



BIG LOTTERY FUND



2015/2016

ANNUAL REPORT

& ACCOUNTS

Big Lottery Fund Annual report and accounts

For the financial year ended 31 March 2016

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

Laid before the Scottish Parliament by the Scottish Ministers on 19 July 2016.

Laid before the Northern Ireland Assembly.

Ordered by the House of Commons to be printed on 19 July 2016.

© Big Lottery Fund copyright 2016

The text of this document (this excludes, where present, the Royal Arms and all departmental or agency logos) may be reproduced free of charge in any format or medium provided that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as [insert name of copyright holder] copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries related to this publication should be sent to us at Big Lottery Fund, 1 Plough Place, London EC4A 1DE.

This publication is available at <https://www.gov.uk/government/publications>

Print ISBN 9781474128599

Web ISBN 9781474128605

ID 15021605 07/16

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

Contents

Part 1: a year in review

1

Introduction:

A message from the Chair and Chief Executive; Our People in the Lead journey

Pages 8-11

2

Our year in numbers:

Key statistics

Pages 12-13

3

A view across our programmes and portfolios

Pages 14-23

4

Putting people in the lead: sharing stories

Page 24-33

Part 2: performance review

5

Our performance report:

Our corporate objectives; Our key performance indicators; Financial analysis; Equalities and employees analysis; Sustainability report

Pages 36-49

6

Our governance

Statement of Accounting Officer's Responsibilities; The governance statement; Board and committee membership; Register of interests; The senior management team; The remuneration report

Pages 50-71

7

Our accounts

Report of Comptroller and Auditor General; Financial statements; Memorandum Accounts – dormant account money

Pages 72-106

8

Our statutory background

Page 107-119



Part 1: a year in review

A message from the Chair and Chief Executive

Our People in the Lead journey

Our year in numbers

Our programmes and portfolios

Putting people in the lead: sharing stories



A message from the Chair

Back in November 2015, the Prime Minister told Parliament the Big Lottery Fund ‘does an absolutely excellent job’. That’s really a reflection on the work that the projects we fund are doing across the UK, made possible by National Lottery players. As the UK’s largest community funder, we gave out over 11,700 grants to the tune of £583 million this year, the vast majority of which were for less than £10,000. But that matters little without the endeavour and creativity of people and communities using those grants to do great things.

People like those involved in the remarkable North Belfast Alternatives project in Ballysillan. They use ‘restorative justice’ to tackle low level crime and anti-social behaviour, in neighbourhoods historically affected by sectarian conflict. Communities bring together those affected by an offence, to collectively decide how to repair the harm caused and to restore justice rather than simply punish. This is going a long way to breaking a cycle of young people disengaging from their communities and falling into the criminal justice system.

It’s about communities finding solutions that work for them, and a perfect illustration of People in the Lead, our strategic framework which we were just introducing at the time of last year’s Annual Report. The story of the last twelve months has been one of gathering momentum, with new funding initiatives

across every country of the UK. The UK-wide Our Bright Future programme is one example, bringing together organisations from the youth and environment sectors to enable young people to lead change and improve their environment; for example the National Union of Students working with Sustain and others to support student-led enterprises growing on-campus, low-carbon food. Such initiatives are just the start of our journey, but we can be confident that we are firmly heading in the right direction.


That momentum is also underpinned by ongoing progress in addressing the recommendations of the 2014 Triennial Review. The review recognised us as a well-respected and valued organisation and made a number of helpful recommendations to enhance what we do and help us continue being efficient and effective.

This year we were joined on the Board by Nat Campbell and Rachael Robathan, both very welcome additions and already making a sterling contribution. As a team, we have the great privilege to be a steward for transformative sums of National Lottery good causes cash. From the Westfield Cricket Club using a few hundred pounds to buy a defibrillator, to the Fullarton Community Association who are using £1.1 million to create a new community hub, we’ve again had the joy of working with some extraordinary and brilliant people across the UK this year.

“It’s about communities finding solutions that work for them, and a perfect illustration of People in the Lead”

Peter Ainsworth
Chair





“The people we fund continue to come up with ideas and solutions to some of the thorniest challenges. It’s our privilege to work alongside them”

Dawn Austwick
Chief Executive

A message from the Chief Executive

All across the UK over the past year I’ve been welcomed by enterprising, dynamic communities, keen to share their ideas and insight. From the Toft Newton villagers in England reclaiming a community hall on disused Ministry of Defence land, to the Luing islanders on the west coast of Scotland developing the wonderful Atlantic Islands Centre. And from the Colin Neighbourhood Partnership in Belfast building employability, health and relationships in their community, to the Cardiff Institute for the Blind’s remarkable range of community support – I am constantly impressed and energised by the people I meet.

As a grant-maker, the launch of our new Scotland portfolio in November was a real milestone. It’s infused with People in the Lead principles, taking as its starting point people’s skills and experiences and the assets in their communities. We’ve adapted how we work to be more proportionate – in our conversations with people, the information we ask for, and how we monitor and understand impact. We want these principles to become hallmarks, and they are increasingly evident in new programmes across our country portfolios.

Last year, I reflected on our Accelerating Ideas pilot, designed to draw out great ideas for wider sharing and adoption across the UK. That’s come to fruition with some brilliant projects tackling ageing, such as £1.3 million to transform 30 care home gardens into dementia-friendly environments. It’s one facet of the catalyst role we want to play in civil society. This is driving our ‘Future of Doing

Good’ conversation which we began this year. It brings together people from different walks of life to look at tough questions about how society is changing and the opportunities that brings. This will certainly inform our own approach, but we hope it will also spark ideas and action across all sectors.

We have a long road still to travel in achieving our People in the Lead vision, but our first steps are increasingly confident strides forward. We’ve established a change programme that can deliver the ambition of what we want to achieve, piloted new grant-making approaches across our portfolios, and kicked off seven priority projects including redesigning our small grants approach and adapting our funding policies. Throughout, we’ve kept a resolute focus on maximising the good causes cash going to communities, with core operating costs held to 4.4 per cent. I would like to thank our staff for their hard work over the last year.

We hear time and again from the people we work with about the pace, complexity, and extent of change they’re experiencing. The time feels ripe to rethink how communities can improve their lives. From ageing well to mental health, from early years to employability, the people we fund continue to come up with ideas and solutions to some of the thorniest challenges. It’s our privilege to work alongside them.

Section one:

Our People in the Lead journey

We launched our strategic framework, People in the Lead, in March 2015. This set out our ambition to change the way we work; focusing on people's strengths in tackling challenges, being proportionate in everything we do and ask for from the people we work with, and being a catalyst for other people doing great things to build a thriving civil society.

Our framework runs to 2021 and sets out six principles for how we will achieve our ambition. This year, our grant-making has started to reflect these principles, for example:

- A new portfolio in Scotland – with a focus on projects that involve people at every stage, build on what they have to offer, and join up with others doing great work in their area.
- A new People and Communities programme in Northern Ireland to support people to build on their strengths and connect up resources and services in their community.
- A new Create Your Space programme in Wales to put communities in the lead of conserving or transforming their local environment.
- A new Women and Girls initiative in England, to empower women and girls to take control of their lives.
- 13 Accelerating Ideas grants across the UK for people and organisations growing great ideas and practice for ageing well.
- The People's Projects initiative, delivered in partnership with Camelot and ITV, which gave local people across the UK the chance to vote for small grant-holders in their area to receive additional money for their work, showcasing a range of outstanding community-based projects in the process.

These are first steps on our journey, and we're working toward key milestones over the next year such as the launch of a new funding portfolio in England, and a redesign of our small grants programme.

Six key principles for delivering People in the Lead

1

Confidence, not control

We trust in people's ability to make great things happen, believing that our funding should enable rather than control.

2

Simple processes, good judgements

We use simple, proportionate processes which enable us to make good judgements.

3

The strengths people bring

We start with what people can contribute, and the potential in their idea.

4

A catalyst for others

We listen to, learn from, act on and facilitate the things that matter to people, communities and our partners.

5

Shared direction, diverse approaches

We value the diversity of communities we work with across the UK, are consistent in the quality and opportunities we offer, and support people to tackle inequalities.

6

Using resources well

We make informed choices about the resources given to us by National Lottery players: with knowledge, with people and with money, and in an environmentally sustainable way.

Section two:

Our year in numbers

Key statistics

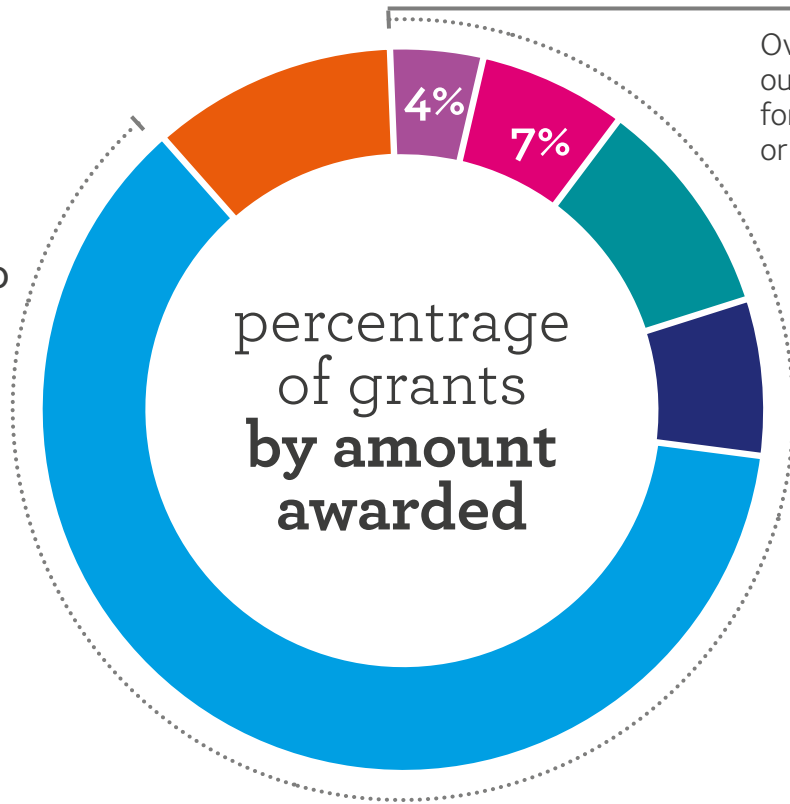


The value of awards we have made this year is significantly reduced from 2014/15. This is due to the timing of grant decisions and does not represent an on-going change in our capacity to make grant awards.

Last year's grant awards were unusually high due to the award of £149 million to the Power to Change Trust, whereas this year is lower than anticipated as a result of some delays to our European matched funding programme.

Grant-making at the grassroots

- £0 - 2,000
- £2,001 - 4,000
- £4,001 - 6,000
- £6,001 - 8,000
- £8,001 - 10,000
- £10,001+



Over **89%** of our grants were for £10,000 or less



A bearded man with tattoos on his arms is working on a blue bicycle in a workshop. He is wearing a maroon t-shirt and black overalls. The background shows several other bicycles hanging on a rack.

Section three:

A view across our programmes and portfolios

England

Through our open funding programmes Awards for All and Reaching Communities, we invested over £240 million in more than 6,500 projects.

The Bikery

Read more on page 27

People came to us with a diverse range of ideas to improve their communities, from £500 to the Bicester Widows Club to run social events to reduce isolation to over £400,000 to the Backup Trust to support people with spinal cord injuries to live independently.

The scale and reach of this open funding gives us an excellent insight into the challenges and opportunities faced by communities, enabling us to develop new targeted funding opportunities for people doing great work in specific areas.

For example, our Women and Girls initiative was launched in the summer to support women and girls to take control of their lives in ways that matter to them. It funds partnerships for activities shaped by women and girls themselves, enabling them to tackle issues such as substance misuse, mental health, domestic violence and homelessness, investing a total of £4.5 million. We also launched Help Through Crisis, investing £30 million into projects providing tailored support, advice and advocacy for people to reduce hardship and the risk of hardship. Projects will support people to overcome immediate challenges, but also to plan for their future and avoid future crises.

Our ongoing strategic investments are putting £570 million into the hands of over 60 locally-led partnerships to build positive new approaches and practice around some of the biggest challenges facing communities, such as ageing and early years development. These are long-term investments running for up to ten years, but we're already seeing positive evidence emerge. And the people these programmes work with have a local and national influence, for example, leading empathy training for doctors in Yorkshire, to contributing to government policy reviews by the Home Office and the Department for Work and Pensions.

We've continued to collaborate with a range of people to support a thriving civil society. We opened the £20 million Local Sustainability Fund on behalf of the Office for Civil Society. This supports small to medium sized voluntary, community and social enterprise

The first 18 months of the Fulfilling Lives programme in Lambeth, Southwark and Lewisham suggests a 44 per cent reduction in criminal justice, mental health and substance misuse costs to the system

organisations to understand their strengths and opportunities to improve the way they work, and receive funding to make changes to their business model. We've also worked with the Young Foundation on a new initiative called Communities Can to reach the smallest organisations in five areas that have previously struggled to access funding. The programme provides support and development to people and community groups to build their skills and confidence. We've continued to play a key role in building the social investment market in the UK, as a partner in the £45 million Growth Fund which launched in March 2015, and in extending Big Potential so that more advanced organisations can compete for larger investments and contracts.

We've invested a further £20 million into England's public parks and cemeteries in partnership with the Heritage Lottery Fund. The funding supports people and communities who are getting involved with running and reviving their local green spaces. It's an extension of a long-running successful partnership that has seen nearly £290 million invested since 2006.

We've also delivered two rounds of funding through our Building Better Opportunities programme, which matches funding available from the European Social Fund, amounting to nearly £200 million. We're working with Local Enterprise Partnerships across England to support organisations to access European Social Fund opportunities for projects to improve employability and social inclusion.

Scotland

Our year was defined by the development and launch of a new funding portfolio that will help people in Scotland to take the lead in improving their lives and communities.



At its heart, the new approach is about being people-led, strengths-based and connected. We'll be supporting projects that can show how they are involving the people they work with, how they build on strengths and assets that already exist in the community, and how they link up with other people working to make great things happen. This new approach also simplifies the application journey, so that we are proportionate in what we ask of applicants. The new portfolio will share £250 million over five years, with grants ranging from £10,000 to £1 million.

We were grateful for the support of a wide range of our stakeholders in Scotland who helped us to develop our approach. Our new offer launched in November 2015, with team members getting out and about to celebrate the work of funded projects from Lerwick in Shetland to Burnfoot in the Borders and Barra in the Western Isles.

Ahead of launching our new portfolio we closed our Investing in Communities programme, which had run since 2006. This programme, and the incredible work by the projects it funded, has been a foundation for developing our approach, helping us to understand strengths and providing the basis for a reach into every community in Scotland. Awards for All continues to provide small grants opportunities ranging from £500 to £10,000.

Over 90,000 acres of community owned land has been supported through the Land Fund, benefitting 71,000 people in 52 communities.

The Scottish Land Fund, which we distribute on behalf of the Scottish Government, alongside the Highlands and Islands Enterprise, continues to have a deeply felt impact on communities, providing new opportunities to own land and buildings that matter to them.

Over 90,000 acres of community owned land has been supported through the Land Fund, benefitting 71,000 people in 52 communities. The Scottish Government has more than tripled the size of the Scottish Land Fund between 2016 and 2020, to £10 million per year.

Our Young Start programme, which awards money from dormant bank and building society accounts, continues to support projects to help young people reach their potential. Highlights this year included a special careers fair at the Edinburgh International Science Festival.

Last year we launched round two of the Our Place programme – a ground-breaking way of giving local people in seven neighbourhoods control over Lottery investment in their area. These are five year relationships working intensively with communities to build their skills and confidence to make positive change happen. Those seven neighbourhoods have been developing their shared priorities and plans for the years to come.

Northern Ireland

The past year has seen major changes in how we fund in Northern Ireland. We launched our new £60 million open funding programme, People and Communities, in January 2016.

South Belfast Roundtable

Read more on page 25



In common with our new Scotland portfolio, the Northern Ireland portfolio aims to support people and communities with projects that are people-led, strengths-based, and connected.

Grants from our People and Communities programme will range from £30,000 to £500,000, and the programme is open for five years. It also has proportionality at its core – we’re encouraging people to have an informal conversation with us before applying, and simplifying the application journey as much as possible.

We continue to support hundreds of grass roots projects across Northern Ireland through Awards for All small grants. Last year, we awarded more than £4.4 million to 418 organisations and projects. We refreshed our approach in January 2016 to make the process simpler, the application form shorter, and the decision-making quicker – our customers tell us this has made a big difference.

In February 2016 we made our first grants under the Empowering Young People programme, which is putting young people in the lead to cope with the challenges in their lives. This includes projects such as Essential Potential, working with young people facing challenges in accessing employment by providing training and access to peer mentoring from people with similar backgrounds. We have recruited 10 young people to help lead this £50 million programme, participating in decision-making and acting as ambassadors who can engage younger people in funding opportunities.

“I’m not just developing my skills, I’m using my experiences to help other young people that I don’t even know and giving back to my community”

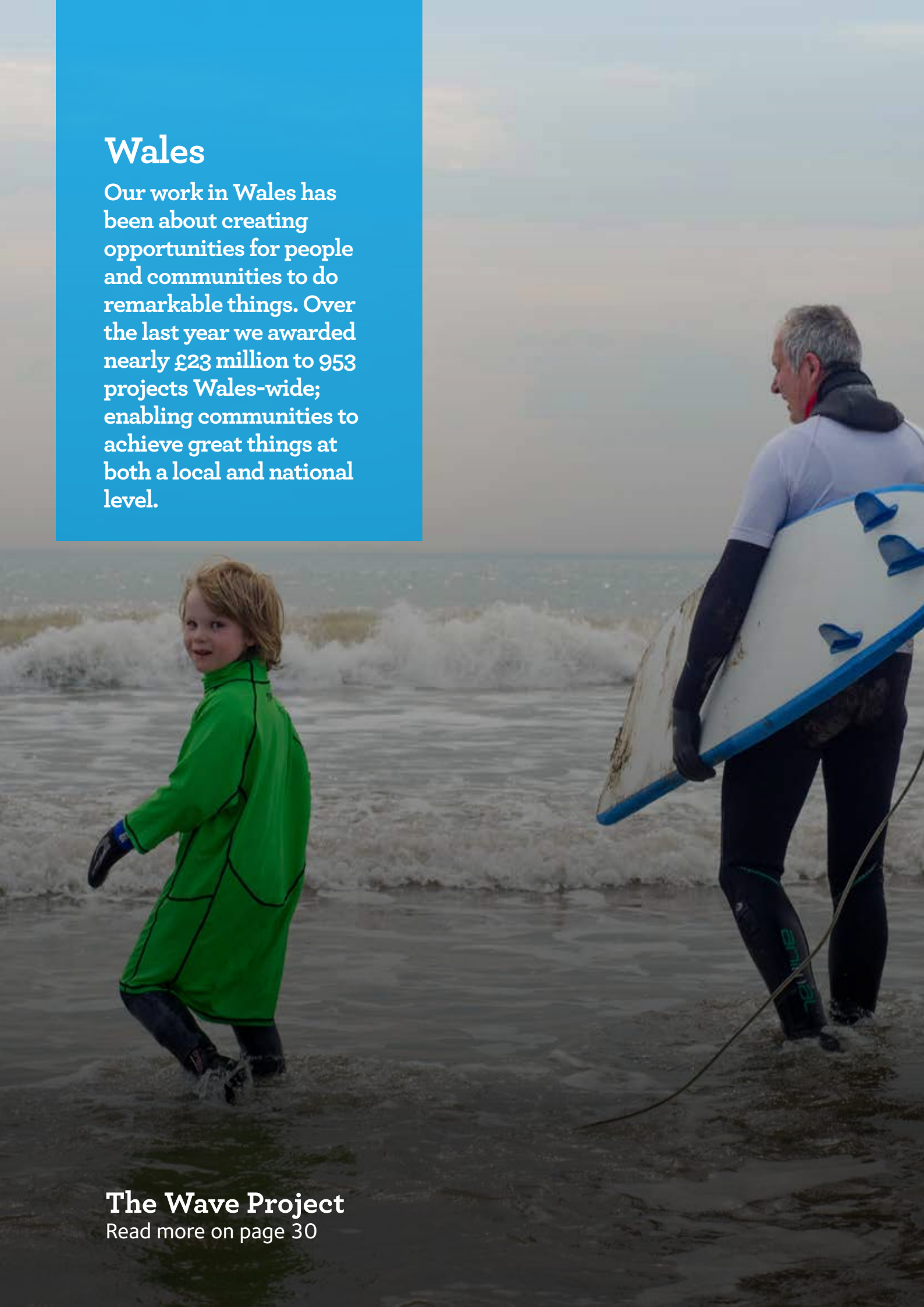
Siobhan O’Reilly, 18
Newtownhamilton, Co Armagh

One of our ambassadors is 18 year-old Siobhan O’Reilly from Newtownhamilton, Co Armagh, a young carer to her parents who are disabled. She says “I’m not just developing my skills, I’m using my experiences to help other young people that I don’t even know and giving back to my community”.

We also invested around £19 million in 28 projects through our Supporting Families programme. This helps families cope with isolation, unemployment, disability, adoption, fostering and other issues. Examples include the South Tyrone Empowerment Programme who are supporting ethnic minority families with a child under 12 to strengthen their connections to the local community and services, and Northern Ireland Hospice for practical and emotional support for families coping with a life-limiting condition in a child.

Wales

Our work in Wales has been about creating opportunities for people and communities to do remarkable things. Over the last year we awarded nearly £23 million to 953 projects Wales-wide; enabling communities to achieve great things at both a local and national level.



The Wave Project
Read more on page 30

Create Your Space opened in January 2016, our first new Wales programme to bear the hallmarks of our People in the Lead approach. This £8.8 million fund combines Lottery good causes funding and dormant accounts funding to enable people and communities to realise their own vision for their local environment. Grants will range from £500,000 to £2 million for a seven year project. We began the programme with a series of stakeholder events at which communities were able to access expertise and advice to develop their ideas before applying. We're looking forward to seeing how these ideas flourish over the next few years.

Small grants available through our Awards for All programme continue to be used by people to achieve great things at a really local level. For example, Cylch Meithrin Aberhonddu in Powys which is supporting families with members who are deaf or hard of hearing to use Makaton sign-language in Welsh. And the Same But Different project in Flintshire has used photography and storytelling to raise awareness of children with rare diseases and syndromes not just in Wales but across the world.

Larger grants in Wales are available through our People and Places programme, investing in projects that encourage people to work together for shared and wider benefit. One of the projects we funded last year was The Wave Project in Bridgend. This community interest company is using their grant to run a surf club for young people who have mental health difficulties or are at risk of social exclusion. Read more on page 30.

We also made a grant to the Money Advice Service to pilot and evaluate the impact of parenting interventions on the financial capability of children by raising awareness in parents and equipping them with the desire, confidence and ability to develop the next generation of financially capable adults.

“This is our first experience so absolutely thrilled to bits...getting public support is great!”

**Brenda Fogg, Hope Restored
Llandudno**

This year brought another round of Grab a Grant, making up to £25,000 available to five groups in Anglesey, Conwy and North Gwynedd. Winners were decided through a public vote run with the local media. This has been a useful tool for reaching organisations we haven't funded before and raising awareness of our broader funding offer. For example, Brenda Fogg from first time winner Hope Restored which support homeless people in Llandudno, said: “This is our first experience so absolutely thrilled to bits... getting public support is great!”

We continued to develop and deliver a range of joint and non-Lottery funding programmes to maximise the impact of our funding to communities across Wales. This year through Getting Ahead 2, a programme funded by money that has been dormant in bank and building society accounts across the UK for 15 years or more, we awarded £10 million to support and provide work placements for young people aged 16-25 with a learning disability or difficulty including autistic spectrum disorder. One of the many positive aims of the programme is to increase young people's opportunities for long-term sustainable employment.

Looking to the year ahead, we will be enabling rural communities to tackle the challenges of rural poverty through a new £13.5 million funding programme. We'll also be awarding up to £4.5 million as part of the next round of our Community Asset Transfer programme, which seeks to give communities ownership and control of land and buildings in their local area. And awarding up to £4 million through our new Third Sector Skills initiative.

United Kingdom

Our UK portfolio builds on the best of what we see and do in our country portfolios, and represents an opportunity to grow ideas and practice more widely.



Active Plus

Read more on page 26

Our UK portfolio approach is illustrated by our Accelerating Ideas initiative, which this year has had a focus on ageing.

One of the programme's core principles is that we can act as a catalyst for other people doing great work, recognising where we might not be experts but can support those who are. We worked with a range of partners to support them to develop projects that can help people to have a more positive experience of ageing. Examples include the Learning Through Landscapes initiative to transform outdoor spaces at 30 care homes across the UK into dementia-friendly gardens (read more on page 31), and Historypin's heritage project which brings older people together to share and record memories in the form of photographs, documents, sounds and films.

We've also invested £2 million into One Digital, a new initiative to help people develop their basic digital skills. We're working with Digital Unite, Age UK, Citizens Online and the Scottish Council for Voluntary Organisations to recruit a network of more than 1,400 digital champions. They'll then work to support other people to build skills and confidence with using online tools to improve their lives.

In May 2015 we responded to the earthquake in Nepal by putting £2 million from our international funding stream into the hands of people getting on with rebuilding their communities.

The People's Projects gave the UK public the chance to decide how £3 million of funding could make a difference in their local area and build on previous small grants such as Awards for All

This year we teamed up with ITV to deliver The People's Projects, building on The People's Millions programme. This gave the UK public

the chance to decide how £3 million of funding could make a difference in their local area and build on previous small grants such as Awards for All. Three projects in each ITV region successfully won additional money to build on the great work they were already doing. Nearly 150,000 people voted across the country.

“Reflecting on our campaign, we've learnt a lot, and regardless of whether we won or not, we valued the experience, exposure and support more than anything”

Benjamin Jones, Director
Project Seagrass

This year we launched Our Bright Future, a £33 million portfolio of 31 projects across the UK aiming to give 50,000 young people the opportunity to lead environmental change in their communities. Led by the Royal Society of Wildlife Trusts (RSWT), it brings together people and organisations from across the youth and environment sectors to create a set of projects that build young people's skills and knowledge, as well as improving local environments.

We've also continued to deliver the Coastal Communities Fund, distributing £2 million on behalf of the UK Government; supporting people living in coastal regions of the UK to transform their area and create new economic opportunities.



Section four:

People in the lead: sharing stories

The Sorted Project

When Heather, 40, was referred to Edinburgh's The Sorted Project, she was a drug addict who had suffered multiple life traumas and had tried to take her life. She is now on the verge of qualifying to be a canal boat skipper and is a passionate advocate for the unique recovery project that put back the wind in her sails.

In an innovative approach to supporting substance abuse recovery, the project leases a wide beam barge once a week that takes a crew of 20 people from the local area up and down the Union Canal, occasionally as far as the Falkirk Wheel to see the magnificent Kelpies.

Everyone on board is encouraged to join in with the social activities as well as getting involved with handling the boat and running the day.

“The supportive environment, immersive experience and sheer fun and difference of it seems to be a winning recipe”

Karen Bradford

Project manager Karen Bradford says that most of the crew, like Heather, come to the project anxious and lacking in confidence and self-esteem, but says that “the supportive environment, immersive experience and sheer fun and difference of it seems to be a winning recipe”.

Heather, who proved a dab hand on the tiller and now runs her own activities for people at the start of their recovery journeys, says: “Recovery can be a lonely, scary experience but The Sorted Project's canal boat made the rough journey feel safer. I have new purpose now and am totally committed to helping others in a similar situation find theirs.”

Hope Restored

A Llandudno project offers a critical lifeline for homeless people in the area.

When Brenda Fogg escaped her abusive husband, she became homeless. She came across a group called Sandwich Seekers and will always remember how thankful she was for the sandwiches in that time of desperation.

Today, Brenda leads that project, which she has rebranded Hope Restored. It is now a drop-in centre in Gloddaeth Church Hall for the homeless community in the area and offers tea, food, clothes, blankets and tents as well as advice on accessing government benefits and housing.

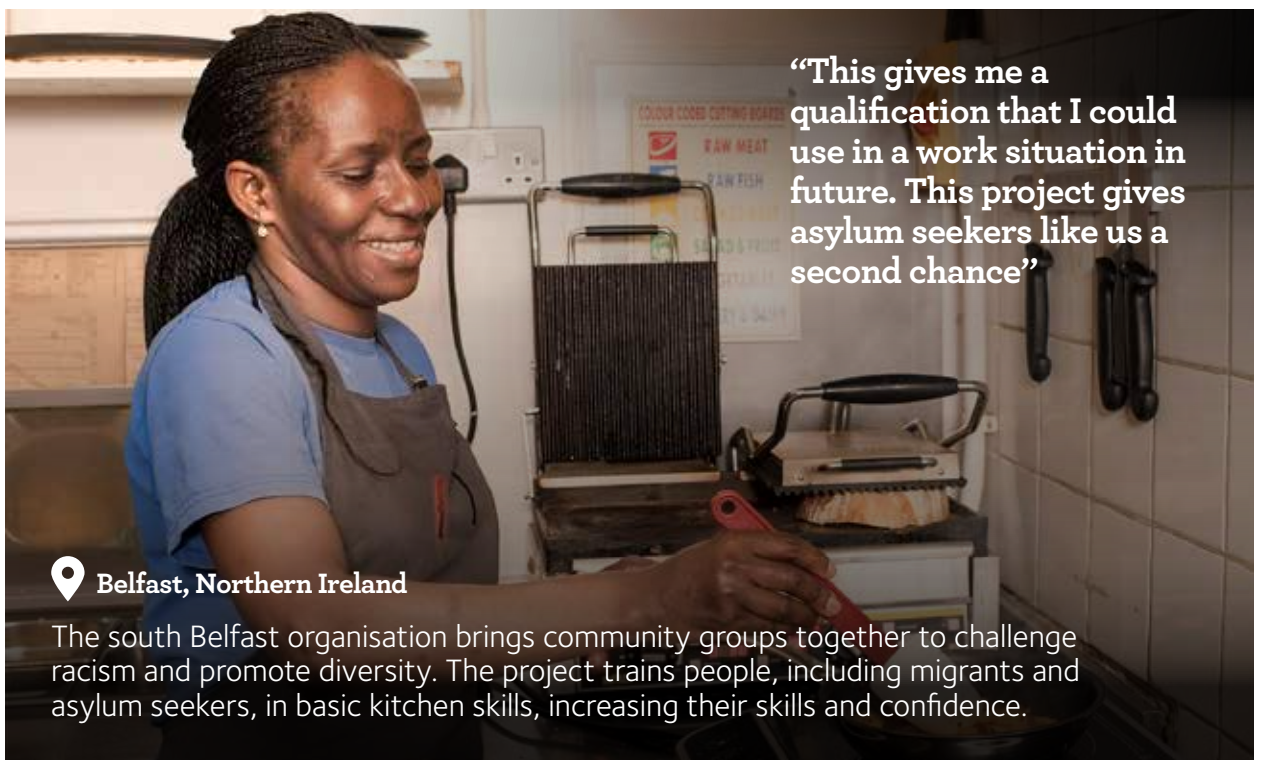
Last year, Brenda applied for a grant from the Grab a Grant programme run in Wales, where the public voted for who they wanted to receive grant money. With the grant, the project could buy more tents, sleeping bags, and general necessities to help people get through the winter.

Brenda says, “we are called Hope Restored because one of the clients who comes here said we give him hope and that’s exactly what we are about.”



Conwy, Wales

South Belfast Roundtable




“This gives me a qualification that I could use in a work situation in future. This project gives asylum seekers like us a second chance”

Belfast, Northern Ireland

The south Belfast organisation brings community groups together to challenge racism and promote diversity. The project trains people, including migrants and asylum seekers, in basic kitchen skills, increasing their skills and confidence.



 Northern Ireland-wide

Voice of Young People in Care

Voice of Young People in Care (VOYPIC) offers a range of training, courses and activities to care experienced young people across Northern Ireland to help improve their skills and opportunities for the future.

Leah (20), from Ballyclare, Co Antrim, credits her increased self-confidence and awareness to her involvement with the group's Participation Service project.

"To sit on interview panels, speak to politicians, and campaign for change nationwide has not only made me feel like I am doing something useful, but it has also made me more passionate about what I want to see changed in the care system.

"I wanted to forget about my past, however with support I saw the force for good I could be if I shared my experiences and campaigned for change," says Leah.

VOYPIC is funded with a grant of £599,688 from our Reaching Out: Empowering Young People programme in Northern Ireland.

Active Plus Communities



"Thanks to this project I now focus on what I can do not get stuck on what holds me back...most of all, I haven't laughed so much for years!"

 Cornwall, England

Helping others to help themselves: the delivery team at Active Plus are military veterans experiencing physical injuries and Post Traumatic Stress Disorder (PTSD). Supported by the project, they use their skills and knowledge to raise confidence and wellbeing in older, isolated, vulnerable people and promote social cohesion.



Centre for Better Health, The Bikery

The Bikery is a social enterprise, offering trainee placements to people recovering from mental ill health in its artisan bakery and bike repair shop.

Gary Bennett, a recent alumni of the Centre for Better Health's three-month bike repair trainee programme in Haggerston, describes the placement as a "blessing in disguise". Formerly homeless, and living with mental health challenges, his face lights up when he describes the new sense of belonging and purpose the programme has given him. "I used to love messing around with bikes as a child, but it has been a very long time since I had a reason to get up in the morning. There has been a lot of sadness in my life.

"I've loved feeling the sense of achievement and satisfaction from fixing the bikes. I see light now in my future and that's purely down to The Bikery"

Gary Bennett

"The people that work here are beautiful. There is no judgement. Everyone is treated with respect and encouraged to be themselves. It made me want to make this work, and I've loved feeling the sense of achievement and satisfaction from fixing the bikes. I see light now in my future and that's purely down to the Bikery."

The Bikery is a social enterprise for people recovering from mental ill health, set up by the Centre for Better Health with a £200,000 Reaching Communities grant. Downstairs there is a bakery producing handmade, artisan bread for the local community, including local cafes and restaurants. Upstairs the bicycle repair workshop provides a service fixing old bikes to be sold back to local people on low incomes or suffering from multiple disadvantage.

Ashwin Mathews, director, Centre for Better Health, says: "The Bikery's first aim is to offer a therapeutic and supportive environment for people in recovery from mental ill health, but by making it a commercial entity we create employment-like conditions, which we feel contributes to the development of positive identity, social inclusion and increased self-confidence, all vital for moving people forward in their lives."

Amplify

The Young Foundation in Belfast is helping local organisations work together to create lasting friendships and bonds between different communities.

The Young Foundation's Amplify programme has helped two youth clubs develop a business model for a social enterprise café that opened in December 2015. It is now a buzzing community space located right on the peace line that divides the nationalist Ardoyne area from the unionist Shankill and Woodvale communities, and is bringing people together and helping to heal old divisions.

The Young Foundation is an organisation that helps public and private bodies develop business models that will empower people to lead happier lives free from prejudice and discrimination. Its help was enlisted by R City project in Belfast, which is a cross-community project involving both the Ardoyne Youth Club and Hammer Youth Club in the Shankill. The R City's aim is to reduce tensions between people on different sides of the 'dividing line', with the aim of creating a unified community in which young people can achieve their potential.

As well as being a cross-community hub, the café also offers training opportunities to young people. 19-year-old Padraig Larkin, who has Down's syndrome, attends a training placement there and has already become a valued member of the team.

“I am learning to use the coffee machine and make Americanos and cappuccinos for customers. My favourite part is serving customers and chatting to people”

Padraig Larkin

Youth worker Alan Waite from Hammer Youth Club says, “The cafe is a neutral venue and there is a positive vibe. The young people are the key to bringing our two communities together and that is exactly what is happening here.”



Coventry Law Centre



“In 2016 we hope to trial Ignite methodology with 150 people in Coventry to enhance our understanding of the support required for people to build the resilience to deal with their own problems as they emerge. All with the aim of avoiding crisis”

 **United Kingdom**

Coventry Law Centre provides free legal advice and representation to people facing disadvantage in Coventry as a means to fight poverty.

RECLAIM

The Manchester charity offers engaged young leaders an opportunity to develop their social and employability skills.

Lisa was one of a cohort of about 30 girls aged between 12 and 13 in RECLAIM'S Gorton Girls young leaders' programme in 2013. "I finally got to meet new, amazing young people who had the same ideas and views as me. For once, I didn't feel I was alone in the way I see the world," Lisa recalls.

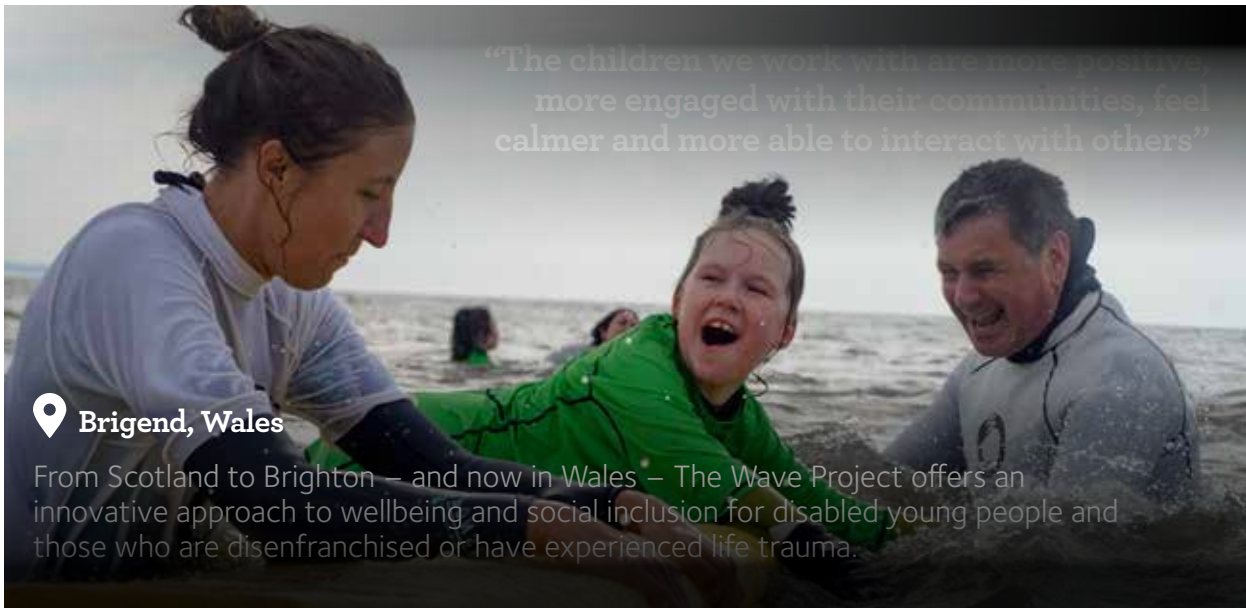
She says that the programme, comprising employability and leadership development skills, enterprise-related activities and social activism for young teenagers from working class and low income areas, made her realise how Government decisions affected her, sparking an interest in politics and in her community – "something that school has never done".

By the end of 2016 RECLAIM, which has bold ambitions to end leadership inequality and inspire working class young people to take pride in their identity and reshape perceptions of themselves and their neighbourhoods, will have delivered its Lottery-funded young leaders programme to 300 12 to 13-year-olds in Gorton, Moss Side and Salford.



 **Manchester, England**

The Wave Project



 Brigend, Wales

From Scotland to Brighton – and now in Wales – The Wave Project offers an innovative approach to wellbeing and social inclusion for disabled young people and those who are disenfranchised or have experienced life trauma.

Connects2Project

When her husband died 21 years ago, Ita Johnston, now 70, gave up her job as a youth worker to bring up her three foster sons.

“Time passed so quickly and I found myself in the house with one son who had his own life and I had nothing for me”, Ita, who has multiple sclerosis, reflects.

Her sister introduced her to the Connects2Project, set up with funding two years ago to build stronger and healthier networks for the over 60s in the north west of Glasgow. So far, more than 200 people, including Ita, are benefiting from the social and lifestyle activities available.

Ita now coordinates the knitting group, knitting hats for children in Syria, blankets and cardigans for families affected by the earthquake in Nepal, and donating other knitted items to many other countries, including vulnerable groups in Scotland.

“It’s amazing to think that something we are doing in the west end of Glasgow can help people on the other side of the world,” says Ita.



 Glasgow, Scotland

Living Through Landscapes

Supporting people with dementia by transforming outdoor spaces at care homes across the UK.

National charity Learning through Landscapes works to ensure gardens in care homes are stimulating and accessible, encouraging more people to use them more often to improve health and wellbeing.

The project aims to replicate the success of a pilot in a day centre in Herne Bay, Kent, where a landscape gardener created an outdoor space to the specifications of clients and staff. Features of the garden included bright and highly-scented flowers, a seaside-themed area with a beach hut, and paths that always wind back to the beginning.

“Access to nature has been shown to reduce anxiety, improve concentration and improve physical mobility”

Juno Hollyhock

As part of the Living Through Landscapes project, staff will be trained to encourage residents to visit the gardens frequently in order to reap the known benefits of being outdoors. Juno Hollyhock, executive director of the project, says: “Access to nature has been shown to reduce anxiety, improve concentration and improve physical mobility. We believe that bringing together the very best in current thinking around designing for people living with dementia will give many more settings the chance to try out low cost solutions in their outdoor spaces in the future.”

The aim is to transform around thirty gardens across the UK, and already the benefits are being seen. Sue Cliffe, chief officer at Age UK Herne Bay, says users are engaging much more with the outdoors since the changes were made. “We can see for ourselves how being outdoors and in the natural environment helps their health and wellbeing by improving mobility, increasing relaxation and reducing anxiety.”

With more appealing outdoor areas, people living with dementia can rediscover gardening skills to improve their self-esteem or simply relax and appreciate the nature around them.





The Macular Society

The Macular Society is helping more than 1,300 people with macular disease in Wales set up peer support groups as well as training volunteers to help their peers who are affected by sight loss.

Diana Williams has a macular condition that affects the central part of her sight. But with support from the Macular Society, her vision to help other people in Wales with similar macular-related disabilities has had a big effect on community life in Lampeter.

You would think that only people with a sight impairment would attend the weekly support group that Diana Williams set up with the support from the Macular Society. But apparently not.

“People come from as far away as Aberystwyth because there is really nothing else like it for people like me who have a macular condition,” says Diana, who was trained by the Macular Society to use her peripheral vision and now works as a volunteer trainer to help others do the same. “Local people come too. It’s turned into quite a social activity. I make cakes and I think most people actually come for those!” she adds.

“It’s a fantastic opportunity to share experiences, give and get advice – and most importantly – feel that you are not alone”

Diana Williams

Since being diagnosed at the age of 49, Diana always wanted to run her own support group and, since December 2015, she finally is. “I’ve organised talks from the RNIB and the fire service is due to visit to talk about safety in the home.

The Macular Society will use the £348,272 grant to help 1,308 people with macular disease in Wales feel less isolated by helping to set up peer support groups and offering to ‘train the trainer’ so volunteers can help others who are affected by sight loss.

BRAC UK

In the fragile political landscape of South Sudan, BRAC has trained 120 women to act as community health promoters, providing reproductive, new born and child health support through mobile clinics to vulnerable households in Yei County.

Without their services, pregnant women would need to walk for miles or pay up to £5 for transport, which is not affordable for them. The mobile clinics provide HIV/AIDS treatment, child immunisation, pregnancy-related care and treatment for diarrhoea, malaria, pneumonia and cholera.

Awate Lily is one of these women. She visits about 150 families each month around the county, checking families' health, referring complications to nearby facilities and raising awareness on sexual reproductive health.

She says: "Getting basic health products for me and my family is very difficult but through my involvement in this project, it has helped me in supporting my family's basic needs. Now the community respects my position of responsibility and I have gained skills and knowledge."



South Sudan

Scottish Huntington's Association Youth Project



Paisley, Scotland

"Being really people-focused is incredibly important to the support we provide as it allows us to offer a tailored service based on the individual needs of the young person and their family"

The organisation was set up by families living with Huntington's Disease (HD) with the aim of significantly improving the quality of life of those affected by the condition. The Youth Project – which offers support to young people growing up in families with HD – was designed, developed and is delivered by the young people themselves.



Part 2: performance review

- Our performance report
- Our governance
- Our accounts
- Our statutory background



Daniel

Section five:

Our performance report

Our purpose and activities

The Big Lottery Fund is responsible for distributing money raised for good causes through the National Lottery. We receive 40 per cent of the total sums raised and distribute this through grant awards to support projects with a community focus. Since 2004 we have distributed almost £8 billion in awards. We have a range of funding programmes from small grants of between £300 and £10,000 to large scale, multi-million pound strategic programmes.

We also work with other public bodies to manage and distribute their funding through grants programmes we run on their behalf. Examples of this type of activity include our distribution of money released from dormant bank and building society accounts and the Coastal Communities Fund.

Key issues and risks

Our income is dependent on overall National Lottery revenue. We manage our grant awards, budgets and policies over a number of years in order to mitigate against annual variations in National Lottery revenue and ensure we can meet our commitments as they fall due.

We provide a balance of responsive and targeted funding programmes to meet the demands of our grant applicants in line with the policy directions from Cabinet Office and the devolved administrations. We seek to deliver funding in a manner which is consistent with the principles set out in our Strategic Framework. We are changing the way we work to deliver the vision of People in the Lead, for example we have launched our Scottish funding programmes for the coming period with a new approach and updated the Northern Ireland Awards for All programme.

Our integrated programme of risk management provides our means of assessing our key risk exposures and establishing appropriate controls to mitigate these. We face financial risks in relation to our income and also with regard to our exposure to potential fraud in grant-making activities. An assessment of our risk management is included in our governance statement.

Performance Summary

Each year we set out our corporate objectives and the key performance indicators (KPIs) through which we assess how we have met our operational aims. During 2015/16 we met all of the KPI measures we had identified.

We do not seek to deliver any specific operating surplus or deficit as our key measure of control. We manage our financial performance in order to maximise our ability to make grants from the monies received and receivable from the National Lottery. We recognise the full value of our grant awards at the point they are approved and notified to grant-holders although the cash payments may be in later years. For the financial year we recorded a surplus of £105 million following a deficit of £169 million in 2014/15.

An assessment of our performance appears in greater detail in our performance analysis and in our financial statements.

The financial statements have been prepared on a going concern basis. Our statement of financial position records significant net liabilities. This is a result of our grant award recognition policy where the full value of awards are recorded on approval and notification (except where there are specific performance criteria) although the cash payments may not arise for some time. We manage our liabilities based on our ability to meet cash demands from current cash resources and forecast future incomes. This assumes as a matter of public policy that the National Lottery will continue to operate.

Our corporate objectives

Our annual corporate plan sets out our budgets, objectives and targets for the year.

The 2015/16 corporate plan identified three corporate objectives to shape our priorities and set six key performance indicators to measure success. Our performance has been monitored against our published targets and reported to the Board throughout the year.

Corporate objective one:

We will embed our new Strategic Framework principles at every level of our business planning, decision making and delivery.

What have we done?

We have set out aims for how we will deliver the vision of People in the Lead through six enabling strategies covering key functions and services across the Fund including grant-making. We have piloted a number of changed approaches and have now set out seven key priorities to underpin the development of our grant-making and these provide the focus of our change programme over the coming year.

Corporate objective two:

We will ensure that our current grant-making and future programme development maximises the positive impact on people and communities and helps others to continuously learn from and improve good practice, by openly sharing knowledge and learning.

What have we done?

We have launched our new funding programmes for Scotland and an updated small grants programme for Northern Ireland more aligned with People in the Lead. Our England programmes for the next period are in development. We have established a project team to consider what our core data needs are and how we collect, manage and share it to enable learning across the Fund and more widely with other organisations.

Corporate objective three:

We will develop a robust change programme comprised of six enabling strategies to help deliver the Strategic Framework for 2015-21. In this year, identifying and developing plans to improve in line with the Strategic Framework in each of the six areas of grant-making, people, knowledge and learning, communications and engagement, digital and finance and business support.

What have we done?

We have established the programme to deliver change and each of the six themes have set out their enabling strategies which have been reviewed by the Board. Progress on delivery has been made in all areas particularly in grant-making through changes to our approach to small grants which are being piloted and tested in England, and the launch of our new range of programmes in Scotland and Northern Ireland. We have approved five of the six enabling strategies. For the sixth – digital – we have set out a different approach to ensure digital underpins everything we do.

Our key performance indicators

Alongside our objectives we identified six key performance indicators (KPI)s which assess our performance in a number of operational performance areas

| KPI | Result | End of year report |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>≥ 80%</p> <p>At least 80 per cent of the total agreed grant budget for 2015/16 is committed.</p> | <p>Key performance indicator met</p> <p>83.5 per cent of the total agreed grant budget for 2015/16 was committed.</p> | <p>In our corporate plan for 2015/16 we set out a grant award budget of £698 million. The actual value of awards made was £583 million.</p> <p>Our target is based on actual awards made in the year and does not include any year-end adjustments for contingent liabilities where the recipient has not yet been notified of the award or adjustments in relation to conditional grants. This is why the value above is different from the grant commitments shown in the accounts.</p> |
| <p>≤ 20%</p> <p>By year end the grants paid out to all our funded projects are within 20 per cent of the payments total we forecast.</p> | <p>Key performance indicator met</p> <p>Payments were 5.1 per cent lower than we had originally forecast.</p> | <p>By year end we paid out £633 million in grant payments. Our payments to grant-holders on existing and new commitments was higher than the value of awards in the year.</p> |
| <p>≤ 7%</p> <p>Total operating cost expenditure (core and front-line cost) is within 7 per cent of National Lottery income.</p> | <p>Key performance indicator met</p> <p>Our operating costs were 6.0 per cent of National Lottery income.</p> | <p>Our total qualifying operating costs were £47 million – £1 million lower than our budgeted total and our National Lottery revenue was higher than budgeted.</p> <p>We are set a limit of 8 per cent of Lottery income as our operating cost threshold by government but we budgeted to achieve 7 per cent. We have also set a 7 per cent target for the new financial year.</p> |

≥ 91%

We will process at least 91 per cent of funding applications within our published turnaround times.

Key performance indicator met

We processed **93.2 per cent** of applications within our published turnaround times.

We have continued to improve our turnaround times and have set a more challenging target for the coming year.

≥ 77%

At least 77 per cent of customers are satisfied with our service.

Key performance indicator met

85.0 per cent of our customers expressed satisfaction with our service based on our customer satisfaction survey.

This is a significant improvement over last year helped by our funding systems being better established in supporting our operations.

The Fund handled more than 80,000 enquiries and applications over the year. Through our formal complaints procedure we have recorded 34 complaints about service received this year (37 in 2014/15).

≥ 92%

At least 92 per cent of grant programmes achieve their agreed effectiveness rating.

Key performance indicator met

93.0 per cent of the programmes reviewed were judged as being 'effective'.

This is an improvement from 90.7 per cent in 2014/15.

Programmes are assessed across three key areas: how well we are managing them; learning being captured; and impact. 40 of our 57 Lottery funded programmes were reviewed in the year.

Our performance analysis: financial

We are committed to maximising our funding, resources, knowledge and networks to support people, projects and communities across the UK.

Our key measure of financial efficiency is the proportion of our Lottery income that we spend on distributing grants. We exclude from this measure costs that we recharge to other people, for example the costs of distributing non-Lottery funds. We also exclude one-off costs that are investments or restructures to achieve future efficiencies (see page 85).

What we achieved in 2015/16

During the year we successfully delivered against the 8 per cent total operating cost target set by government. We set our own target in the budget approved by Board at 7 per cent. Total qualifying operating costs were £47.0 million, a reduction of £1.0 million on 2014/15 (£48.0 million). National Lottery income was higher than budgeted with an increase late in the year following sales increases from a major rollover prize and a significant return of unclaimed prize monies. Our actual operating costs were 6.0 per cent of Lottery income as a result.

Core operating costs, which must be no more than 5 per cent of total National Lottery income, mainly relate to processing applications and managing grants, including all support costs. Our core operating costs in 2015/16 were 4.4 per cent of Lottery income. Total National Lottery operating costs include front line support to grant applicants and recipients and to the public. For example, the provision of advice and assistance to organisations applying for National Lottery funding and activities to involve the public in National Lottery decision making are defined as front line support costs.

Certain operating costs, most significantly business rates, are excluded from qualifying operating costs for the purpose of the financial performance measure.

Staff numbers have reduced further with average full time equivalent (FTE) of 879 (2014/15 905). We have continued to reduce numbers through restructuring action but on a smaller scale than recent years. We have also introduced additional resource for some key funding programmes including Building Better Opportunities where we receive match funding from the European Social Fund increasing the scale of the programme and the resource to support it.

What we are planning to achieve in 2016/17

We have budgeted to deliver total operating costs of 7 per cent in 2016/17 and to continue to be within the core operating cost target of 5 per cent. The target is based on National Lottery income of £720 million, as projected by the Department for Culture Media and Sport (DCMS) in January 2015, immediately before our budget was prepared.

The budget has been based on existing resources in the organisation, incorporating sufficient contingencies to allow for unplanned events and to resource and deliver investment activities that will support delivery of the Strategic Framework.

In March 2016 our total FTE was 877 (an increase from 853 in March 2015). We are not planning any significant change from this level over the 2016/17 financial year, although we continue to work towards efficiencies in our grant-making plans. We are continuing to review our property estate, and anticipate further savings in addition to reductions made over the last few years. These measures will help ensure we can achieve our cost targets next year.

We have previously reported that we did not achieve the anticipated savings through the implementation of our funding management system. However we are piloting different working methods during 2016/17 which we expect to produce efficiencies in managing our customer data and help us to manage our operating costs.

Our surplus for the year

We had a surplus for the year 2015/16 of £105 million (2014/15 deficit of £169 million). Our cumulative deficit at 31 March 2016 was £769 million (31 March 2015 £874 million).

Our accounting policy requires us to treat awards as expenditure as soon as their approval is communicated to the recipient (subject to specific criteria). We manage our cash flow over the longer-term based on grant cash commitments and projected incomes rather than demonstrating an annual surplus or deficit. Where awards are paid over a number of years, we are therefore confident that we will be able to meet our commitments from future income.

Our funding strategy

Our strategy is to award the maximum amount of funding that we can safely commit to over a five-year period, considering anticipated income. Since many of our grants pay out over a number of years, following the initial award, this strategy ensures that our awards are protected from any unexpected changes in income.

At 31 March 2016 we had £1,255 million (2014/15 £1,271 million) of outstanding commitments compared to £414 million (2014/15 £324 million) held in the National Lottery Distribution Fund with which to meet them. This means we had made excess commitments of £841 million (2014/15 £947 million) which is equivalent to about 14 months of future income based on our current projections.

Non-Lottery funding programmes

In addition to our core business of distributing National Lottery money, we manage non-Lottery funding programmes (or Third Party Grants) using powers given to us by the National Lottery Act 2006. These powers give us scope to work with others to distribute funds on behalf of, or alongside, other organisations where this falls within

the funding areas set by the National Lottery Act for our work and is in accordance with our mission. During the year we distributed funding totalling £35.6 million in this way for other funders.

We also distribute funding received from Reclaim Fund Ltd under the arrangements in the Dormant Bank and Building Society Accounts Act. This has enabled banks and building societies to transfer money held in dormant accounts to a central fund for reinvestment in the community. This amounted to £37.2 million in 2015/16 (2014/15 £49.5 million). We deposit funds until required and received interest of £79,000 (2014/15 £128,000) in relation to these funds. A memorandum set of annual accounts in relation to these activities appears on pages 104 to 106.

Distribution Fund (NLDF) balances

The net proceeds of the National Lottery are held in the NLDF, which is under the stewardship of the Secretary of State for Culture, Media and Sport, until drawn down by National Lottery distributors. The Big Lottery Fund receives investment income in addition to the Lottery proceeds and in the same shares as for proceeds from the National Lottery (40 per cent). In 2015/16 this was £3.1 million (2014/15 £3.2 million).

**OUR NLDF BALANCE WAS
£414 MILLION AT 31 MARCH 2016
(2014/15 £324 MILLION).**

Our balance in the NLDF has increased during the year by £90 million. This was a result of unexpectedly high Lottery receipts late in the year partly as a result of a significant rollover prize increasing ticket sales and receipts for unclaimed prizes on scratch card games. We will take account of this increase in setting future grant award budgets alongside projections of future revenues. We do not set a target for our NLDF balances. Since we do not control National Lottery income, it is not possible for us to manage the balance in the short-term. Our funding strategy is to make the maximum value of grant commitments that we can over a five year period. This will lead to the NLDF balance being as low as is prudent. The actual level will vary according to the structure and timing of our programmes at any particular time.

Auditors

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

There is no relevant audit information of which the Big Lottery Fund's auditors are unaware.

Public sector information holder

In common with all public bodies, the Big Lottery Fund is a public sector information holder. It has not charged for specific re-use of information.

Our performance analysis: equalities and employees

Our equality strategy sets out our priorities in this area as an employer and as a funder. In the last year, we have focused our efforts on promoting greater staff involvement in, and awareness of, equality considerations across the organisation. Our equalities principles and guidance for applicants and grant-holders is on our website:

www.biglotteryfund.org.uk/about-big/our-approach/equalities

The table below highlights the equality monitoring of our grants programmes. We continue to assess how we ensure our funding reaches communities in a way that fully reflects the UK population.

| Ethnicity | Number of applications and application rate | | Number of awards and application success rate | | Requested amount and per cent of requested amount | | Awarded amount and per cent of awarded amount | |
|----------------------------------|---------------------------------------------|----|-----------------------------------------------|----|---------------------------------------------------|----|-----------------------------------------------|----|
| | No. | % | No. | % | £ | % | £ | % |
| No specific ethnicity | 13,847 | 68 | 8,695 | 63 | 851,229,676 | 70 | 424,836,774 | 73 |
| Asian/Asian UK | 948 | 5 | 553 | 58 | 85,544,300 | 7 | 21,336,494 | 4 |
| Black/African/Caribbean/Black UK | 875 | 4 | 451 | 52 | 33,852,717 | 3 | 23,231,195 | 4 |
| Mixed/multiple ethnic groups | 1,067 | 5 | 592 | 55 | 44,114,226 | 4 | 26,196,662 | 4 |
| Other ethnic group | 469 | 2 | 255 | 54 | 18,685,180 | 2 | 13,410,413 | 2 |
| White Other | 1,086 | 5 | 639 | 59 | 50,347,804 | 4 | 26,261,563 | 5 |
| White UK | 1,958 | 10 | 1,288 | 66 | 129,172,111 | 11 | 47,345,075 | 8 |

Applicants are asked if their project will mostly benefit people from a specific ethnic background. They can select up to three categories therefore these responses incorporate double and triple counting.

| Age | Number of applications and application rate | | Number of awards and application success rate | | Requested amount and per cent of requested amount | | Awarded amount and per cent of awarded amount | |
|-----------------|---------------------------------------------|----|-----------------------------------------------|----|---------------------------------------------------|----|-----------------------------------------------|----|
| | No. | % | No. | % | £ | % | £ | % |
| 0 - 24 | 8,164 | 37 | 4,945 | 61 | 521,545,821 | 41 | 214,279,240 | 34 |
| 25 - 64 | 4,071 | 19 | 2,597 | 64 | 235,919,892 | 19 | 119,758,931 | 19 |
| 65+ | 2,182 | 10 | 1,545 | 71 | 70,847,689 | 6 | 50,602,278 | 8 |
| No specific age | 7,587 | 34 | 4,723 | 62 | 441,765,772 | 35 | 239,547,208 | 38 |

Applicants are asked if their project will mostly benefit people from a particular age group. Applicants can select more than one age group therefore responses may incorporate multiple accounting.

| Gender | Number of applications and application rate | | Number of awards and application success rate | | Requested amount and per cent of requested amount | | Awarded amount and per cent of awarded amount | |
|---------------------------|----------------------------------------------------|----------|------------------------------------------------------|----------|----------------------------------------------------------|----------|------------------------------------------------------|----------|
| | No. | % | No. | % | £ | % | £ | % |
| Male | 514 | 3 | 320 | 62 | 22,662,579 | 2 | 16,451,671 | 3 |
| Female | 1,303 | 7 | 821 | 63 | 126,641,686 | 12 | 86,406,115 | 16 |
| No specific gender | 16,267 | 90 | 10,174 | 63 | 918,424,547 | 86 | 421,577,785 | 80 |

Applicants are asked if their project will mostly benefit people from a specific gender.

| Community Background | Number of applications and application rate | | Number of awards and application success rate | | Requested amount and per cent of requested amount | | Awarded amount and per cent of awarded amount | |
|---------------------------------------|----------------------------------------------------|----------|------------------------------------------------------|----------|----------------------------------------------------------|----------|------------------------------------------------------|----------|
| | No. | % | No. | % | £ | % | £ | % |
| Both Catholic and Protestant | 608 | 57 | 310 | 51 | 68,084,563 | 77 | 18,547,651 | 87 |
| Mainly Catholic | 192 | 18 | 115 | 60 | 8,736,110 | 10 | 987,798 | 5 |
| Mainly Protestant | 244 | 23 | 131 | 54 | 6,235,049 | 7 | 1,079,974 | 5 |
| Neither Catholic or Protestant | 23 | 2 | 14 | 61 | 4,944,871 | 6 | 809,561 | 4 |

Applicants applying to programmes operating in Northern Ireland are asked which community those benefiting from their project mainly belong to.

| Welsh Language | Number of applications and application rate | | Number of awards and application success rate | | Requested amount and per cent of requested amount | | Awarded amount and per cent of awarded amount | |
|-------------------------|----------------------------------------------------|----------|------------------------------------------------------|----------|----------------------------------------------------------|----------|------------------------------------------------------|----------|
| | No. | % | No. | % | £ | % | £ | % |
| Mainly Non-Welsh | 743 | 62 | 593 | 80 | 72,093,729 | 82 | 34,150,744 | 90 |
| Mainly Welsh | 356 | 30 | 281 | 79 | 5,275,684 | 6 | 3,293,530 | 9 |
| No Welsh | 97 | 8 | 78 | 80 | 10,690,830 | 12 | 414,996 | 1 |

Applicants applying to programmes operating in Wales are asked how many people who will benefit from their project speak Welsh

| Religion | Number of applications and application rate | | Number of awards and application success rate | | Requested amount and per cent of requested amount | | Awarded amount and per cent of awarded amount | |
|-----------------------------------------|----------------------------------------------------|----------|------------------------------------------------------|----------|----------------------------------------------------------|----------|------------------------------------------------------|----------|
| | No. | % | No. | % | £ | % | £ | % |
| Christian | 564 | 3 | 340 | 60 | 18,120,961 | 2 | £8,474,398 | 2 |
| Hindu | 13 | <1 | 7 | 54 | 371,226 | <1 | 314,524 | <1 |
| Jewish | 150 | 1 | 70 | 47 | 2,169,303 | <1 | 1,074,185 | <1 |
| Muslim | 124 | 1 | 60 | 48 | 52,809,581 | 5 | 2,016,105 | <1 |
| No religion | 48 | <1 | 25 | 52 | 1,291,437 | <1 | 580,820 | <1 |
| Other religion | 12 | <1 | 11 | 92 | 100,990 | <1 | 90,990 | <1 |
| Religion or belief - answered no | 17158 | 95 | 10,792 | 63 | 992,359,754 | 93 | 511,424,828 | 98 |
| Sikh | 11 | <1 | 8 | 73 | 467,371 | <1 | 441,132 | <1 |

Applicants are asked if their project will mostly benefit people of a particular religion or belief.

| Disability | Number of applications and application rate | | Number of awards and application success rate | | Requested amount and per cent of requested amount | | Awarded amount and per cent of awarded amount | |
|---------------------|----------------------------------------------------|----------|------------------------------------------------------|----------|----------------------------------------------------------|----------|------------------------------------------------------|----------|
| | No. | % | No. | % | £ | % | £ | % |
| Not disabled | 15,789 | 87 | 9,660 | 61 | 936,062,851 | 88 | 437,109,055 | 83 |
| Disabled | 2,293 | 13 | 1,655 | 72 | 130,912,631 | 12 | 87,326,517 | 17 |

Applicants are asked if their project will most benefit disabled people.

| Sexual Orientation | Number of applications and application rate | | Number of awards and application success rate | | Requested amount and per cent of requested amount | | Awarded amount and per cent of awarded amount | |
|----------------------------------------------------|----------------------------------------------------|----------|------------------------------------------------------|----------|----------------------------------------------------------|----------|------------------------------------------------------|----------|
| | No. | % | No. | % | £ | % | £ | % |
| Lesbians/ gay men/ bisexual | 150 | 1 | 103 | 69 | 7,390,868 | 1 | 4,915,640 | 1 |
| Not specific to Lesbians/ gay men/ bisexual | 18,256 | 99 | 11,310 | 62 | 1,073,270,232 | 99 | 523,724,941 | 99 |

Applicants are asked if their project will mostly benefit lesbians, gay men or bisexual people.

Equality in employment

The table below highlights the equality monitoring across our employees.

| Disability Status | Big Lottery Fund | Civil Service | UK economically active population |
|--------------------------|-------------------------|----------------------|------------------------------------------|
| Staff with disability | 6% | 4% | 13% |
| Staff without disability | 94% | 96% | 87% |

| Gender | Big Lottery Fund | Civil Service | UK economically active population |
|---------------|-------------------------|----------------------|------------------------------------------|
| Female | 65% | 52% | 44% |
| Male | 35% | 48% | 56% |

| Gender | Board | Directors | Big Lottery Fund Senior staff (Bands D and E) |
|---------------|--------------|------------------|------------------------------------------------------|
| Female | 57% | 63% | 58% |
| Male | 43% | 37% | 42% |

| Ethnic Group | Big Lottery Fund | UK economically active population |
|----------------------------------------------|-------------------------|------------------------------------------|
| Asian | 5.9% | 3.0% |
| Black | 2.8% | 1.4% |
| Chinese | 0.2% | 0.3% |
| Mixed | 1.2% | 1.5% |
| Other | 0.6% | 0.4% |
| White Other | 4.6% | 3.4% |
| Total Black and minority ethnic (BME) | 15.3% | 10.0% |
| White UK | 83.3% | 90.0% |
| Not Known | 0.9% | |
| Do not want to declare | 0.5% | |

Section 75, Northern Ireland Act 1998

Equality is central to all of our work and we continue to deliver the requirements of the statutory duties under Section 75 of the Northern Ireland Act 1998. We submitted our equality annual report to the Equality Commission for Northern Ireland in August 2015.

Welsh Language Scheme

We are committed to delivering a bilingual service in Wales through the Fund's Welsh Language Scheme which was published in 2009. The implementation of the Scheme is monitored and discussed at regular meetings between the Big Lottery Fund's Welsh Language Officer and the Welsh Language Commissioner's office. Our scheme was reviewed in 2013 in line with the new Welsh Language Measure, and found to be of a good standard.

During 2015 we received confirmation from the Welsh Language Commissioner of the timetable for transitioning from our Welsh Language Scheme to the Welsh Language Standards and will work closely with colleagues and the Welsh Language Commissioner's office during the transition process. An increase in Welsh-medium applications was also noted during the year, highlighting the organisation's commitment to providing excellent bilingual customer service.

Employee involvement

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

Staff sickness absence

We are committed to the health and wellbeing of our staff. The Fund has a comprehensive sickness absence policy and is also undertaking an employee-led wellbeing

project. During 2015/16 the average number of days of sickness absence was 8.8 days per employee (9.2 days in 2014/15).

Our payment policy and practice

In accordance with the Better Payment Practice guide, we aim to pay all our creditors within 30 days of receiving an invoice, unless other terms and conditions have been negotiated. In 2015/16, 94 per cent (98 per cent in 2014/15) of all creditors were paid within 30 days of receiving an undisputed invoice.

The percentage of suppliers paid within 10 days under the Government's prompt payment challenge was 69 per cent during 2015/16 (40 per cent in 2014/15).

Our overall creditor days (the total value of our creditors at 31 March 2016 divided by total creditor payments during 2015/16, expressed in days) was 9 days (12 days in 2014/15).

Additionality

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

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

All awards made in 2015/16 were consistent with this definition of additionality.

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

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

Our performance analysis: sustainability report

Emissions, waste and consumption

The Fund committed to meeting the targets for carbon emissions and waste production set out in the “Greening Government” policy paper issued by the Department for Environment Food and Rural Affairs.

We are pleased to report that over the last four years we have made significant progress in reducing our carbon emissions, waste production and waste to landfill and have exceeded our targets in all cases.

| Measure | Baseline 2010/11 | Performance 2015/16 | Target Reduction (%) | Actual Reduction (%) |
|-----------------------------------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| Office CO ₂ emissions (from gas and electricity use) | 1,759t CO ₂ e | 1,056t CO ₂ e | 25 | 40 |
| Domestic Flights CO ₂ emissions | 160t CO ₂ e | 90t CO ₂ e | 25 | 44 |
| Waste Production | 132t | 96t | 2% | 27 |
| Waste sent to landfill | 48t | 10t | 25 | 79 |

We will continue to manage and take action to minimise our use of natural resources and develop our own targets accordingly including in relation to energy consumption, waste production and paper use.

Further analysis of our performance this year is shown below.

| Greenhouse gas emissions | | 2015/16 | 2014/15 |
|-------------------------------------------------------------------|----------------------------------------------------------------------|-----------|-----------|
| Non-financial indicators (tCO ₂ E)(tCO ₂ E) | Total gross for Scopes 1 and 2 | 1,056 | 1,555 |
| | Total net for Scopes 1 and 2 (less reductions i.e. Green tariffs) | 1,056 | 1,555 |
| | Gross emissions for Scope 3 (business travel) | 254 | 237 |
| | Other Scope 3 emissions measured | - | - |
| | Related energy consumption (kWh) | | |
| | Electricity: non-renewable | 1,602,362 | 2,474,228 |
| | Electricity: renewable | - | - |
| | Gas | 1,709,684 | 1,792,735 |
| | LPG | - | - |
| | Other | - | - |
| Financial indicators (£'000s) | Expenditure on energy | £447 | £470 |
| | CRC Licence expenditure (2010 onwards) | - | - |
| | CRC income from recycling payments | - | - |
| | Expenditure on accredited offsets | - | - |
| | Expenditure on official business travel | £867 | £815 |

Scope 1, 2 and 3 refer to the definitions set out in the Greenhouse Gas Protocol by the World Resources Institute and the World Business Council on Sustainable Development.

Scope 1 refers to greenhouse gases produced directly in order to heat and light our offices while scope 2 refers to indirect production. We have continued to reduce our occupied office space and this has helped contribute to our reduction in emissions under scope 1 and 2. Under scope 2 we do not have current data in every case where we are reliant on service charge data from landlords. Where this is the case we have used the most recent available data which may refer to the previous financial year.

Scope 3 refers to emissions from business travel. Our emissions under this category have increased during 2015/16. This has been a result of travel associated with our aims to be more connected to our customers throughout the UK. In order to manage this we will seek to improve the use of technology in order to reduce travel demand when this is practical.

| Waste | | 2015/16 | 2014/15 |
|--------------------------------------|---------------------------------------|----------------|----------------|
| Non-financial indicators (t) | Total waste | 96 | 102 |
| | Hazardous Waste | - | - |
| | Landfill | 10 | 24 |
| | Re-used/Recycled | 86 | 78 |
| | Incinerated energy from waste | - | - |
| Financial indicators (£'000s) | Total disposal cost | 40 | 38 |
| | Hazardous waste – total disposal cost | - | - |
| | Landfill | 2 | 3 |
| | Re-used/Recycled | 38 | 35 |
| | Incinerated energy from waste | - | - |

We have continued to reduce the amount of waste we produce whilst also increasing the proportion we recycle to around 90 per cent. Looking forward we are aiming to focus on paper use which we believe we can further reduce to continue to limit the amount of waste we produce.

| Finite Resource – consumption/water | | 2015/16 | 2014/15 |
|--------------------------------------------|----------------------------|----------------|----------------|
| Non-financial indicators (m3) | Water consumption supplied | 5,563 | 5,734 |
| Financial indicators (£'000) | Water supply costs | 36 | 37 |

Section six:

Our governance:

Statement of Accounting Officer's Responsibilities

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

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

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

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

Delegated responsibilities

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

Joint schemes

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

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

During 2015/16 the Big Lottery Fund has participated in the following joint scheme:

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

Award partners

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

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

Our award partners

As part of the Changing Spaces programme:

- Groundwork Trust

As part of our People Powered Change outcomes:

- The Foundation for Social Entrepreneurs

As part of the Social Investment programme

- School for Social Entrepreneurs

As part of the International Communities programme:

- Basic Needs

As part of the Accelerator Fund:

- First Port for Social Entrepreneurs Scotland

Dawn Austwick

Chief Executive and Accounting Officer
8 July 2016

The governance statement

As Chief Executive and Accounting Officer this governance statement is my responsibility.

It is my responsibility to ensure that there are robust governance, risk management, and internal control arrangements across the whole organisation which support the achievement of the Big Lottery Fund's (the Fund's) mission whilst safeguarding the public funds and assets for which I am responsible.

This statement sets out how I have discharged my responsibility to manage and control the Fund's resources during the year. It draws upon the work of the Fund's Board, Audit and Risk, and Remuneration committees as well as the Senior Management Team (SMT) as its executive body. I have also reviewed and considered the annual assurance report prepared by Internal Audit.

To the best of my knowledge there is no relevant audit information of which the Fund's auditors are unaware; I have taken all the necessary steps to make myself aware of any relevant audit information and to establish that the Fund's auditors are aware of that information.

As Accounting Officer, I am responsible for the preparation of the annual report and accounts and any adjustments required in doing so. I confirm that this annual report and accounts as a whole is, in my opinion, fair, balanced and understandable.

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

The Fund operates across the UK and was created by the National Lottery Act 2006, which set out the primary rules under which it operates. It has also been given functions under the Dormant Bank and Building Society Accounts Act 2008.

The Fund is a non-departmental public body (NDPB) and I am fully accountable for our funds to Parliament. Certain orders relating to Lottery and dormant account money are made by the UK or Scottish Parliaments, but the main government oversight of the Fund

is exercised through directions issued by ministers.

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

The Fund's policy sponsor is the Cabinet Office. The Minister for the Cabinet Office issues policy directions that must be taken into account when distributing funds generally across the UK and specifically in England, while the devolved administrations in Northern Ireland, Scotland and Wales issue policy directions in relation to funds distributed in those countries. These directions are included in section eight of this report.

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

Effectiveness and review of non-executive governance

The Fund is governed by a Board comprising the Chair, the four chairs of the country committees and up to seven other members. The Board has appointed one of its members as Vice Chair. During 2015/16 there were 12 members of the Board.

Each country has a committee responsible for the funding programmes in their country; the Board has also appointed a committee for UK-wide funding.

The Board sets the Fund's strategic framework, and the committees, working within this framework, have delegated authority to determine the funding programmes in their countries. They also make grant decisions, or agree the delegated arrangements for making them, within these programmes.

The Board has appointed an Audit and Risk Committee which meets quarterly to advise

on financial reporting, audit and assurance and risk management matters. It has also appointed a Remuneration Committee to deal with the matters set out in the remuneration report. The Remuneration Committee normally meets annually. The Chair of Audit and Risk Committee reports to each Board meeting on any matters the Committee considers should be brought to their attention, and to provide assurance to the Board. Audit and Risk Committee also provide a full report to the Board on their work once each year.

The Board also receives reports on the programmes in each country portfolio, so that it can ensure that they conform to the Strategic Framework and that learning is shared.

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

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

Data quality

The Board receives relevant and regular data from systems across the Fund to provide assurance on performance, controls and risk. It is satisfied that the quality and accuracy of this data is appropriate to its needs in assessing the effectiveness of the funding programmes, the risk management regime, the financial and operating performance of the Fund and the suitability of internal controls. The systems which provide this information are assured by being included in the internal audit programme.

Executive management

I lead the executive management of the Fund supported by a Senior Management Team (SMT) which currently has 12 members.

SMT meet weekly with a formal meeting each month. SMT considers key policy, strategic and operational matters, provides advice to

the Board on matters requiring its approval and oversees the operating and financial performance and risk management of the Fund as a whole.

The members of SMT and their areas of responsibility are set out in the next section of this report.

A number of changes have taken place during the year including the appointment of a UK Knowledge and Portfolio Director, a Portfolio Development Director for England, a Grant-making Director for England, a Technology Director and an (interim) Director of Communications. We appointed a Finance Director at the beginning of the year.

There are appropriate executive management structures across the organisation to oversee core activities and the projects and programmes being operated across the Fund.

During the year I visited the Fund's offices across the UK to talk with staff and managers on developing the new Strategic Framework. I have also attended country committee meetings, engaged with stakeholders across the UK and have met with officials from the Department for Culture, Media and Sport, the Cabinet Office and attended the Lottery Distributors' Forum.

Risk management

The Fund operates a comprehensive system of risk management, with a strategic risk register being reviewed quarterly by SMT and the Audit and Risk Committee. The Board reviews the risk register at least annually to ensure there are no material omissions. The Board also, with the advice and guidance of the Audit and Risk Committee, has agreed the Fund's risk tolerance levels.

A key issue for the Fund is recognising that our aim to help communities and those most in need sometimes requires us to fund in challenging circumstances and for risks to be taken with regard to the success of some projects. This requires careful judgement on the part of our funding staff.

The Board and Audit and Risk Committee working with our executive team have continued to develop our approach to risk

management over the course of the year to ensure we take a more proportionate approach to risk. This reflects a commitment I made that as we developed our new Strategic Framework we would revise our corporate risk register so that it links closely to our strategic aims and ambitions.

Our system of controls, together with the oversight of an experienced management team, is designed to manage risk to an acceptable and manageable level. It cannot eliminate all risk of failure in order to achieve our strategy and objectives and it can therefore only provide reasonable rather than absolute assurance of effectiveness.

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

The findings of the reports are considered by me, the managers concerned and the Audit and Risk Committee. Greater scrutiny is given to any reports that give "limited" or "no" assurance. Actions are agreed by management in response to all recommendations made, and progress against these is reported to each Audit and Risk Committee meeting.

A number of internal audit reviews were completed over the course of the year and no significant weaknesses that could cause the framework to become inadequate and ineffective were found. A review of the Fund's Health and Safety processes gave limited assurance, the rest provided an adequate or substantial level of assurance. The matters raised in the Health and Safety audit related to detailed matters of policy and responsibilities and are being addressed. The Fund is considered to be a low risk employment environment.

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

report assesses the Fund to have 'adequate assurance' in relation to its framework of governance, risk management and control, a position with which I concur. The report also indicated that internal audit has not identified any breaches or non-compliance with the Fund's financial and accounts directions or other guidance issued by HM Treasury or Department for Culture, Media and Sport.

External audit of this Annual Report and Accounts is carried out by the National Audit Office. Findings and recommendations arising from the external audit are dealt with in the same way as those from internal audit and fully considered by the Audit and Risk Committee. Over the course of the year, the key risks we have targeted and addressed relate to: financial, leadership and culture, resources, stakeholders, outcomes, and external environment.

Funding management system (FMS)

The FMS was introduced in 2013/14 and was the cause of some operational instability, which has since been addressed.

We have continued to assess its performance, particularly in the light of the demands of the Strategic Framework. We have concluded that it does not fully support the ways of working we need to deliver the key principles set out in the Strategic Framework and more specifically the ways of working and ambitions set out in the grant-making enabling strategy. We will consider whether we need additional or replacement tools to assist us over the course of the coming year. In view of the systems limitations in enabling us to deliver the vision set out in the Strategic Framework we have undertaken an impairment review as at 31 March 2016. In doing this we have adopted the depreciated replacement cost methodology under IAS 36 and supported by Government Financial Reporting Manual (FRM). The trigger for this review was the grant-making enabling strategy approved by the Board in October 2015. As a result, we have made an impairment of £9.5 million to the carrying value of the intangible asset.

Fraud

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

In 2014/15, DCMS selected the Fund to participate in a cross-Whitehall fraud and error sampling exercise. This was a useful opportunity for the Fund to identify the residual fraud risk in one of its high risk grant programmes, calculate a benchmark for comparison over time and with other funders and to enable it to review its small grants control framework in line with the Strategic Framework. DCMS reported on this exercise during this year and the Fund's contribution to the exercise was well received and provided me as Accounting Officer, with assurance regarding the residual fraud risk in this area of the Fund's grant-making activities.

We have identified one attempted internal fraud during the year in relation to our grant-making activities. This was detected and prevented before any loss of public funds. The control weakness that was identified during an investigation of the circumstances surrounding this has been addressed as a result.

Operating cost target risk

We budgeted to achieve an operating cost target of 7 per cent in 2015/16 and our actual performance has bettered this at 6 per cent, some 2 per cent better than the 8 per

cent of Lottery revenues set by government. We continue to seek efficiencies and there have been further functional restructures during the year designed both to improve services and deliver savings. The budget for 2016/17 has been set to maintain 7 per cent as our internal operating cost percentage.

Other than the risks noted above, the other risks we face are common to most organisations of similar complexity. No significant issues have arisen in these areas, and the Fund has effective systems, controls and contingency plans that I am satisfied manage these risks acceptably.

Risk registers are maintained at directorate and divisional level and for all projects and programmes and are reviewed at senior level each quarter. There is a system in place for escalating significant risk issues to SMT and if required to Audit and Risk Committee.

Effectiveness and review of non-executive governance

The current arrangements for governance were developed following an independent review in 2010. They were designed to enable the Board to focus more effectively on the strategic oversight of the organisation.

Funding programme matters within strategic parameters set by the Board are fully devolved to the five portfolio committees.

The Board has engaged with the strategic, operational and financial issues facing the Fund and has been actively involved in setting the direction and agreeing the new Strategic Framework. It is satisfied that it is receiving sufficient accurate information to be confident about the effectiveness of the funding programmes and about the financial and operational performance of the organisation.

The Fund applies the HM Treasury and Cabinet Office guidance in Corporate Governance in central government departments in so far as it applies to non-departmental public bodies (NDPBs). I am satisfied that the principles in the guidance, together with other sources of guidance on good practice in corporate governance, are fully reflected in the Fund's governance arrangements.

The Board carried out a review of its effectiveness towards the end of the year through discussion with the Chair. The assessment concluded that the level of effectiveness was generally good. We have also commissioned an external governance review which will report during 2016/17.

Triennial Review

In June 2014, the Board welcomed the findings of the Triennial Review undertaken by the Cabinet Office, which recognised the Fund as a respected and important organisation and made a number of useful and considered recommendations.

We are at the mid-point in implementing the changes identified in the review. The recommendations have been fully considered in the development of our Strategic Framework and significant progress has already been made in addressing the matters identified, particularly through the grant-making enabling strategy in the strategic framework and in matters relating to governance.

One example of this is the recommendation to review our grant application process so that it is proportionate for smaller groups and first time applicants. Within the work emerging under the Strategic Framework we are piloting much simpler application forms, digitisation of the application process, simpler terms and conditions and working more closely with applicants rather than in processing hubs. In Northern Ireland, we have launched a new, simplified small grants offer.

Corporate planning and performance management

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

The corporate plan for 2015/16 included three financial and three non-financial key performance indicators (KPIs). These were

monitored regularly and reported on a monthly basis to SMT and quarterly to the Board, with corrective action being agreed wherever necessary.

All KPI targets were achieved during the year. The grant awards measure (that grants awarded should be at least 80 per cent of the original budget) was only narrowly exceeded largely as a result of delays in our planned matched funding European Social Fund programmes which were largely the result of factors outside of our control.

Additional key management information (KMI) is also collated and analysed for SMT throughout the year in a performance dashboard. This presents data on such matters as employment statistics, service delivery and other financials such as our balance in the National Lottery Distribution Fund (NLDF). This has been higher than our original forecast as a result of increased Lottery sales towards the end of the year due to rollover prizes and unclaimed prizes returned to good causes. Our balance has increased by £90 million over the year to £414 million at March 2016. We will consider how best to apply the increased revenue that was the cause of the increase to our future award budgets alongside our projections of Lottery revenues over the period.

Third party funding

The Board is actively engaged in decisions about what third party work it is appropriate for the Fund to take on, consistent with our third party funding strategy and the principles in the Strategic Framework. We apply a risks and a control regime to each opportunity consistent with the task set by the client, ensuring that there is no question of Lottery money being put at risk or cross subsidising non-Lottery work. We regularly review activities and opportunities to identify learning from the delivery of third party activities.

Shortly after the year end Government Crown Commercial Services launched a tender process in April 2016 to procure Grant & Programme Services in relation to the assessment and award of grant schemes. The Fund has submitted a response to the tender documents with a view to offering services under the framework procurement arrangements although this contractual approach to award rather than direct appointment from government departments creates some governance and compliance challenges.

Delegated and trust arrangements

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

The Fund also makes awards as endowments to trusts, normally created specifically for the purpose of the award, for example, the Power to Change Trust was set up to support community enterprises across England, from inspiring and nurturing ideas to helping communities scale up and expand their businesses.

In establishing arrangements of this type the Fund conducts due diligence before the award and appoints an independent protector who has powers to ensure that the endowment is properly applied in accordance with the Fund's intentions.

Data quality and protection

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

During 2015/16 there were no reportable losses of personal data.

Overall assessment of governance and internal control

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

Dawn Austwick

Chief Executive and Accounting Officer
8 July 2016

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

| Name UK Board members | Role | Attendance 2015/16 | Remuneration 2015/16 £ | Remuneration 2014/15 £ |
|-----------------------------|---------------------------------------------------------|-----------------------|------------------------------|------------------------------|
| Peter Ainsworth | Chair, UK Board | 4/4 | 40,000 | 28,800 |
| | Chair, Remuneration Committee | 1/1 | - | - |
| | Chair, UK Funding Committee | 3/3 | - | - |
| Tony Burton CBE | Vice Chair, UK Board (from 1 June 2014) | 4/4 | 10,464 | 16,568 |
| | Chair, Audit and Risk | 4/4 | - | - |
| | Member, Remuneration Committee (from 1 June 2014) | 1/1 | - | - |
| | Member, UK Funding Committee (from 1 July 2014) | 3/3 | - | - |
| | Chair, UK Funding Committee | 3/3 | - | - |
| Anna Southall OBE | Vice Chair, UK Board (until 31 May 2014) | N/A | - | 2,180 |
| | Member, Remuneration Committee (until 31 May 2014) | N/A | - | - |
| | Member, Audit and Risk Committee (until 31 May 2014) | N/A | - | - |
| | Member, UK Funding Committee (until 31 May 2014) | N/A | - | - |
| Astrid Bonfield CBE | Member, UK Board | 4/4 | 7,848 | 7,848 |
| | Member, Remuneration Committee (until 27 January 2015) | N/A | - | - |
| | Member, UK Funding Committee | 3/3 | - | - |
| Natalie Campbell | Member, UK Board (from 1 June 2015) | 3/4 | 6,540 | - |
| Perdita Fraser | Member, UK Board (from 1 June 2014) | 4/4 | 7,848 | 6,540 |
| | Member, Audit and Risk Committee (from 27 January 2015) | 4/4 | - | - |
| Frank Hewitt | Chair, Northern Ireland Committee | 6/6 | 24,000 | 24,000 |
| | Member, UK Board | 3/4 | - | - |
| David Isaac CBE | Member, UK Board (from 1 June 2014) | 4/4 | 7,848 | 6,540 |
| | Member, Remuneration Committee (from 27 January 2015) | 1/1 | - | - |
| Maureen McGinn | Chair, Scotland Committee | 10/10 | 24,000 | 24,000 |
| | Member, UK Board | 4/4 | - | - |
| | Member, UK Funding Committee | 3/3 | - | - |

| Name UK Board members (continued) | Role | Attendance 2015/16 | Remuneration 2015/16 £ | Remuneration 2014/15 £ |
|---------------------------------------------------|----------------------------------------------------------|------------------------------|-------------------------------------|-------------------------------------|
| Rajay Naik | Member, UK Board (until 15 February 2015) | N/A | - | 6,890 |
| | Member, UK Funding Committee (until 15 February 2015) | N/A | - | - |
| Elizabeth Passey | Member, UK Board (From 1 June 2014) | 4/4 | 7,848 | 6,540 |
| Rachael Robathan | Member, UK Board (From 1 June 2015) | 4/4 | 6,540 | - |
| Nat Sloane | Chair, England Committee | 6/6 | 24,000 | 24,000 |
| | Member, UK Board | 4/4 | - | - |
| Sir Adrian Webb | Chair, Wales Committee | 3/4 | 18,000 | 18,000 |
| | Member, UK Board | 3/4 | - | - |
| | Member, Audit and Risk Committee | 3/4 | - | - |
| Other members | | | | |
| England committee | | | | |
| Geeta Gopalan | Vice Chair, England Committee | 6/6 | 11,295 | 12,594 |
| | Member, Audit and Risk Committee | 4/4 | - | - |
| Scott Greenhalgh | Member, England Committee | 6/6 | 12,184 | 12,725 |
| Charlie Howard | Member, England Committee | 3/6 | 5,000 | 10,833 |
| Margaret Jones | Member, England Committee (from 1 February 2016) | 1/1 | 1,308 | - |
| Tarn Lamb | Member, England Committee (from 1 March 2015) | 6/6 | 11,147 | 1,051 |
| Steve Richards | Member, England Committee (until 30 June 2015) | 1/1 | 2,500 | 10,000 |
| | Member, UK Funding Committee (until 31 July 2014) | N/A | - | - |
| Jane Robinson | Member, England Committee | 5/6 | 10,000 | 11,667 |
| | Member, UK Funding Committee (from 1 November 2014) | 2/3 | - | - |
| Albert Tucker | Member, England Committee (until 31 December 2014) | N/A | - | 7,500 |
| Nalini Varma | Member, England Committee (until 30 September 2015) | 3/4 | 5,436 | 10,634 |

| Name Other members (continued) | Role | Attendance 2015/16 | Remuneration 2015/16 £ | Remuneration 2014/15 £ |
|------------------------------------------------|------------------------------------------------------|------------------------------|-------------------------------------|-------------------------------------|
| Scotland committee | | | | |
| Elizabeth Cameron | Member, Scotland Committee (until 11 March 2015) | N/A | 600 | 3,038 |
| Grant Carson | Member, Scotland Committee (From 1 January 2016) | 2/2 | 1,308 | - |
| Stella Everingham | Member, Scotland Committee | 9/10 | 5,232 | 5,232 |
| Ian Gordon | Member, Scotland Committee (From 1 January 2016) | 1/2 | 1,308 | - |
| Hamira Khan | Member, Scotland Committee (until 31 March 2015) | N/A | - | 5,232 |
| John McDonald | Member, Scotland Committee (until 31 January 2016) | 8/8 | 4,360 | 5,232 |
| Alan McGregor | Member, Scotland Committee (until 31 June 2015) | 3/3 | 1,308 | 5,232 |
| Shalani Raghavan | Member, Scotland Committee | 7/10 | 5,232 | 5,232 |
| Deirdre Robertson | Member, Scotland Committee | 8/10 | 5,232 | 5,232 |
| John Watt | Member, Scotland Committee | 8/10 | 5,232 | 5,232 |
| Wales committee | | | | |
| Rona Aldrich | Member, Wales Committee | 4/4 | 5,232 | 5,232 |
| Sian Callaghan | Member, Wales Committee | 3/4 | 5,232 | 5,232 |
| | Member, UK Funding Committee (from 22 January 2015) | 2/3 | - | - |
| Simon Jones | Member, Wales Committee (from 1 August 2014) | 2/4 | 5,232 | 3,488 |
| Rob Pickford OBE | Member, Wales Committee | 3/4 | 5,232 | 5,232 |
| Jan Reed OBE | Member, Wales Committee (until 6 August 2014) | | - | 1,828 |
| Gaynor Richards | Member, Wales Committee (from 1 February 2015) | 3/4 | 5,232 | 872 |
| Rita Singh | Member, Wales Committee | 3/4 | 5,232 | 5,232 |
| Fran Targett OBE | Member, Wales Committee (until 31 May 2015) | N/A | 436 | 2,616 |
| Mike Theodoulou | Member, Wales Committee (until 1 February 2015) | N/A | - | 4,469 |
| | Member, UK Funding Committee (until 1 February 2015) | N/A | - | - |

| Name Other members (continued) | Role | Attendance 2015/16 | Remuneration 2015/16 £ | Remuneration 2014/15 £ |
|------------------------------------------------|------------------------------------------------------------|------------------------------|-------------------------------------|-------------------------------------|
| Northern Ireland committee | | | | |
| Geraldine Campbell | Member, Northern Ireland Committee (until 31 October 2015) | 3/4 | 3,052 | 5,232 |
| Paul Cavanagh | Member, Northern Ireland Committee (until 30 June 2014) | N/A | - | 1,308 |
| Dr Michael Dobbins | Member, Northern Ireland Committee (From 1 November 2014) | 6/6 | 5,232 | 2,180 |
| | Member, UK Funding Committee (from 1 December 2015) | 1/1 | - | - |
| Tony Doherty | Member, Northern Ireland Committee (from 1 November 2014) | 5/6 | 5,232 | 2,180 |
| Julie Harrison | Member, Northern Ireland Committee (until 31 October 2015) | 2/4 | 3,052 | 5,232 |
| | Member, UK Funding Committee (until 31 October 2015) | 1/2 | - | - |
| Claire Keatinge | Member, Northern Ireland Committee (until 30 June 2014) | N/A | - | 1,308 |
| Charles Mack | Member, Northern Ireland Committee (from 1 November 2015) | 2/2 | 2,180 | - |
| Sandra MacNamee | Member, Northern Ireland Committee (from 1 November 2015) | 2/2 | 2,180 | - |
| Eileen Mullan | Member, Northern Ireland Committee (from 1 November 2014) | 6/6 | 5,232 | 2,180 |
| Peter Osborne | Member, Northern Ireland Committee (until 30 June 2014) | N/A | - | 1,308 |
| Audit and Risk committee | | | | |
| Angela Marshall | Member, Audit and Risk Committee (until 20 July 2014) | N/A | - | 581 |
| Linda Farrant | Member, Audit and Risk Committee (from 21 July 2014) | 3/4 | 1,744 | 1,214 |

Register of interests

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

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

The following table details awards made to organisations where Board and country committee members have declared an interest within the current financial year or where other interest have been disclosed with funded organisations.

| Name | Organisation | Nature of relationship | Award made to organisation in 2015/16 | | Withdrawn from award decision | Outstanding grant award at 31 March 2016 (£) |
|-----------------------|----------------------------------------------------|-----------------------------------|---------------------------------------|---------|-------------------------------|----------------------------------------------|
| | | | No. | £ | | |
| Sian Callaghan | Cadwyn Housing Association Limited | Shareholder | - | - | N/A | 127,669 |
| Tony Doherty | Dove House Community Trust | Chair | 1 | 9,972 | N/A | 22,718 |
| | Parenting for NI Limited | Connected to related organisation | 1 | 698,685 | Yes | 628,043 |
| | New Lodge and Duncairn Community HealthPartnership | Connected to related organisation | 1 | 696,836 | Yes | 616,592 |
| | Artillery Youth Centre | Connected to related organisation | 1 | 699,692 | Yes | 699,692 |
| | Artillery Youth Centre | Connected to related organisation | 1 | 9,869 | N/A | - |
| | Positive Futures | Connected to related organisation | 1 | 699,962 | Yes | 699,962 |
| | Positive Futures | Connected to related organisation | 1 | 5,000 | N/A | 5,000 |
| | Stella Everingham | Scottish Borders Council | Employee | 1 | 229,814 | Yes |
| | The Brothers of Charity Services (Scotland) | Connected to related organisation | 1 | 412,120 | Yes | 337,535 |
| | Interest Link Borders | Connected to related organisation | 1 | 314,946 | Yes | 276,719 |
| | The Mentor Foundation (UK) | Connected to related organisation | 1 | 488,614 | Yes | 368,700 |

Register of interests (continued)

| Name | Organisation | Nature of relationship | Award made to organisation in 2015/16 | | Withdrawn from award decision | Outstanding grant award at 31 March 2016 (£) |
|-----------------------|-----------------------------------------|-----------------------------------|---------------------------------------|---------|-------------------------------|----------------------------------------------|
| | | | No. | £ | | |
| Geeta Gopalan | Beyond Youth CIC | Member | 2 | 499,977 | N/A | 459,240 |
| Julie Harrison | Workers' Educational Association | Connected to related organisation | - | - | N/A | 145,238 |
| Charlie Howard | MAC-UK | Chief Executive | - | - | N/A | 893,147 |
| | The Anna Freud Centre | Member | - | - | N/A | 53,496 |
| Simon Jones | Marie Curie | Director | 2 | 206,127 | N/A | 353,386 |
| John McDonald | Seton Care Limited | Connected to related organisation | 1 | 325,336 | Yes | 325,336 |
| Maureen McGinn | Tomorrow's People Trust | Patron | - | - | N/A | 63,262 |
| | Life Care (Edinburgh) Ltd | Connected to related organisation | 1 | 350,000 | Yes | 240,000 |
| | Broomhouse Centre | Close relative connected | 1 | 262,000 | Yes | 413,913 |
| | Seton Care Limited | Connected to related organisation | 1 | 325,336 | Yes | 325,336 |
| | Citadel Youth Organisation | Connected to related organisation | 1 | 259,101 | Yes | 259,101 |
| | Glasgow City Council Education Services | Connected to related organisation | 1 | 540,800 | Yes | 740,038 |
| Alan McGregor | Glasgow City Council Education Services | Connected to related organisation | 1 | 540,800 | Yes | 740,038 |
| Sandra McNamee | North Down and Ards Women's Aid | Consultant | 1 | 9,344 | N/A | - |
| | NSPCC | Consultant | 2 | 625,698 | N/A | 43,495,892 |
| Eileen Mullan | Training for Women Network | Board member | 1 | 590,670 | Yes | 565,000 |

Register of interests (continued)

| Name | Organisation | Nature of relationship | Award made to organisation in 2015/16 | | Withdrawn from award decision | Outstanding grant award at 31 March 2016 (£) |
|---------------------|----------------------------------------------|-----------------------------------|---------------------------------------|-----------|-------------------------------|----------------------------------------------|
| | | | No. | £ | | |
| Shalani Raghavan | Liber8 Lanarkshire | Connected to related organisation | 1 | 589,052 | Yes | 488,339 |
| | Interest Link Borders | Connected to related organisation | 1 | 9,762 | N/A | - |
| | Scottish Borders Council | Connected to related organisation | 1 | 229,814 | Yes | 675,455 |
| Nat Sloane | Social Finance | Committee Member | - | - | N/A | 3,469,350 |
| | Social Investment Business | Connected to related organisation | - | - | N/A | 15,137,174 |
| Frances Targett OBE | Wales Council for Voluntary Action | Trustee | - | - | N/A | 61,947 |
| | Cyngor ar Bopeth Gwynedd and De Ynys Mon CAB | Director | - | - | N/A | 287,238 |
| | Llandovery Young Men's Christian Association | Director | 1 | 5,000 | N/A | 56,372 |
| Nalini Varma | Children North East | Connected to related organisation | - | - | N/A | 183,686 |
| | Base 87 Community Interest | Connected to related organisation | - | - | N/A | 48,821 |
| | Womankind Worldwide | Close relative connected | - | - | N/A | 106,246 |
| | Comic Relief | Trustee | 1 | 5,000,000 | N/A | 7,236,861 |
| John Watt | New Start Highland | Director | - | - | N/A | 49,725 |
| Sir Adrian Webb | University of South Wales | Connected to related organisation | 1 | 86,410 | N/A | - |

The senior management team

Dawn Austwick

Chief Executive

Gemma Bull

Portfolio Development Director for England (from October 2015)

Lyn Cole

Grant-making Director for England (from July 2015)

Danny Homan

Chief of Staff

Ian Hughes

Finance Director (from April 2015)

Jackie Killeen

Director, Scotland

Joanne McDowell

Director, Northern Ireland

John Rose

Director, Wales

The following are also members of the Senior Management Team but report to a director named above:

Milly Camley

Interim Director Communications and External Relations (from January 2016)

Joe Ferns

UK Knowledge and Portfolio Director (from September 2015)

Dianne Hughes

HR Director

Beth Lawton

Technology Director (from January 2016)

Samir Rahim

Deputy Director IT and Facilities (until February 2016)

The remuneration and staff report: Remuneration of executive directors

Governance

The Remuneration Committee of the Board has responsibility to:

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

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

The decisions of the Committee are subject to:

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

Remuneration policy for executive directors

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

Directors including the Chief Executive receive a basic salary and a performance related payment. Their other terms and conditions of

employment are the same as for other Fund employees. They are entitled to be members of the Principal Civil Service Pension Scheme. All directors are on permanent contracts (except where covered by temporary or interim arrangements) subject to three months' notice. Any termination payments are paid in accordance with the civil service compensation scheme.

Any annual increase to the Chief Executive's salary is determined by the Remuneration Committee; for 2015/16 this was 1 per cent. Annual increases to the other directors' salaries are approved by the Chief Executive reflecting the outcome of the overall staff pay award.

The Chief Executive is entitled to a performance-related payment of up to 12 per cent of her basic salary. The other directors are entitled to a payment of up to 8 per cent of their basic salary. Performance-related payments are unconsolidated (that is, they are not added to basic salary, and must be earned again each year). They are not included in pensionable pay. The Chief Executive has decided to give the performance related elements of her remuneration to charity.

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

No directors left during the year and therefore there were no terminations payment paid to directors during the year.

Details of the basic salary, performance-related payments and pension benefits of directors are set out in the table on pages 68-70. Details of their expenses can be found on the website: www.biglotteryfund.org.uk/management-expenses

Pay multiples (audited information)

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

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

The banding of the total remuneration during the year of the highest paid director was £155,000 to £160,000 (2014/15 £155,000 to £160,000), the median remuneration of the Big Lottery Fund's employees was £26,940 (2014/15 £26,550). The median has increased more than the increase in the pay of the highest paid director and therefore the ratio has changed to 5.8:1 from 5.9:1 in 2014/15.

Staff

Details of staff numbers, their composition and any exit packages are shown in note 7 to the financial statements. Staff sickness absence is reported in the Performance Report.

During the year the Fund has engaged four individuals through off payroll contracts. In each case this was in respect of interim cover for a vacant staff position. The total cost of this was £232,322.

The Fund has incurred consultancy costs during the year of £140,977 in respect of the provision of advice and expertise which we would not routinely procure to support our continuing activities.

Executives' remuneration – single total figure for remuneration (audited information)

| | 2015/16 Salary | 2015/16 Performance related payments | 2015/16 Value of pension benefits | 2015/16 Single total figure for remuneration | 2014/15 Salary | 2014/15 Performance related payments | 2014/15 Value of pension benefits | 2014/15 Single total figure for remuneration |
|-----------------------------------------------------------------------------|------------------------------------|-----------------------------------------------|--------------------------------------------|-------------------------------------------------------|--------------------------------------|-----------------------------------------------|--------------------------------------------|-------------------------------------------------------|
| Executives | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Dawn Austwick (Chief Executive) | 140-145 | 10-15 | 56 | 210-215 | 140-145 | 10-15 | 52 | 205-210 |
| Gemma Bull (Director, England Portfolio Development) from 12 October 2015 | 35-40 (Annual equivalent 80-85) | N/A | 15 | 50-55 | N/A | N/A | N/A | N/A |
| Lyn Cole (Director, England Grant-making) from 3 July 2015 | 80-85 (Annual equivalent 85-90) | 0-5 | 81 | 170-175 | N/A | N/A | N/A | N/A |
| Mark Cooke (Director, Finance and Corporate Services) until 31 October 2014 | N/A | N/A | N/A | N/A | 60-65 (Annual equivalent 100-105) | N/A | 25 | 85-90 |
| Ceri Doyle (Director, Strategy Performance and Learning) until 31 July 14 | N/A | N/A | N/A | N/A | 40-45 (Annual equivalent 100-105) | N/A | 22 | 65-70 |
| Danny Homan (Chief of Staff) from 1 July 2014 | 100-105 | 0-5 | 40 | 145-150 | 75-80 (Annual equivalent 100-105) | N/A | 29 | 105-110 |
| Ian Hughes (Finance Director) from 1 April 2015 | 105-110 | 5-10 | 41 | 150-155 | N/A | N/A | N/A | N/A |
| Dharmendra Kanani (Director, England) until 31 January 15 | N/A | N/A | N/A | N/A | 80-85 (Annual equivalent 100-105) | N/A | 15 | 95-100 |

Executives' remuneration – single total figure for remuneration (audited information) (continued)

| | 2015/16 Salary | 2015/16 Performance related payments | 2015/16 Value of pension benefits | 2015/16 Single total figure for remuneration | 2014/15 Salary | 2014/15 Performance related payments | 2014/15 Value of pension benefits | 2014/15 Single total figure for remuneration |
|--------------------------------------------------------------------------|-------------------|-----------------------------------------------|--------------------------------------------|-------------------------------------------------------|------------------------------------------|-----------------------------------------------|--------------------------------------------|-------------------------------------------------------|
| Executives | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Jackie Killeen (Director, Scotland) | 70-75 | 0-5 | 31 | 105-110 | 70-75 | 5-10 | 13 | 85-90 |
| Joanne McDowell (Director, Northern Ireland) | 65-70 | 0-5 | 27 | 100-105 | 70-75 | 0-5 | 25 | 95-100 |
| Linda Quinn (Director, Communications) until 31 October 2014 | N/A | N/A | N/A | N/A | 50-55 (Annual equivalent 80-85) | N/A | 7 | 60-65 |
| John Rose (Director ,Wales) | 70-75 | 0-5 | 28 | 100-105 | 70-75 | 0-5 | 22 | 95-100 |

Executives' remuneration – pensions (audited information)

| Executives | Accrued pension at pensionable age as at 31/03/16 and related lump sum £'000 | Real increase in pension and lump sum at pension £'000 | Cash Equivalent Transfer Values (CETV) at 31/03/2016 £'000 | Cash Equivalent Transfer Values (CETV) at 31/03/2015 £'000 | Real increase in CETV £'000 |
|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|--------------------------------|
| Dawn Austwick (Chief Executive) | 5-10 plus 0 lump sum | 2.5-5 plus 0 lump sum | 114 | 64 | 32 |
| Gemma Bull (Director, England Portfolio Development) from 12 October 2015 | 0-5 plus 0 lump sum | 0-2.5 plus 0 lump sum | 6 | 0 | 3 |
| Lyn Cole (Director, England Grant-making) from 3 July 2015 | 15-20 plus 50-55 lump sum | 2.5-5 plus 10-12.5 lump sum | 340 | 255 | 65 |
| Mark Cooke (Director, Finance and Corporate Services) until 31 October 2014 | N/A | N/A | N/A | 347 | N/A |
| Ceri Doyle (Director, Strategy Performance and Learning) until 31 July 14 | N/A | N/A | N/A | 407 | N/A |
| Danny Homan (Chief of Staff) from 1 July 2014 | 5-10 plus 0 lump sum | 0-2.5 plus 0 lump sum | 47 | 20 | 18 |
| Ian Hughes (Finance Director) from 1 April 2015 | 5-10 plus 0 lump sum | 0-2.5 plus 0 lump sum | 34 | 0 | 27 |
| Dharmendra Kanani (Director, England) until 31 January 15 | N/A | N/A | N/A | 317 | N/A |
| Jackie Killeen (Director, Scotland) | 10-15 plus 35-40 lump sum | 0-2.5 plus 0-2.5 lump sum | 223 | 187 | 13 |
| Joanne McDowell (Director, Northern Ireland) | 20-25 plus 20-25 lump sum | 0-2.5 plus 0-2.5 lump sum | 358 | 314 | 12 |
| Linda Quinn (Director, Communications) until 31 October 2014 | N/A | N/A | N/A | 592 | N/A |
| John Rose (Director, Wales) | 15-20 plus 0 lump sum | 0-2.5 plus 0 lump sum | 234 | 198 | 13 |

Cash equivalent transfer values (CETV)

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their lifetime membership of the scheme not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Remuneration of Board and Committee members

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

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

The total amounts they received are shown in the table on pages 58 to 61.

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

Dawn Austwick

Chief Executive and Accounting Officer
8 July 2016

Section seven:

Our accounts: Financial statements

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Big Lottery Fund for the year ended 31 March 2016 under the National Lottery etc Act 1993 and the Dormant Bank and Building Society Accounts Act 2008. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Equity and the related note. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Big Lottery Fund's affairs as at 31 March 2016 and of the surplus before tax for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc Act 1993., the Dormant Bank and Building Society Accounts Act 2008 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc Act 1993; and
- the information given in the information given in Section 5 and Section 6 of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

12 July 2016

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road Victoria
London SW1W 9SP

Statement of comprehensive income

| | Note | Year ended 31 March 2016 £000 | Restated Year ended 31 March 2015 £000 |
|------------------------------------------------------------------|------|----------------------------------------|-------------------------------------------------|
| Income | | | |
| Lottery Income | | | |
| Proceeds from the National Lottery | 13 | 769,330 | 783,286 |
| Investment income from the National Lottery Distribution Fund | 13 | 3,140 | 3,157 |
| Bank and other interest receivable | 2 | 105 | 125 |
| Recoveries of grant | 2 | 5,145 | 3,614 |
| | | <u>777,719</u> | <u>790,182</u> |
| Dormant account money income | | | |
| Transfers from Reclaim Fund Ltd | | 37,170 | 49,520 |
| Bank interest receivable on dormant account income | | 79 | 128 |
| | | <u>37,249</u> | <u>49,648</u> |
| Other income | 2 | 5,242 | 6,219 |
| TOTAL INCOME | | <u>820,210</u> | <u>846,049</u> |
| Expenditure | | | |
| Lottery programme expenditure | | | |
| Grant expenditure | 3 | 593,425 | 905,843 |
| Less lapsed or revoked grant expenditure | 3 | (8,165) | (15,800) |
| Direct expenditure in support of programmes | 4 | 22,980 | 18,669 |
| | | <u>608,239</u> | <u>908,712</u> |
| Dormant account money programme expenditure | | | |
| Grant expenditure | | 45,108 | 49,437 |
| Operating costs | | | |
| Operating costs for distributing Lottery Income | 5 | 47,991 | 48,975 |
| Operating costs for distributing dormant account money | 5 | 663 | 587 |
| Recharged operating costs | 5 | 3,207 | 3,793 |
| | | <u>51,861</u> | <u>53,355</u> |
| Restructuring and investment | 8 | 10,246 | 3,453 |
| | | <u>62,107</u> | <u>56,808</u> |
| TOTAL EXPENDITURE | | <u>715,454</u> | <u>1,014,957</u> |

Statement of comprehensive income (continued)

| | <u>Note</u> | <u>Year ended 31 March 2016 £000</u> | <u>Restated Year ended 31 March 2015 £000</u> |
|-----------------------------------------------------|-------------|--------------------------------------------------|-----------------------------------------------------------|
| Surplus/(Deficit) before taxation | | 104,756 | (168,908) |
| Taxation | 9 | 21 | 25 |
| Surplus/(Deficit) after taxation | | <u>104,735</u> | <u>(168,933)</u> |
| Other comprehensive income/expenditure | | | |
| Increase on revaluation of investment | 13 | - | - |
| Total comprehensive net income/(expenditure) | | <u>104,735</u> | <u>(168,933)</u> |

All income and expenditure relates to continuing activities

Statement of changes in equity

| | <u>Reserves £000</u> |
|-------------------------------------------------------------|--------------------------|
| Overall reserves | |
| Opening reserve position at 1 April 2015 | 873,724 |
| Prior period adjustment * | <u>17,779</u> |
| Opening reserve position restated at 1 April 2015 | 891,503 |
| Transferred from Statement of Comprehensive Net Expenditure | <u>(104,735)</u> |
| Closing reserve position 31 March 2016 | <u>786,768</u> |

* for prior period adjustment details, see note 29 to the accounts.

Statement of financial position

| | Note | Year ended 31 March 2016 £000 | Restated Year ended 31 March 2015 £000 |
|----------------------------------------------------------|------|----------------------------------------|-------------------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 3,277 | 2,944 |
| Intangible assets | 11 | 7,785 | 19,448 |
| | | <u>11,062</u> | <u>22,392</u> |
| Current assets | | | |
| Trade and other receivables | 12 | 8,244 | 7,290 |
| Cash at bank and in hand | | 47,159 | 40,765 |
| Investment balance in National Lottery Distribution Fund | 13 | 414,033 | 324,111 |
| | | <u>469,437</u> | <u>372,166</u> |
| Total assets | | <u>480,499</u> | <u>394,558</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | (466,540) | (503,623) |
| | | <u>13,959</u> | <u>(109,065)</u> |
| Total assets less net current liabilities | | 13,959 | (109,065) |
| Non-current liabilities | | | |
| Trade and other payables | 14 | (795,761) | (775,640) |
| Provisions | 15 | (4,965) | (6,798) |
| Assets less liabilities | | <u>(786,767)</u> | <u>(891,503)</u> |
| Represented by: | | | |
| Lottery funds reserve | | (790,404) | (903,662) |
| Dormant account money reserve | | 3,637 | 12,159 |
| | | <u>(786,767)</u> | <u>(891,503)</u> |

Signed on behalf of the Big Lottery Fund Board on 8 July 2016.

Dawn Austwick
Chief Executive and Accounting Officer

Peter Ainsworth
Chair

The notes on pages 78 to 103 form part of these accounts.

Statement of cash flows

| | <u>Note</u> | <u>Year ended 31 March 2016 £000</u> | <u>Restated Year ended 31 March 2015 £000</u> |
|--------------------------------------------------------------|-------------|--------------------------------------------------|-----------------------------------------------------------|
| Cashflows from operating activities | | | |
| Funds drawn down from the National Lottery Distribution Fund | 13 | 682,548 | 845,194 |
| Transfers from Reclaim Fund Ltd (dormant account money) | | 37,170 | 49,520 |
| Payments relating to dormant account money | | (38,190) | (51,120) |
| Recoveries of grant and cash from other sources | | 5,145 | 3,614 |
| Other income | | 4,293 | 6,096 |
| Interest received | | 105 | 125 |
| Payments to suppliers | | (20,817) | (18,643) |
| Payments to and on behalf of employees | | (32,058) | (34,891) |
| Payments to grant recipients | | (632,623) | (803,789) |
| Cash paid and held by third parties | | 1,780 | (515) |
| Tax paid on interest received | | (27) | (17) |
| Net cashflow from operating activities | 19 | <u>7,326</u> | <u>(4,427)</u> |
| Cashflows from investing activities | | | |
| Payments to acquire property, plant and equipments | | (932) | (237) |
| Payments to acquire intangible assets | | - | (604) |
| | | <u>(932)</u> | <u>(841)</u> |
| Increase/(Decrease) in cash | | <u>6,394</u> | <u>(5,268)</u> |
| Net (decrease)/increase in cash and cash equivalents | | | |
| Cash balances carried forward | | 47,159 | 40,765 |
| Less cash balances brought forward | | (40,765) | (46,033) |
| Increase/(Decrease) in cash | | <u>6,394</u> | <u>(5,268)</u> |

The notes on pages 78 to 103 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2015/16 Government Financial Reporting Manual (FReM) issued by HM Treasury, and the Accounts Directions issued by the Secretary of State for Culture, Media and Sport in accordance with Section 36A (2) of the National Lottery etc Act 1993 (as amended by the National Lottery Acts 1998 and 2006) and the Dormant Accounts and Building Society Act 2008. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Big Lottery Fund for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Big Lottery Fund for 2015/16 are described below. They have been applied consistently in dealing with items that are considered material to the accounts. We have not adopted any IFRS that have been issued but are not yet effective.

1.1 Accounting convention

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

For 2015/16 we do not believe that current costs are materially different to the historic cost shown in the Statement of financial position. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act, FReM and International Financial Reporting Standards, where appropriate.

1.2 Going concern

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

1.3 National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund (NLDF) remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the Fund is as shown in the accounts and, at 31 March 2016, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by the Fund in respect of current and future commitments.

1.4 Property, plant and equipment

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

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

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

1.5 Intangible assets

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

| | |
|--------------------------------|----------|
| Funding system software | 10 years |
| Website | 5 years |

We do not amortise the costs associated with assets under construction.

Intangible assets have been subject to impairment review under IAS36 (note 11).

1.6 Pension fund

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multi-employer defined benefit scheme. Pension benefits are paid by the PCSPS. Our liabilities are limited to a charge, which is set by the Chief Government Actuary, related to salaries paid in each year. The scheme was last valued on 31 March 2012 (note 22).

1.7 Operating leases

Lessee

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

At 31 March 2016 all of the Fund's property leases are classified as operating leases. The lease payments for property cannot be reliably allocated between the land and building components. However it is clear that both elements of the lease arrangements do not transfer substantially all of the risks and rewards of the ownership to the Fund and therefore both elements have been classified as operating leases.

Lessor

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

1.8 Expenditure on programmes

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

The Fund changed its Accounting Policy for Grant Recognition following an Accounts Direction issued to the Fund and all other UK Lottery distributors by the Department for Culture, Media and Sport during 2014/15. This change relates to the recognition of grant commitments and where recognised as liabilities whether they are accruals or provisions in the Statement of Financial Position.

Grant awards

Grant awards are accounted for as expenditure in the Statement of Comprehensive Income and, until paid, as liabilities in the Statement of Financial Position if they meet the definition of liabilities in IAS37. Provisions, Contingent Liabilities and Contingent Assets whether arising from legal or constructive obligations. In line with the revised policy introduced in 2014/15 grant awards are recognised as expenditure and commitments will be accounted for when:

1. the award has been formally decided on by the Fund; and
2. the award has been notified to the intended recipient; and
3. the award is free from any conditions under the control of the Fund.

Grant awards which have been formally decided upon by the Fund, but which do not meet the technical definition of liabilities (either due to their not having been communicated to the recipient, or due to their not meeting strict criteria relating to either specific conditions or award types (see the following three paragraphs)) are not included in expenditure in the Statement of Comprehensive Income or as liabilities in the Statement of Financial Position but are disclosed as contingent liabilities in Note 17.

Development awards

Where the Fund retains discretion whether to make subsequent awards following a funded development phase, the potential subsequent award is not treated as a liability until the Fund has taken a further formal decision to proceed with it.

Performance based awards

Where payment of all or part of an award is subject to a performance condition, the part of the award subject to the condition is not treated as a liability until the condition is met.

Multi-stage awards

Where an award is made payable over multiple stages and continuation of the award is conditional upon the outcome of formal reviews by the Fund, the later stages of the award will be treated as a liability if either the nature of the review is merely to confirm progress, or the outcome of the review is that the Fund continues the award.

Classification of liabilities

Grant liabilities at the date of the Statement of Financial Position are classified as provisions if they meet the recognition criteria in IAS37 Provisions, Contingent Liabilities and Contingent Assets, or, if not, as accruals.

Grants repaid and recovered

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

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

Direct expenditure on programmes

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

Lapsed or revoked grant expenditure

We record as “lapsed or revoked grant expenditure” any instances where the grant-holder has chosen to return unused grant monies to the Fund or where we have chosen to withdraw unused grant monies from the grant-holder. In all cases this relates to amounts that were previously recorded as commitments.

1.9 Taxation

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

We are registered for valued added tax (VAT). VAT is charged and recovered on our activities that comply with the definition of business activities as set out in VAT legislation. This includes much of our Third Party activities.

Irrecoverable VAT is charged to expenditure or capitalised in the cost of fixed assets.

1.10 Cash and cash equivalents

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

1.11 Provisions

The Fund recognises a provision where:

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

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

1.12 Grant management

Delegated partners

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

Trusts

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

Joint schemes

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

1.13 Third party assets

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

1.14 Financial instruments

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

1.15 Segmental reporting

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

1.16 Dormant account funds

Dormant account funds have been accounted for under the same policies as Lottery funds, with the amounts forming a part of these financial statements and being subject to audit opinion. For clarity, memorandum financial statements relating only to dormant account money are included on pages 104 to 106.

1.17 Accounting Standards that have been issued but not yet adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2015/16. The application of the Standards as revised would not have a material impact on the accounts for 2015/16, were they applied in that year:

IFRS 9 Financial Instruments – effective 2017-18

2. Income

| | Year ended 31 March 2016 £000 | Year ended 31 March 2015 £000 |
|------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Bank and other interest receivable | | |
| Bank interest receivable | 105 | 125 |
| | 105 | 125 |
| Other income | | |
| Income from delivering non-Lottery funding | 3,066 | 3,184 |
| Income from delivering Lottery Funding on behalf of other distributors | 76 | 856 |
| Rental income | 1,763 | 1,901 |
| Other | 337 | 278 |
| | 5,242 | 6,219 |
| Recoveries of grant from grant-holders (Note 1.8) | | |
| Recoveries of grant | 5,145 | 3,614 |
| | 5,145 | 3,614 |

3. Programme expenditure

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

We do not allocate income but manage each geographical share through determination of grant budgets. As set out in section four of the annual report, grant budgets are set based on available cash resources. The Board has allocated funding for the 2009-2015 Strategic plan and indicative funding in the period to 2021/22 to each country after a share of budget, up to 10 per cent, is top sliced for UK programmes. Of the remaining budgets England receives 77.5 per cent; Scotland 11.5 per cent; Wales 6.5 per cent and Northern Ireland 4.5 per cent.

Over the plan period each country committee has discretion, within certain constraints, on the phasing of grant decisions. The table below sets out grant expenditure charged to the Statement of Comprehensive Income in the year.

| | UK | England | Scotland | Wales | Northern Ireland | Year ended 31 March 2016 | Year ended 31 March 2015 |
|-------------------------------------------|---------------|----------------|---------------|---------------|---------------------|--------------------------------|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Grant expenditure made | 96,318 | 385,502 | 61,205 | 19,644 | 30,757 | 593,425 | 905,843 |
| Less lapsed and revoked grant expenditure | (1,158) | (5,492) | (689) | (796) | (31) | (8,165) | (15,800) |
| Net grant expenditure made | <u>95,160</u> | <u>380,010</u> | <u>60,516</u> | <u>18,848</u> | <u>30,725</u> | <u>585,260</u> | <u>890,043</u> |

4. Direct expenditure in support of programmes

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

| | Year ended 31 March 2016 £000 | Year ended 31 March 2015 £000 |
|--------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Support provided directly to grant applicants and recipients | 22,980 | 18,669 |
| | <u>22,980</u> | <u>18,669</u> |

5. Operating Costs

| | Operating costs for distributing Lottery income | Recharged operating costs | Operating costs for distributing dormant accounts money | Year ended 31 March 2016 Total operating costs | Year ended 31 March 2015 Total operating costs |
|----------------------------------------------------|-------------------------------------------------|---------------------------|---------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Employee remuneration | 28,865 | 2,694 | 480 | 32,039 | 32,656 |
| Travel and Expenses | | | | | |
| - Staff | 1,323 | 52 | 2 | 1,377 | 1,194 |
| - Board and Committee | 14 | - | | 14 | 20 |
| Payments under operating leases | | | | | |
| - Property | 2,128 | 343 | 45 | 2,515 | 3,668 |
| - Other | 385 | - | - | 385 | 195 |
| Other Accommodation costs | 2,848 | 0 | - | 2,849 | 2,809 |
| Communication costs | 907 | 26 | 0 | 934 | 987 |
| Externally provided support for grant programmes | 428 | 27 | - | 455 | 516 |
| Programme Evaluation | 369 | 11 | 16 | 396 | 398 |
| Staff recruitment and training | 1,062 | 8 | - | 1,069 | 784 |
| Professional fees | 549 | 24 | - | 574 | 616 |
| Auditors remuneration for audit work* | 125 | - | - | 125 | 119 |
| Auditors remuneration for grant certification work | - | - | - | - | 5 |
| IT infrastructure costs | 3,590 | 1 | - | 3,591 | 3,733 |
| Other costs | 732 | 2 | 117 | 851 | 837 |
| Disposal of property, plant and equipment | 108 | - | - | 108 | - |
| Irrecoverable VAT | 1,856 | 17 | 3 | 1,876 | 1,968 |
| Non cash items | | | | | |
| - Depreciation and Amortisation | 2,702 | 1 | - | 2,703 | 2,849 |
| | 47,991 | 3,207 | 663 | 51,861 | 53,354 |

* The charge for the current year was £115,000 with the remaining £10,000 being an additional charge for the previous year.

6. Financial performance indicator

Our financial performance indicator is the proportion of our share of Lottery income that we spend on distributing it. We exclude from this measure costs that we recharge to other people, including the costs of distributing Lottery and non-Lottery money for other organisations, sub-let property and non-qualifying expenditure such as business rates. We also exclude the one-off costs of investment to achieve future efficiencies and have excluded the impairment charge on intangible assets. Income of £59.4 million was received during 2014/15 in respect of the refund from Olympic Lottery Distribution Fund (OLDF) for monies previously forgone in order to cover the cost of London 2012. This return has been deferred over four years for performance measurement purposes. On this basis the cost of distributing our share of Lottery income was 6 per cent of Lottery income (2014/15 : 6.5 per cent).

| | Year ended 31 March 2016 £000 | Year ended 31 March 2015 £000 |
|-----------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Operating costs for distributing Lottery income (as per Note 5) | 47,991 | 48,975 |
| Less business rates | (999) | (952) |
| Total qualifying expenditure | <u>46,992</u> | <u>48,023</u> |
| Proceeds from National Lottery (as per Note 13) | 769,330 | 783,286 |
| Investment Income | 3,140 | 3,157 |
| Less deferred income from Olympic Lottery diversion | - | (44,550) |
| Plus rephased income from Olympic Lottery diversion | <u>15,000</u> | <u>-</u> |
| Total qualifying income | <u>787,469</u> | <u>741,893</u> |
| Percentage | 6.0% | 6.5% |

7. Staff numbers and costs

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

| | Year ended 31 March 2016 £000 | Year ended 31 March 2015 £000 |
|-------------------------|----------------------------------------|----------------------------------------|
| Wages and salaries | 24,716 | 25,445 |
| Social security costs | 1,833 | 2,009 |
| Other pension costs | 4,821 | 4,590 |
| Agency staff costs | 670 | 846 |
| Capitalised staff costs | - | (234) |
| | <u>32,039</u> | <u>32,656</u> |

Some staff included above were seconded out to other organisations, for whom recoveries of £105,847 are included in other income. The salary and pension entitlement of the Fund's senior management and Board Members are included above; details are disclosed in the Remuneration and Staff Report. It is not possible to identify the number and cost of members of staff within the total who are not employed on a permanent basis with the exception of those employed through agencies.

Capitalised staff costs relate to people working on the BPR project and are included in Funding software under development in Intangible Assets (note 11). There are no such costs in 2015/16 as the BPR project was completed in 2014/15.

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

| | Average number of temporary staff (FTE) | Average number of employees (FTE) | Total average number of staff Year ended 31 March 2016 (FTE) | Total average number of staff Year ended 31 March 2015 (FTE) |
|----------------------------------------|-----------------------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Grant-making | 30 | 496 | 526 | 559 |
| Support for customers and stakeholders | 1 | 192 | 193 | 190 |
| Governance and administration | 1 | 159 | 160 | 137 |
| Staff engaged on capital projects | - | - | - | 19 |
| | 32 | 847 | 879 | 905 |

At 31 March 2016, the Fund employed 877 full-time equivalent employees (2014/15: 853). This included 32 full-time equivalent temporary employees (2014/15: 20).

Exit packages

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

| | Number of redundancies Year ended 31 March 2016 | Number of redundancies Year ended 31 March 2015 |
|--------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Exit package cost band | | |
| <£10,000 | 1 | 4 |
| £10,000 - £25,000 | 10 | 12 |
| £25,001 - £50,000 | 12 | 18 |
| £50,001 - £100,000 | 6 | 9 |
| Total number of exit package by type | 29 | 43 |
| Total cost £000 | 952 | 1,483 |

8. Restructuring and investment costs

We continually look at the way we are structured and make changes to deliver fit for purpose, efficient and effective services. As part of this process, during 2015/16, the costs of this restructuring included termination payments and property transactions, including changes to the provision of onerous leases.

Following the impairment review undertaken at March 2016 an impairment loss of £9,452k (2014/15 :£991k) for the funding system intangible asset has been identified and is included below.

| | Year ended 31 March 2016 £000 | Year ended 31 March 2015 £000 |
|-----------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Termination payments | 919 | 1,916 |
| Property rationalisation | 1,425 | 88 |
| Unavoidable lease payments | (1,549) | 375 |
| Funding management system intangible asset impairment (Note 11) | 9,452 | 991 |
| Business process re-engineering | - | 83 |
| | <u>10,246</u> | <u>3,453</u> |

9. Taxation

The Fund only pays corporation tax on bank and any other interest received. There is a net tax cost of £21,021 (2014/15 25,065) for the year.

Investment income generated on balances held in the National Lottery Distribution Fund under the stewardship of the Secretary of State is not subject to UK Corporation tax.

10. Property, plant and equipment

| | Leasehold improvement | IT | Office equipment, furniture and fittings | Total |
|-------------------------|--------------------------|--------------|---------------------------------------------------|---------------|
| | £000 | £000 | £000 | £000 |
| Cost | | | | |
| At 1 April 2015 | 7,259 | 2,892 | 405 | 10,556 |
| Additions | 934 | - | - | 934 |
| Disposals | (1,082) | (1,362) | (144) | (2,589) |
| At 31 March 2016 | 7,111 | 1,530 | 261 | 8,901 |
| Depreciation | | | | |
| At 1 April 2015 | 4,889 | 2,382 | 341 | 7,612 |
| Charge for the year | 365 | 93 | 33 | 491 |
| Disposals | (1,021) | (1,314) | (144) | (2,479) |
| At 31 March 2016 | 4,233 | 1,161 | 230 | 5,624 |
| Net book value | | | | |
| At 31 March 2016 | 2,878 | 369 | 31 | 3,277 |
| Cost | | | | |
| At 1 April 2014 | 7,022 | 2,892 | 405 | 10,319 |
| Additions | 237 | - | - | 237 |
| Disposals | - | - | - | - |
| At 31 March 2015 | 7,259 | 2,892 | 405 | 10,556 |
| Depreciation | | | | |
| At 1 April 2014 | 4,526 | 2,184 | 306 | 7,016 |
| Charge for the year | 363 | 198 | 35 | 596 |
| Disposals | - | - | - | - |
| At 31 March 2015 | 4,889 | 2,382 | 341 | 7,612 |
| Net book value | | | | |
| At 31 March 2015 | 2,370 | 510 | 64 | 2,944 |

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

11. Intangible assets

| | Funding system software £000 | Website £000 | Total £000 |
|-------------------------|---------------------------------------|-----------------|---------------|
| Cost | | | |
| At 1 April 2015 | 22,538 | 358 | 22,896 |
| Additions | - | - | - |
| Impairment | (12,638) | | (12,638) |
| At 31 March 2016 | 9,900 | 358 | 10,258 |
| Amortisation | | | |
| At 1 April 2015 | 3,376 | 72 | 3,448 |
| Charge for the year | 2,140 | 72 | 2,212 |
| Impairment | (3,187) | - | (3,187) |
| At 31 March 2016 | 2,329 | 144 | 2,473 |
| Net book value | | | |
| At 31 March 2016 | 7,570 | 214 | 7,785 |
| Cost | | | |
| At 1 April 2014 | 22,925 | 358 | 23,283 |
| Additions | 604 | - | 604 |
| Impairment | (991) | - | (991) |
| At 31 March 2015 | 22,538 | 358 | 22,896 |
| Amortisation | | | |
| At 1 April 2014 | 1,195 | - | 1,195 |
| Charge for the year | 2,120 | 72 | 2,282 |
| Impairment | (29) | - | (29) |
| At 31 March 2015 | 3,376 | 72 | 3,448 |
| Net book value | | | |
| At 31 March 2015 | 19,162 | 286 | 19,448 |

Following a write down in each of the two previous years in the value of the Funding Management System we have conducted an impairment review to assess its value in use. This was as a consequence of the approval during the year of the grant-making enabling strategy under the Strategic Framework. From this we have concluded that the system as currently designed does not fully meet the ways in which we wish to relate to our applicants and grant-holders. In accordance with IAS 36, we have assessed a revised valuation at March 2016 on the depreciated replacement cost methodology which has resulted in an impairment loss of £9,452,000 (2014/15: £991,000) and which is reflected in a charge to the statement of comprehensive income.

12. Trade and other receivables

| | Year ended 31 March 2016 £000 | Year ended 31 March 2015 £000 |
|-------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Amounts falling due within one year | | |
| Held by delegated partners for payment of grant commitments | 698 | 98 |
| Deposits and advances | 945 | 792 |
| Prepayments and accrued income | 5,256 | 3,690 |
| Other receivables | 1,345 | 2,710 |
| | 8,244 | 7,290 |

13. National Lottery Distribution Fund

| | Year ended 31 March 2016 £000 |
|--------------------------------------|----------------------------------------|
| Balance as at 1 April 2015 | 324,111 |
| Proceeds from the National Lottery | 769,330 |
| Investment income from the NLDF | 3,140 |
| Funds drawn down from NLDF | (682,548) |
| Net increase in balance | 89,922 |
| Balance as at 31 March 2016 | 414,033 |
| Unrealised gain on investment | - |
| Market value at 31 March 2016 | 414,033 |

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

14. Trade and other payables

| | Year ended 31 March 2016 £000 | Restated Year ended 31 March 2015 £000 |
|--------------------------------------------------------|----------------------------------------|-------------------------------------------------|
| Amounts falling due within one year | | |
| VAT | 347 | 222 |
| Other taxation and social security | 577 | 527 |
| Trade payables | 598 | 770 |
| Owed to joint partner for payment of grant commitments | 2,715 | 2,419 |
| Accruals and deferred income | 2,231 | 2,246 |
| Other payables | 850 | 764 |
| Grant accruals (Note 16) | 459,222 | 496,675 |
| | 466,540 | 503,623 |
| Amounts falling due in more than one year | | |
| Accruals and deferred income | 161 | 995 |
| Other payables | - | - |
| Grant accruals (Note 16) | 795,600 | 774,645 |
| | 795,761 | 775,640 |

Grant Liabilities

Grant liabilities at the date of the Statement of Financial Position are classified as provisions if they meet the recognition criteria in IAS37 Provisions, Contingent Liabilities and Contingent Assets, or, if not, as accruals.

15. Provisions for liabilities and charges

| | Dilapidations £000 | Unavoidable lease payments £000 | Early retirement contributions £000 | Redundancy provisions £000 | Total £000 |
|---------------------------------------------|-----------------------|------------------------------------------|----------------------------------------------|----------------------------------|---------------|
| Brought forward at 1 April 2015 | - | 5,849 | 99 | 850 | 6,798 |
| New provisions created | 1,202 | 128 | - | 830 | 2,160 |
| Provisions used | - | (1,521) | (43) | (752) | (2,315) |
| Provisions released | - | (1,676) | - | - | (1,676) |
| Carried forward at 31 March 2016 | 1,202 | 2,780 | 57 | 928 | 4,966 |

Unavoidable lease payments

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

In addition, we have vacated and advertised as available office space in our Birmingham premises. As we have been unable to sublet these floors, we created and are utilising a provision for these unavoidable lease payments. We also applied the same accounting treatment with available office space in our London premises until December 2015, at which point the floor was fully occupied by a new tenant. We therefore released the balance of this provision and created a new provision for the loss on the lease now that the floor is occupied.

At 31 March 2016, we have discounted the provision for unavoidable lease payments using the discount rate advised by HM Treasury, 2.2 per cent.

Restructuring: retirement, redundancy and support

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

Where eligible staff take early retirement, the Fund is contracted to meet certain pension contributions until these staff reach statutory retirement date. An estimate of these future contributions is provided. Payments against this provision will continue to be made for up to ten years.

A provision has been made for the estimated redundancy costs of those staff with whom the Fund has entered into consultation prior to 31 March 2016. Redundancy payments are made in accordance with contractual arrangements and terms set out in the Principal Civil Service Pension Scheme arrangements.

Permanent employees are contractually entitled to up to £500 on being made redundant, in relation to the purchase of training courses or materials for development towards future employment. This has also been provided.

Dilapidations

We have relocated our Glasgow office during the year and also served notice to break the lease on our Birmingham premises. Both events give rise to reinstatement obligations for which we have made dilapidations provisions.

16. Grant accruals

| | At 31 March 2016 £000 |
|----------------------------------------------------------------------|------------------------------------------|
| Movement of grant accruals | |
| Restated grant commitments brought forward at 1 April 2015 (Note 29) | 1,271,320 |
| Grant commitments made | 607,792 |
| Lapsed and revoked commitments | (8,165) |
| Grant commitments met | (616,125) |
| Accrual carried forward at 31 March 2016 | <u>1,254,822</u> |

| | At 31 March 2016 £000 | Restated At 31 March 2015 £000 |
|---------------------------------------------------------|------------------------------------------|-------------------------------------------------------|
| Classification of grant accruals at the year-end | | |
| Amounts falling due within one year | | |
| Accruals (Note 14) | 459,222 | 496,674 |
| Amounts falling due in more than one year | | |
| Accruals (Note 14) | <u>795,600</u> | <u>774,646</u> |
| Total grant accruals | <u>1,254,822</u> | <u>1,271,320</u> |

Ageing of grant accruals

| | | |
|-----------------------------------------------------------------------------|-------------------------|-------------------------|
| Committed for payment within one year | 459,222 | 496,674 |
| Committed for payment within more than one year but less than two years | 324,130 | 312,319 |
| Committed for payment within more than two years but less than three years | 204,153 | 184,620 |
| Committed for payment within more than three years but less than four years | 112,975 | 112,009 |
| Committed for payment within more than four years but less than five years | 61,513 | 60,562 |
| Committed for payment after more than five years | <u>92,829</u> | <u>105,136</u> |
| | <u>1,254,822</u> | <u>1,271,320</u> |

17. Contingent Liabilities

Grants are disclosed as contingent liabilities if they do not satisfy the criteria to be treated as liabilities.

| | At 31 March 2016 £000 | At 31 March 2015 £000 |
|----------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| Grant awards made by the Fund which do not satisfy the criteria to be treated as liabilities | (112,117) | (135,811) |
| Total grant contingent liabilities | <u>(112,117)</u> | <u>(135,811)</u> |

There are no other contingent liabilities.

18. Joint schemes

Parks for People

This scheme is administered by the Heritage Lottery Fund on behalf of all parties to the agreement. We have agreed to contribute up to £161 million to the total expected funding of £384 million. Included within grant liabilities are £7.1 million of new grant commitments and contingent liabilities of £18.4 million representing our contribution to the Parks for People joint scheme. The creditors figure includes £2.7 million which is due to Heritage Lottery Fund in respect of our contribution to payments they have made to our grant recipients.

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

| | Year ended 31 March 2016 £000 | Restarted Year ended 31 March 2015 £000 |
|-------------------------------------------------------------------------------------|----------------------------------------|--------------------------------------------------|
| Surplus/(Deficit) for the period | 104,735 | (151,154) |
| Disposal of non-current assets | 108 | - |
| Depreciation of property, plant and equipment and amortisation of intangible assets | 2,703 | 2,848 |
| Impairment loss | 9,452 | 991 |
| Surplus/(Deficit) adjusted for non cash transactions | 116,998 | (147,315) |
| (Increase)/Decrease in trade and other receivables | (956) | 3,670 |
| (Increase)/Decrease in NLDF balance | (89,922) | 58,751 |
| (Decrease)/Increase in trade and other payables | (24,544) | 81,525 |
| Increase/(Decrease) in provisions | 5,750 | (1,058) |
| Net cash inflow/(outflow) from operating activities | <u><u>7,326</u></u> | <u><u>(4,427)</u></u> |

20. Financial risks

Financial instruments

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

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

Liquidity risks

Cash requirements for Lottery expenditure are met by drawing down against weekly forecasts of need from the balances held on behalf of the Fund by the NLDF. At March 2015 the fund balance was £324 million, this had increased to £414 million by 31st March 2016, at which point there were £1,255 million of grant commitments yet to be paid out. In budgeting for current expenditure the Fund balances the outflow of cash payments against grant commitments along with forward forecasts of Lottery income provided by DCMS.

In 2015/16 £769 million (93.7 per cent) of the Fund's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the NLDF, £3 million (0.4 per cent), along with a small amount of bank interest and sundry income, £10 million (1.3 per cent) and income from dormant account money, £37 million (4.6 per cent).

| | Year ended 31 March 2016 £000 |
|------------------------------------------------|-------------------------------------|
| Liquid assets at 31 March 2016 | |
| Market value of NLDF investments | 414,033 |
| Cash | 47,159 |
| Total | 461,192 |
| Forecast cashflows during 2016/17 | |
| Income from the National Lottery | 735,000 |
| Other income | 4,000 |
| Operating cost payments | (53,000) |
| Grant payments | (704,000) |
| Net forecast inflow | (18,000) |
| Forecast liquid assets at 31 March 2017 | 443,000 |

The income forecasts are based on projections provided by DCMS. The forecast grant payments are based on expected draw down profiles as compiled at 31 March 2016.

Market and interest rate risks

The financial assets of the Fund are invested in the NLDF, which invests in a narrow band of low-risk assets such as government bonds and cash. The Board has no control over the investment of these funds. At the date of the Statement of Financial Position, the market value of our investments in the NLDF was £414 million. Funds at the NLDF earned on average 0.5 per cent in the year. Cash balances, which are drawn down from the NLDF to pay grant commitments and operating costs, are held in instant-access variable rate bank accounts, which carried an interest rate of 0.5 per cent in the year. The cash balance at the year end was £47 million. The Board considers that the Fund is not exposed to significant interest rate risks.

| | 2015/16 £000 | 2014/15 £000 |
|-------------------------------------------------------------|-----------------|-----------------|
| Sterling at floating interest rates – Big Lottery Fund | 29,041 | 21,628 |
| Sterling at floating interest rates – dormant account money | 18,118 | 19,137 |
| Sterling at mixture of fixed rates | 414,033 | 324,111 |
| | 461,192 | 364,876 |

Credit risks

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

Foreign Currency risks

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

Financial assets by category

| | 2015/16 £000 | 2014/15 £000 |
|------------------------------------------------------|-----------------|-----------------|
| Assets as per Statement of financial position | | |
| Non-current assets | 11,062 | 22,392 |
| Investments available for sale | 414,033 | 324,111 |
| Cash and cash equivalents – Big Lottery Fund | 29,041 | 21,628 |
| Cash and cash equivalents – dormant account money | 18,118 | 19,137 |
| Loans and receivables | 8,244 | 7,290 |
| | 480,498 | 394,558 |

| | 2015/16 £000 | Restated 2014/15 £000 |
|-----------------------------------------------------------|------------------|-----------------------------|
| Liabilities as per Statement of financial position | | |
| Financial liabilities: | | |
| Grant liabilities | 1,254,822 | 1,271,320 |
| Operating payables | 7,479 | 6,948 |
| | 1,262,301 | 1,278,268 |

Fair Valuation

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

1. All cash deposits are with commercial banks.
2. Investments are controlled by the Secretary of State for Culture, Media and Sport. He provides the Board with details of the book value and fair value of our balances at the date of the Statement of Financial Position. The unrealised gain on investment is taken through the Statement of Comprehensive Income, resulting in book value equalling fair value.
3. No provision for bad debt is deemed necessary.
4. Whilst we disclose £795million of grant liabilities as not being due for payment until after one year, we have not made a fair value adjustment. The Fund have a contractual obligation to pay these amounts on demand, subject to contract, and so the amounts could be paid within the next 12 months.
5. All payables are due within normal contractual terms, and so no difference exists between book value and fair value.

Maturity of financial liabilities

| | 2015/16 £000 | Restated 2014/15 £000 |
|-----------------------------------------------------------|------------------|-----------------------------|
| Liabilities as per Statement of financial position | | |
| In less than one year | 1,262,301 | 1,279,263 |
| In more than one year, but less than two | - | - |
| In two to five years | - | - |
| In more than five years | - | - |
| | 1,262,301 | 1,279,263 |

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

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

21. Financial commitments

Commitments under operating leases

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

| | <u>At 31 March 2016</u> £000 | <u>At 31 March 2015</u> £000 |
|-------------------------------------------------|---------------------------------|---------------------------------|
| Property leases held as a lessee: | | |
| Not later than 1 year | 5,373 | 6,131 |
| Later than 1 year and not later than 5 years | 20,243 | 22,600 |
| Later than 5 years | 5,937 | 6,801 |
| | 31,554 | 35,532 |
| Property leases where we are the lessor: | | |
| Not later than 1 year | 1,786 | 1,370 |
| Later than 1 year and not later than 5 years | 4,696 | 3,998 |
| Later than 5 years | 253 | 1,196 |
| | 6,735 | 6,564 |

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

We have exercised the break option under our current lease at Apex House. Whilst we haven't signed a new agreement to lease, it is our intention to do so. The financial commitment in the table above assumes occupancy under a new lease to September 2026.

22. Pension scheme

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

Employee contributions are set at a minimum rate for members with pensionable salaries under £15,000 of 3.8 per cent of pensionable earnings for classic and alpha and 4.6 per cent for premium, classic plus and nuvos. This increases in bands up to a maximum of 8.05 per cent for members with a pensionable salary over £150,000. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In alpha, members build up pensions based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the earned pension account is credited with 2.32 per cent of their pensionable earnings in that scheme year and the accrued pension is updated in line with CPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits permitted by tax legislation.

The partnership pension account is a stakeholder pension arrangement. From 1 October 2015, the employer makes a basic contribution of between 8 per cent and 14.75 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution).

Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

For 2015/16, employers' contributions of £136,597 were payable to the partnership pension account (2014/15:£128,374).

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

For 2015/16, employers' contributions of £4,759,256 were payable to the PCSPS (2014/15 : £4,574,093) at one of four rates in the ranges set out below. Employer contributions are to be reviewed every four years following a full scheme valuation. The latest valuation, carried out by Hewitt Bacon and Woodrow, was on 31 March 2012. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Rates for 2015/16 are in line with recommendations from the Actuary.

Currently, employers pay an average of 21.1 per cent of their employees' salary as a pension contribution. The exact figure depends upon the salaries of the individual employees.

| <u>Year ended 31 March 2016</u> | | <u>Year ended 31 March 2015</u> | |
|-------------------------------------|-------|-------------------------------------|-------|
| Bands | | Bands | |
| £22,500 and under | 20.0% | £22,000 and under | 16.7% |
| £22,501 - £45,000 | 20.9% | £22,001 - £44,500 | 18.8% |
| £45,001 - £76,000 | 22.1% | £44,501 - £74,500 | 21.8% |
| £76,001 and over | 24.5% | £74,501 and over | 24.3% |

The number of staff for whom pension contributions were made in 2015/16 was 36 classic, 54 premium, 17 nuvos and 827 alpha. There were a further 47 in partnership pension account schemes. The total of 981 represents the majority of the total number of individual permanent members of staff employed over the course of the year.

The forecast level of employer's contributions to the PCSPS for 2016/17, based on a 1 per cent pay award on 2015/16 pay levels, is £4,769,298.

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

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

23. Losses and special payments

Losses occur where there is no evidence that a funded project's objectives were met. In the financial year to 31 March 2016 we have written off losses of £1,388,104 representing 147 awards (2014/15 £1,831,249 representing 184 awards). There were no write-offs that exceeded £100,000.

Special payments arise where:

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

In the financial year to 31 March 2016, 6 special payments totalling £46,859 (2014/15 £218,557 representing 24 awards) were made in relation to grant transactions.

24. Related party transactions

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

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

Transactions with DCMS reflect income received through the NLDF and the inward secondment of staff. Transactions with other Lottery distributors include income received for management of Awards for All and rental of office space.

Payments are made to Heritage Lottery Fund and Sport England for their services in running grant programmes.

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

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

Board members

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

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

A number of Board members have declared interests with public, voluntary and charitable bodies with which we have non-material business interests. These are disclosed on pages 62 to 64.

25. Third party assets

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

At 31 March 2016 the following bank balances were held on behalf of third parties:

| | At 31 March 2015 £000 | Inflows £000 | Outflows £000 | At 31 March 2016 £000 |
|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------|------------------|-----------------------------|
| Cabinet Office : Advice Services Transition Fund, Social Incubator Fund, Transforming Local Infrastructure, Local Sustainability Fund | 6,677 | 1,176 | 7,079 | 774 |
| Arts Council England; Awards for All England | 7 | - | - | 7 |
| Heritage Lottery Fund; Awards for All; England, Wales, Scotland, Northern Ireland | 3 | - | - | 3 |
| Sport England; Awards for All England | 8 | - | - | 8 |
| Creative Scotland; Awards for All Scotland | (242) | 333 | - | 91 |
| National Lottery Promotions Unit | 647 | 2,084 | 1,718 | 1,013 |
| Welsh Assembly Government; Community Assets Transfer | 2 | 624 | 646 | (20) |
| Scottish Early Intervention fund | 180 | 9,246 | 9,412 | 13 |
| Scottish Celebrate | 109 | 49 | 8 | 150 |
| Sports Scotland; Awards for All Scotland | (1,612) | 2,648 | 1,450 | (415) |
| Scottish Government; Communities and Family Fund, Scottish Land Fund | 1,882 | 5,086 | 6,200 | 769 |
| HM Treasury; Coastal Communities Fund | 5,660 | 23,040 | 24,106 | 4,593 |
| European Funding – Cabinet Office | 99 | - | - | 99 |

Negative balances arise due to timing differences between the Fund committing cash and receiving the necessary funds from the third party.

26. Joint Venture – National Lottery Promotions Unit

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

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

More information and the accounts of the NLPU is available at www.lotterygoodcauses.org.uk/contact

27. Capital commitments

There were no contracted capital commitments at 31 March 2016 (2014/15 £nil).

28. Contingent assets

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

As successor to the Millennium Commission, the Fund is entitled to a share of the proceeds of land sales on the Greenwich Peninsula made by the Greater London Authority, once certain costs have been covered. No payments have become due, but payments of £87 million are forecast to be received between 2016 and 2031.

29. Prior Period Adjustment

As a result of the new Lottery accounts direction in 2014/15 regarding the recognition of grant liabilities a prior period adjustment arose in the 2014/15 accounts as a consequence of restating prior period liabilities between accruals, provisions and contingent liabilities. In determining the required adjustment the Fund identified an amount of £17,779,000 in relation to movement in grant liabilities in 2013/14. In preparation of the financial statements for 2015/16 it has been identified that this amount was not properly disclosed in the 2014/15 adjustment from its brought forward 2013/14 amount. The prior period adjustment recognised this year corrects this position as set out below.

| | Restated Year ended 31 March 2015 £000 |
|---------------------------------------------------|-----------------------------------------------------------|
| Quantifiable and processed | |
| Statement of financial position | |
| Trade and other payables | (485,844) |
| Prior period adjustment | (17,779) |
| As restated | <u>(503,623)</u> |
| Statement of comprehensive income | |
| Grant expenditure | 888,064 |
| Prior period adjustment | 17,779 |
| As restated | <u>905,843</u> |
| Statement of changes in equity | |
| Deficit on general reserves | (873,724) |
| Prior period adjustment | (17,779) |
| As restated | <u>(891,503)</u> |
| Grant accruals | |
| Grant commitments brought forward at 1 April 2015 | 1,253,541 |
| Prior period adjustment | 17,779 |
| As restated | <u>1,271,320</u> |

30. Post balance sheet review

There are no events after the balance sheet date and up to the date the accounts were authorised for issue requiring an adjustment to the financial statements. On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made. The date the accounts were authorised for issue is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

Dormant account money

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

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

Funds are apportioned between the four countries of the UK in accordance with a statutory instrument approved by Parliament.

Costs incurred by the Fund, and by the Minister in relation to the operation of the scheme as a whole, are deducted before apportionment between the countries.

Costs incurred by the Minister and the devolved administrations in relation to the individual countries are deducted from the apportioned funds.

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

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

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

Memorandum accounts – dormant account money

| Statement of Comprehensive Income | Year ended 31 March 2016 £000 | Year ended 31 March 2015 £000 |
|---------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Income | | |
| Transfers from Reclaim Fund Ltd | 37,170 | 49,520 |
| Bank interest receivable | 79 | 128 |
| Total income | 37,249 | 49,648 |
| Expenditure | | |
| Programme expenditure | | |
| Transfers to Big Society Trust | 30,741 | 41,707 |
| Grant expenditure | 14,367 | 7,730 |
| | 45,108 | 49,437 |
| Operating costs | | |
| Costs incurred by Minister and devolved administrations | | - |
| Other operating costs | 663 | 587 |
| | 663 | 587 |
| Total expenditure | 45,771 | 50,024 |
| (Deficit) before taxation | (8,522) | (376) |
| Taxation | - | - |
| (Deficit) after taxation | (8,522) | (376) |
| Total comprehensive net (expenditure) | (8,522) | (376) |
| Reserves | | |
| Brought forward at 1 April 2015 | 12,159 | 12,535 |
| Total comprehensive net expenditure for the year | (8,522) | (376) |
| Carried forward at 31 March 2016 | 3,637 | 12,159 |

Statement of financial position as at 31 March 2016

| | Year ended 31 March 2016 £000 | Year ended 31 March 2015 £000 |
|--------------------------------|-------------------------------------|-------------------------------------|
| Current Assets | | |
| Cash at bank and in hand | 18,118 | 19,137 |
| Total Assets | 18,118 | 19,137 |
| Current Liabilities | | |
| Trade and other payables | (103) | (182) |
| Grant commitments | (14,377) | (6,796) |
| Total liabilities | (14,480) | (6,978) |
| Assets less liabilities | 3,637 | 12,159 |
| Retained surplus | 3,637 | 12,159 |

Detailed Income and Expenditure Account with Country apportionment

| | Year ended 31 March 2016 | | | | | Year ended 31 March 2015 |
|--------------------------------------------------------------------------|--------------------------|-------------|--------------|----------------|---------------------|--------------------------------|
| | Total | England | Scotland | Wales | Northern Ireland | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Transfers from Reclaim Fund Ltd | 37,170 | | | | | 49,520 |
| Bank interest receivable | 79 | | | | | 128 |
| Big Lottery Fund's operating costs of distributing dormant account money | (663) | | | | | (587) |
| Available for apportionment to countries | 36,586 | | | | | 49,061 |
| Share of each country | | 83.9% | 8.4% | 4.9% | 2.8% | |
| Apportioned to each country | 36,586 | 30,696 | 3,073 | 1,793 | 1,024 | 49,061 |
| Transfers to Big Society Trust | (30,741) | (30,741) | - | - | - | (41,707) |
| Other grant commitments made | (14,367) | | (3,446) | (10,921) | - | (7,730) |
| Balance of funds for year ended 31 March 2016 | (8,522) | (45) | (373) | (9,128) | 1,024 | (376) |
| Balance of funds brought forward | 12,159 | (25) | 239 | 5,519 | 6,426 | 12,535 |
| Balance of funds carried forward at 31 March 2016 | 3,637 | (70) | (134) | (3,609) | 7,450 | 12,159 |

Section eight:

Our statutory background

Policy Directions

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

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

The Big Lottery Fund has complied with these Directions throughout the financial year 2015/16 in every material aspect.

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 and community sector and social enterprise partners.
2. **REPRESENTATION** – the development of programmes should take account of those most in need by targeting inequality and improving the capability of people and communities to contribute to, participate in and benefit from outcomes funded through the Fund's programmes.
3. **SUSTAINABILITY** – a programme's ability to improve the environment today and for future generations and reduce the impact on the environment.
4. **LONGER TERM BENEFIT** – that projects can achieve longer-term financial viability and resilience.
5. **ADDITIONALITY AND COMPLEMENTARITY** – the development of programmes and funding of projects should complement, add value and be distinct from the work of other funders and parties working towards the Fund's goals.
6. **COLLABORATIVE WORKING** – where this produces better results, the development of programmes and funding of projects should support collaborative action between funded organisations and public, private and civil society partners.

England and Isle of Man devolved expenditure

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

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

Signed by the Minister for the Cabinet Office

28 March 2012.

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 Minister for the Cabinet Office 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; working within the context of the national performance framework to build a fairer Scotland and tackle inequalities.

B. The need to ensure that the Fund, achieves over time the distribution of money to address the priority of reducing inequality; 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. The need to ensure that the Fund contributes to sustainability by supporting activity that helps to embed change and influences long-term development,

E. 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 and development;
- (ii) The promotion of community safety and cohesion;
- (iii) The promotion of community empowerment and inclusive opportunities for participation and
- (iv) 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 work which is intended to achieve 'one or more of the following objectives.'

(i) Reducing inequalities through tackling disadvantage and discrimination

(ii) Empowering people, through enabling people's engagement and influence,

5. In relation to Scottish devolved expenditure the Fund, in distributing money under section

25(1) shall take into account the principles of:

(i) Achieving the most effective use of resources by selecting the most appropriate approach in specific policy areas in order to add value to the overall public effort

(ii) Leveraging the highest potential value for people and communities from resources through support for volunteering, fair work and sustainable procurement.

Signed on behalf of Scottish Ministers
February 2016.

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: 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

3. 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.

4. 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.

5. In relation to Northern Ireland devolved expenditure the Fund, in distributing money under section 25(1), shall take into account the need to ensure one or more of the following priorities are met:

- A. Improve essential skills to meet social and economic needs.

B. Increase opportunity for community based learning.

C. Build community capacity.

D. Increase opportunity for volunteering and engagement within and between communities.

E. Build community and voluntary/statutory partnerships.

F. Improve community facilities, access and services.

G. Increase community involvement in protecting, restoring and sustaining the urban and rural environment.

H. Help individuals and communities to develop skills to make healthier lifestyle choices.

I. Promote mental health and emotional well-being at individual and community level.

Signed on behalf of Secretary of State NI

Financial Direction

LOTTERY ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR CULTURE, MEDIA and SPORT, WITH THE APPROVAL OF THE TREASURY, IN ACCORDANCE WITH 36E(3) (c) OF THE NATIONAL LOTTERY ETC ACT 1993 (AS AMENDED BY THE NATIONAL LOTTERY ACT 2006)

1. The Big Lottery Fund shall prepare accounts for the financial year ended 31 March 2015 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ("the FReM") which is in force for the financial year for which the accounts are being prepared as well as any other guidance which Treasury may issue from time to time in respect of accounts which are required to give a true and fair view.

2. The accounts shall be prepared so as to:

(a) Give a true and fair view of the financial position as at 31 March 2015 and subsequent financial year-ends, and of the comprehensive income and expenditure, cash flows for the financial year then ended; and

(b) Provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

(c) Follow the additional accounting and disclosure requirements set out in Annex A.

3. This Direction applies to Big Lottery Fund's Lottery distribution activities.

4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. Any material departure from the FReM should be discussed with HM Treasury.

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

Department for Culture, Media and Sport

DATE

ANNEX A

Additional Accounting and Disclosure Requirements

The following paragraphs detail the additional requirements as agreed by the Treasury, the Department and the Big Lottery Fund, over and above those disclosures required in the FReM.

1. The Statement of Net Comprehensive Income/Expenditure shall include as separate items, where material:

- a. the share of Lottery proceeds attributable to the Big Lottery Fund
- b. the share of investment income of the National Lottery Distribution Fund attributable to the Big Lottery Fund
- c. interest receivable on lottery funds
- d. repayment of grants
- e. any other income
- f. grant made from Lottery funds
- g. lapsed or revoked grant previously recorded as commitments from Lottery funds
- h. the total operating costs incurred in respect of National Lottery distribution activities

2. The Statement of Financial Position shall include:

- a. under the heading "Current assets": shown as an investment, the balance held on behalf of the Big Lottery Fund at the National Lottery Distribution Fund;
- b. Grant falling due for payment within one year should be disclosed separately under the heading "Current Liabilities".
- c. Grant falling due for payment after more than one year should be separately disclosed under the heading "Non current liabilities"

3. The Cash Flow Statement shall use the indirect method when presenting "Cash flow from Operating Activities";

4. The Notes to the Accounts should meet the requirements of the FReM and include:

a. A statement that the Accounts have been prepared in a form directed by the Secretary of State with the consent of Treasury in accordance with Section 35(3) of the National Lottery etc. Act 1993

b. A statement of the accounting policies. This must include a statement explaining the nature of the balances held on the Big Lottery Fund's behalf in the National Lottery Distribution Fund as follows:

"Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the Big Lottery Fund is as shown in the Accounts and, at the Statement of Financial Position date, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by the Big Lottery Fund in respect of current and future commitments."

c. the value of grant commitments at the year-end which the Big Lottery Fund has made but which have not been included as liabilities in the Statement of Financial Position because they did not meet the criteria for being treated as liabilities at that date

d. Where grants exceed available resources as shown in the Statement of Financial Position, a note explaining the rationale for the over-commitment taking into account any advice received from the Department as appropriate.

e. A note reconciling the opening and closing balance of investments held at the NLDF. This should disclose proceeds received from the National Lottery, investment income, unrealised gains and losses on investment, and cash drawn down from the NLDF

f. A breakdown of the total grant liabilities (current and non current) in the SoFP to show:

- Liability brought forward
- Commitments in the year

- Decommitments
- Commitments paid
- Liability carried forward
- A breakdown of the liability for each year up to and including 5 years and over 5 years

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

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

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

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

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

General Directions

1. In exercising any of its functions in distributing dormant account money under that Act in relation to Scottish expenditure, the Fund must comply with the following general directions in determining the persons to whom the Fund makes distributions, the purposes for which the Fund makes distributions, the process used to determine what payments to make and the terms and conditions on which the Fund makes distributions.

2. The distribution of dormant account money;

A. must be to projects which promote the public good and which are not intended primarily for private gain;

B. must be to projects which make real and sustainable improvements to the quality of life of local communities;

C. may only be to third sector organisations i.e. organisations that exist wholly or mainly to provide benefits for society or the environment;

D. must balance the need to encourage innovation with the need to manage risk in a manner commensurate with the type of project and applicant; and

E. should seek to further the objectives of sustainable development.

3. In distributing dormant account money BIG must ensure that applicants:

A. in all cases demonstrate the financial viability of the project for the period of the distribution;

B. in cases where capital funding is sought;

a). demonstrate a clear business plan incorporating any running and maintenance costs associated with each project for a reasonable period, having regard to the size and nature of the project; and

b). demonstrate, for major projects, that project evaluation and management processes match those of the Office of Government Commerce's Gateway Reviews; or

C. in cases where capital funding is not sought, demonstrate the likely availability of other funding to meet any continuing costs for a reasonable period after dormant account funding ceases, taking into account the size and nature of the project, and for the dormant account funding to be used to assist progress towards viability wherever possible.

4. In distributing dormant account money BIG must;

A. set specific time limits on the periods in respect of which distributions are payable, whether for capital or revenue expenditure;

B. include a condition in all distributions that recipients acknowledge the use of Dormant Accounts funding, using the agreed branding for the Dormant Accounts Scheme for Scotland;

C. ensure that it has such information as it considers necessary to make decisions on each application, including independent expert advice where required;

D. work with other organisations, including other distributors, where this is an effective means of fulfilling its functions and objectives;

E. involve the public, where possible, in making policies, setting priorities and making distributions;

F. operate within the distinctive policy context in Scotland, adding value where appropriate to Scottish Ministers strategy; supporting a Fairer Scotland with the development of opportunities for everyone to flourish within a more successful and sustainable Scotland;

G. ensure over time a distribution of money to a reasonably wide range of recipients, including small organisations, those organisations operating at a purely local level, social enterprises, and organisations with a base in Scotland and working overseas;

H. have regard to the interests of Scotland as a whole, the interests of different parts of Scotland and their relative population sizes and the scope for reducing economic and social deprivation in the different parts of Scotland;

I. ensure that projects are intended to contribute towards the achievement of the Scottish Government's overarching purpose of increased and sustainable economic growth and also one or more of the following strategic objectives:

- SMARTER: People having better chances in life
- SAFER AND STRONGER : Communities work together to tackle inequalities
- GREENER: People have better and more sustainable services and environments

- HEALTHIER: People and Communities are healthier; and
- J. take into account the following principles:
- ENGAGEMENT – the development of programmes should be based on the active engagement of public, private and third sector partners.
 - SOLIDARITY AND COHESION – ensuring that individuals and communities across Scotland have the opportunity to contribute to, participate in, and benefit from a more successful Scotland.
 - SUSTAINABILITY – to improve Scotland’s environment today and for future generations while reducing Scotland’s impact on the global environment.

Specific Directions

5. Before exercising any of its functions in distributing dormant account money in relation to Scottish expenditure the Fund must comply with the following specific direction in determining the persons to whom the Fund should make distributions and the purposes for which the Fund should make those distributions:

A. The Fund must produce an evidence based impact assessment of distributing the dormant account money in accordance with prescribed restrictions laid down in the Dormant Bank and Building Society Accounts (Scotland) Order 2010 and in accordance with one of the following options:

- Option 1: To support 4 broad policy themes: the Fund would have to ensure that the distribution of money is reasonably apportioned to support 4 broad policy themes:
 - Opportunities for children and young people;
 - Addressing health inequalities through increased activity;
 - Strengthening inter-generational activities; and
 - Creating community based employment opportunities.
- Option 2 To apportion 50%, 67% or 100% of the initial funds to be passed

by the BIG Lottery to an endowed trust. The remainder of the monies would then be distributed by the Fund to support the 4 broad policy themes.

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

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

General Directions

1. In exercising any of its functions in distributing dormant account money in relation to Welsh expenditure the Fund must comply with the following general directions in determining the persons to whom the Fund makes grants, the purposes for which the Fund makes grants, the process used to determine what payments to make and the terms and conditions on which the Fund makes grants:

A. Dormant account money must be distributed to projects which promote the public good and which are not intended primarily for private gain.

B. Dormant account money must be distributed to projects which make real and sustainable improvements to the quality of life of local communities.

C. Dormant account money must be distributed primarily to ‘third sector’ organisations, i.e. organisations that exist wholly or mainly to provide benefits for society or the environment. Exceptionally, money may be distributed to local authorities or other statutory bodies where a project involves a partnership or consortium, and the statutory body is acting in a coordinating capacity.

D. The distribution of dormant account money must balance the need to encourage innovation with the need to manage risk in a manner commensurate with the type of project and applicant.

E. The distribution of dormant account

money must promote and support the Welsh language and reflect the bilingual nature of Wales, including giving effect to the principle of equality between the English and Welsh languages.

F. The distribution of dormant account money must further the objectives of sustainable development.

G. The distribution of dormant account money must set specific time limits on the periods in respect of which grants are payable, whether for capital or revenue expenditure.

H. In distributing dormant account money the Fund must ensure that:

- i). in all cases, applicants demonstrate the financial viability of the project for the period of the grant;
- ii). where capital funding is sought:
 - a). applicants demonstrate a clear business plan incorporating any running and maintenance costs associated with each project for a reasonable period, having regard to the size and nature of the project; and
 - b). applicants demonstrate, for major projects, that project evaluation and management processes match those of the Office of Government Commerce's Gateway Reviews.
- iii). where capital funding is not sought applicants demonstrate the likely availability of other funding to meet any continuing costs for a reasonable period after dormant account funding ceases, taking into account the size and nature of the project, and for the dormant account funding to be used to assist progress towards viability wherever possible.

I. In distributing dormant account money the Fund must work with other organisations where this is an effective means of delivering elements of its strategic plan (see para' 4).

J. In distributing dormant account money the Fund must ensure that it has such information as it considers necessary to make decisions on each application, including independent expert advice where required.

K. In distributing dormant account money the Fund must include a condition in all grants that grantees acknowledge the use of Dormant Accounts funding, using the agreed branding for the Dormant Accounts Scheme for Wales.

L. In distributing dormant account money the Fund must adopt an outcome focussed approach, working closely with appropriate partners to achieve the best pattern of investment for the benefit of communities across Wales.

M. In distributing dormant account money the Fund must take into account the assessment of needs and priorities it has identified in its strategic plan and achieve over time a distribution of money to a reasonably wide spread of recipients, including small organisations, those organisations operating at a purely local level, and social enterprises.

N. In distributing dormant account money the Fund must have regard to the interests of Wales as a whole, the interests of different parts of Wales, the relative population sizes and the scope for reducing economic and social deprivation in the different parts of Wales.

Specific Directions

2. In exercising any of its functions in distributing dormant account money in relation to Welsh expenditure the Fund must comply with the following specific directions in determining the persons to whom the Fund makes grants and the purposes for which the Fund makes grants:

A. In distributing dormant account money the Fund must act in accordance with the prescribed restrictions laid down in the Dormant Bank and Building Society Accounts Act 2008 (Prescribed Restrictions) (Wales) Order 2010 and in accordance with the following themes:

'Supporting children and young people to achieve their full potential working through the third sector to promote social inclusion'; and

'Tackling climate change and promoting wider sustainable development through focused community-based activity'.

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

Supporting children and young people

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

Tackling climate change and promoting wider sustainable development

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

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

(i) their potential to make the resources go further, by means of contributions from other sources, e.g. match funding

(ii) their contribution to relevant Welsh Assembly Government policies and strategies, including:

- the Skills and Employment Strategy and Action Plan; 'Reducing the proportion of young people not in education, employment or training in Wales: Delivering Skills that Work for Wales' (The NEETs Plan); 'A Fair Future for Our Children': the child poverty strategy; the 14-19 'Learning Pathways' framework for young people's learning provision ; the 'Extending Entitlement' policy for youth support services; the National Youth Service Strategy; the All Wales Youth Offending Strategy; the 'Reach the Heights' career opportunities initiative.- 'One Wales: One Planet', the Sustainable Development Scheme for Wales; The Climate Change Strategy.

Strategic Plan

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

Annual report and accounts 2015/16

Further copies available from:

Our website www.biglotteryfund.org.uk

Phone 0345 4 10 20 30

Text Relay 18001 plus 0345 4 10 20 30 (for those with a hearing or speech impairment).

Photography by:

Colin Baldwin

BRAC

Eye Imagery

Matt Jessop

David Marsden/Page One Photography

Martin McKeown

Keith Morris

Brian Morrison

Chris O'Donovan

Lucy Pope

Chris Watt

Additional photography courtesy of:

Living through Landscapes

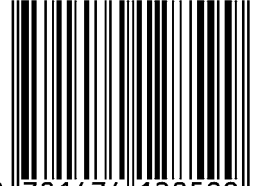
The Wave Project, Kris Bentham

Coventry Law Centre

Reclaim Project, Rob Powell



ISBN 978-1-4741-2859-9



9 781474 128599