIO)	Convert the current NDPB into a Charity or Charitable Trust (CCT)	Convert the current NDPB into a Community Interest Company (CIC)
<p>b) Enable Ministers to fulfil their statutory responsibilities for the Big Lottery Fund as a National Lottery distributor</p>	<p><u>Probably</u> Such ministerial requirements, including policy directions, can be written into the CCLG's Articles, and into any subsequent funding agreements with Government. However, the charity model ensures independence for the CCLG, which may in practice limit the Minister's scope for action in comparison with the status quo.</p>	<p><u>Probably</u> Such ministerial requirements, including policy directions, can be written into the CIO's Articles, and into any subsequent funding agreements with Government. However, the charity model ensures independence for the CIO, which may in practice limit the Minister's scope for action in comparison with the status quo.</p>	<p><u>Probably</u> Such ministerial requirements, including policy directions, can be written into the CIO's Articles, and into any subsequent funding agreements with Government. However, the charity model ensures independence for the CIO, which may in practice limit the Minister's scope for action in comparison with the status quo.</p>	<p><u>Probably</u> Such ministerial requirements, including policy directions, can be written into the CIO's Articles, and into any subsequent funding agreements with Government. Involvement in certain 'political' activities disqualify organisations from becoming CICs, but if the Fund's powers remain the same and the policy directions it receives from Ministers remain broad as they are now, the Fund's activities would not be deemed as political.</p>

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<p>c) Be an appropriate vehicle for the financial management of public money, providing sufficient controls, transparency, and assurance to DCMS Ministers</p>	<p><u>Maybe</u></p> <p>Annual reporting documents all available on Charity Commission website free of charge – regulatory requirements for annual reports embed high level of transparency.</p> <p>Plus annual report and accounts available from Companies House for a fee.</p> <p>Any further controls and transparency arrangements required by Ministers could be written into the Articles or funding agreement. However, some public sector controls may be incompatible with charity status – therefore subject to challenge from Charity Commission and/or ONS.</p>	<p><u>Maybe</u></p> <p>Annual reporting documents all available on Charity Commission website free of charge – regulatory requirements for annual reports embed high level of transparency.</p> <p>Any further controls and transparency arrangements required by Ministers could be written into the Articles or funding agreement. However, some public sector controls may be incompatible with charity status – therefore subject to challenge from Charity Commission and/or ONS.</p>	<p><u>Maybe</u></p> <p>Annual reporting documents all available on Charity Commission website free of charge – regulatory requirements for annual reports embed high level of transparency.</p> <p>Any further controls and transparency arrangements required by Ministers could be written into the Articles or funding agreement. However, some public sector controls may be incompatible with charity status – therefore subject to challenge from Charity Commission and/or ONS.</p>	<p><u>Yes</u></p> <p>CLGs are subject to the requirements of the Companies Act, which lays out the accountabilities and financial liabilities of Directors. Annual report and accounts must be filed with Companies House and are available for a fee.</p> <p>Any further controls and transparency arrangements required by Ministers could be written into the Articles.</p>

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d) Meet the second test for being an NDPB, by ensuring that the Fund can make all its funding decisions independently of government influence, and with political impartiality	<p><u>Yes</u> As a charity a CCLG must be independent.</p>	<p><u>Yes</u> As a charity a CIO must be independent</p>	<p><u>Yes</u> As a charity a CCT must be independent</p>	<p><u>Yes</u> The CIC model is well placed to do this. CIC regulations prevent CICs from being party political.</p>
e) Allow and enable the Fund to fulfil its purpose in distributing Lottery money to good causes, as set out in legislation, and recognising the ‘additionality principle’	<p><u>Yes</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. Organisational purpose for CCLGs is set by Members – in effect this would be same as the status quo, but with greater emphasis on the charitable nature of the new organisation.</p>	<p><u>Yes</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. Organisational purpose for CIOs is set by Members – in effect this would be same as the status quo, but with greater emphasis on the charitable nature of the new organisation.</p>	<p><u>Yes</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. The objects of every charity must be ‘charitable’ as defined by law, and must also fulfil the ‘public benefit test’ as set out in the Charities Act.</p>	<p><u>Probably</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. The existing purpose of the Fund appears to fit very well with CIC status. However the ‘community interest test’ is a more specific requirement than the broad purpose of the Fund as it is currently defined, and would need further consideration.</p>

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<p>f) Allow and enable effective delivery of all the functions of the Fund, as currently set out in legislation</p>	<p><u>Probably</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. A CCLG can transact business with third parties (i.e. without the need for the Trustees to do so on its behalf), but to deliver grant making services for another body would either need alignment of charitable objects or to run it through a trading company subsidiary.</p>	<p><u>Probably</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. A CIO can transact business with third parties (i.e. without the need for the Trustees to do so on its behalf), but to deliver grant making services for another body would either need alignment of charitable objects or to run it through a trading company subsidiary.</p>	<p><u>Maybe</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. It can be difficult for a charity to transact business with third parties, as it cannot sign documents in its own name (as a company would be able to do via a signatory). Charities are generally prohibited from trading (except as an incidental part of its main function) so would need to set up a separate company for third party work, ie. a trading company subsidiary.</p>	<p><u>Probably</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. CICs have greater flexibility than charities in terms of activities; they are allowed to contract to provide services to third parties and use surpluses from this for the community benefit. However, most CICs are relatively new (introduced in 2005) and currently there is no exemplar CIC organisation on the scale of the Fund, which would therefore be a potentially high risk pilot at this level.</p>

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<p>g) Allow and enable effective delivery of all the functions at a national level right across the UK</p>	<p><u>Yes</u> This option would most likely involve changing the constitution of the existing NDPB while retaining its functions and staff. Relationships with Devolved Administrations may need to be renegotiated. Would have to register additionally with charity regulator in Scotland and potentially Northern Ireland, adding to bureaucracy.</p>	<p><u>Yes</u> This option would most likely involve changing the constitution of the existing NDPB while retaining its functions and staff. Relationships with Devolved Administrations may need to be renegotiated. Would have to register additionally with charity regulator in Scotland and potentially Northern Ireland, adding to bureaucracy.</p>	<p><u>Yes</u> This option would most likely involve changing the constitution of the existing NDPB while retaining its functions and staff. Relationships with Devolved Administrations may need to be renegotiated. Would have to register additionally with charity regulator in Scotland and potentially Northern Ireland, adding to bureaucracy.</p>	<p><u>Yes</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. Relationships with Devolved Administrations may need to be renegotiated. There are currently >8,000 CICs operating across England, Scotland and Wales, representing a wide spectrum of interests.</p>
<p>h) Allow and enable the Fund to manage open demand-led funds and also develop and deliver longer term strategic programmes</p>	<p><u>Yes</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. It may be challenging to draw up charitable objects in a way that retains the existing balance between demand-led funding and longer-term strategic programmes, but in principle it should be possible to do this.</p>	<p><u>Yes</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. It may be challenging to draw up charitable objects in a way that retains the existing balance between demand-led funding and longer term strategic programmes, but in principle it should be possible to do this.</p>	<p><u>Yes</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. It may be challenging to draw up charitable objects in a way that retains the existing balance between demand-led funding and longer term strategic programmes, but in principle it should be possible to do this.</p>	<p><u>Probably</u> This option would involve changing the constitution of the existing NDPB while retaining its functions and staff. It may be challenging to draw up charitable objects in a way that retains the existing balance between demand-led funding and longer term strategic programmes, but in principle it should be possible to do this.</p>

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i) Has credibility with both the VCSE sector and with the Lottery ticket buying public	<u>Yes</u> May have more credibility than the status quo, especially with the VCSE sector, although the differences and benefits may be rather opaque to the public.	<u>Yes</u> May have more credibility than the status quo, especially with the VCSE sector, although the differences and benefits may be rather opaque to the public.	<u>Yes</u> May have more credibility than the status quo, especially with the VCSE sector, although the differences and benefits may be rather opaque to the public.	<u>Yes</u> May have more credibility than the status quo, especially with the VCSE sector, although the differences and benefits may be rather opaque to the public.
j) Allow and enable the Fund to keep operating costs to a minimum so it can channel the maximum amount of its income into funding and frontline services	<u>Probably</u> This can be specified under the funding agreement with Government, but the end result depends on the efficiency and commercial management capability of the organisation. The trustees would have to be free to negotiate the terms of the funding agreement and could walk away if they consider it too restrictive.	<u>Probably</u> This can be specified under the funding agreement with Government, but the end result depends on the efficiency and commercial management capability of the organisation. The trustees would have to be free to negotiate the terms of the funding agreement and could walk away if they consider it too restrictive.	<u>Probably</u> This can be specified under the funding agreement with Government, but the end result depends on the efficiency and commercial management capability of the organisation. The trustees would have to be free to negotiate the terms of the funding agreement and could walk away if they consider it too restrictive.	<u>Probably</u> This can be specified under the funding agreement with Government, but the end result depends on the efficiency and commercial management capability of the organisation. The asset lock feature is an additional driver ensuring that any assets, profits, and surpluses generated are used for community benefit.
k) OPTIONAL Allow the Fund to fulfil a leadership and capacity building role within the VCSE sector	<u>Yes</u> This model could potentially bolster the Fund's credibility for doing this, from within rather than from outside the VCSE sector.	<u>Yes</u> This model could potentially bolster the Fund's credibility for doing this, from within rather than from outside the VCSE sector.	<u>Yes</u> This model could potentially bolster the Fund's credibility for doing this, from within rather than from outside the VCSE sector.	<u>Yes</u> This model could potentially bolster the Fund's credibility for doing this, from within rather than from outside the VCSE sector.

TABLE 3: Delivery model assessment criteria	Convert the current NDPB into a Charitable Company Limited by Guarantee (CCLG)	Convert the current NDPB into a Charitable Incorporated Organisation (CIO)	Convert the current NDPB into a Charity or Charitable Trust (CCT)	Convert the current NDPB into a Community Interest Company (CIC)
<p>l) OPTIONAL</p> <p>Allow the Fund to innovate and collaborate with partners in both the VCSE sector and the public sector</p>	<p><u>Probably</u></p> <p>This role could be written into the CCLG’s Articles. As a charity itself, the CCLG would have credibility with the VCSE sector for doing this.</p> <p>However, as a charity a CCLG may have concerns about loss of independence if working closely with Government.</p>	<p><u>Probably</u></p> <p>This role could be written into the CIO’s Articles. As a charity itself, the CIO would have credibility with the VCSE sector for doing this.</p> <p>However, as a charity a CIO may have concerns about loss of independence if working closely with Government.</p>	<p><u>Probably</u></p> <p>As a charity itself, under this model the Fund would have credibility with the VCSE sector for doing this.</p> <p>However, as a charity it may have concerns about loss of independence if working closely with Government.</p>	<p><u>Yes</u></p> <p>The CIC model is well placed to do this; innovation and collaboration could be written into the CIC’s Articles, as long as it could be proven to benefit the community,</p> <p>Regulations prevent CICs from being party political but do not prevent engagement with the public sector.</p>
<p>m) OPTIONAL</p> <p>Allow the Fund to contribute to development of government policy (by both central and local government)</p>	<p><u>Maybe</u></p> <p>Campaigning and political activity is only permitted where it supports the charitable purpose.</p>	<p><u>Maybe</u></p> <p>Campaigning and political activity is only permitted where it supports the charitable purpose.</p>	<p><u>Maybe</u></p> <p>Campaigning and political activity is only permitted where it supports the charitable purpose.</p>	<p><u>Probably</u></p> <p>There are limitations on this, ie. a CIC cannot campaign for or against government policy or be politically partisan.</p> <p>However, a CIC can engage in policy development if this can reasonably be seen as incidental to its activities to benefit the community.</p>

TABLE 3: Delivery model assessment criteria	Convert the current NDPB into a Charitable Company Limited by Guarantee (CCLG)	Convert the current NDPB into a Charitable Incorporated Organisation (CIO)	Convert the current NDPB into a Charity or Charitable Trust (CCT)	Convert the current NDPB into a Community Interest Company (CIC)
<p>Summary assessment of suitability of each delivery model for the Big Lottery Fund</p>	<p>This model would likely satisfy VCSE sector preferences for autonomy from Government for the Fund, but may undermine the Minister's ability to meet statutory responsibilities for the Fund as a National Lottery distributor. For example, the requirements of charitable status and of NDPB status may conflict. The increased bureaucracy involved in trying to marry these two models in one organisation works against the Public Bodies Reform agenda to improve efficiency across the wider public sector.</p> <p>NOT RECOMMENDED</p>	<p>This model would likely satisfy VCSE sector preferences for autonomy from Government for the Fund, but may undermine the Minister's ability to meet statutory responsibilities for the Fund as a National Lottery distributor. For example, the requirements of charitable status and of NDPB status may conflict. The increased bureaucracy involved in trying to marry these two models in one organisation works against the Public Bodies Reform agenda to improve efficiency across the wider public sector.</p> <p>It is, however, preferable to the CCLG model in that regulation is only by the Charity Commission.</p> <p>NOT RECOMMENDED</p>	<p>This model would likely satisfy VCSE sector preferences for autonomy from Government for the Fund, but may undermine the Minister's ability to meet statutory responsibilities for the Fund as a National Lottery distributor. For example, the requirements of charitable status and of NDPB status may conflict. The increased bureaucracy involved in trying to marry these two models in one organisation works against the Public Bodies Reform agenda to improve efficiency across the wider public sector.</p> <p>NOT RECOMMENDED</p>	<p>This model offers a number of potential benefits, such as greater clarity of accountability for the Board given the requirements of the Companies Act. Although a CIC is not subject to Charity Commission requirements, it is still a delivery model that supports the mission of the Fund, offering protections such as the community interest test and the asset lock, and is regulated against involvement in politics.</p> <p>BEST OF THESE FOUR OPTIONS</p>