

Independent Inquiry on the National Lottery Community Fund – Summary of findings and recommendations

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- 1.1 This independent Inquiry was commissioned by the Department for Digital, Culture, Media and Sport (DCMS) after it became aware of allegations of a culture of bullying within the National Lottery Community Fund (NLCF – the Fund).
- 1.2 CMP Resolutions (CMP) was commissioned to carry out the Inquiry, the Terms of Reference (ToR) for which were designed to be forward-looking, focused on ensuring that the Fund’s current culture ‘is consistent with the need to provide an inclusive and fair workplace’, and to provide recommendations ‘on how the Fund might strengthen its leadership, culture, systems, structures and processes to safeguard a high-performing, diverse and inclusive working environment in which bullying, harassment or discrimination are not tolerated and where such concerns are dealt with quickly, fairly and appropriately’.
- 1.3 In conducting this Inquiry, the report authors drew on data from 65 one-to-one interviews with Non-Executive Directors, SMT members and a representative sample of staff at all levels of the organisation, and 297 written submissions, including contributions from six ex-staff members. Thus, just under half the Fund staff elected to provide us with feedback.
- 1.4 It is important to highlight here that in a report of this nature we are dealing with perceptions – how things appear from the perspective of the individual(s) giving the feedback. These perceptions may or may not be totally factually accurate, but they are nevertheless the lived reality of those who express them, and thus need to be addressed if the Fund is to pull together more effectively in the service of its communities.
- 1.5 The Inquiry has highlighted some fundamental principles that need clarification so that the Fund can make progress on the changes necessary to recognise its potential. There was a lack of clarity over the Fund’s operational independence and the extent of the involvement of DCMS as its sponsor department. Interviews have identified that there are different understandings of the Rules of Engagement, with evidence indicating different interpretations among various stakeholders within the Fund. It will be important to clarify the Rules of Engagement and to communicate this widely across the Fund.
- 1.6 Recent changes of personnel at the top of the Fund have generated a sense of uncertainty. Complexities involving challenging behaviours and the interpersonal relationships between Board members was highlighted by a number of people. At the same time, the turnover at Executive level has left people feeling distant from decision-makers and slightly directionless, and these changes have all generated a concern about the potential for more radical change to come.

- 1.7 While there is no reason to doubt the Board's commitment to the Fund's purpose and successful operation, there are several issues which make it difficult for this group to carry out an effective governance role, which include the ambiguity of its role particularly in relation to DCMS, but also in the degree of involvement it has with, and challenge it provides to, the Fund's Executive. The way the previous Executive was said to have kept the Board at arm's length, is likely to have resulted in a failure to recognise the potential reputational risk of the issues leading up to the publication of *The Times* article.
- 1.8 There was agreement across the board on the main strengths of the Fund. Its purpose, its people, the positive aspects of its culture – inclusiveness, diversity, flexibility – its closeness to its communities and the flexible working opportunities were universally held to be compelling reasons for working at the Fund, and important factors in the success of its work. The Fund's response to the distribution of Covid-19 funding was cited as a specific example of people rising to the challenge and demonstrating their expertise in the distribution of public funds.
- 1.9 There was also general agreement on the main challenges that the Fund faced. However, it became very clear to us that people's day-to-day experience was highly dependent upon where they sat in the organisation, both geographically and structurally. The quality of local leadership and management was key in shaping individual experiences and attitudes, and this appears to vary significantly across the Fund. We received a significant amount of contradictory feedback highlighting how different an experience those doing the same job in a different part of the Fund might have. For example some felt totally trusted and empowered, while others felt micro-managed. Some felt that staff turnover was high while others believed that career development opportunities were blocked by long-serving staff. Some reported a high degree of bureaucracy and slow decision-making while others felt that decisions were made 'on the hoof' and in an ill-disciplined way. We have concluded that the Fund lacks a single, unifying culture, and instead tolerates a series of micro-cultures which differ significantly depending upon the skills of line management, their position in the structure, their distance from the centre, the length of service profile of the staff and a range of other influential factors.
- 1.10 This, then, is a key challenge for the Fund – does it want a more unified culture, is its drive to devolve decision-making and to create an organisation that is close to the communities it serves in conflict with this ambition, or is it possible to achieve both aims simultaneously? Without knowing what sort of organisation the Fund wants to be (and how it relates to its key stakeholders), it is difficult to set a clear

direction and clear behavioural expectations which will help to define the culture. When asked for three words to describe the Fund's culture, the most widely used phrase was 'well-meaning' – a rather two-edged term - and there were more negative than positive descriptors used to describe NLCF culture, including directionless, hierarchical, bureaucratic and siloed. These themes appeared regularly in all the feedback we received.

- 1.11 A strong theme to emerge from our research was the need for greater clarity around the Fund's direction and strategy. As with all other feedback we received, views about People in the Lead (PITL) as a strategic tool varied from a belief that it was no more than a strap-line to a firm conviction that it was a defining encapsulation of the Fund's core purpose. Whatever the truth of the matter, it is clear that there is no single interpretation of how to apply PITL and that people are using it to suit their local circumstances, and in extreme cases 'weaponising' it to discredit any initiatives that were felt to be 'not very People in the Lead'. Views are also mixed about the SMT's success in communicating the Fund's key priorities and future direction and the tendency is to disagree that this is the case. There is also a lot of feedback about the negative impact on front-line staff of changing priorities, unclear initiatives and 'knee-jerk' reactions emanating from the top of the organisation.
- 1.12 The SMT came in for a fair degree of criticism for a number of reasons. Feedback implies that not all SMT members are thought to be sufficiently experienced to fulfil their executive role, and the Executive is also seen as too large for an organisation of 800 people. The high turnover within the SMT has caused uncertainty and confusion and has contributed to a sense of 'directionlessness', particularly as the CEO position is an interim one, and has been for over a year. As a body, the SMT is thought to be out of touch with the realities of 'the coalface', and autocratic in its decision-making, at its worst more concerned with empire building than with supporting the core work of the Fund. There are also some accusations of negative SMT behaviours. While there were very positive comments about the capability of individual SMT members, there is a general perception of the Executive as a distant body with very little understanding of what it is like to work at the front line.
- 1.13 The Fund is also considered to be overly-structurally complex. While the devolved Directorates were generally felt to be working reasonably well, many people commented on the number of layers, the number of managers and the duplication of central function roles within Directorates. It seems likely that promotion to a managerial position has been used to reward individuals when salary increases or

development opportunities have been harder to justify. At the same time there is a general sense that the Funding Officer role is both under-resourced and under-paid, and the perception is that central directorate roles and senior positions have been created at the expense of front-line resource. A clear tension emerges between central functions and devolved departments in that central functions staff are finding that their expertise and advice is being ignored, causing risk to the Fund, while at the same time staff in the regions are complaining of overly controlling processes, a lack of support from and/or a lack of trust of central functions.

- 1.14 Feedback suggests that the quality of management and leadership in the Fund as a whole is variable, ranging from "people-pleasers" to "autocrats", interspersed with some very capable and supportive line and more senior managers. Many contributors to the Inquiry claimed that the Fund was not 'practising what it preached' when it came to the principles of People in the Lead, and managers themselves complained of being disempowered by centralised decision-making, unsupported when it came to performance management and frustrated by their inability to reward high-performing staff and to offer sufficient developmental and training opportunities, or to recruit quickly to fill existing vacancies in their teams.
- 1.15 The lack of career development opportunities, another theme emerging from our research, is compounded by a number of factors, including the variable capability of line managers, which means that some are more effective than others at assessing potential and finding opportunities for their staff. There seemed to be no clearly defined career paths through the organisation, and this has no doubt compounded the belief that any progression that is achieved is about 'who you know', rather than about merit. Equally, training opportunities were thought to be few and far between. There was a view that the Funding Officer role, which it was generally accepted had evolved in recent years, needed to be professionalised through a more formal training programme, and that more resource needed to be put into management training and Equality, Diversity and Inclusion (EDI) training and awareness.
- 1.16 The topic of EDI also attracted mixed feedback and, as a strategic imperative for the Fund, expectations are naturally high. People believed strongly that the Fund strove to be a model EDI employer, and indeed, needed to be if it was to be credible with the communities it worked alongside. Some people's experience was of a harmonious, diverse and fair workplace – 59 per cent of respondents agreed that 'the Fund is an inclusive and fair place to work' - while for others it was clearly

not. Black and Asian respondents are less likely to agree with this statement than their White and dual heritage colleagues. The SMT and Board were criticised for their perceived lack of diversity in composition. Recruitment, selection and promotion processes were often cited as unfair. Some people wanted diversity and inclusion to encompass a broader spectrum of difference – to include neurodiversity for example. Those who were critical of the Fund’s commitment to EDI cited White privilege, unfair selection and recruitment processes and the influence of some longer-serving staff who were perceived to have a ‘sense of entitlement’ which blinded them to their own biases and privilege. While we did not find that there was an institutional problem with EDI, there is evidence to suggest that there is room for improvement and for ensuring that policies and awareness-raising activity actively support the ability to thrive and the development and progression of minority groups in general.

- 1.17 Around one in three respondents have either witnessed or personally experienced bullying, harassment or discriminatory (BHD) behaviours. In nearly half of these cases, the instigator of these behaviours is claimed to be a senior manager or an SMT or Board member, and over a quarter cite the line manager as the instigator. Perhaps most concerning is the finding that 67 per cent of those who have experienced or witnessed BHD are dissatisfied with the way these cases have been handled and this issue attracted three times as many comments as any other BHD-related topic. Where people have commented on the subject of BHD, the majority talk about having heard about incidences of this type of negative behaviour and it is clear that people lack confidence in the Fund’s commitment to resolving these issues and also to doing so fairly. There is a sense that the odds are stacked against any complainant who raises an issue about a more senior person, and, slightly curiously, people are worried about the consequences of raising issues for both themselves and the instigator. What is clear from the feedback is that there is a body of opinion that believes that the cultural issues that triggered this Inquiry are still very much in evidence within parts of the Fund, and that the fact that these have been allowed to continue casts doubt on the commitment of the SMT and the Board to address them.
- 1.18 The Inquiry’s ToR required CMP to ‘investigate whether the NLCF (the Fund) has the governance and systems in place to ensure that its culture is consistent with the need to provide an inclusive and fair workplace’ and goes on to list a number of areas on which CMP needed to focus its attention. We have concluded that, while there is a genuine desire to create this culture within the Fund, it has been only moderately successful in delivering this aspiration. There is more to do in all the

areas we explored within the ToR – leadership and organisational culture, professional standards and practice, people strategy, BHD and EDI processes and approach – for this to become a reality. In addition there is much to do to streamline and ‘professionalise’ the organisation so as to remove the frustrations and inefficiencies that are preventing the people who work for the Fund from playing the best and most impactful role in improving the lives of the communities they serve, and in feeling fully engaged with their roles, and with the Fund as a whole.

- 1.19 As required by the ToR for this Inquiry, we have made numerous recommendations designed to address the issues that it has raised. We are acutely aware that the Fund is under the leadership of an interim CEO and that the new appointee will need to make their own assessment of the priorities for action and the solutions. The Fund will need to decide which items can be moved forward now and which will need to wait for a permanent appointment. Those recommendations which are fundamental to any successful transformation programme are:
- (a) to clarify and confirm the basis of the relationships between the Fund, the DCMS and the British and devolved governments, and to communicate this clearly to all staff members. This will involve engaging with staff to reset expectations
 - (b) to agree upon and to communicate a clear vision and strategic direction for the Fund which will guide and underpin both the desired culture change and the organisational structure and priorities for the next few years
 - (c) to review the size and structure of both the Board and the SMT in the light of the Fund’s strategic priorities
 - (d) to review the organisational structure with a view to putting sufficient resource into front line work, reducing layers of management and clarifying the role and remit of central functions
 - (e) to enhance the leadership capability of all levels of management.
- 1.20 In carrying out this Inquiry, CMP has concluded that, while there is an enormous amount of commitment from staff at all levels to the Fund’s purpose and activities, its work is achieved in spite of, rather than because of the way it currently operates. There is significant work to be done to enhance its leadership, culture, systems, structures and processes before it can achieve its true potential and become a beacon of excellence in the assessment and distribution of grants to its communities. Equally, there is more work needed to create a diverse and inclusive working environment in which concerns about bullying, harassment and discrimination are dealt with quickly, fairly and appropriately.

Summary recommendations - Board

- 1.21 Create and communicate a clear sense of strategic direction, that is bought into and understood by all key stakeholders.
- 1.22 DCMS, the Fund's Board and Executive should hold a joint, externally facilitated discussion to agree the Fund's role, scope and relationship with relevant government bodies. This then needs to be documented and articulated unambiguously to all key stakeholders.
- 1.23 The Fund should engage with its staff to ensure that they have a clear understanding of any change in position, the parameters within which they are expected to operate and the implications of failing to comply with expectations.
- 1.24 We recommend a review of Board remit, membership, size, committee structure, skills requirements, individual roles and responsibilities, and dispute resolution procedures is carried out with a view to improving Board effectiveness.
- 1.25 To increase the degree of oversight the Board has, we recommend increasing regular interaction between Board and Executive members and creating additional opportunities for Board interaction with the wider organisation.
- 1.26 The Board should undertake a formal annual evaluation of its own performance and that of its committees and individual NEDs through a combination of self-assessment and peer review.

Summary recommendations - SMT

- 1.27 We recommend that a smaller Executive team is formed with a clear strategic remit, with an extended leadership group used to ensure wider input to key initiatives and operational excellence.
- 1.28 An assessment should be made of the capability and suitability of current SMT members for leadership roles against a functional and behavioural competency framework. A similar process should be used for the Fund's wider leadership cadre.
- 1.29 The SMT should create more and regular opportunities for employee participation and feedback.
- 1.30 Conduct a review of the performance management process and operation to ensure that there is consistency across the Fund in the way that people's performance is assessed and measured, and people's development needs identified.

Summary recommendations – the Fund

- 1.31 Review the structure of the Fund with the aim of reducing the number of layers of management and redesigning job roles to recognise and reward the acquisition and demonstrated use of expanded skills, particularly in respect of the Funding Officer role.
- 1.32 Clearly define the role and remit of central functions and agree the desired balance between centralised operations and devolved decision-making.
- 1.33 Review all policies, procedures and other operational documentation to ensure that they are fit for purpose, support the work of the front-line and that, once agreed, are applied consistently.
- 1.34 Address the issue of the multiple 'micro-cultures' that have grown up around particular teams and managers, and define the broad organisational culture that will best support the Fund's work in future. Ensure full employee engagement in this process.
- 1.35 Review and if necessary replace People in the Lead, to develop a common understanding of what the Fund's strategy is and how it is operationalised.
- 1.36 Greater trust in the People function needs to be built across the organisation.
- 1.37 Appoint a senior designated 'owner' of the EDI agenda who will be held accountable for agreeing EDI metrics for the Fund and for developing an action plan with timescales for improvement.
- 1.38 Train a cohort of internal bullying and harassment advisors to act as the first port of call for people who have an issue, and who have the skills and knowledge to help complainants decide how best to handle their situation.
- 1.39 An alternative option would be to appoint an external third-party organisation to receive and 'triage' complaints of this nature to the most appropriate option for resolution.
- 1.40 Improve the transparency of employee communications and ensure that the reasons behind significant changes in policy, personnel, processes or organisational direction are communicated openly and, once agreed, supported wholeheartedly by the 'management line'.
- 1.41 Strengthen lateral communications within the Fund by actively seeking out opportunities to bring people together at all levels to share knowledge, work collaboratively, keep relevant functions abreast of developments in their areas and to break down the silos which currently exist.

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