

Annual Report and Accounts for the financial year ended 31 March 2012



Big Lottery Fund

Annual Report and Accounts

for the financial year ended 31 March 2012

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Big Lottery Fund Annual Report and Accounts 2011/12

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Introduction and summary

By the Chair and Chief Executive

This report outlines the performance and achievements of the Big Lottery Fund (BIG) in 2011/12. Our mission is to bring real improvements to communities and the lives of people most in need. We do this by using money raised by the National Lottery to support projects across the UK for health, education, environmental and charitable purposes.

2011/12 has been a year of considerable change both within and outside of BIG. We have welcomed Peter Ainsworth as our new UK Chair along with Nat Sloane (England Chair) Sir Adrian Webb (Welsh Chair) and Maureen McGinn (Scotland Chair). Statutory responsibility for BIG transferred from the Department for Culture, Media and Sport to the Cabinet Office on 13 April 2011 and following a public consultation we now have new policy directions for our England, Isle of Man and UK-wide funding. Reflecting these changes we have refreshed our strategic plan and published Fresh thinking: The next chapter outlines what can be expected from us as a funder up until 2015.

In 2011/12 we made over 12,000 awards to organisations across the United Kingdom worth a total of £768.8 million. This represents a significant increase on recent years, due in part to the establishment of the £200 million Big Local Trust. We presently have over 17,000 awards in grant management with a total value of nearly £1 billion. Demand for Lottery funding continues to grow: in 2011/12 we received over 23,500 applications requesting a total of £1.9 billion. However, if Lottery ticket sales remains buoyant we can expect to make awards of around £770 million each year up to 2015.

We continually strive to be an intelligent funder, not simply distributing cash but using our knowledge and expertise to secure greater impact and influence from our work.



We know that small amounts of funding can empower local people and transform communities. In 2011/12 awards of £10,000 or less accounted for 90 per cent of our total awards. The Awards for All programme continues to kick-start an amazing array of community projects across the UK.

In a testing economic climate it is important that our funding draws upon the skills and expertise of local people. In uncertain times we have provided additional time and money to help thousands of existing grant holders adjust to changing circumstances. The voluntary and community sector in particular continue to be our key delivery partners in helping us to deliver our mission. In 2011/12, 92 per cent of our funding went directly to the VCS. Our path-breaking £200 million Big Local Trust, is working with people and local partnerships in communities across England previously overlooked by other funding sources to make their communities better places to live in, now and over the next ten years. We have delivered a range of innovative programmes that give the general public control over Lottery funding. In October 2011 working with Channel 4 we asked the UK public to help us decide the themes that form the basis of our £10 million Millennium Now programme. In Scotland the £9 million Our Place programme focuses on priorities set by local people.



While the depth and breadth of our funding means we are able to respond to local issues our scale also means we are uniquely placed to facilitate the exchange of ideas and best practice across the UK. We achieve this through our UK portfolio which, as well as looking for innovative ways to engage with the public, tests out the best ways of addressing the most stubborn of social challenges. For example, through our £25 million Realising Ambition programme we are replicating proven approaches to preventing first time youth offending across the UK and will be investing heavily in experimental evaluations that demonstrate the impact of these interventions for vulnerable young people. As a funder with UK-wide reach but strong devolved structures and decision-making in England, Scotland, Wales and Northern Ireland we hope to offer distinct and relevant support in each country while also sharing our learning to influence policy and practice.

Our knowledge, expertise and infrastructure also mean that we are well placed to distribute funding on behalf of others. In the past year we launched the Coastal Communities Fund on behalf of the Government which uses revenue generated from the Crown Estate's marine assets to promote sustainable economic growth and jobs.

On behalf of the Welsh Assembly Government we are using funds released from dormant bank accounts to encourage communities to reduce carbon emissions and adapt to the effects of climate change through the Sustainable Steps programme. For the Scottish Government we are delivering Young Start, which will create opportunities for children and young people aged between 8 and 24 to help realise their potential by improving their health, confidence and employment prospects. And in England we launched the Advice Services Fund on behalf of the Cabinet Office.

We would like to thank BIG's staff and those we work with for their continued dedication, energy and commitment. It is testament to their work that BIG has recently been recognised with a customer service excellence award. Our final thanks are reserved for the many projects, staff and volunteers that help make Lottery funding so special. We are privileged to support so many outstanding people that make such a difference to the communities and lives of those most in need.

Peter Wanless
Chief Executive

Peter Ainsworth
Chair



Our operational performance

About this Annual Report

In 2009 we published Big thinking – our strategic framework to 2015 which set out the principles which will underpin BIG's approach to funding in the UK. Each year we publish a corporate plan setting out a specific budget, objectives and targets for the year ahead. The corporate plan can be downloaded from our website. This annual report is our report back on our achievements against those commitments.

In March 2011 our Board set three corporate objectives for the year ahead and a range of performance measures for each of them.

- ▶ Efficiency: we are managing public funds efficiently.
- ▶ Customer focus: those who enquired about, applied for or received our funding said we provide an excellent service to them. We have strong, positive relationships with key stakeholders, and with the public at large.
- ▶ Effectiveness: our funding programmes bring real improvements to the lives of our beneficiaries.

The current financial climate has had an impact on funders, service deliverers, statutory bodies and, most importantly, the people whose lives we seek to influence for the better. Responsibility for the Big Lottery Fund (BIG), including setting policy directions, transferred from the Department for Culture, Media and Sport to the Cabinet Office in April 2011. Following public consultation BIG was issued with new policy directions to come into force on 1 April 2012 that cover our spending in England, the Isle of Man and UK-wide.

In order to reflect these changes and remain responsive to the evolving needs of the communities we serve we have refreshed our strategic plan. Fresh thinking: The next chapter outlines how we are adapting to these changes and outlines what can be expected from us as a funder up until 2015.

Fresh thinking builds upon the principles outlined in Big thinking. Our mission remains the same: we are a committed outcomes funder and we will continue to offer a mixed funding portfolio. However, we are also embracing new areas of work like social investment, private sector engagement and delivering funding on behalf of others where we can make even more difference for communities and the lives of people most in need.

Our operational performance against our corporate objectives

The Corporate Plan for 2011/12 identified three corporate objectives to shape our priorities and set ten key performance indicators to measure success. Our performance against these has been monitored against our published targets and reported to the Board throughout the year.

This is a brief summary of how we performed against these three objectives. The remaining sections of this report give a more detailed account.

Corporate objective one:

We are managing public funds efficiently

Key Performance Indicators **End of year report**

1. More than 80 per cent of the total agreed grant budget for 2011/12 is committed In our corporate plan 2011/12 we stated that the total agreed grant budget for the year was £806.5 million. The actual value of awards made during 2011/12 was £768.8 million (90 per cent of this).

2. The VCS receives at least 80 per cent of our funding During 2011/12 we committed 92 per cent of our funding to the VCS against the target of 80 per cent.

3. Total operating costs are less than 7.1 per cent of Lottery income (based on income before the transfer of money towards the Olympics).

In 2011/12 our core operating costs were 6.3 per cent. Actual operating costs were £49.0 million – a decrease of £4.1 million compared to 2010/11.

4. The funding portfolio has an operating cost of less than 5 per cent of the programme budget

Our planned programme operating costs are based on estimates derived from our experience of running similar programmes. For 2011/12 our planned programme operating costs for each portfolio fell within the 5 per cent target.

5. By year end the grant paid out to all our funded projects is within 20 per cent of the payments we forecast

We have paid out £668.5 million in grant payments in 2011/12 which is 9 per cent above the original forecast. This was possible due to the Lottery income being ahead of forecast.

Corporate objective two:

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

Key Performance Indicators End of year report

1. At least 74 per cent of our customers are satisfied with our service

In the year to March 2012 we had contact with more than 90,000 people across the UK who enquired about a grant from BIG. We also responded to nearly 6,000 outline proposals and assessed over 24,000 full applications. We have also provided support to over 18,000 existing grant holders.

2. At least 33 per cent of customers say they receive excellent customer satisfaction

This year IPSOS MORI completed 5,739 online interviews for us with customers including: unsuccessful applicants; successful applicants; those awaiting decision; and pre-application enquirers. From the results we can report that 73.6 per cent of our customers were satisfied and 33.7 per cent of these rated our service as excellent. This is an improvement on last year's performance (73 per cent and 30.3 per cent respectively).

As well as overall satisfaction, we also measure satisfaction with: staff attitude; professionalism and quality of service; timeliness and quality of information.

We also set internal targets for quality of service. 97.8 per cent of the outline proposals received and 93.9 per cent of applications for grants received were processed within the timescales published in application guidance.

3. At least 84 per cent of MPs perceive BIG as effective

The results of the latest MPs' survey in 2010/11 reported that 80 per cent of MPs think that BIG is effective, against our target of 84 per cent. However, BIG was once again considered to be the most effective organisation of those included in the survey and our performance compares favourably to other Lottery distributors.

4. At least 80 per cent of media coverage is favourable

In 2011/12, 94.7 per cent of media coverage was favourable. This is the highest positive media coverage achieved since 2008.

Increased positive national coverage though high profile initiatives and announcements underpinned by strong regional and country coverage, ensured that the overall positive percentage was maintained UK-wide above target.

Contributing to this have been the launch of the Silver Dreams Fund initiative in partnership with the Daily Mail, The Jubilee People's Millions with ITV, and partnerships with the Evening Standard, Manchester Evening News and the South Wales Argus. In the final quarter of the year initiatives such as the high profile Forces in Mind Trust launch and BIG's Heroes Return media collaboration with Camelot's good cause awareness campaign nationwide, have underpinned high positive and regional coverage.

Corporate objective three:

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

Key Performance Indicators End of year report

1. At least 95 per cent of grant programmes achieve their agreed effectiveness rating

We evaluate our programmes to determine their effectiveness and the following sections of this report look in depth at this key corporate objective. Section two provides the detail of the funding we awarded during the year and Section three sets out our annual outcomes report.

This year we reviewed 35 programmes against three criteria:

- how well the programme was managed
- evidence of making an impact
- the evidence of shared learning that is benefiting BIG and the communities it funds.

Each dimension was assessed against a five-point scale where the midpoint indicates that a programme is on track to deliver successfully, and an overall rating is given. An independent peer reviewer took part in all programme reviews.



33 out of 35 programmes (94.3 per cent) were judged as 'effective' in 2011/12. The two programmes which were not considered to have met sufficient measures of success to rate themselves as effective, have nevertheless identified learning and robust actions for change, which we will be focusing on in the coming year.



Our commitment to equality

Equality and diversity is implicit within our policies and our culture. The senior management team and the Board provide strong support and encouragement to embed our equality principles into our practices and the projects we fund. We continue to implement our three year equality strategy which focuses and motivates people on the need to consider and work towards equality goals in everyday grant-making and working relationships. The strategy included the use of 'champions' from within the business to bring this alive with top level support. It also supported the introduction of new equality information requirements to enable clearer understanding of the reach of our projects into disadvantaged communities.

Equalities

Equality in our funding

Equality monitoring has been introduced into most of our grants programmes. Applicants are asked if their project will mostly benefit people of a specific ethnic background, age, gender, religion or belief, disability or sexual orientation and, in Northern Ireland only, community background. We gather this information because we want to know who benefits from the projects we fund, so that we can find out if we need to give more support to some applicants, target our funding or change how we run our programmes.

To be considered for funding, a project should be based on clear evidence of need; sometimes this will warrant a targeted intervention focusing on a specific beneficiary group or situation; in many cases, however, the need will cut across a range of people, and it will be important for projects to be as accessible and inclusive as possible. This is reflected in our funding statistics, which highlight that the vast majority of applications received and awards made have gone to projects which indicate they are aiming to benefit a wide range of people.

For this report we analysed the information from 21,548 of the applications received in the year to 31 March 2012. We excluded withdrawn and transferred grants and those which did not have direct beneficiaries. All of these applications had received a decision on funding during the year. 11,541 awards were made (totalling £452 million) from this pool of applications. The results are set out in the table on pages 10 and 11.

We note that the application success rate for projects that mostly benefitted people from Black/African/Caribbean/Black UK communities continues to be lower than the rate for projects benefitting no specific ethnicity. We are committed to exploring the reasons for this finding.

| | Number of applications and application rate ¹ | | Number of awards and application success rate | | Requested amount (£'000) and % of requested amount ² | | Awarded amount (£'000) and % of awarded amount ³ | |
|--|--|--|---|--|---|--|---|--|
|--|--|--|---|--|---|--|---|--|

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

| | | | | | | | | |
|-----------------------------------|--------|-----|------|-----|-----------|-----|---------|-----|
| White UK | 1,550 | 6% | 825 | 53% | 79,021 | 6% | 35,138 | 8% |
| White other | 551 | 2% | 285 | 52% | 30,210 | 2% | 10,351 | 2% |
| Mixed/multiple ethnic groups | 978 | 4% | 485 | 50% | 41,644 | 3% | 12,488 | 3% |
| Asian/Asian UK | 1,024 | 4% | 515 | 50% | 71,845 | 5% | 22,287 | 5% |
| Black/African/Caribbean/ Black UK | 1,324 | 6% | 591 | 45% | 63,634 | 5% | 21,113 | 5% |
| Other ethnic group | 414 | 2% | 186 | 45% | 18,984 | 1% | 5,904 | 1% |
| No specific ethnicity | 17,612 | 75% | 9684 | 55% | 1,097,668 | 78% | 358,215 | 77% |

Age (Applicants are asked if their project will mostly benefit people of a particular age group. Applicants can select more than one age group therefore responses may incorporate multiple counting.)

| | | | | | | | | |
|-----------------|-------|-----|------|-----|---------|-----|---------|-----|
| 0-24 | 9,353 | 37% | 5100 | 55% | 834,573 | 44% | 322,526 | 52% |
| 25-64 | 4,096 | 16% | 2158 | 53% | 320,319 | 17% | 80,595 | 13% |
| 65+ | 2,068 | 8% | 1185 | 57% | 113,444 | 6% | 40,365 | 7% |
| No specific age | 9,903 | 39% | 5177 | 52% | 649,037 | 34% | 172,731 | 28% |

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

| | | | | | | | | |
|--------------------|--------|-----|--------|-----|-----------|-----|---------|-----|
| Female | 1,196 | 6% | 598 | 50% | 92,726 | 6% | 27,559 | 6% |
| Male | 399 | 2% | 205 | 51% | 24,716 | 2% | 6,471 | 1% |
| No specific gender | 19,062 | 92% | 10,211 | 54% | 1,281,014 | 89% | 404,130 | 90% |

¹ The application rate is shown as a percentage of the applications that requested the data

² The requested amount is shown as a percentage of applications that requested the data

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

| | Number of applications and application rate ¹ | | Number of awards and application success rate | | Requested amount (£'000) and % of requested amount ² | | Awarded amount (£'000) and % of awarded amount ³ | |
|--|--|--|---|--|---|--|---|--|
|--|--|--|---|--|---|--|---|--|

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

| | | | | | | | | |
|-------------------|-----|-----|-----|-----|--------|-----|--------|-----|
| Mainly Catholic | 269 | 22% | 166 | 62% | 6,681 | 15% | 2,876 | 9% |
| Mainly Protestant | 410 | 33% | 239 | 58% | 6,563 | 15% | 3,845 | 13% |
| Both | 491 | 40% | 326 | 66% | 30,599 | 68% | 22,915 | 75% |
| Neither | 64 | 5% | 43 | 67% | 1,085 | 2% | 763 | 3% |

Religion or belief (Applicants are asked if their project will mostly benefit people of a particular religion or belief. They can select more than one religion or belief therefore responses may incorporate multiple counting.)

| | | | | | | | | |
|----------------------|--------|-----|--------|-----|-----------|-----|---------|-----|
| No religion | 15 | <1% | 7 | 47% | 5,096 | <1% | 1922 | <1% |
| Christian | 302 | 1% | 152 | 50% | 10,451 | 1% | 2369 | <1% |
| Buddhist | 3 | <1% | 2 | 67% | 430 | <1% | 20 | <1% |
| Hindu | 27 | <1% | 12 | 44% | 1,321 | <1% | 543 | <1% |
| Jewish | 128 | 1% | 62 | 48% | 2,007 | <1% | 586 | <1% |
| Muslim | 132 | 1% | 61 | 46% | 6,221 | <1% | 1,364 | <1% |
| Sikh | 11 | <1% | 6 | 55% | 873 | <1% | 47 | <1% |
| Other religion | 25 | <1% | 12 | 48% | 2,050 | <1% | 1,087 | <1% |
| No specific religion | 20,743 | 96% | 11,163 | 54% | 1,370,225 | 95% | 429,633 | 95% |

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

| | | | | | | | | |
|--------------|--------|-----|-------|-----|-----------|-----|---------|-----|
| Disabled | 2,286 | 11% | 1,430 | 63% | 195,002 | 14% | 66,928 | 15% |
| Not disabled | 17,767 | 88% | 9,333 | 53% | 1,190,820 | 83% | 361,125 | 81% |

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

| | | | | | | | | |
|---|--------|-----|--------|-----|-----------|-----|---------|-----|
| Lesbians/gay men/bisexual | 105 | 1% | 58 | 55% | 6,742 | <1% | 2,518 | 1% |
| Not specific to lesbians/gay men/bisexual | 19,800 | 97% | 10,551 | 53% | 1,368,505 | 95% | 420,217 | 99% |

Equality in employment

Our induction process includes specific training in equalities at the start of employment and during the year we have conducted a number of training sessions on dignity at work.

BIG is a member of the Stonewall charity's Diversity Champions programme, which is part of our commitment to support lesbian, gay and bisexual (LGB) staff. This year BIG was ranked 240 out of 363 organisations that entered Stonewall's Index of Britain's top LGB employers. We've moved up 54 places since 2010.

We also launched a successful assisted work placement scheme for people with disabilities at our two main operating centres and a new project 'EnAble' has begun a review on how we can encourage the employment of people with disabilities.

This year's workforce statistics demonstrate that there has been no change in relation to the percentage of staff with disabilities, but there is a small increase in the number of BME staff employed. We remain committed to increasing the number of employees with disabilities.

During the year we started a project to identify actions BIG can take to be more representative of the community in relation to people with disabilities and how BIG can be a more effective employer. There has been no significant change to the various proportions of ethnicity.

| Disability | BIG | Civil Service | UK economically active population |
|--------------------------|-----|---------------|-----------------------------------|
| Staff with disability | 3% | 4% | 13% |
| Staff without disability | 97% | 96% | 87% |

| Gender | BIG | Civil Service | UK economically active population |
|--------|-----|---------------|-----------------------------------|
| Female | 62% | 52% | 44% |
| Male | 38% | 48% | 56% |

| Ethnic group | BIG | UK economically active population |
|---------------------------------------|-------|-----------------------------------|
| Asian | 5.7% | 3% |
| Black | 2.5% | 1.4% |
| Chinese | 0.3% | 0.3% |
| Mixed | 1.0% | 1.5% |
| Other | 0.2% | 0.4% |
| White other | 4.4% | 3.4% |
| Total Black and minority ethnic (BME) | 14.1% | 10.0% |
| White UK | 83.5% | 90% |
| Not known | 1.9% | |
| Do not want to declare | 0.5% | |

Our approach to sustainable development

Section 75, Northern Ireland Act 1998

In accordance with our 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 2010. The report provided an update on legislative developments and progress on equality work within BIG NI between April 2010 and March 2011.

Our seventh screening report was published in September 2011, detailing all policies, programmes and functions equality assured.

The fourth annual review of the Disability Action Plan 2007–2012 has been completed with BIG meeting all objectives set.

BIG has developed an equality profile for Northern Ireland, a headline document rather than an exhaustive research study. It provides information on key inequalities and disadvantage, and an analysis of BIG's funding data.

Welsh Language Scheme

Our Welsh Language Scheme was published in September 2009. It sets out how we will treat the English and Welsh languages on an equal basis in providing services to the public in Wales and in the process of awarding grants. The implementation of the Scheme is monitored and discussed at regular meetings between BIG's Welsh Language Officer and the Welsh Language Commissioner's office. The scheme is due to be reviewed in 2012 in line with the new Welsh Language Measure and Standards. During 2011 we published a new Welsh language guide 'Managing your project bilingually' to provide clear guidance on our Welsh language requirements to all applicants to BIG's Wales and UK-wide programmes.

We are committed to achieving and promoting sustainable development, both internally within our organisation and as an impact of our funding decisions.

Sustainable grant-making

We made a commitment in Big thinking not only to minimise our impact on the environment but to ensure that the organisations we fund do the same. We have set out the importance we place on sustainable development in our generic programme guidance that explains what we want organisations to think about when considering sustainable development and their project. We have developed a web resource to help organisations understand what this means in practice and which provides details of sources of help together with a checklist that applicants can use when they apply to us.

As an illustration of how sustainable development is being embedded in our work, the Community Asset Transfer programme in Wales has a distinctive element where communities have to show the social, economic, and environmental impacts of their project. In England, our Communities Living Sustainably programme will support up to ten partnerships to look at ways of helping communities to deal with the potential impact of climate change over the next five years. Our Community Spaces investment in Scotland is helping communities to take responsibility for their local environment and communal spaces and make them more sustainable. In Northern Ireland, our £5 million Energy Efficient Venues programme will help voluntary and community organisations make savings on their recurring heating and lighting costs.

During the year, we have also sought to encourage other funders to consider sustainable development by working with City Bridge Trust to produce a guide 'Funding for the future: how all grant-makers can help to create a greener world' which gathers together information to help funders promote environmental sustainability through their funding practices, regardless of their funding priorities.

| Greenhouse gas emissions | | 2010/11 | 2011/12 |
|---|---|-----------|-----------|
| Non-financial indicators (tCO ₂ E) | Total gross for Scopes 1 and 2 | 2,545 | 2,309 |
| | Total net for Scopes 1 and 2 (less reductions i.e. green tariffs) | 2,545 | 2,309 |
| | Gross emissions for Scope 3 (business travel) | 236 | 246 |
| | Other Scope 3 emissions measured | 0 | 0 |
| Related energy consumption (kWh) | Electricity: non-renewable | 3,901,249 | 3,431,763 |
| | Electricity: renewable | 0 | 0 |
| | Gas | 2,257,987 | 2,363,278 |
| | LPG | 0 | 0 |
| | Other | 0 | 0 |
| Financial indicators (£'000s) | Expenditure on energy | £475 | £547 |
| | CRC Licence expenditure (2010 onwards) | £0 | £0 |
| | CRC income from recycling payments | £0 | £0 |
| | Expenditure on accredited offsets | £0 | £0 |
| | Expenditure on official business travel | £812 | £918 |

| Waste | | 2010/11 | 2011/12 | |
|-------------------------------|--|-------------------------------|---------|-----|
| Non-financial indicators (t) | Total waste (minimum requirement) | 132 | 132 | |
| | Hazardous waste | Total | 0 | 0 |
| | | Non-hazardous waste | | |
| | | Landfill | 48 | 47 |
| | | Reused/recycled | 132 | 132 |
| | Incinerated/energy from waste | 0 | 0 | |
| Financial indicators (£'000s) | Total disposal cost (minimum requirement) | 47 | 50 | |
| | Hazardous waste – Total disposal costs | 0 | 0 | |
| | Non-hazardous waste – Total disposal costs | Landfill | 17 | 18 |
| | | Reused/recycled | 30 | 32 |
| | | Incinerated/energy from waste | 0 | 0 |

Internal sustainability

Emissions (volume and cost)



Operating in a sustainable way

Alongside the ways in which we promote sustainable development through our grants programmes, we are aiming to run our own operations in a way that is environmentally sustainable.

We are currently developing a comprehensive strategy to respond to the Government's Greening Government commitments, but we have always taken steps to reduce the environmental impact of our work. Among the steps we have taken are:

- ▶ Strongly encouraging staff to use public transport rather than private cars, both when travelling to work and during their working time; we limit parking space at our offices and provide a scheme to encourage cycling.
- ▶ Investing heavily in video-conferencing to minimise the need to travel for internal meetings.
- ▶ Investing in more energy efficient IT systems, and encouraging staff to use equipment efficiently for example by switching off.
- ▶ Improving the heating and air-conditioning systems in the one office we fully occupy and therefore control.
- ▶ Ensuring that we always take into account sustainability when purchasing printed materials and paper. Wherever possible we use recycled materials.
- ▶ Minimising the amount of waste we produce, and arranging for as much as possible to be reused or recycled rather than going to landfill.
- ▶ Pursuing a very active accommodation strategy to substantially reduce the office space, and hence the energy, that we use.

| Finite resources consumption/water | | | 2010/11 | 2011/12 |
|--|--------------------|----------|---------|---------|
| Non-financial indicators (m ³) | Water consumption | Supplied | 5,501 | 6,079 |
| Financial indicators (£'000s) | Water supply costs | | £32 | £35 |

In future years we plan to:

- ▶ Establish clear baselines and improvement targets across the full range of measures in Greening Government, with action plans to meet all of them.
- ▶ Reinvigorate our scheme of staff 'Green Champions' to encourage sustainable practices.
- ▶ Embed sustainability more clearly into our procurement policies.
- ▶ Target the reduction of domestic flights and paper consumption.
- ▶ Consider systematically offsetting our greenhouse gas emissions.
- ▶ Seek agreement with landlords to purchase renewable source electricity.

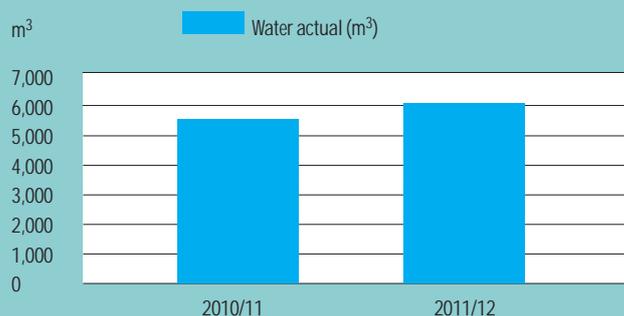
HM Treasury have issued new guidelines on the measures to be reported and these are set out below. The measures address our greenhouse gas emissions and energy use, our waste production, and our water consumption. Because we are the sole tenant of only one of our office buildings (Birmingham) it is often difficult to obtain reliable and timely information relating to our own use from our landlords.

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

Continued reduction in our office space has enabled us to reduce our energy consumption and therefore our emissions over the last year. The substantial increases in energy prices means that, even so, our costs rose.

'Scope 3 emissions' from business travel rose very slightly last year. Our emissions are already low, but we will continue to look for ways of reducing them still further. Costs rose due to price rises especially for rail travel.

The table on page 15 shows waste production and the proportion we are sending to landfill remained level during the year.



The water consumption in our offices appears to have increased during the year (as illustrated in the table left). Data on water consumption by BIG is particularly difficult to obtain as much of the information provided by landlords cannot distinguish between BIG and other tenants, and we are unclear about the reason for the reported increase. We will continue to work to improve the information that we can obtain, and in any case will encourage efficient water use in our offices.

Next steps

As an organisation we are committed to continuous improvement across all areas, and following this first year of sustainability reporting significant improvements have already been made in the information recording and presenting process. Attention is now to be focused on streamlining this exercise, along with increasing the quality of the third party data reported going forward.

We hope to enhance this reporting tool in future years through the use of targeted benchmarking. As this is the first year we (and similar organisations) are required to report on our sustainability there is currently little information available to use in this way. Using industry benchmarks should provide us with a clearer understanding of how we are performing, along with assisting us in identifying key objectives to align with our emerging environmental strategy.

Our grants programmes

During 2011/12 we have continued to make new awards and to manage awards made in previous years. Details of our grants over £5 million are given in Section seven.

Volume of activity

The tables below summarise the volumes of full applications, awards made and grants in management during the financial year on programmes managed by BIG. This excludes applications to, and awards made by, our award partners and contracted delivery partners.

Applications received during 2011/12

Some of these applications have yet to be presented to a decision-making committee.

| | Number of applications | Amount requested (£) |
|-------------------------------|------------------------|----------------------|
| Big Lottery Fund programmes | 23,544 | 1,915,664,216 |
| Non-Lottery funded programmes | 1,130 | 155,559,727 |
| Total | 24,674 | 2,071,223,943 |

On many of our programmes we make use of an outline proposal stage for us to decide on whether an application is worth progressing and how it might be developed. In 2011/12 we received almost 6,000 outline proposal applications requesting £1.5 billion.

New awards made during 2011/12

Some of these awards relate to applications received in earlier years.

| | Number of awards | Amount awarded (£) |
|-------------------------------|------------------|--------------------|
| Big Lottery Fund programmes | 12,376 | 768,841,000 |
| Non-Lottery funded programmes | 1,276 | 146,676,339 |
| Total | 13,652 | 915,517,339 |







The table below shows grants in management during 2011/12. These grants have been awarded by BIG and are now in the project delivery phase and are receiving grant payments.

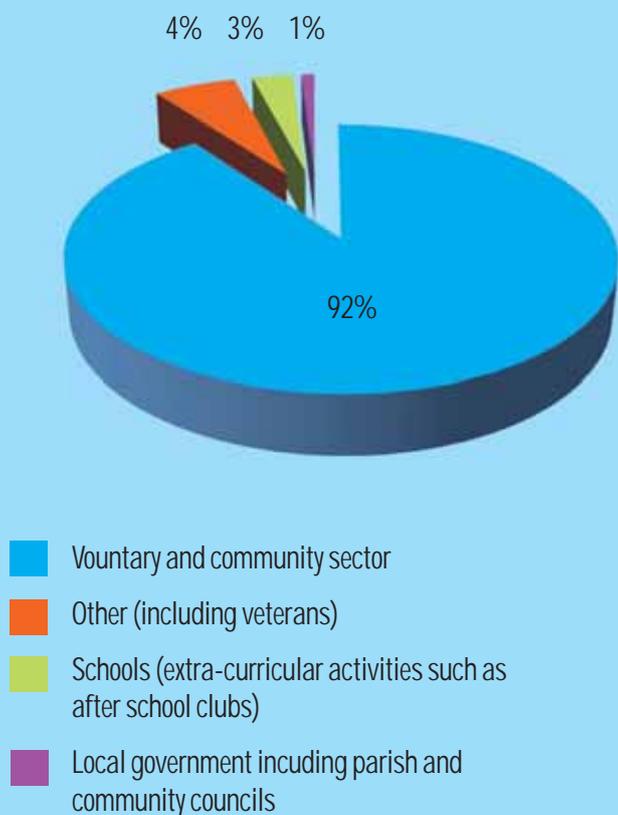
Grants in management at 31 March 2012

| | Number of awards | Payments due to grant recipients (£) |
|-------------------------------|------------------|--------------------------------------|
| Big Lottery Fund programmes | 17,007 | 998,328,814 |
| Non-Lottery funded programmes | 1,681 | 76,271,769 |
| Total | 18,688 | 1,074,600,583 |

Our undertaking to the voluntary and community sector (VCS)

We have undertaken to commit at least 80 per cent of our funding directly to the voluntary and community sector (VCS). This year 92 per cent of committed funds have gone to the VCS. The remaining 8 per cent funded a number of wider community partnerships that benefited the VCS and the people and neighbourhoods it serves.

New awards made in 2011/12 (excludes variations to existing awards and awards made by our award partners)



Dormant accounts

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 accounts to Big Lottery Fund. BIG distributes those funds in accordance with the Act and directions issued to it by the Minister for the Cabinet Office and the devolved administrations.

UK-wide programmes

In 2009 BIG's Board agreed to allocate at least 10 per cent of our budget to UK programmes. BIG has always funded programmes and projects on a UK-wide basis, as did our predecessor bodies. But as part of its consideration of the 2009 - 15 strategic framework, the UK Board wanted to take a more strategic approach to UK funding to establish a clearer vision for when BIG would intervene at a UK level.

In each country of the UK, we are delivering funds which are tailored to meet genuine need, as identified by our devolved country committees.

The UK Funding Committee, with its separate funding allocation and terms of reference, has a role which is distinct from and complementary to the work of the four country committees. It has a specific interest in applying this philosophy to the most stubborn social policy challenges facing all the countries of the UK, and internationally, at the present time.

These challenges are of such a scale that they cannot possibly be resolved by BIG funding alone. As one of very few funders who can combine UK-wide reach with a deep understanding of differences and similarities in England, Scotland, Wales and Northern Ireland, we can demonstrate what might be possible, thereby helping others learn from what works and what does not.

We are using evidence to determine a short list of deep-seated issues that challenge all countries now. We will prioritise those with significant long-term implications for what life will be like in the future:

- ▶ Improving Futures is testing how services can be better organised around improving quality of life for primary age children growing up in the most challenging of circumstances.
- ▶ Realising Ambition is looking at how best to replicate 25 interventions that have previously shown how to reduce rates of offending among young people.

- ▶ We want to learn how communities can best adjust to the implications of climate change.
- ▶ We want to explore how communities can prepare themselves for a time when many more of their number will be over 60.

There will be more and we are developing a flexible fund to respond rapidly to the most compelling propositions presented to us.

Sometimes our interventions will draw upon the best of what's happening in our country portfolios. On other occasions we will spot gaps and seek to fill them. Sometimes we will engage large numbers of the public through partnerships with broadcasters and others with UK-wide presence.

In all cases our ambition stretches well beyond improving the lives of those touched directly by our funding. We support research and learning directly related to the investments we make, learning as we go and involving those who can influence the design and delivery of future services and behaviours in communities. As the broker of conversations prompted by cash directly aimed at challenges that the four countries of the UK have a shared interest in addressing, our intention is to trigger lasting, positive adjustments to funding practice nationally, locally and in terms of roles people play within communities.

UK portfolio

The current UK portfolio comprises three broad areas of funding: Replication and Innovation; Partnerships and Public Engagement; and the International programme.



Replication and Innovation

Replication and Innovation covers initiatives and projects which incorporate new funding models such as Social Impact Bonds, or which present the possibility of tackling deeply entrenched issues in new ways across the UK, for example Improving Futures which addresses issues related to families with multiple needs. Through Replication, we are exploring how to take effective practice beyond its starting point and into new communities, especially through Realising Ambition which addresses the prevention of first time offending. Evaluation, the dissemination of learning, and influence on policy and practice are all significant elements of both these strands. On the next page are details of the programmes that fall under this area of funding.



Realising Ambition

Realising Ambition is a £25 million investment that will replicate effective, evidence-based interventions that support young people to fulfil their potential and avoid the pathways into offending and anti-social behaviour. This has two key dimensions – the prevention of first time offending and the replication of effective VCS practice.

In March 2012 we appointed a consortium led by Catch 22 as our UK partner to run the programme. Over the next financial year Catch 22 will work intensively with 25 projects. These represent some of the best evidenced projects in the UK supporting young people to avoid offending.

Improving Futures

Launched in March 2011, Improving Futures is providing up to £26 million (£24.5 million awarded) to improve outcomes for children living in families with multiple and complex needs. It will trial a range of new approaches to early intervention and support over the next five years. The VCS-led partnerships are working closely with local public services, aiming to maximise value from sharing cross-sector expertise and resources.

During 2011/12 the programme awarded 25 development grants worth £236,000 and made 26 full awards worth £23.3 million.

HM Parc Prison

HM Parc Prison project is unique in the way it combines various types of interventions and in its strong focus on reintegration within the community. It is providing families with pre- and post release support, with the aim of reducing the likelihood of ex-offenders committing further crimes and of their children becoming involved in criminal behaviour.

The first phase of the project was funded through a solicited application in 2010/11 which awarded £49,588 to develop a business plan. G4S Care & Justice (UK) Limited was subsequently invited to submit a full application and was awarded £3.1 million in February 2012.

Partnerships and Public Engagement

Partnerships and Public Engagement encompasses our programmes with a public-facing aspect – for example those which are delivered in partnership with media organisations – or those which enable broad public participation through public voting or taking part in community events. The People's Millions, Living Landmarks, Village SOS and Community Wildlife are examples of programmes in this stream. To the right are details of the programmes that fall under this area of funding.

The Jubilee People's Millions

The Big Lottery Fund and ITV with the approval of Buckingham Palace are helping to mark the Queen's Diamond Jubilee through The Jubilee People's Millions (The People's Millions in Northern Ireland). This was launched on 26 November 2010 with a budget of £3.6 million. The aim of the programme is to improve local places or the lives of people in the community by funding new projects of up to £60,000 which are taking place in 2012.

In the last year BIG made 63 awards worth £3.5 million.

Millennium Now

The £10 million Millennium Now programme was launched in 2011. The programme will develop creative and inspiring projects that are befitting of this decade (2010–2020) and based on themes that have public support.

Through the Big Decision, a partnership with Channel 4, and an Ipsos MORI poll people from across the UK told BIG about the types of projects they wanted to see funded by Millennium Now. This feedback was used to shape the programme and project types. There were 132 applications received of which five projects have been awarded development funding. These five projects will be filmed for a five-part documentary series.

During 2011/12 the programme made five development funding awards worth £147,825. The full awards are expected to be made during 2012/13.

Village SOS Active

Following on from last year's Village SOS programme and the successful BBC television series we launched Village SOS Active. This small grants programme will inspire people in rural villages to use social enterprise to revitalise their communities. The programme also includes an interactive learning campaign led by the Plunkett Foundation which offers advice and support to people setting up their own community enterprises through an interactive website, a series of roadshow events and a telephone helpline. See www.villagesos.org.uk for more details.

During 2011/12 we made 62 awards worth £1.5 million.



Fixers

Fixers is a proven and innovative project currently delivered in England which will expand its young people's programme in England and roll it out across the UK. Young people aged 16 to 25 can choose and develop campaigns that will be useful to the local community and help other people. Over 5,000 young people have worked on 600 Fixers projects, which, once scaled up, will reach around 21,000 new Fixers.

During 2011/12 we awarded £7.2 million.

Media Trust

The project will set up a UK-wide network of local community news hubs bringing together the Media Trust's work with communities and community organisations, and it will considerably increase the impact and geographical reach by integrating local and UK-wide services.

During 2011/12 we awarded £2 million.

Kew: Grow Wild

We awarded £10.5 million to the Kew Grow Wild project in March 2012.

This programme will be a national, mass-participation campaign to inspire individuals, groups and communities to take action for local conservation. The project will work with organisations across the UK to encourage a public rethink about environmental priorities and the importance of key environmental challenges. The total project value is £13 million of which £10.5 million has been awarded from BIG.

Over the life of the grant Kew have set ambitious targets to reach over four million young people and encourage over one million people to take action. Four flagship gardens will transform unused urban spaces; more than two million sites will be planted; and an additional 200,000 sites will be planted by young people.

Volunteer it Yourself Project – Federation of London Youth Clubs

VIY combines volunteering and developing skills by challenging 14-17 year olds in deprived areas in England and Wales to learn trades and building skills, while working on 47 local youth clubs and community buildings in need of repair. The projects target a younger age group not covered by existing schemes.

Over the two-year life of this project VIY will enable 1,880 young people to volunteer, learn new skills and gain a vocational accreditation aided by 188 local professional skills volunteers. One of the strengths of the project is the partnership between London Youth Clubs, the Co-Sponsorship Agency and Wickes.

During 2011/12 we awarded £940,000.

International programme

Our International programme (International Communities) offers funding for UK organisations delivering projects in disadvantaged communities overseas. Launched in September 2010, the current programme is focusing on improved primary education, health, access to natural resources, human rights and reducing poverty in a sustainable way. In the last year the programme made 16 awards worth £6.9 million.



Heroes Return 2

The Heroes Return 2 programme gives Lottery funding to support Second World War veterans who saw active service and are resident in the UK or the Republic of Ireland to take part in commemorative visits (within the UK and overseas).

In the last year the programme made 462 awards worth £758,435.

England programmes



During 2011/12, we continued to develop our England portfolio, and reflect on how our funding approaches can best respond to the challenging social and economic context facing individuals and communities in need – and the voluntary and community organisations through which we deliver the majority of our funding – and best act as a catalyst for civic action and regeneration.

At the very heart of our funding and investments in England is People Powered Change (PPC), underpinned by three principles: helping people use their skills, talents and resources to identify issues and find solutions that work for their communities; working collaboratively, brokering conversations and partnerships to tackle problems better in the future; and sharing learning locally and nationally. Through PPC we celebrate grant holders' successes, providing the platform to have their work recognised and replicated elsewhere.

Our established open programmes – Reaching Communities and Awards for All – remain central to our portfolio and we increased the funding available through both programmes in 2011/12 as part of a £70 million package of a support for charities and voluntary groups struggling with the effect of spending cuts and increased demand for services.

The Supporting Change and Impact initiative also offered support for grant holders approaching the end of their funding to plan for the future, and up to a year's additional funding for those demonstrating outstanding impact.

Big Local, our £200 million, long-term investment in the most deprived neighbourhoods in England, took significant strides forward. We announced a further 50 neighbourhoods that will benefit from the programme. We also finalised the set up of an independent organisation (Local Trust) which will help local areas decide how to spend their allocations and administer the programme's expendable endowment.

We continued our commitment to targeted, strategic investment, with the award of £30 million in grants under the Youth in Focus programme, and launching Improving Financial Confidence (£30 million), Communities Living Sustainably (£10 million) and the Silver Dreams Fund (£10 million) in association with the Daily Mail.

We also took an important step forward in exploring the potential role of social investment in addressing problems experienced by communities and those most in need, with both our Lottery and dormant accounts funding.

| Remit | | | |
|--|---|--|---|
| Expenditure that is charitable or connected with health, education or the environment | | | |
| Community learning and creating opportunity | Promoting community cohesion and safety | Promoting well-being | |
| England outcomes | | | |
| People have better chances in life, including being able to get better access to training and development to improve their life skills | Stronger communities with more active citizens, working together to tackle their problems | Healthier and more active people and communities | Improved rural and urban environments which communities are better able to access and enjoy |
| Awards for All England | | | |
| Reaching Communities England | | | |
| Big Local | | | |
| Supporting Change and Impact | | | |
| Next Steps in Social Investment | | | |
| Youth in Focus | Silver Dreams | Parks for People | |
| Improving Financial Confidence | | Communities Living Sustainably | |

Awards for All

Awards for All England funds projects between £300 and £10,000 to build stronger communities, improve rural and urban environments and create healthier and more active people.

Number of grants awarded in 2011/12:
6,792 awards worth £56.4 million.

Reaching Communities

The Reaching Communities programme was launched in December 2005. The programme aims to improve communities and the lives of those most in need. Grants cover a wide range of issues and support communities through national as well as small local voluntary groups. Awards range from £10,000 to £500,000.

Number of grants awarded in 2011/12:
559 awards worth £148 million.

Communities Living Sustainably

Big Local

The £200 million Big Local programme will help people in up to 150 disadvantaged and overlooked small areas in England make their communities better places to live in. Big Local is being run by the Local Trust, which will invest the money and support local funding schemes in each area. The schemes will support local people to identify priorities that matter to them and take action. The schemes will bring long-term benefit to the areas, build skills and confidence, be additional to other public funding, and be run locally. Local Trust was launched in February 2012, and 100 neighbourhoods set to benefit have been announced.

Number of grants awarded in 2011/12:

A single £196.8 million expendable endowment awarded to Local Trust in June 2011. Ahead of this, we continued to support the initial 50 areas so that local people could begin to think about the changes they would like to see with 34 Getting People Involved grants totalling £625,410.

This programme will fund local partnerships bringing together the public, private, voluntary and community sectors to help up to ten communities to live more sustainably and deal with the impact of climate change. These communities will provide inspiration and share their learning with other communities across England. In March 2012 30 communities were given development grants to work up detailed plans for awards of up to £1 million over five years, and a learning hub has been set up so that they can share their learning with other communities.

Number of grants awarded in 2011/12:

30 development grants of up to £10,000 totalling £298,730. A single grant of £1.6 million has been awarded to a partnership led by Groundwork to support communities involved and ensure learning is shared more widely.



Supporting Change and Impact

In 2011 we launched a major, £70 million package of support for charities and community groups across England that are struggling with the effects of public funding cuts and increased demand for their services. As well as increasing the funding available through our open programmes by £25 million, we made available grants of up to £10,000 to help projects review their work and find ways of becoming more sustainable. Grant holders were also given the opportunity to apply for an extra year's worth of funding to continue their work through the tough economic environment.

Number of grants awarded in 2011/12:
217 direct Supporting Impact awards totalling £20.9 million
820 Supporting Change awards totalling £7.9 million
19 awards totalling £19.7 million for partners to manage Supporting Change and Impact schemes within their awards schemes or portfolios.

Next Steps in Social Investment

Our aim with Next Steps is to explore the potential role of social investment in addressing problems experienced by communities and those most in need. We are doing this by funding the development of robust social investment vehicles, enabling learning about social investment in practice.

Number of grants awarded in 2011/12:
Four awards totalling £460,876. We are also exploring a number of other proposals and will make further awards during 2012/13.



Youth in Focus

The £30 million Youth in Focus programme was launched in 2010 to fund projects that support vulnerable young people through difficult changes in their lives. The programme specifically targeted young carers, young people leaving care, and young people leaving youth offending institutions.

Number of grants awarded in 2011/12:
30 awards totalling £29.6 million. Most awards were up to £1 million for up to five years, with three, larger England-wide awards of up to £1.5 million with a focus on national awareness and learning.



Parks for People

Parks for People is a joint programme between BIG and Heritage Lottery Fund (HLF). In 2011/12 it had a combined budget of up to £21.7 million in England.

The programme supports the regeneration, conservation and increased enjoyment of public parks.

BIG's England committee make joint decisions with HLF on applications. In 2011/12 a number of applications reached stage two of an earlier version of the programme.

Number of grants awarded in 2011/12:

Eight grants, totalling £17.1 million were awarded to applicants reaching the second stage of the application process. A further 14 first stage applications, requesting £23.6 million were successful and have been awarded development funding of £1.3 million.

Third party programmes

Using the powers given to us through the National Lottery Act 2006 we run the following non-Lottery funded programmes in England.

In 2011/12 we managed two major programmes for the Cabinet Office:

Advice Services Fund

Advice Services Fund is supporting 296 organisations in the free advice sector that have been affected by reductions in public spending, with grants of between £40,000 and £70,000. The programme will enable not-for-profit advice organisations to continue providing free services to people in their communities in England, with a focus on advice on debt, welfare benefits, housing and employment. Awards totalled £17.2 million by March 2012.

Transforming Local Infrastructure

The Office for Civil Society (OCS) provided short-term funding for front line civil society organisations by transforming local infrastructure services. Awards totalling just over £30 million were made to 74 partnerships of local infrastructure organisations to rationalise and transform the support services which they provide to front line civil society organisations.

Scotland programmes

In Scotland we have continued to fund people, families and communities across the country. This year has seen changes and challenges for organisations, especially those in the third sector, and we have offered steady funding opportunities through our well established programmes. We have also sought new ways to invest, often focusing on places and people most in need. We have put the voices of people who benefit from Lottery funding at the heart of what we do.

We continued to make grants through our main Investing in Communities portfolio. This year we made 102 grants worth more than £46 million through our three main investment areas – Growing Community Assets, Life Transitions and Supporting 21st Century Life.

Our Community Spaces programme, bringing local communities together to develop a space or place which matters to them, opened this year and has already made 26 grants worth £3.1 million.

Following a year of capacity building work, we made grants worth £3.3 million to 16 organisations through Our Place – our £9 million programme focused on five neighbourhoods in Scotland.

We endowed the JESSICA (Scotland) Trust (now known as Resilience Scotland) with a £15 million grant. This trust will work alongside the main European-funded JESSICA Trust to offer development support, grants and repayable loans to community-led groups in the 13 most disadvantaged urban communities in Scotland. For the first time, these communities will have a financial stake enabling them to direct regeneration of their local areas.

Following a consultation with key organisations, we launched a call for projects supporting women and children with experience of domestic abuse to be able to move on, and were proud to make 18 grants totalling £6.5 million.



We consulted on and launched a call for partnership projects which aim to support lone parents with more complex needs to be better able to move towards and into employment. We aim to invest at least £7 million in this area in the coming year.

We have continued to work with partners to develop a second trust, the Life Changes Trust, which we will endow with £50 million to support young people leaving care, and people with dementia and their carers.

Funding continued to reach communities right across Scotland through our three small grants programmes, Awards for All, Investing in Ideas and 2014 Communities. Between them these programmes made 2,050 awards worth almost £11.5 million.



Awards for All Scotland

In 2011/12 Awards for All Scotland was funded by Big Lottery Fund, Creative Scotland and sportscotland. It funds projects between £500 and £10,000 to bring people together, improve their quality of life and encourage them to take part in local activities.

Number of grants awarded in 2011/12 (Big Lottery Fund only):
1,327 worth £9.7 million.

2014 Communities

2014 Communities was launched in 2008. The programme aims to maximise the benefits and legacy from Glasgow's hosting of the 2014 Commonwealth Games. In its third year, 2014 Communities offered grants of up to £2,000 to grass roots sports and community organisations. Through the programme we aim to encourage more people to take part in physical activity and sport.

Number of grants awarded in 2011/12:
641 worth £1.1 million.

Investing in Ideas



Investing in Ideas was launched in 2006 and awards grants of £500 to £10,000 to test and develop ideas that could eventually become fully-fledged projects or lead to improved service delivery. Priority is given to organisations that have not been funded through the programme before, to smaller development projects, to the development of Growing Community Assets projects and to projects that involve the wider community.

Number of grants awarded in 2011/12:
82 worth £721,009.



Investing in Communities

Investing in Communities is a portfolio of investment in Scotland and grants are primarily made through three investment areas: Supporting 21st Century Life, Life Transitions and Growing Community Assets. As well as those grants (listed under each investment areas below) this year we also funded four projects that cut across our investment areas, gave 13 awards of development funding to organisations working up applications, and offered 35 additional grants (usually of up to £50,000) to existing projects who could demonstrate they were badly affected by the current financial climate.

Number of grants awarded in 2011/12:
52 worth £4.4 million.

Growing Community Assets

Growing Community Assets enables communities to have more control and influence over their own future through ownership of assets. These are usually physical assets, such as land, buildings or equipment, but may also include other types of asset such as energy. The process of acquiring assets encourages people to become more involved in their communities and helps develop the skills, capacity and confidence they need to work together to address local needs.

Number of grants awarded in 2011/12:
Three worth £2.5 million.

Life Transitions

Life Transitions supports individuals at key times of change in their lives. Better support at these points can help people plan to make a positive transition, like leaving care, or stop people making unexpected transitions, like falling into debt. It funds projects focused on: helping vulnerable young people make a positive transition to adulthood, support economically inactive people into work, helping people experiencing multiple barriers to moving on such as mental health problems and homelessness, and building financial inclusion for disadvantaged groups.

Number of grants awarded in 2011/12:
57 worth £26.9 million.

Supporting 21st Century Life

Supporting 21st Century Life funds projects that build stronger families and communities. It aims to improve the quality of individuals' lives by helping families most in need deal with the challenges of family life, by taking action to give children a better chance in life. It funds projects focused on: supporting children at risk of isolation, helping older people stay independent, supporting disadvantaged families with the challenges of parenting, building financial skills in families where financial concerns are affecting relationships, and helping families with caring responsibilities cope better.

Number of grants awarded in 2011/12:
38 worth £14.6 million.

Community Spaces

Launched in 2011, Community Spaces funds projects that help communities improve their local spaces and places, providing somewhere better for people to come together to be healthier and happier. We will invest £12 million over the next three years with an average individual grant size of around £100,000.

Number of grants awarded in 2011/12:
27 development grants worth £320,708 and 26 full awards worth £3.1 million.





The JESSICA (Scotland) Trust

In late 2010 BIG announced it was setting up the JESSICA (Scotland) Trust – a new £15 million independent trust in Scotland to support disadvantaged urban communities which have been most affected by serious economic decline and disadvantage. The JESSICA (Scotland) Trust will align with and complement a parallel European Fund operating in the same areas. BIG awarded a development

grant to the Scottish Community Foundation (worth £80,000) to develop a detailed application, business plan and manual of regulations to set up the trust, and work to develop high quality plans was completed this year. The endowment to the Trust was made in March 2012.

Number of grants awarded in 2011/12:
Two worth £15 million.

Our Place

Our Place was launched in early 2010 with a budget of £9 million. Our Place is a way of investing Lottery funding based on priorities set by local people. It takes a strategic approach to neighbourhood areas with high levels of deprivation and need, but also high levels of voluntary activity and ideas for the future. It aims to help build local capacity and support communities' visions for improving their neighbourhoods.

Five support contracts have helped the five Our Place neighbourhoods identify their local priorities and submit packages of ideas that fit with their community's vision statement and the Our Place programme. This support has been highly valued by communities and continues to be provided as communities are now developing applications and receiving grants for their full projects.

Number of grants awarded in 2011/12:
16 worth £3.3 million.

The Life Changes Trust

BIG has been working to create a new Life Changes Trust, aiming to endow it with £50 million to benefit young people leaving care and older people with dementia and their carers. During this year we awarded a development grant to a partnership led by Long Term Conditions Alliance Scotland (worth £188,150) to develop a detailed application, business plan and manual of regulations to set up the trust.

Number of grants awarded in 2011/12:
One worth £188,150.

Northern Ireland programmes



Following the launch of our portfolio of programmes last year, 2011/12 has seen these programmes delivering a wide range of projects to older people, younger people, supporting community venues and addressing some of the challenges caused by the misuse of alcohol.

Following support in the Big thinking consultation for a programme benefiting families, we are currently consulting on a proposed programme to support families across Northern Ireland. The consultation opened in February 2012 with an online survey and consultation events.

In response to a high demand for services and no improvement in the economic outlook, we have extended the provision of advice services. This is being delivered by the Advice Services Alliance Northern Ireland through providing extra support for debt and money advice services in Northern Ireland.

Through our Reaching Out programmes we funded a wide range of grants for projects to benefit older people and young people at risk, delivering over £18 million in funding during 2011/12.

Reaching Out: Empowering Young People

The £20 million Reaching Out: Empowering Young People programme was launched in 2010 to support some of Northern Ireland's most vulnerable young people including those who have been in care, involved in crime or excluded from education. Grants were available for projects that will help young people transform their lives through training and employment schemes, one-to-one crisis support, mentoring programmes and street outreach work.

National Children's Bureau was awarded £349,495 in May 2011 to deliver development and support to grant holders.

Number of grants awarded in 2011/12: 29 awards worth almost £12 million.



Awards for All Northern Ireland

Awards for All Northern Ireland funds projects between £500 and £10,000 to improve communities and the lives of people most in need by funding projects which involve people in their communities, bringing them together to enjoy a wide range of charitable, community, educational, environmental and health-related activities.

Number of grants awarded in 2011/12: 436 awards worth £3.5 million.

Energy Efficient Venues

The £5 million Energy Efficient Venues programme will help voluntary and community organisations make savings on their recurring heating and lighting costs.

Number of grants awarded in 2011/12: 222 small grants worth £1.7 million and 20 large grants worth £816,756.



Healthy Minds

The £0.9 million Healthy Minds Northern Ireland programme was launched in March 2010 to support activities to improve people's mental health and well-being. Grants of between £500 and £10,000 were available to groups across Northern Ireland to fund activities to support: adult mental health; isolated older people; families affected by alcohol; and people affected by life changes and transitions such as bereavement.

Number of grants awarded in 2011/12:

48 awards worth £420,000.

Reaching Out: Connecting Older People

The £20 million Reaching Out: Connecting Older People programme launched in 2010 to support isolated and vulnerable older people who have been affected by bereavement, disability, long-term illness or who live in residential care or sheltered housing. Projects will support older people through activities related to physical and mental health, volunteering programmes and projects that will bring isolated older people and young people together.

Number of grants awarded in 2011/12:

17 awards worth £6.3 million.

Impact of Alcohol

The £10 million Impact of Alcohol programme encourages a community-based approach to reduce the harm caused by alcohol misuse. Through this programme BIG wants to fund a range of projects that will reduce the harm to individuals, families and communities affected by alcohol misuse. The programme is being delivered via Northern Ireland-wide grants by voluntary and community organisations, and portfolio grants delivered by the Northern Ireland Health and Social Care Trusts working with voluntary and community organisations.

Number of grants awarded in 2011/12:

4 awards worth £5.7 million.

Wales programmes

The year 2011/12 saw us launching new programmes to distribute both Lottery and non-Lottery funds, delivering on the commitments we made in our Big thinking public consultation. We also considered how we should invest our unallocated grant budget to 2015, taking account of the much harsher economic and financial climate and the pressures faced by organisations and people in need, and we took steps to support voluntary organisations and to build capacity by letting contracts to provide focused support to our applicants and grant holders.

Considerable work was also undertaken during the year to determine what VCS infrastructure bodies need to respond to the pressures on the VCS organisations they support. Following extensive discussions with stakeholders, and with evidence from research commissioned by BIG, a grant was solicited to support County Voluntary Councils (CVCs) and volunteer bureaux to manage the significant increase in demand for volunteering.





Awards for All (Wales)

Awards for All (Wales) provides awards of between £500 and £5,000 to projects that support community activities, extend access and participation, increase skills and creativity, and improve quality of life.

Number of grants awarded in 2011/12: 782 awards worth £3 million.

BIG Innovation

The BIG Innovation programme was launched in January 2011 and will run over three annual rounds. The programme awards grants of between £20,000 and £1 million to support projects that test approaches for tackling social problems and needs in ways that have never been tried before in the UK. The first awards were made in December 2011.

Number of grants awarded in 2011/12: 5 awards worth £1.4 million.



People and Places

The People and Places programme awards grants of between £5,001 and £1 million to support co-ordinated action by organisations to make their communities better places to live, and enable people to work together for stronger communities, social justice and better rural and urban environments.

Number of grants awarded in 2011/12:
86 worth £22.2 million.

Community Voice

Our Community Voice programme will help communities across Wales to have a greater influence over policies and decisions affecting their community, building the capacity of citizens to engage in planning and running services or projects that respond to their communities' needs and benefit the community. The programme was launched in June 2011, and will award grants of up to £1.5 million. A total of 14 CVCs, working in partnership with a range of local VCS and statutory organisations, were awarded development grants in January 2012 to support the development of full applications and project business plans. Full awards will be made in December 2012.

Number of development grants awarded in 2011/12:

14 worth £300,000.

Support for the VCS infrastructure

During 2011/12 we carried out extensive consultation and research into how VCS infrastructure bodies in Wales could best be supported. A need to support the rapid increase in demand for volunteering was identified, and a grant was solicited to provide County Voluntary Councils and volunteer bureaux across Wales with additional funding. An award of £1 million was subsequently made to the Wales Council for Voluntary Action.

Support and capacity-building for applicants and grant holders

We are keen to use our funding to support our applicants and build capacity in our grant holders. Following competitive procurements, we made further investments during 2011/12 in the support we provide to our customers in Wales.

A contract worth £799,000 was awarded to the Wales Council for Voluntary Action to support applicants in preparing their full applications to the People and Places programme. The support provided includes one-to-one support, a website, helpdesk and training events.

A contract worth £106,000 was awarded to Old Bell to support applicants invited to submit stage two applications to the BIG Innovation programme.

A contract worth £296,000 was awarded to Old Bell to provide organisations with support in carrying out effective self-evaluation. All organisations awarded large grants will be referred to the service, which will provide individual support and advice surgeries, training seminars on indicators and methodologies and a helpline.

Jointly funded and non-Lottery programmes

Using the powers given to us through the National Lottery Act 2006 we are managing the following jointly funded and non-Lottery programmes in Wales.

Community Asset Transfer

The £13 million Community Asset Transfer programme was launched in October 2009, in partnership with the Welsh Assembly Government, which is providing capital funding for the programme. The programme will create more sustainable communities by supporting the transfer of assets from public sector bodies to enterprising community organisations that involve and benefit the communities they serve. Projects must work to improve services or facilities for their community, demonstrate that their proposals are sustainable in the long-term, and take into account the environmental, social and economic impact of their work. The programme is running over three rounds, with awards during 2011/12 made to applicants to Round two.

Number of grants awarded in 2011/12:
14 worth £4.1 million.

Life Skills



The Life Skills programme is jointly funded with the Welsh European Funding Office, and matches Lottery funding with European Structural Funds. The programme enables care leavers, carers and former carers, economically inactive families and

older people to develop their life skills, increase their confidence, and re-engage and continue to access education, learning, volunteering or employment.

Number of contracts awarded in 2011/12:
Four worth £2.4 million following a competitive procurement process.

Dormant accounts funding



In November 2008 the Dormant Bank and Building Society Accounts Act was passed enabling banks and building societies to transfer money held in dormant accounts to a central reclaim fund for reinvestment in the community. Any funds released by the Reclaim Fund pass to BIG for distribution. The Reclaim Fund received FSA approval in March 2011, and started transferring funds to BIG.

During 2011/12, BIG distributed this funding via various programmes across the UK, as directed by the Cabinet Office in England and the Devolved Administrations elsewhere.

We were directed to pass all funding earmarked for England to a newly established independent social investment wholesaler, Big Society Capital. While it was being set up, we were directed by the Cabinet Office to distribute up to £8 million via an Investment Committee to support some early social investments. During 2011/12, we agreed seven awards totalling £7.1 million which have all now been transferred to Big Society Capital to manage.

In Scotland, we consulted on a focus for dormant bank accounts funding in Scotland, and launched Young Start, with a budget of £8.9 million, creating new opportunities for children and young people.

In Wales, following a public consultation and approval by the National Assembly for Wales, Welsh ministers have directed us to support two spending priorities: action to address the causes and consequences of climate change and supporting young people to achieve their full potential. The Sustainable Steps programme, which will encourage community action to reduce carbon emissions and adapt to the effects of climate change by providing community groups with the necessary training and skills, was launched in September 2011. The programme awarded a single grant of £620,000 in 2011/12.

In Northern Ireland, the Department of Finance and Personnel are leading on setting priorities for dormant accounts funding.

The impact of our work

Our commitment to impact

In delivering our mission, BIG wants to ensure that our funding achieves maximum impact for people in need and for communities across the UK and internationally. We are committed to understanding, measuring and communicating that impact. Our outcomes approach provides a structure through the applications process for organisations to plan for impact and set appropriate ways of measuring it. Through annual monitoring, projects report on their progress towards achieving their outcomes, and at the end of the grant a final measure of success is assessed.

We encourage evaluation – whether self-evaluation for small organisations or more rigorous commissioned evaluations for holders of large grants, and we commission significant evaluations of our largest and most potentially influential programmes. We also value learning – within projects, between projects and organisationally within BIG, believing that only through learning and adapting can performance be improved. A programme of research, evaluation and learning supports the delivery of our strategic framework, and reflects the value we put on using knowledge, learning and evidence.



Understanding our impact

As an intelligent funder, BIG seeks to ensure that our funding choices and behaviours enable the organisations we fund to achieve the greatest possible impact for communities and for people in need.

We define impact as any effects arising from our work. This includes any immediate outcomes as well as longer-term effects; it includes wider patterns of influence as well as the difference made by our funding programmes. The breadth of our definition underlines the fact that impact is varied, unpredictable and often hard to identify and measure.

The broad nature of our impact was highlighted in the Third Sector Research Centre's report on our impact on the third sector, *Wherever there is money there is influence*. The size and scale of our funding means that the way that we work with partners, grant holders and stakeholders can be as influential as the activities and projects that we fund directly.



As a result of a renewed focus on impact, we are developing approaches to understanding, measuring, and communicating impact at a number of levels:

1. Project level

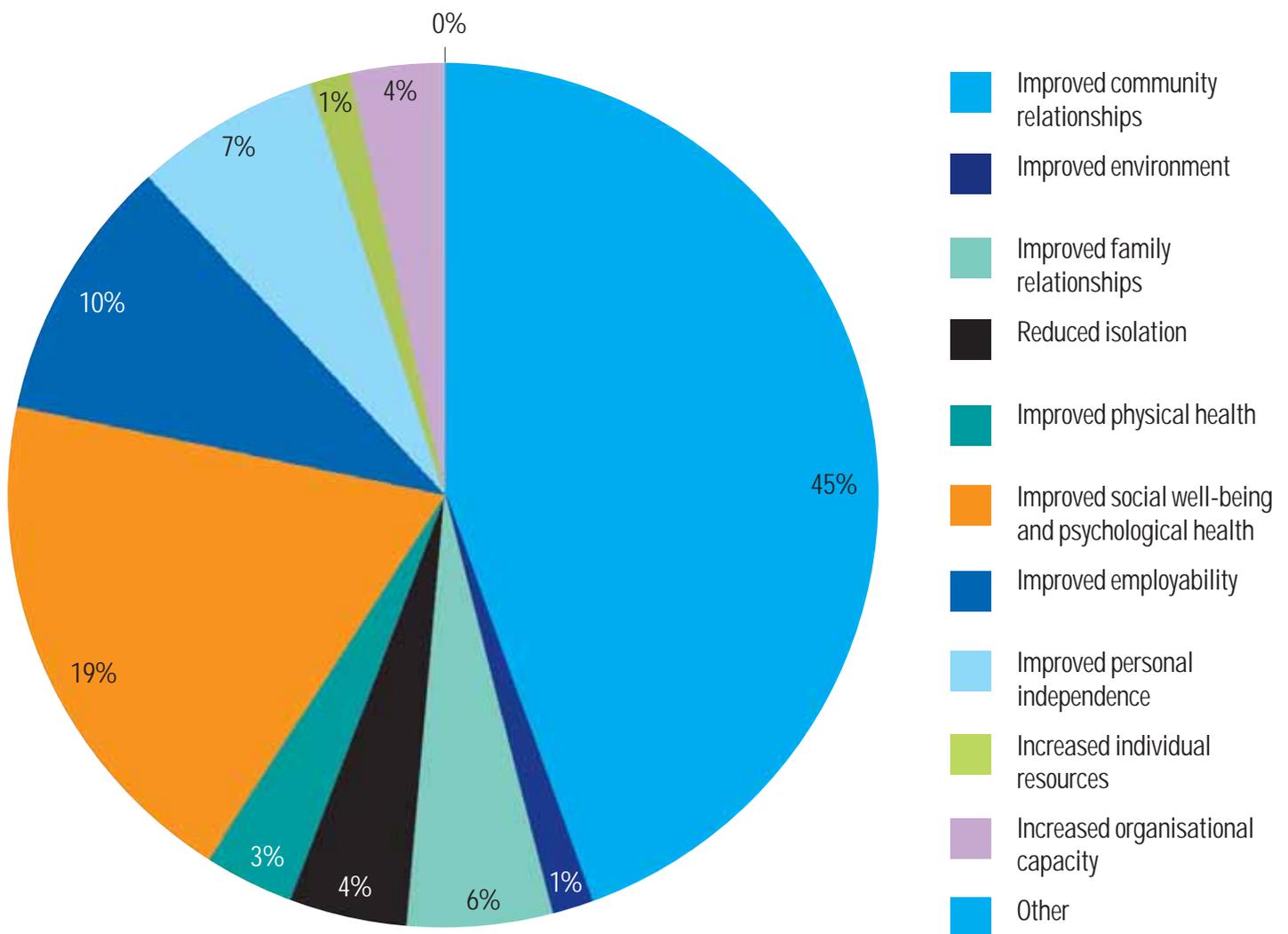
Our funding seeks to make a difference to people and communities through outcomes delivered by individual projects. Many projects have been able to achieve wider effects of their work, such as introducing and promoting new ideas and ways of working.

- ▶ Funding to Citizens Advice North Norfolk through Advice Plus has made tangible differences to individuals. For instance, a couple in their eighties were living in a mobile home on the coast and struggling with multiple debts and illness when they first contacted the project. They have now managed to secure sheltered accommodation in a flat in a nearby town and have paid off most of their debts through negotiation. As they said, "It's such a relief. I could not have coped without their support. It's like having someone lifting your troubles off your back and helping you to see more clearly."

- ▶ Wiltshire Wheels to Work has helped 141 local young people to find jobs or training. It has been estimated that this achievement has also saved the Government around half a million pounds in benefits.
- ▶ North West Taxi Proprietors were initially running a project to improve the health and well-being of taxi drivers in and around Derry. But the drivers realised that they could make a wider difference in the community, perhaps most notably by being trained in helping to prevent suicides on the Foyle Bridge. Research had shown that many 'jumpers' would change their mind if offered a lifeline. Now taxi drivers are able to do just that – keeping flotation devices that can be thrown into the Foyle. Not only does this offer a wider community benefit, it has further increased the drivers' own mental well-being.
- ▶ Pathways through Participation, funded through our Research grants programme, has promoted a wide range of findings about how to engage people as active citizens and sustain their involvement. It has sparked off interest and discussion within the UK and overseas.

As part of our approach to understanding impact we identify how the thousands of projects we fund can be clustered by the types of outcomes they are working to achieve. This is done by coding each project's outcomes to a framework of outcome types, and assessing the value of the funding against each outcome type.

Percentage breakdown of award values by BIG outcome



2. Programme level

In developing our funding programmes we identify outcomes that we want the programme as a whole to achieve. We fund a range of projects whose individual contributions collectively support those outcomes. By supporting funded groups, networking projects, evaluating our work and sharing learning about the programme we can both strengthen programme outcomes and increase wider positive impact.

- ▶ Growing Community Assets has supported services and facilities that are now being used by an estimated 32,000 people across Scotland, most of them regularly. The programme has created or safeguarded 269 full-time and 206 part-time jobs, and has so far helped 17 new businesses to start.
 - ▶ The Community Asset Transfer programme in Wales is showing how different funders can work together to provide a coherent programme – in this case offering both capital and revenue support to projects and so reflecting best practice in this area.
 - ▶ Since its inception, Reaching Communities Northern Ireland has offered a well-developed support contract to grant holders. 87 per cent of grant holders report that engaging with the programme has helped them to deliver their project more effectively, while 73 per cent feel that it has helped to support their general organisational development. The programme's approach is a model for replication within BIG – and it is also attracting wider interest among funders and in academic research.
 - ▶ Many if not most of our themed programmes across the UK arrange or encourage networking events for all the projects we've funded to share successes and solutions to challenges. The Well-being programme in England has adopted a wide range of approaches to doing this across 17 separate portfolios of funding, offering conferences, reports, support on self-evaluation and web-based networking.
- 
- ▶ The evaluation of and learning from our Young People's Fund has had a wide range of impacts. Not only has it produced very popular guidance in a number of key areas in response to needs raised by funded projects, it emphasised again the importance and value of engaging young people in designing and shaping services. As one participant noted, "I have gained so much: transferable skills, leadership skills. Not many people have the opportunity to have their voice heard and see the progress of a project like this."
 - ▶ We launched the £200 million Big Local programme, run by the Local Trust. Much of the design and impetus for the programme arose from the demonstrated successes of approaches pioneered in the Fair Share Trust, which has shown how effective community engagement programmes can be in practice, as well as highlighting solutions to some of the barriers to devolving power and responsibility to communities in this way.
 - ▶ Among other positive results, the evaluation of our Well-being programme has found that 10 per cent fewer people aged over 65 and 5 per cent fewer 16 to 64 year olds reported significant depressive symptoms after participating in our projects.

3. Strategic level

We play an important role in helping to shape approaches to support for the voluntary and community sector, both through the comparative importance of the size of our investment and through participating in networks and discussions with other funders, policy-makers and government, often going beyond the realm of funding and into other areas of social policy.

- ▶ Wherever there is money there is influence concluded a large survey of VCS organisations across the UK. Respondents felt that BIG had had a wider positive influence on sector practice, notably in areas such as full-cost recovery and moving to a focus on outcomes. With regard to their own working with us, a large majority felt that we had helped to improve their bid-writing and fundraising skills. This was particularly marked among smaller organisations (with 81 per cent agreeing) and even reported by many unsuccessful applicants (34 per cent).
- ▶ BIG takes an active role in funder networks across the UK, including the Intelligent Funding Forum and the Scotland Funders' Forum. We have shared our learning and helped sponsor publications and guidance to support funders more widely. BIG and other funders supported the launch of a new website (www.fundernetwork.org.uk). Within six months over 300 users from 150 trusts and foundations were using the site to search for information, learn from peers, and share what they know.
- ▶ Similarly, we were a major funder of the Third Sector Research Centre's Knowledge Portal, which provides open access to research and information on the voluntary, community and social enterprise sectors. In the first four months of the Portal's life, 2,115 visits and 6,000 searches were made, with an average number of 2.8 searches per visit. Of the 575 people who registered their details, 49 per cent are VCS, 28 per cent are academics or researchers and 23 per cent are government or 'other'.

- ▶ The evaluation of our Well-being programme has developed robust indicators to measure how effective our funding has been at improving participants' well-being. Not only has this approach confirmed significant successes in achieving what the programme set out to do, it is directly influencing the way that the Office for National Statistics is developing approaches to defining and measuring well-being.
- ▶ In developing our Improving Futures programme, we consulted and worked closely over time with stakeholders across the UK. As a result, our forthcoming complex needs programme in England will complement the approach. We have also worked closely to inform the development of the UK Government's new Troubled Families programme, in particular highlighting the need to adopt a holistic approach to the evaluation that will complement our own and so generate more robust evidence about what works in this area.

What next?

BIG has an important role to play in raising awareness and promoting discussion of impact and its measurement. We do this via those we fund, through modelling good practice ourselves and by contributing to wider debate across the voluntary sector and beyond. This year we have used our UK funding to support some strategic initiatives to help secure systems change. These include 'Inspiring Impact' which will build the capacity of voluntary sector organisations to measure impact more effectively; and the Alliance for Useful Evidence, which will improve the quality and supply of evidence on the one hand and the practice of using evidence in decisions about social policy on the other. BIG is well-placed through our huge network of thousands of grant holders, large and small, to contribute to improving practice around impact, and thus ultimately to increase that impact for people in need. Our strategic framework and new policy directions underline this commitment.



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 2011/12 were consistent with this definition of additionality.

In some circumstances funding officers assessing an application may have to judge whether a project is 'additional'. Clear guidance, including three tests, has been developed to ensure that Lottery funding will not subsidise or replace statutory funding for a service and will not duplicate statutory responsibilities.

The three tests that funding officers are asked to apply are:

- i. Are you confident that the grant requested will NOT subsidise or provide part of the costs for a service that is provided on a contract basis for a statutory body?
- ii. Are you confident that the grant is NOT intended to replace funding from a statutory authority that has been withdrawn or is in danger of being withdrawn?
- iii. Are you confident that the project does NOT duplicate services that a statutory body currently provides for the target community in order to discharge its statutory duties?

We make sure that this guidance is applied consistently and fairly.

New Policy Directions have been issued to BIG and will come into affect for England and our UK-wide expenditure from the 2012/13 financial year. These include the following provision on additionality, that we will take account of:

“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.”

Our focus of this policy with regard to funding from Government remains. We cannot be in a position where Lottery funds are expected to meet statutory public duties and substitute for reductions in Exchequer funding.

Our financial performance

Our financial results for the year to 31 March 2012 are set out in the annual accounts starting on page 92. These accounts have been prepared in the form directed by the Secretary of State for Culture, Olympics, Media and Sport and conform to the Government Financial Reporting Manual (FReM) which generally incorporate the requirements of International Financial Reporting Standards.

Income from the National Lottery

During 2011/12 we received £771 million (2010/11 £773 million) in income from National Lottery ticket sales.

In March 2007 Parliament agreed that between February 2009 and August 2012 £638 million should be transferred from BIG to the Olympic Lottery Distribution Fund (OLDF). During 2011/12 transfers totalling £172 million were made.

Table of transfers of funds to Olympic Lottery Distribution Fund:

| Financial year | £ m |
|----------------|-----|
| 2008/09 | 43 |
| 2009/10 | 172 |
| 2010/11 | 172 |
| 2011/12 | 172 |
| 2012/13 | 80 |
| 2013/14 | 0 |

During 2010 Parliament approved the proposals of the Secretary of State for Culture, Olympics, Media and Sport to change our share of National Lottery income. Our share was reduced from 50 per cent to 46 per cent from 1 April 2011 and to 40 per cent from 1 April 2012.

This reduction in our share of Lottery income has been substantially offset by the increase in National Lottery ticket sales over the last few years.

Income generated from the National Lottery is held, and invested, on our behalf in the National Lottery Distribution Fund (NLDF), generating a further £5.6 million (2010/11 £8.5 million) in investment income during the year.

Our Board does not have responsibility for the investment of NLDF balances; stewardship rests with the Secretary of State for Culture, Olympics, Media and Sport. Details are provided in note 13 to the annual accounts. Note 20 to the annual accounts sets out why the Board considers that we are not exposed to significant interest rate risks.

Funding good causes

New commitments totalling £760 million (2010/11 £291 million) are recorded in our accounts; this is the value of awards that have been formally accepted by grant recipients and includes some awards made in 2010/11. The value of awards in 2010/11 was reduced, and those in 2011/12 increased by a delay in the legal completion of the single very large award of £200 million to the Big Local Trust, which is discussed on page 31. £60 million (2010/11 £55 million) of additional awards are not yet recorded as commitments as we are waiting for the grant recipients to accept them.

During 2011/12 we made payments of £668 million (2010/11 £508 million) to grant holders.

How we decide how much to spend

Our previous policy has been to make the maximum value of awards each year, subject to not taking excessive risks. This policy was set in the context of the need to reduce our NLDF balances, which were historically seen as excessive. Although very successful in driving down the balance the policy led to considerable instability in our grant budgets, particularly when external policy changes such as the transfer of funds to the Olympics occurred.

Consequently, following a review the Board approved a new grant funding strategy during the year. The new strategy was designed to respond to the reduced level of NLDF balances that BIG now holds, and to reflect the greater degree of devolution to country committees that now exists. A key objective of the strategy is to produce a more stable pattern of funding across years. Greater stability enables us to provide a reasonably predictable level of funding, offering greater certainty to the organisations we fund and ensures that the quality of projects funded is consistent.

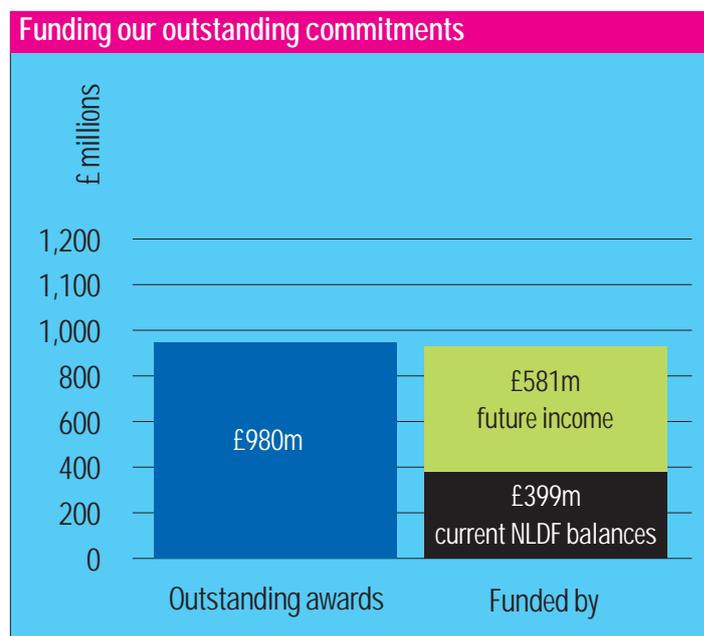
We will continue to make the maximum awards possible over each five year period. Our attitude to risk has not changed, and is set out below.

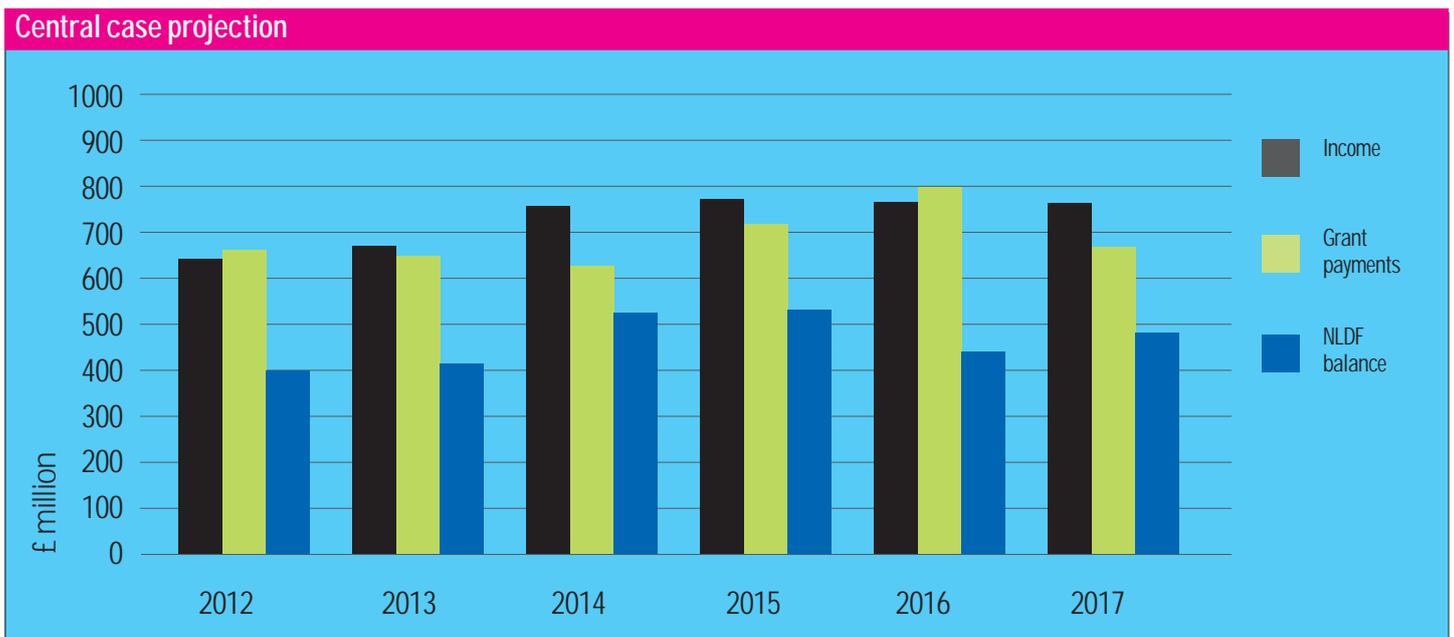
The strategy does not mean that we will make exactly the same value of awards or payments each year. It aims to produce a broadly stable level of public benefit from our funding each year. In some years this may include us making some larger awards and payments which produce benefit over a number of years. Big Local Trust is a good example of this: a single award of £200 million is included this year, but the Trust will make payments to the ultimate beneficiary organisations over many future years.

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

The fact that many of our grants will be paid out several years after they are committed means we can, and do, make commitments from money that we do not yet have. At 31 March 2012 we had £980 million (2010/11 £898 million) of outstanding commitments, but only had £399 million (2010/11 £523 million) with which to meet them: excess commitments of £581 million (2010/11 £424 million) equivalent to about ten months of future income based on our current projections

Funding our outstanding commitments





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

Our financial planning takes account of the transfer of funds to the Olympics, the effect of the Olympic Lottery games, and of the progressive reduction in our income share.

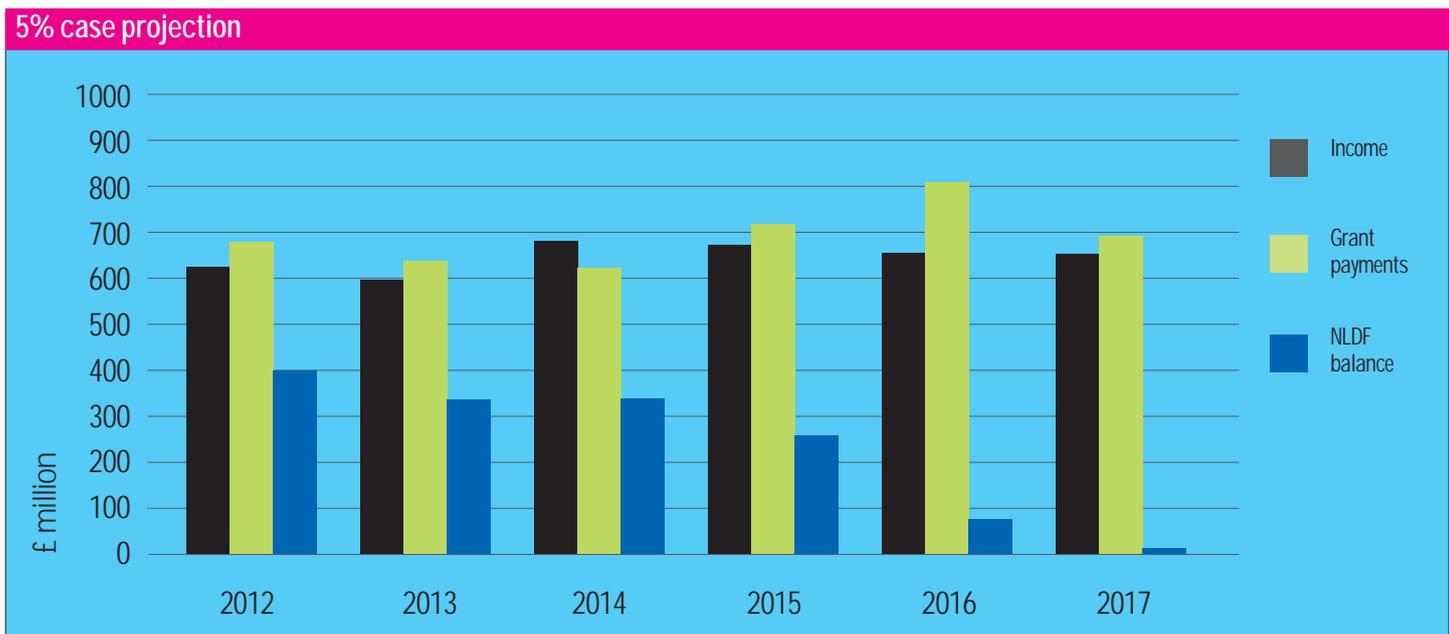
The graph above shows how things are expected to work out on the central case. These figures include our projections of our current planned programme spend for 2012 – 2015.

We cannot make actual grant commitments on the basis of the central case. If we did, and Lottery income fell, we might be unable to meet all our commitments. So we produce a more cautious projection which we call the '5 per cent case' (because we estimate that it has about a 5 per cent chance of actually happening). The history of the Lottery shows that this is not being over-prudent.

While Lottery ticket sales have grown strongly in recent years, actual ticket sales fell 17 per cent between 1998 and 2003. A fall of the scale in our 5 per cent projection is clearly a possible scenario.

We plan to make commitments so that on the 5 per cent case we would have no balance at the lowest point in the future. Planning several years ahead allows us to make any changes to our programmes with minimum disruption if our forecasts show we might not be able to meet future commitments.

The impact of current plans on our NLDF balances using the 5 per cent case, are shown in the following graph.



NLDF balances

Our NLDF balance is £399 million (2010/11 £523 million) at 31 March 2012. This is very close to the forecast we published in our last annual report of £387 million.

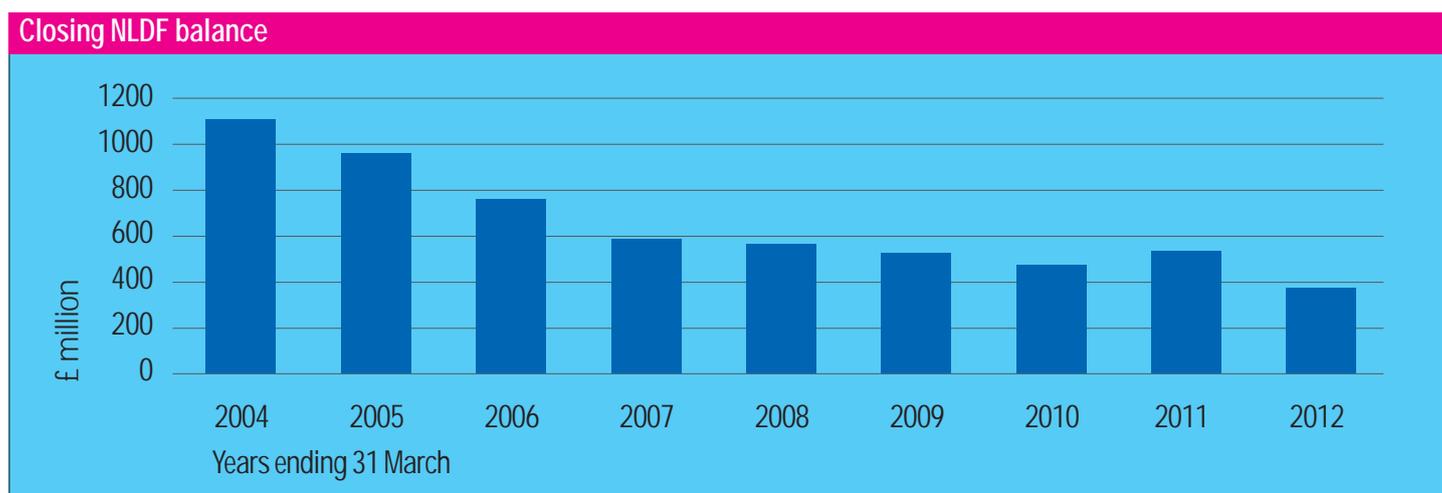
Our strategy is to make the maximum value of grant commitments that we can averaged over a five year period. This will inevitably lead to the NLDF balance being as low as is prudent. The level will vary according to the structure of our programmes at any time.

As can be seen from the chart on page 58, our NLDF balance has fallen by more than 65 per cent since 2004.

Unexpected increases in Lottery income, as have occurred very recently, inevitably lead to balances being higher for a period. Although we review the position regularly, and increase our grant budgets whenever there is an increase in projected income, it takes some time for increased awards of good quality and value to be made and payments to be drawn down by grant recipients.

We do not set a target for our NLDF balances. As we do not control Lottery income, it is impossible for us to manage the balance in the short-term. We publish plans based on the central case, and explain the variations each year. However we are moderating commitments to bring the balances back down to the minimum prudent level at the earliest opportunity.

We forecast that our NLDF balance at 31 March 2013 will be approximately £422 million.



Our operating costs – how BIG is spending more efficiently

Our key measure of financial efficiency is the share of our Lottery income that we spend on distributing it. We exclude from this measure costs that we recharge to other people, for example the costs of distributing non-Lottery money. We also exclude one-off costs that are investment to achieve future efficiencies. On this basis the cost of distributing Lottery money was £49 million (2010/11 £53 million). This represents 6.3 per cent of Lottery income (2010/11 6.8 per cent).

The Government has asked Lottery distributors to reduce their operating costs to meet two targets: Lottery operating costs are to be limited to 8 per cent of Lottery income, while core administration costs are to be limited to 5 per cent of Lottery income. We have agreed to meet these targets by 2014/15.

The basis of the 8 per cent target is very similar to the current measure above, so we are meeting this target at present, but the reduction in our income share to 40 per cent means that we will need to reduce our Lottery operating costs by a further £1 million to about £48 million to meet the target in 2014/15, including absorbing inflation between now and then.

The narrower target of 5 per cent for core administration costs applies to Lottery costs excluding those costs which are considered to provide front line support to grant applicants and recipients and to the public. For example, the provision of advice and assistance to organisations applying for Lottery funding, and activities to involve the public in Lottery decision-making. Core administration costs are mainly the costs of processing applications and managing grants once made, including all the support costs.

We estimate that our core administration costs in 2011/12 were around £39 million and will need to fall to £35.5 million by 2014/15.

This is clearly a demanding target, and we are implementing a medium term plan to meet it. Our aim is to do so without compromising either the quality of our programmes or our customer service standards. Open programmes that make large volumes of small grants are more expensive to run than programmes that make a small number of large grants to a restricted group of applicants. What type of programmes we run has been driven by what best delivers the outcomes, not the cost of delivery, and we do not intend to change this.

KPI – Actual admin costs compared with 2004/05 inflated base



A large part of the savings will come from the implementation of our Business Process Reengineering programme (BPR) which will move a large part of our business online. We will also continue to reduce our accommodation costs and make other operating savings wherever we can do so.

These savings will build on the substantial reduction in costs that we have already achieved since the merger of our predecessor organisation in 2004.

Like all public bodies we have restrained discretionary spending, including the recruitment of permanent staff during 2011/12.

How our costs have reduced over time

The chart above shows how BIG's distribution costs have fallen since 2004/05, the year that BIG was formed through the merger of the New Opportunities Fund and the Community Fund, compared with what would have happened if they had simply risen in line with inflation.

The table below shows how costs have reduced over the last five years in more detail.

| £ million | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|--|---------|---------|---------|---------|---------|---------|
| Lottery income before OLD transfer | 642 | 660 | 662 | 783 | 786 | 780 |
| Costs recovered from other bodies | 3 | 5 | 7 | 7 | 7 | 8 |
| Total income | 645 | 665 | 669 | 790 | 793 | 788 |
| Cost of distributing Lottery grants | 66 | 60 | 57 | 58 | 53 | 49 |
| Investment for future savings | 8 | (1) | 3 | 5 | 0 | 0 |
| Costs recovered from other bodies | 3 | 5 | 7 | 7 | 7 | 8 |
| Total operating costs | 77 | 64 | 67 | 70 | 61 | 57 |
| Cost of distributing Lottery grants as % of Lottery income | 10.3% | 9.1% | 8.6% | 7.4% | 6.8% | 6.3% |

Financial position

We have made a deficit for the year of £179 million (2010/11 a surplus of £273 million).

This deficit increases our cumulative deficit from previous years and we now have a deficit on retained reserves of £536 million (2010/11 £357 million). The deficit simply reflects our policy, discussed above, of making grants commitments that will be paid out in future years from future income, and is not a matter of concern. Our accounts directions require us to treat the commitments as expenditure in the year they are made.

Statutory disclosure items

Fixed assets

The movements in tangible and intangible fixed assets during the year are set out in Notes 10 and 11 to the accounts. During the year we invested £7 million (2010/11 £3 million) in capital expenditure which substantially relates to the investment in our new funding system.

Auditors

Under the National Lottery Act 2006, BIG must have its annual accounts examined and certified by the Comptroller and Auditor General. The National Audit Office undertakes our external audit.

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 2011/12, 98 per cent (98 per cent in 2010/11) of all creditors were paid within 30 days of receiving an undisputed invoice.

In addition, during 2011/12 we have committed to reduce creditor payment days. The Government's Prompt Payment Challenge target is ten days. During 2011/2012 we paid 72 per cent of suppliers within 10 working days (73 per cent in 2010/11).

Our governance

This section of the report contains:

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

Statement of Accounting Officer's Responsibilities

Under Section 36A of the National Lottery Act etc. 1993 (as amended by the National Lottery Acts 1998 and 2006), the Secretary of State for Culture, Olympics, Media and Sport has directed BIG to prepare for each financial year a statement of accounts 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 BIG 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 judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive of BIG 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 BIG's assets, are set out in 'Managing Public Money' published by HM Treasury.

In addition the Accounting Officer for the Cabinet Office has designated me as the Accounting Officer for the Dormant Accounts under the Dormant Bank and Building Society Accounts Act 2008. These accounts are also contained within this report.

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

Delegated responsibilities

BIG 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

BIG 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, BIG's Accounting Officer is responsible for ensuring that Lottery funds allocated by BIG are applied in accordance with BIG's legal powers; the economic, efficient and effective use of Lottery funding allocated by BIG to the programme; satisfying himself that the systems used for operating the programme are robust and fit for purpose; and agreeing the mechanism for allocating the administrative costs of the programme between the participating Lottery distributors. In addition for the Awards for All England programme which BIG administers. BIG's Accounting Officer is also responsible for the delivery of the systems used for operating the programme.

During 2011/12 BIG has participated in the following joint schemes:

- ▶ Active England, part of the PE and Sport in Schools programme: a scheme administered by Sport England on behalf of Sport England and BIG.
- ▶ Parks for People: a scheme administered by the Heritage Lottery Fund on behalf of the Heritage Lottery Fund and BIG.

Award partners

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

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

As part of the Young People's Fund:

- ▶ Youthnet – BIG Deal.

As part of the Changing Spaces programme:

- ▶ Royal Society of Wildlife Trust – Local Food.
- ▶ Building Research Establishment Ltd – the Community Sustainable Energy programme.
- ▶ Groundwork Trust – Community Spaces.
- ▶ Natural England – Access to Nature.
- ▶ Mind – Ecominds.

As part of the Reaching Communities, England programme:

- ▶ Manx Lottery Trust.
- ▶ Make your Mark.

As part of our People Powered Change outcomes:

- ▶ National Endowment of Science, Technology and the Arts (NESTA) – Neighbourhood Challenge.
- ▶ The Foundation for Social Entrepreneurs (UnLtd) – Big Venture Challenge.

Peter Wanless

Chief Executive and Accounting Officer
10 July 2012

The governance statement

This governance statement is the personal responsibility of BIG's Accounting Officer, our Chief Executive, Peter Wanless. It sets out how I have discharged my responsibility to manage and control BIG's resources during the year. It aims to give a clear understanding of the way in which BIG works and is controlled and explains the main risks facing us and how well these are being managed.

BIG's accountability to Parliament, the devolved legislatures and government

BIG operates across the UK but with extensive devolution of decision-making to the four countries of the UK. This means that we have a complex set of external accountabilities and requires a correspondingly complex internal governance structure.

BIG was created by the National Lottery etc Acts 1993 as subsequently amended, 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. BIG is a non-departmental public body (NDPB) and I am fully accountable for BIG's funds to Parliament. Certain orders relating to Lottery and dormant accounts funds are made by the UK or Scottish Parliaments, but the main government oversight of BIG is exercised through directions issued by ministers.

The Secretary of State for Culture, Olympics, Media and Sport is accountable for all Lottery funds and therefore issues financial and accounts directions to the National Lottery. For legal reasons the Minister for the Cabinet Office issues similar directions relating to dormant accounts funds. The directions regulate the systems and processes of BIG.

However, the policy sponsor department of BIG is the Cabinet Office, acting through its Office for Civil Society. The Minister for the Cabinet Office issues policy directions which BIG must take into account when distributing funds, which apply generally to all UK funds and specifically to England. The devolved administration in Scotland, Wales and Northern Ireland issue policy directions relating to the funds distributed in those countries.

The directions applying during the year are included in the Annex to this report.

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

Non-executive governance

BIG is governed by a UK Board comprising the UK Chair, the four chairs of the country committees and five other members. The Board has appointed one of its members as Vice-Chair. Each country has a country committee responsible for the funding programmes in their country. Country committees have delegated authority to determine the funding strategy and programmes in their countries, subject to a UK-wide strategic framework approved by the Board and the policy directions for their country. They also make grant decisions, or agree the delegated arrangements for making them. The Board has also appointed a UK Funding Committee chaired by the UK Chair to carry out similar functions for those programmes operated on a UK-wide basis.

The Board has also appointed an Audit and Risk Committee to advise it on financial reporting, audit and assurance and risk management issues. It includes two external members who have expertise in audit and accounting matters. It has also appointed a Remuneration Committee to deal with the matters set out in the remuneration report.

The Board, Audit and Risk Committee and country committees meet at least quarterly, with additional meetings as they consider necessary. The Remuneration Committee normally meets annually.

The Board receives minutes from all of its committees. In addition from time to time receives fuller reports of the strategies and programmes in each country portfolio, so that it can ensure that they conform to the strategic framework and that learning is shared. The Chair of Audit and Risk Committee reports to each Board meeting on any matters he considers need to be brought to their attention, and to provide assurance to the Board. Audit and Risk Committee also provide a full report to the Board on their work once each year.

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

UK Board members, including the country committee chairs, are formally appointed by the Minister for the Cabinet Office. Other members of country committees are formally appointed by BIG. The Devolved Administrations are fully involved in the appointments relating to their countries. All Board and committee members are in fact appointed following an open process of advertisement and selection.

Effectiveness and review of non-executive governance

The Acting Chair and Chief Executive commissioned an independent review of Board governance in 2010 for consideration by the incoming UK Chair. Following the appointment of Peter Ainsworth, the Board has made a number of changes to reflect the organisation's maturity. The Board's role has been more sharply focused on the strategic oversight of BIG's work and the effective use of our resources. The Board has been reduced from 12 to ten members. The functions of the previously separate Resources Committee have been returned to the Board. Conversely a UK Funding Committee has been created to delegate specific programme matters away from Board meetings. Devolution to committees and delegations to officers have been increased to enable the Board to focus on strategic matters.

While these changes are still bedding down, and will be kept under review, the Board believes its effectiveness has been enhanced. The Board has engaged directly with all of the strategic, operational and financial challenges facing BIG and participated directly in refreshing our published forward plans (Fresh Thinking). It is satisfied that it is receiving sufficient accurate information to be confident about the effectiveness of the funding programmes, about the financial and operational performance of the business, and the management of risk. The systems which provide this information are assured by being included in the internal audit programme.

The Corporate Governance Code for Central Government Departments does not apply to NDPBs, and the equivalents for BIG of many of its detailed requirements are found in statute or our directions. However, I am satisfied that the principles of the Code, together with other sources of guidance on good practice in corporate governance, are fully reflected in BIG's governance arrangements.

Executive management

The executive management of BIG is led by its Senior Management Team (SMT) of nine members including myself. SMT meets formally each month, but members are in contact at least weekly. All members of SMT attend Board meetings, and appropriate members attend other committees. SMT considers key policy, strategic and operational matters, provides advice to the Board on matters requiring its approval and oversees the performance and risk management of BIG as a whole.

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

Appropriate executive management structures have been created by directors throughout the organisation to oversee their respective directorates and divisions, and the projects and programmes being operated across BIG.

Corporate planning and performance management

BIG has a well developed 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 BIG, and feed into the personal objectives of staff.

The corporate plans identify key performance indicators (KPIs) and key management indicators (KMIs). These are closely monitored and reported to SMT and the Board regularly, with corrective action being agreed wherever necessary. This focuses attention where it is most required with only two KPI targets being materially missed during 2011/12. These related to the BPR programme and are discussed below. Extensive financial and performance information is also reported monthly to SMT and quarterly to non-executives.

The corporate planning and performance management systems are assured by being covered by the internal audit programme. A review of the controls over the KPI and KMI reporting systems was carried out during the year: it recommended some improvements, but provided moderate assurance over the controls.

Third party funding

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

Risk management and assurance

BIG operates a comprehensive system of risk management, with a corporate risk register being reviewed quarterly by SMT and the Audit and Risk Committee. The chair of the committee reports to each Board meeting on any matters that need to be brought to their attention. The Board, on the advice of the Audit and Risk Committee, has agreed BIG's risk tolerance levels. These have been carefully developed to reflect the different tolerance levels that are acceptable for different risks. Being an intelligent funder requires risks to be taken in relation to the success of some projects. Control design and reporting mechanisms for the new funding management system are being developed to fully reflect the different tolerances agreed. The Board from time to time itself reviews the risk register to ensure there are no material omissions.

Similar risk registers are maintained at directorate and divisional level and for all projects and programmes and are reviewed at senior level each quarter. There is an effective system in place for escalating significant risk issues upwards to SMT.

BIG has an internal audit and investigations division, headed by the head of internal audit who has a direct reporting line to me on audit matters. Our in-house team is supplemented by a contract for the provision of internal audit services by PriceWaterhouseCoopers. 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 BIG. The findings of the reports, especially any giving “no” or “limited” assurance are considered by me, the directors concerned and the Audit and Risk Committee. Actions are agreed by management in response to all recommendations made, and progress against these is reported to each Audit and Risk Committee meeting.

The number of actions outstanding after their agreed implementation date is a KMI with a target of zero. Only one low priority recommendation was overdue at 31 March 2012. Internal audit follow up actions management assert to have been completed, and report to Audit and Risk Committee whether they are satisfied that this is the case.

External audit of this Annual Report and Accounts is carried out by the National Audit Office. Findings and recommendations arising from the external audit are dealt with in the same way as those from internal audit and fully considered by the Audit and Risk Committee

In some specialist areas (for example, health and safety compliance) further assurance is obtained by reports from other professional qualified advisers.

Each director has provided me with an assurance statement on the areas for which they are responsible, and drawing on these and the results of internal audit reviews the head of internal audit has provided me with an annual assurance report. As a result of recommendations made in a number of reports that are not yet fully resolved, some of which relate to detailed development of the future funding management systems we have yet to introduce, his report provided a limited assurance on the design, adequacy and effectiveness of BIG’s system of internal control. More details are set out later in this report. I am satisfied that appropriate action is being taken to address the issues raised.

The major risks faced by BIG

The corporate risk register currently identifies 17 significant risks. Seven of these relate to the Business Process Reengineering (BPR) programme discussed below.

Four of the other risks relate to our financial management:

- failure to manage our core costs within the 5 per cent ceiling by 2014/15
- increases in Lottery income result in higher NLDF balances than planned
- failure to commit all of the agreed grant budget for the year
- failure to manage grant payments resulting in slower than forecast spend.

I am satisfied that these risks are currently well managed and tolerable. Our financial reporting arrangements have ensured that any deviation from our plans is quickly recognised and action taken. This occurred during 2011/12 when our grant awards and payments started to fall behind plan; management action resulted in both areas meeting our KPI targets.

Three risks relate to the reputational damage that could occur if BIG does not effectively deliver our programmes or customer services:

- ▶ Inability to demonstrate that we are making a positive impact through the priorities set out in the strategic framework.
- ▶ Design or implementation of the Medium Term Plan to achieve efficiency could compromise our effectiveness or customer service.
- ▶ Failure to rebut negative national media coverage.

SMT and the Board pay close attention to these aspects of our operations, and substantial efforts are made to obtain feedback from all of our customers and stakeholders to improve our performance. All of the KPIs in these areas are very positive, and I am satisfied that the risks in these areas are well within tolerance at present.

Two other risks are common to all organisations of similar complexity:

- failure to ensure compliance with regulatory and similar requirements
- unforeseen physical events including system failures.

No significant issues have arisen in these areas, and BIG has effective systems and contingency plans that I am satisfied manage these risks satisfactorily.

The two areas of risk which present the greatest challenges to BIG currently are fraud, and the risks relating to the BPR programme.

Fraud risk

BIG unavoidably faces the risk of fraud. Any organisation making large numbers of payments to the public is at risk of both internal and external fraud. BIG has a particularly difficult task in striking the right balance between applying controls that make fraud more difficult and making it simple and easy to apply for grants, particularly for small grants where the applicants are often small organisations with limited resources.

The greatest fraud risk comes from organised criminal attacks on our small grants system. We have developed sophisticated data analysis and risk assessment processes that enable us to identify suspected fraudulent patterns of application. We have a professional investigations team that supports our funding staff in carrying out risk assessment, and follows through all suspected cases of fraud or other deliberate wrongdoing.

We know these techniques are effective in that from time to time we do detect frauds by this means, and criminal prosecutions are pursued in co-operation with the Police. They also enable us to reject those applications which present an excessive risk of fraud or misuse of our funds. However, there will always remain some risk of fraud remaining undetected. We are committed to continuously improving our systems to combat it.

In addition to the work of this team, controls on fraud include: a clear fraud policy; a whistleblowing policy together with means for the public to directly refer concerns to our investigations team; clear reporting arrangements for suspected frauds, with material frauds being reported to me, the Audit and Risk Committee and to DCMS and close working with the Police, Charity Commission and other agencies. BIG 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, with the head of audit providing reports on any material cases.

Implementation of our new funding system in 2012 will present new fraud challenges as applications and grant management mainly move online, but also offers new opportunities to use more sophisticated technology to fight it.

Business Process Reengineering (BPR) programme risks

Seven of the risks in the Corporate Risk Register relate to the BPR programme which we are currently undertaking. As its name implies, this programme amounts to a complete redesign of the way we carry out our funding business, reflecting the fact that our processes have not substantially changed since our predecessor organisations developed them. Our processes are still substantially paper based, failing to reflect developments in technology or customer expectations. BPR is intended to bring substantial benefits to customer services and the effectiveness of our programmes, particularly in the management and sharing of knowledge, as well as enabling substantial savings to be made.

The programme includes the design and implementation of a new funding management system based around SAP software, but extends well beyond that to include:

- a People Agenda which has reshaped staff roles and responsibilities
- substantial development of our website to support online customers
- redesign of our customer contact management arrangements
- standardisation and simplification of our processes, to create a flexible but much less complex approach to programme design.

The programme includes the investment of £16 million in development and implementation of the new software, and is taking place over several years.

The risks identified are:

- adverse impact on customer satisfaction
- failure to achieve the expected cost savings
- failure to deliver the non-financial benefits
- failure of the business to implement the changes necessary to realise the benefits of the new system
- failure of the governance and assurance arrangements around the system development
- delays to completion affecting funding programme launches
- cost overruns on the programme.

Given the significance of the BPR programme to BIG, we have put in place extensive arrangements for its governance and risk management.

The programme has its own senior responsible officer (SRO), the Director for England, Dharmendra Kanani, with a programme board and subordinate governance structures for the projects making up the programme. As well as regular oversight by SMT and the Board, and Audit and Risk Committee in relation to risk and assurance matters, the Board has established a sub-group including members with experience of similar projects, which meets with the SRO and senior programme staff monthly to monitor progress. Four KPIs relating to the programme are included in the corporate performance monitoring, and a regular highlight report is produced to show progress and identify issues for upwards review.

Although some aspects of the programme, notably the People Agenda, have progressed well, difficulties have arisen with the funding system development that led to the KPIs for delivery of the programme to the Board's original desire on time and budget being missed during the year. The build of the new system was planned to be completed on 1 November 2011, but BIG's quality review identified issues that required resolution before the milestone could be accepted as complete. It became clear that the timetable would need to be extended to allow the contractor sufficient time to complete the build satisfactorily, and to make a limited number of changes that BIG accepted were necessary to our original specification.

The Board thoroughly reviewed a revised business case including the option of discontinuing the programme and agreed in March 2012 that the programme should continue against a revised budget and time line.

The system build was subsequently completed on 9 April 2012, and testing is now taking place. Internal go-live (that is, to BIG staff) is planned to take place later this year with external go-live (to customers) in 2013.

I remain confident that the BPR programme can deliver substantial financial and non-financial benefits; the revised business case still shows a financial return in excess of that required to justify the project on financial grounds alone alongside substantial non-financial benefits. Nevertheless, the nature and scale of the programme means it remains the most substantial source of risks for the organisation.

A clear priority alongside the development of the new funding system is to ensure that we continue to deliver funding without interruption using our current systems: our corporate planning and reporting systems enable us to do this.

Delegated and trust arrangements

BIG 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.

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

Significant control issues identified during the year

- ▶ During 2011/12, 15 internal audit reviews were carried out. Where control weaknesses were identified during these reviews, they were mostly considered to have a low or moderate impact and are being or have been addressed. One control weakness considered serious enough to have a significant potential impact in the achievement of BIG's future operational intentions was found in a review of controls design for our new funding management system and that is also being addressed ahead of go-live. Five control weaknesses considered serious enough to have a significant impact on the achievement of the specific system or process were found in reviews of change management, post-grant monitoring, programme and project risk management, information and data security and grant programme budget development. All are being remedied or have already been resolved.

In addition to the issues identified in this year's reviews, specific action has been taken to address a weakness identified last year, which allowed a number of staged payments to previously agreed awards to be made ahead of planned schedule. No funds were lost as a consequence, though there was a risk that might have happened, if the receiving organisation had been unable or unwilling to return the money. A new control requiring dual sign off of all payments over £10,000 have been introduced. Similar controls will be built into the new funding management system.

Loss of data

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

During 2011/12 there were no reportable losses of personal data.

Overall assessment of governance and internal control

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

Membership of the Board during the year



Peter Ainsworth

Chair (from 1 June 2011)
Chair, Remuneration Committee
Chair, UK Funding Committee
(from 1 February 2012)



Frank Hewitt CBE

Chair, Northern Ireland country committee



Anna Southall*

Interim Chair (until 31 May 2011)
General member and Vice-Chair
(resumed from 1 June 2011)



John Gartside OBE*^

General member



Sanjay Dighe^

Chair, England country committee
(until 31 May 2011)



Alison Magee^

Chair, Scotland country committee
(until 30 November 2011)



Judith Donovan CBE*

General member
(until 30 November 2011)
Chair, Resources Committee
(until 30 November 2011)



Maureen McGinn

Chair, Scotland country committee
(from 1 December 2011)



Roland Doven MBE

General member
Chair, Audit and Risk Committee



Rajay Naik

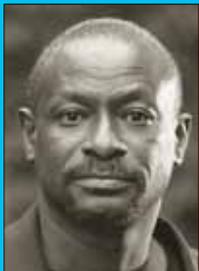
General member
Chair, UK Funding Committee
(until 31 January 2011)



Janet Reed OBE
Interim Chair, Wales country
committee (until 31 December
2011)



Nat Sloane
Chair, England country committee
(from 1 June 2011)



Albert Tucker
General member
(until 30 November 2011)



Sir Adrian Webb^
Chair, Wales committee
(from 1 January 2012)



Diana Whitworth^
General member

External members of the Audit and Risk Committee:

Hilary Gay
Angela Marshall

* Indicates membership of Remuneration Committee

^ Indicates membership of Audit and Risk Committee during the year. Membership of the committee is on a rotation basis.

Country committees

The England Committee has ten members:

Sanjay Dighe (Chair) until 31 May 2011

Nat Sloane (Chair) from 1 June 2011

Dr Alan Billings

Sue Charteris until 31 November 2011

John Gartside OBE

Scott Greenhalgh from 1 December 2011

Geeta Gopalan from 1 December 2011

Margaret Hyde OBE until 30 November 2011

Steve Richards from 1 December 2011

Danny Silverstone

Albert Tucker

Nalini Varma

Geoffrey Wilkinson

The Scotland Committee has eight members:

Alison Magee (Chair) until 30 November 2011

Tim Allan

Elizabeth Cameron

Helen Forsyth

David Green

Alistair Grimes

Kristofer McGhee until 30 November 2011

Maureen McGinn (Chair) from 1 December 2011

Lucy McTernan

Shirley Young

The Wales Committee has eight members

(Currently one vacancy):

Sir Adrian Webb (Chair) from January 2012

Graham Benfield OBE

Fran Targett OBE

Gareth Newton

Janet Reed OBE (Interim Chair until 31 December 2011)

Mike Theodoulou

Barbara Wilding CBE, QPM, CCMI

The Northern Ireland Committee has six members:

Frank Hewitt CBE (Chair)

Geraldine Campbell

Paul Cavanagh

Julie Harrison

Claire Keatinge

Peter Osborne

UK Funding Committee

| | |
|------------------------|---|
| Peter Ainsworth | Board Chair (Chair, UK Funding Committee from 1 February 2012) |
| Rajay Naik | General Board member (Vice-Chair, UK Funding Committee from 1 February 2012; Chair, UK Funding committee until 31 January 2012) |
| Anna Southall | Board Vice-Chair (from 1 February 2012) |
| Judith Donovan | General Board member (until 31 November 2011) |
| Roland Doven | General Board member (until 31 January 2012) |
| Frank Hewitt | Chair, Northern Ireland |
| Lucy McTernan | Scotland Committee member |
| Mike Theodoulou | Wales Committee member |
| Diana Whitworth | General Board member |
| Geoff Wilkinson | England Committee member (until 31 January 2012) |
| Steve Richards | England Committee member (from 1 February 2012) |

The Senior Management Team

| | |
|--------------------------|---|
| Peter Wanless | Chief Executive |
| Mark Cooke | Director, Finance and Corporate Services |
| Ceri Doyle | Director Strategy, Performance and Learning |
| Linda Quinn | Director, Communications and Marketing |
| Robert Atkins | Deputy Director, Strategy and Performance |
| Dharmendra Kanani | Director, England |
| Jackie Kileen | Director, Scotland |
| Joanne McDowell | Director, Northern Ireland |
| John Rose | Director, Wales |

Board and committee meeting attendances during the year

| Member | Board | | Remuneration Committee | | Audit and Risk Committee | | Resources Committee | |
|--|--------------------|-------------------|------------------------|-------------------|--------------------------|-------------------|---------------------|-------------------|
| | Number of meetings | Meetings attended | Number of meetings | Meetings attended | Number of meetings | Meetings attended | Number of meetings | Meetings attended |
| Peter Ainsworth | 6 | 6 | | | | | | |
| Anna Southall | 7 | 7 | 1 | 1 | | | | |
| Sanjay Dighee | 2 | 1 | | | | | | |
| Judith Donovan | 4 | 4 | 1 | 1 | | | 2 | 2 |
| Roland Doven | 7 | 7 | | | 4 | 4 | | |
| Frank Hewitt CBE | 7 | 6 | | | | | 2 | 1 |
| John Gartside OBE | 7 | 6 | 1 | 1 | 1 | 1 | 2 | 2 |
| Alison Magee | 4 | 4 | | | 3 | 2 | | |
| Maureen McGinn | 7 | 6 | | | | | | |
| Rajay Naik | 7 | 7 | | | | | 2 | 2 |
| Janet Reed OBE | 4 | 4 | | | | | 2 | 2 |
| Nat Sloane | 7 | 6 | | | | | | |
| Albert Tucker | 4 | 3 | | | | | 2 | 2 |
| Sir Adrian Webb | 3 | 1 | | | 1 | 0 | | |
| Diana Whitworth General member | 7 | 6 | | | 3 | 3 | | |
| Hilary Gay External member of A&R Committee | | | | | 4 | 3 | | |
| Angela Marshall External member of A&R Committee | | | | | 2 | 2 | 2 | 2 |

Peter Wanless

Chief Executive and Accounting Officer
10 July 2012

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 a current or past interest.

| Board or committee member | Nature of relationship | Existing total awards made to organisation | Awards made to the organisation in 2011/12 | Payments made to the organisation in 2011/12 | Outstanding grant award at 31 March 2012 |
|---------------------------|--|--|--|--|--|
| Tim Allan | Chair, Young Enterprise Scotland | 1 award of £845,100 | £- | £290,083 | £228,426 |
| | Interest, Trossachs Area Community Transport | 1 award of £419,398 | £- | £9,698 | £25,425 |
| | Member, Royal Society for Arts | 1 award of £500,000 | £- | £84,011 | £338,363 |
| Graham Benfield | Chief executive, Wales Council for Voluntary Action | 3 awards totalling £728,146 | 3 new awards of £2,043,815 | £505,657 | £2,263,004 |
| Geraldine Campbell | Shadow Membership and Standards Committee member, Citizens Advice Northern Ireland | 1 award of £799,578 | Increase in award of £319,475 | £329,822 | £579,011 |
| Paul Cavanagh | Adviser, North West Community Network | 1 award of £296,217 | £- | £96,850 | £152,408 |
| Helen Forsyth | Regeneration director, Places for People | 1 award of £15,669,999 | Increase in award of £1,000,000 | £1,353,164 | £791,000 |

| Board or committee member | Nature of relationship | Existing total awards made to organisation | Awards made to the organisation in 2011/12 | Payments made to the organisation in 2011/12 | Outstanding grant award at 31 March 2012 |
|---------------------------|---|--|--|--|--|
| John Gartside | Trustee and company secretary, Tim Parry Johnathan Ball Trust | 3 awards totalling £1,382,066 | £- | £283,364 | £156,562 |
| | Director and trustee, Warrington Wolves Community Learning and Sport Foundation | 2 awards totalling £173,960 | £- | £63,268 | £500 |
| Julie Harrison | Consultant, Bridge Community Association | 1 award of £956,322 | £- | £188,865 | £557,608 |
| | Associate consultant, Community Evaluation NI | 1 award of £84,835 | £- | £42,548 | £10,500 |
| | Adviser, East Belfast Independent Advice Centre | 1 award of £500,000 | £- | £122,356 | £286,393 |
| Claire Keatinge | Trustee and chair, Community Development and Health Network | 1 award of £499,957 | £- | £98,771 | £234,595 |
| | NI committee member, Rethink | 1 award of £910,888 | 2 new awards of £968,385 | £207,164 | £1,157,886 |
| Alison Magee | Member, Royal Society of Arts | 1 award of £500,000 | £- | £84,011 | £338,363 |
| | Director, Sutherland Partnership | 1 award of £375,900 | £- | £59,544 | £38,717 |

| Board or committee member | Nature of relationship | Existing total awards made to organisation | Awards made to the organisation in 2011/12 | Payments made to the organisation in 2011/12 | Outstanding grant award at 31 March 2012 |
|---------------------------|---|--|--|--|--|
| Kristofer McGhee | Fellow, The Royal Society for the Arts, Manufacturers and Commerce | 1 award of £500,000 | £- | £84,011 | £338,363 |
| Maureen McGinn | Chairperson and trustee, Action on Smoking and Health Scotland | 1 award of £499,662 | Increase in award of £11,384 | £154,125 | £114,237 |
| | Unpaid ambassador, Tomorrows People Trust | 2 awards of £950,649 | Increase in award of £9,986 1 new award of £320,012 | £370,381 | £693,693 |
| | Advisory board member, University of Edinburgh | 1 award of £457,134 | £- | £151,526 | £115,445 |
| Lucy McTernan | Former deputy chief executive, Scottish Council for Voluntary Organisations | 1 award of £8,143,844 | £- | £2,161,064 | £912,034 |
| | Chief executive, Citizens Advice Scotland, Angus Citizens Advice Bureau | 1 award of £794,643 | £- | £148,337 | £644,306 |
| Peter Osborne | Elected member, Castlereagh Borough Council | 1 award £1,066,811 | £- | £156,883 | £517,842 |
| | Non-executive director, South and East Belfast Health Trust | £- | 1 new award of £1,487,850 | £- | £1,487,850 |
| Janet Reed | Trustee, Welsh Scout Council | 1 award of £142,218 | 1 new award of £218,078 | £35,639 | £194,568 |

| Board or committee member | Nature of relationship | Existing total awards made to organisation | Awards made to the organisation in 2011/12 | Payments made to the organisation in 2011/12 | Outstanding grant award at 31 March 2012 |
|---------------------------|---|--|--|--|--|
| Nat Sloane | Advisory committee member, Social Finance Limited | 2 awards totalling £11,255,751 | £- | £1,928,541 | £7,827,347 |
| Fran Targett | Trustee, Wales Council for Voluntary Action | 3 awards totalling £728,146 | 3 new awards of £2,043,815 | £505,657 | £2,263,004 |
| | Director, Wales CAB, Llandovery Young Men's Christian Association | 3 awards totalling £195,302 | £- | £98,224 | £84,873 |
| | Director, Wales, CAB, Rhondda Housing Association Group | 5 awards totalling £212,512 | £- | £86,897 | £122,615 |
| | Director, Wales CAB, Canolfan Cynghori Ynys Mon CAB | 8 awards totalling £125,868 | £- | £49,799 | £38,688 |
| | Director, Wales CAB, Vision Impaired West Glamorgan | 1 award of £51,222 | £- | £25,611 | £25,611 |
| Mike Theodoulou | Executive chairman, Mid and West Wales Chamber | 4 awards totalling £1,562,235 | £- | £562,532 | £940,463 |
| | Executive chairman, Mid and West Wales Chamber, Towy Community Church Trust | 3 awards totalling £798,202 | £- | £23,988 | £774,214 |

| Board or committee member | Nature of relationship | Existing total awards made to organisation | Awards made to the organisation in 2011/12 | Payments made to the organisation in 2011/12 | Outstanding grant award at 31 March 2012 |
|---------------------------|--|--|---|--|--|
| Albert Tucker | Non-executive director, Places for People Group | 1 award of £15,669,499 | Increase in award of £1,000,000 | £1,353,164 | £791,000 |
| Diana Whitworth | Joint chief executive, Grandparents Plus | 1 award of £167,916 | 1 new award of £316,974 | £92,284 | £239,423 |
| Geoffrey Wilkinson | Non-executive director, Eden Project | 4 awards totalling £5,177,669 | Increase in award of £164,153 | £1,661,424 | £1,396,360 |
| Shirley Young | Professional service provider, Kindred (formerly SNIP) | 1 award of £1,156,514 | £- | £277,165 | £- |
| | Professional service provider, Manchester City Council | 1 award of £1,095,060 | Variation in award of (-£72,031) 1 new award of £389,240 | £59,293 | £383,843 |
| | Professional service provider, Contact a Family SPACE | 7 awards totalling £1,818,919 | £- | £792,583 | £903,709 |

Remuneration report

This report covers the 12 months ending 31 March 2012 and sets out the policy and disclosures in relation to the remuneration of the senior managers of the Big Lottery Fund. Pages 92 to 123 of this report have been subject to audit review.

Remuneration committee

The Remuneration Committee, a committee of the Board, sets the remuneration policy for BIG's directors. At the request of the chair of the committee the Chief Executive, the Deputy Director, Human Resources or other officers may be in attendance at meetings or for selected agenda items.

The committee's responsibilities are to:

- agree the terms and conditions of employment of the Chief Executive
- decide on the Chief Executive's performance appraisal and related pay
- approve the performance appraisals and related pay for directors, and
- decide on severance terms for the Chief Executive and directors, subject to any necessary clearances by the Cabinet Office or HM Treasury.

Senior staff remuneration policies

The remuneration policy for the directors is designed to offer remuneration that enables BIG to attract, retain and motivate high calibre individuals with the skills and abilities to lead and manage BIG. In doing so, the policy seeks to:

- remunerate fairly for individual responsibility and contribution, while providing an element of performance related pay, and
- comply with the annual pay guidance issued by HM Treasury.

Remuneration of the directors

The basis of senior staff remuneration is set out in their individual contracts of employment. The Chief Executive and directors are subject to BIG's standard terms and conditions of employment including contributions to the Civil Service Pension Scheme.

The Chief Executive is eligible for a consolidated annual pay award at the same level as the rest of BIG's staff. His contract includes a performance related element which is compliant with guidance from HM Treasury relating to the appointment of chief executives at the time his contract was agreed. Up to two per cent of this is consolidated for pension purposes and the balance of any award is paid as a non consolidated payment.

Directors receive a consolidated annual pay award at the same level as negotiated for BIG's staff and a non-consolidated performance related payment of up to eight per cent of their annual salary. However the pay of directors has been frozen for the last two years in accordance with government pay policy.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior managers and the non-executives of the Big Lottery Fund and are covered by the external audit opinion.

Executives' remuneration (salary and performance related pay)

| Executives | 2011/12 | | 2010/11 | |
|---|-----------------|--|------------------------------------|--|
| | Salary £'000 | Performance related payments £'000 | Salary £'000 | Performance related payments £'000 |
| Peter Wanless (Chief Executive) | 140-145 | 15-20 | 140-145 | 20-25 |
| Mark Cooke (Director, Finance and Corporate Services) | 95-100 | 5-10 | 95-100 | 5-10 |
| Ceri Doyle (Director, Strategy Performance and Learning) | 95-100 | 5-10 | 95-100 | 0-5 |
| Dharmendra Kanani * (Director, England) | 100-105 | 5-10 | 90-95 | 5-10 |
| Linda Quinn (Director, Communications and Marketing) | 75-80 | 0-5 | 75-80 | 0-5 |
| Joanne McDowell (Director, Northern Ireland) | 65-70 | 0-5 | 40-45 annual equivalent 65-70 | 0-5 |
| Jackie Killeen (Director, Scotland) | 65-70 | 0-5 | 35-35 annual equivalent 65-70 | 0-5 |
| John Rose (Director, Wales) | 65-70 | 0-5 | 35-40 annual equivalent 65-70 | 0-5 |
| Adrienne Kelbie (Director of Operations) Left 9 July 2010 | 0 | 0 | 25-30 annual equivalent 100-105 | - |
| Gerald Oppenheim (Director, Policy and Partnerships) Left 30 September 2010 | 0 | 0 | 50-55 annual equivalent 100-105 | - |
| Walter Rader (Director, Northern Ireland) Left 30 September 2010 | 0 | 0 | 40-45 | - |
| Band of highest paid directors total remuneration (£'000) | 155-160 | | 160-165 | |
| Median total remuneration | £26,393 | | £26,526 | |
| Ratio | 6:0:1 | | 6.1:1 | |

* Dharmendra Kanani - Salary increase was due to a Temporary Responsibility Allowance in respect of leading the BPR project.

Although Robert Atkins is considered to be a member of the Senior Management Team on a personal basis he is not included in the table above as he is not a director, and is covered by the remuneration arrangements for all staff other than directors.

Salary: 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Big Lottery Fund and thus recorded in these accounts.

Benefits in kind: The monetary value of benefits in kind covers any benefits provided by the Big Lottery Fund and treated by HM Revenue and Customs as a taxable emolument.

No benefits in kind were paid to any Board member or member of the Senior Management team.

Performance related pay: These are based on performance levels attained and are made as part of the appraisal process.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

Total remuneration includes salary, non-consolidated performance related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

There were no substantial changes to the employee numbers or the remuneration of the highest paid director which impacted on this ratio which was 6.0:1 in 2011/12 and 6.1:1 in 2010/11.

Pension benefits 2011/12

| 2012 (12 Months to 31 March 2012) | Accrued pension at age 60 as at 31/03/12 and related lump sum (£'000s) | Real increase in pension and related lump sum at pension age (£'000s) | * CETV at 31/03/12** (£'000s) | * CETV at 31/03/11** (£'000s) | Real increase in CETV (£'000s) | Employer contribution to partnership pension account (nearest £100) |
|---|---|--|----------------------------------|----------------------------------|-----------------------------------|--|
| Peter Wanless (Chief Executive) | 40-45 plus 130-135 lump sum | -2.5-0 plus -2.5-0 lump sum | 712 | 664 | -10 | - |
| Mark Cooke (Director, Finance and Corporate Services) | 10-15 plus 0 lump sum | 0-2.5 plus 0 lump sum | 208 | 176 | 14 | - |
| Ceri Doyle (Director, Strategy Performance and Learning) | 25-30 plus 0-2.5 lump sum | 0-2.5 plus 0 lump sum | 319 | 273 | 21 | - |
| Dharmendra Kanani (Director, England) | 15-20 plus 45-50 lump sum | 0-2.5 plus 2.5-5 lump sum | 233 | 194 | 22 | - |
| Linda Quinn (Director, Communications and Marketing) | 20-25 plus 70-75 lump sum | -2.5-0 plus -2.5-0 lump sum | 543 | 530 | -6 | - |
| Joanne McDowell (Director, Northern Ireland) | 15-20 plus 20-25 lump sum | 0-2.5 plus 0-2.5 lump sum | 232 | 187 | 28 | - |
| Jackie Killeen (Director, Scotland) | 10-15 plus 30-35 lump sum | 0-2.5 plus 5-7.5 lump sum | 134 | 96 | 29 | - |
| John Rose (Director, Wales) | 10-15 plus 0 lump sum | 0-2.5 plus 0 lump sum | 129 | 96 | 23 | - |

* Cash Equivalent Transfer Value

** The factors used in the CETV calculation have been revised during this year. This means that the opening CETV value shown in this year's report will differ to the amount shown as the closing CETV value in last year's report.

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. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. 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.

Compensation for loss of office

There have been no compulsory or flexible early retirements, or any compulsory early severances during the year.

Pension benefits

Pension benefits are provided through the Principal Civil Service Pension Scheme. Further pension disclosures are made in note 22.

Directors' expenses

Directors are reimbursed for out of pocket expenses incurred in undertaking their duties on behalf of BIG on the same basis as all other staff. Details of these expenses are available on the website, www.biglotteryfund.org.uk

Higher paid employees

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

| Total remuneration | Year ended 31 March 2012 No of staff (FTE) | Year ended 31 March 2011 No of staff (FTE) |
|--------------------|--|--|
| £50,000 - £54,999 | 9.7 | 7.0 |
| £55,000 - £59,999 | 5.6 | 5.0 |
| £60,000 - £64,999 | 4.0 | 5.0 |
| £65,000 - £69,999 | 6.0 | 4.0 |
| £70,000 - £74,999 | 2.0 | 1.0 |
| £75,000 - £79,999 | 1.0 | 2.0 |
| £80,000 - £84,999 | 0 | 1.0 |

Board members' remuneration policy

The post of Chair of BIG is a part-time appointment, two days per week. The four country committee chairs are also part time appointments, up to eight days a month. The Chair and country committee chairs are appointed, and their remuneration determined, by the Minister for the Cabinet Office. The remuneration received by the Chair and country committee chairs is set out right. They receive no contributions to pension.

| Chairs | Year ended 31 March 2012 (£) | Year ended 31 March 2011 (£) |
|--|------------------------------------|------------------------------------|
| Peter Ainsworth Chair, Board (from 1 June 2011) | 19,200 | - |
| Anna Southall Interim Chair (until 31 May 2011) General member and Vice-Chair (resumed from 1 June 2011) | 2,920 | 13,243 |
| Nat Sloane Chair, England Committee (from 1 June 2011) | 20,000 | - |
| Sanjay Dighe Chair, England Committee (until 31 May 2011) | 4,209 | 25,256 |
| Sir Adrian Webb Chair, Wales Committee (from 1 January 2012) | 4,500 | - |
| Frank Hewitt CBE Chair, Northern Ireland Committee | 25,256 | 25,256 |
| Alison Magee Chair, Scotland Committee (until 30 November 2011) | 16,837 | 25,256 |
| Maureen McGinn Chair, Scotland Committee (from 1 December 2011) | 8,000 | - |
| Janet Reed OBE Interim Chair, Wales Committee (until 31 December 2011) | 18,942 | 12,628 |

| Board | Year ended 31 March 2012 (£'000) | Year ended 31 March 2011 (£'000) |
|---|--|--|
| Judith Donovan General Board member (until 30 November 2011) | 9.4 | 11.0 |
| Roland Doven | 9.9 | 13.0 |
| John Gartside (also a member of the England Committee) | 14.1 | 16.1 |
| Rajay Naik | 6.3 | 11.1 |
| Anna Southall (Vice-Chair from October 2010 to May 2011, then interim Chair. Remuneration paid as Chair) | 15.6 | 12.7 |
| Albert Tucker (also a member of the England Committee) | 11.7 | 14.5 |
| Diana Whitworth | 9.0 | 8.8 |

All Board members of BIG are appointed by the Secretary of State for a fixed period. Board members are entitled to receive remuneration for their time spent on the activities of BIG. These activities, for which Board members can claim a daily rate fee of £218 (2010/11 £218), mainly consist of meetings in BIG's offices. The daily rate is as advised by DCMS each year. No Board member received contributions to pension. In future years, responsibility for appointments of Board members and the daily rate for Board members will be the responsibility of the Minister for the Cabinet Office.

Country committee members are also entitled to remuneration at this daily rate. As from 30 June 2011 all new appointees to the Board and committees are paid on a fixed salary based on an agreed number of working days.

Total emoluments paid to Board and committee members to 31 March 2012 were £197,700 (2010/11 £243,400).

| England Committee | Year ended 31 March 2012 (£'000) | Year ended 31 March 2011 (£'000) |
|--|--|--|
| Dr Alan Billings | 9.5 | 13.7 |
| Sue Charteris (until 30 November 2011) | 4.9 | 5.6 |
| Scott Greenhalgh (from 1 December 2011) | 3.3 | - |
| Geeta Gopalan (from 1 December 2011) | 3.3 | - |
| Margaret Hyde (until 30 November 2011) | 6.8 | 10.3 |
| Steve Richards (from 1 December 2011) | 3.3 | - |
| Danny Silverstone | 2.7 | 4.8 |
| Nalini Varma | 10.6 | 17.3 |
| Geoffrey Wilkinson | 10.9 | 12.6 |

| Wales Committee | Year ended 31 March 2012 (£'000) | Year ended 31 March 2011 (£'000) |
|---|--|--|
| Graham Benfield OBE | 1.3 | 2.0 |
| Fran Targett OBE | 2.8 | 4.5 |
| Gareth Newton | 4.6 | 7.3 |
| Janet Reed OBE (Interim Chair until 31 December 2011) | 0.7 | 3.3 |
| Mike Theodoulou | 7.6 | 9.4 |
| Barbara Wilding CBE, QPM, CCMI | 3.8 | 8.0 |

| Scotland Committee | Year ended 31 March 2012 (£'000) | Year ended 31 March 2011 (£'000) |
|--|--|--|
| Tim Allen | 2.6 | 4.0 |
| Maureen McGinn (until 30 November 2011) | 3.0 | 6.4 |
| Elizabeth Cameron | 2.6 | 3.3 |
| Helen Forsyth | 4.7 | 5.3 |
| David Green | 4.3 | 4.7 |
| Alistair Grimes | 4.7 | 4.8 |
| Kristofer McGhee (until 30 November 2011) | 3.3 | 5.5 |
| Lucy McTernan | 5.0 | 3.0 |
| Shirley Young | 3.9 | 5.4 |

| Northern Ireland Committee | Year ended 31 March 2012 (£'000) | Year ended 31 March 2011 (£'000) |
|-------------------------------|--|--|
| Geraldine Campbell | 2.0 | 4.3 |
| Paul Cavanagh | 5.1 | 3.4 |
| Julie Harrison | 1.3 | 2.7 |
| Claire Keatinge | 1.9 | 1.5 |
| Peter Osbourne | 1.2 | 3.1 |

Board and committee members are reimbursed for out of pocket expenses incurred in undertaking their duties on behalf of BIG. Details of these expenses are available on the website, www.biglotteryfund.org.uk

Peter Wanless

Chief Executive and Accounting Officer
10 July 2012

Our financial statements

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

I certify that I have audited the financial statements of Big Lottery Fund for the year ended 31 March 2012 under the National Lottery etc. Act 1993 and the Dormant Accounts and Building Societies Act 2008. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Fund, Accounting Officer and Auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Big Lottery Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by 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. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Big Lottery Fund's affairs as at 31 March 2012 and of the deficit after taxation for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993, the Dormant Accounts and Building Societies Act 2008, and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993; and
- the information given in sections one, four and five 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; 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.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
 157-197 Buckingham Palace Road
 Victoria
 London
 SW1W 9SP

12 July 2012

Annual accounts

Statement of comprehensive income

| | Note | Year ended 31 March 2012 £'000 | Year ended 31 March 2011 £'000 |
|---|------|--------------------------------------|--------------------------------------|
| Income | | | |
| Lottery income | | | |
| Proceeds from the National Lottery | 13 | 770,917 | 773,162 |
| Investment income from the National Lottery Distribution Fund | 13 | 5,550 | 8,528 |
| Bank and other interest receivable | 2 | 27 | (146) |
| Recoveries of grant | 2 | 3,141 | 5,012 |
| | | <u>779,635</u> | <u>786,556</u> |
| Dormant accounts income | | | |
| Transfers from Reclaim Fund Ltd | 27 | 47,630 | - |
| Bank Interest receivable on dormant account funds | 27 | 251 | - |
| | | <u>47,881</u> | <u>-</u> |
| Other income | 2 | 6,456 | 7,237 |
| Total income | | <u>833,972</u> | <u>793,793</u> |
| Expenditure | | | |
| Lottery programme expenditure | | | |
| Grant commitments made | 3 | 759,590 | 290,831 |
| Less lapsed or revoked commitments | 3 | (9,383) | (8,037) |
| Transfer to Olympic Lottery Distribution Fund | 21 | 171,728 | 171,728 |
| Direct expenditure in support of programmes | 4 | 3,421 | 4,953 |
| | | <u>925,356</u> | <u>459,475</u> |
| Dormant accounts programme expenditure | | | |
| Grant commitments made | 27 | 37,990 | - |
| Operating costs | | | |
| Operating costs for distributing Lottery income | 5 | 48,960 | 53,103 |
| Operating costs for distributing dormant accounts funds | 27&5 | 1,970 | - |
| Recharged operating costs | 5 | 6,456 | 7,237 |
| Restructuring and investment | 8 | 654 | 379 |
| | | <u>58,040</u> | <u>60,719</u> |
| Total expenditure | | 1,021,386 | 520,194 |
| (Deficit)/surplus before taxation | | (187,414) | 273,599 |
| Taxation | 9 | (159) | 146 |
| (Deficit)/surplus after taxation | | <u>(187,573)</u> | <u>273,745</u> |

| | | | |
|---|----|------------------|------------------|
| Other comprehensive income/expenditure | | | |
| Increase/ (decrease) on revaluation of investment | 13 | 8,652 | (1,056) |
| Total comprehensive net (expenditure)/income | | <u>(178,921)</u> | <u>272,689</u> |
| Reserves | | | |
| Brought forward at 1 April 2011 | | (357,311) | (630,000) |
| Total comprehensive (expenditure)/income for the year | | (178,921) | 272,689 |
| Carried forward at 31 March 2012 | | <u>(536,232)</u> | <u>(357,311)</u> |

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

Statement of financial position

| | Note | 31 March 2012 £'000 | 31 March 2011 £'000 |
|--|------|------------------------|------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 3,773 | 3,847 |
| Intangible assets | 11 | 11,774 | 5,237 |
| | | <u>15,547</u> | <u>9,084</u> |
| Current assets | | | |
| Trade and other receivables | 12 | 28,706 | 16,895 |
| Cash at bank and in hand | | 22,094 | 6,501 |
| Investment balance in National Lottery Distribution Fund | 13 | 398,843 | 523,406 |
| | | <u>449,643</u> | <u>546,802</u> |
| Total assets | | <u>465,190</u> | <u>555,886</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | (13,179) | (5,425) |
| Grants commitments | 16 | (473,063) | (450,550) |
| | | <u>(486,242)</u> | <u>(455,975)</u> |
| Non-current assets less net current liabilities | | (21,052) | 99,911 |
| Non-current liabilities | | | |
| Trade and other payables | 14 | (1,541) | (1,726) |
| Grants commitments | 16 | (506,394) | (447,177) |
| | | <u>(507,935)</u> | <u>(448,903)</u> |
| Provisions | 15 | (7,245) | (8,319) |
| Assets less liabilities | | <u>(536,232)</u> | <u>(357,311)</u> |
| Represented by: | | | |
| Lottery funds reserve | | (544,153) | (357,311) |
| Dormant accounts funds reserve | | 7,921 | - |
| | | <u>(536,232)</u> | <u>(357,311)</u> |

Signed on behalf of the Big Lottery Fund Board on 10 July 2012.

Peter Wanless
Chief Executive and Accounting Officer

Peter Ainsworth
Chair

The notes on pages 96 to 123 form part of these accounts.

Statement of cash flows

| | Note | Year ended 31 March 2012 £'000 | Year ended 31 March 2011 £'000 |
|--|------|--------------------------------------|--------------------------------------|
| Cashflows from operating activities | | | |
| Funds drawn down from the National Lottery Distribution Fund | | 909,682 | 731,370 |
| Transfers from Reclaim Fund Ltd (Dormant Accounts) | | 47,630 | - |
| Payments relating to Dormant Accounts | | (39,863) | - |
| Recoveries of grant and cash from other sources | | 3,141 | 5,012 |
| Other income | | 6,463 | 6,431 |
| Interest received | | 278 | (146) |
| Payments to suppliers | | (21,564) | (27,426) |
| Payments to and on behalf of employees | | (34,381) | (36,803) |
| Payments to grant recipients | | (665,382) | (512,493) |
| Transfer to OLFDF | | (171,728) | (171,728) |
| Cash paid and held by third parties | | (11,598) | 3,740 |
| Tax paid on interest received | | (8) | (990) |
| Net cash flow from operating activities | 19 | <u>22,670</u> | <u>(3,033)</u> |
| Cashflows from investing activities | | | |
| Payments to acquire property, plant and equipment | | (540) | (279) |
| Payments to acquire intangible assets | | (6,537) | (3002) |
| | | <u>(7,077)</u> | <u>(3,281)</u> |
| Increase/(decrease) in cash | | <u>15,593</u> | <u>(6,314)</u> |
| Net increase/(decrease) in cash and cash equivalents | | | |
| Cash balances carried forward | | 22,094 | 6,501 |
| Less cash balances brought forward | | (6,501) | (12,815) |
| Increase/(decrease) in cash | | <u>15,593</u> | <u>(6,314)</u> |
| Statement of changes in equity | | | |
| General reserves | | | |
| Balance brought forward | | (357,311) | (630,000) |
| Total comprehensive income | | (178,921) | 272,689 |
| Balance carried forward | | <u>(536,232)</u> | <u>(357,311)</u> |

The notes on pages 96 to 123 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2011/12 Government Financial Reporting Manual (FReM) issued by HM Treasury, and the Accounts Directions issued by the Secretary of State for Culture, Olympics, 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 requirements of 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 2011/12 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 2011/12 BIG does not believe that current costs are materially different to the historic cost shown in the Statement of Financial Position. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act, FReM and International Financial Reporting Standards, where appropriate.

1.2 Going concern

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

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, Olympics, Media and Sport. However, the share of these balances attributable to BIG is as shown in the accounts and, at 31 March 2012, has been certified by the Secretary of State for Culture, Olympics, Media and Sport as being available for distribution by BIG 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 down 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 grant management software product are recognised as an intangible asset. Directly attributable costs include external contractors' fees and employee costs. Following initial recognition of the assets we amortise on a straight line basis over the estimated useful life as follows:

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

For assets under construction we do not amortise.

1.6 Pension fund

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

1.7 Operating leases

Lessee

Leases where BIG has substantially none of the risks and rewards of ownership are classified by BIG as an operating lease in accordance with IAS 17 'Leases'. The costs of operating leases held by BIG 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 2012 all BIG'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 BIG and therefore both elements have been classified as operating leases.

Lessor

Where BIG has 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 BIG to make grants to fund or assist in the funding of projects and to make or enter into arrangements which are designed to meet expenditure that is charitable or connected with health, education or the environment as directed by the Secretary of State.

Grant offers and commitments

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

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

Soft commitments are defined as an agreement in principle by BIG to fund a scheme and an offer of grant made to the applicant, which the applicant has yet to accept formally. These are shown as a note to the accounts but are not treated as part of the Statement of Comprehensive Income.

Grants repaid and recovered

BIG's 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

BIG records 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 Act. For example provision of grant applicant and recipient support structures and quality assurance for the direct benefit of grant recipients.

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.

BIG is registered for Valued Added Tax (VAT). VAT is charged and recovered on BIG's activities that comply with the definition of business activities as set out in VAT legislation. This includes much of our Third Party activities.

1.10 Cash and cash equivalents

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

1.11 Provisions

BIG 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
3. the amount can be reliably estimated.

Currently BIG holds provisions for restructuring costs and onerous lease transactions.

1.12 Grant management

Delegated partners

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

Trusts

BIG 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 BIG makes payments to the trusts. Amounts held by the trust are not shown as assets within BIG.

Joint schemes

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

1.13 Third party assets

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

1.14 Financial instruments

BIG 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. BIG does not hold any complex financial instruments.

1.15 Segmental reporting

In line with IFRS 8, BIG's Board as 'Chief Operating Decision Maker' has determined that BIG operates in five material geographical segments in order to distribute funding across in Great Britain, these being UK, England, Wales, Scotland and Northern Ireland. BIG has a single significant source of income from Lottery income, and the segmental reporting format reflects BIG's management and internal reporting structure. Some programmes are UK wide and this is reported independently to the four countries.

1.16 Dormant Accounts

Dormant Accounts Funds have been accounted for under the same policies as Lottery funds, with the amounts distinguished in these financial statements. Further details are given in note 27. For clarity, memorandum financial statements relating only to Dormant Accounts Funds are included on page 122.

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 2011/12. The application of the Standards as revised would not have a material impact on the accounts for 2011/12, were they applied in that year:

- IAS 1** Presentation of financial statements (Other Comprehensive Income)
- subject to consultation
- IAS 12** Income Taxes (amendment)
- subject to consultation
- IAS 19** Post-employment benefits (pensions)
- subject to consultation
- IAS 27** Separate Financial Statements
- subject to consultation
- IAS 28** Investments in Associates and Joint Ventures
- subject to consultation
- IFRS 7** Financial Instruments: Disclosures (annual improvements) – effective 2012-13
- IFRS 9** Financial Instruments – subject to consultation
- IFRS10** Consolidated Financial Statements
- subject to consultation
- IFRS11** Joint Arrangements – subject to consultation
- IFRS12** Disclosure of Interests in Other Entities
- subject to consultation
- IFRS 13** Fair Value Measurement
- subject to consultation
- IPSAS 32** Service Concession Arrangement
-subject to consultation.

2. Income

Recoveries of grant £3,141,000 (2010/11 £5,012,000) represent income received back from grant holders (see note 1.8).

The bank interest adjustment relates to an historic overstatement of bank interest receivable which has been rectified during the year.

| | Year ended 31 March 2012 £'000 | Year ended 31 March 2011 £'000 |
|--|--------------------------------------|--------------------------------------|
| Bank and other interest receivable | | |
| Bank interest receivable | 27 | 27 |
| Bank interest adjustment | - | (173) |
| | <u>27</u> | <u>(146)</u> |
| Other income | | |
| Income from delivering non-Lottery funding | 4,112 | 4,468 |
| Income from delivering Lottery funding on behalf of other distributors | 310 | 514 |
| Rental income | 1,828 | 1,854 |
| Other | 206 | 401 |
| | <u>6,456</u> | <u>7,237</u> |

Other income relates to recharges by BIG for management of grant programmes on behalf of other organisations. It also includes rental income where BIG sublets properties.

3. Programme expenditure

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

BIG does not allocate income but manages 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 indicative funding for the 2009 – 2015 Strategic plan to each country after a share of budget, up to 10 per cent, is top sliced for UK programmes. Of the remaining budgets England receive 77.5 per cent; Scotland 11.5 per cent; Wales 6.5 per cent and Northern Ireland 4.5 per cent. Over the plan period each country committee has discretion, within certain constraints, on the phasing of grant decisions. The table below sets out grant commitments charged to the Statement of Comprehensive Income in the year.

| | Year ended 31 March 2012 | | | | | | Year ended |
|-------------------------------------|--------------------------|----------------|---------------|---------------|---------------------|----------------|------------------------|
| | UK | England | Scotland | Wales | Northern Ireland | Total | 31 March 2011 £'000 |
| | £'000 | | | | | | |
| Grant commitments made | 112,603 | 497,483 | 77,620 | 49,174 | 22,710 | 759,590 | 290,831 |
| Less lapsed and revoked commitments | (773) | (6,937) | (536) | (598) | (539) | (9,383) | (8,037) |
| Net grant commitments made | 111,830 | 490,546 | 77,084 | 48,576 | 22,171 | 750,207 | 282,794 |

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 2012 £'000 | Year ended 31 March 2011 £'000 |
|--|--------------------------------------|--------------------------------------|
| Support provided directly to grant applicants and recipients | 3,421 | 3,518 |
| Scottish Youth Football award | - | 1,435 |
| | <u>3,421</u> | <u>4,953</u> |

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

| | Year ended 31 March 2012 £'000 | Year ended 31 March 2011 £'000 |
|--|--------------------------------------|--------------------------------------|
| Highlands and Islands Enterprise – Growing Community Assets support contract | - | 144 |
| 18 Contracts (2010/11 – 6) to deliver the Lifeskills programme in Wales | 4,406 | 4,403 |
| 5 (2010/11 – 4) other support and development contracts | 10,809 | 2,774 |

5. Operating costs

| | Year ended 31 March 2012 | | | | Year ended 31 March 2011 |
|---|--|------------------------------------|---|--------------------------------|--------------------------------|
| | Operating costs for distributing Lottery income £'000 | Recharged operating costs £'000 | Operating costs of distributing Dormant accounts funds £'000 | Total operating costs £'000 | Total operating costs £'000 |
| Employee remuneration | 30,485 | 2,449 | 260 | 33,194 | 35,329 |
| Travel and expenses | | | | | |
| – Staff | 1,504 | 79 | 4 | 1,587 | 1,575 |
| – Board and committee members | 59 | - | - | 59 | 79 |
| Payments under operating leases | | | | | |
| – Property | 2,982 | 2,149 | 33 | 5,164 | 5,117 |
| – Other | (96) | - | - | (96) | 467 |
| Other accommodation costs | 2,817 | - | - | 2,817 | 2,725 |
| Communication costs | 1,991 | 100 | 10 | 2,101 | 2,478 |
| Externally provided support for grant programmes | 630 | 81 | 3 | 714 | 1,415 |
| Programme evaluation | 631 | 54 | 4 | 689 | 1,039 |
| Staff recruitment and training | 1,044 | 8 | - | 1,052 | 1,066 |
| Professional fees | 718 | 1,188 | 3 | 1,909 | 2,542 |
| Auditors remuneration for audit work ¹ | 104 | - | - | 104 | 106 |
| Auditors remuneration for grant certification work (Wales Audit Office) | 19 | 5 | - | 24 | 5 |
| IT infrastructure costs | 2,172 | - | - | 2,172 | 1,678 |
| Costs recharged by the Minister for the Cabinet Office | - | - | 1,630 | 1,630 | - |
| Other costs | 528 | - | 23 | 551 | 867 |
| VAT | 2,758 | 343 | - | 3,101 | 3,220 |
| Non-cash items: | | | | | |
| – Depreciation | 614 | - | - | 614 | 632 |
| – Write down of property, plant and equipment | - | - | - | - | - |
| | 48,960 | 6,456 | 1,970 | 57,386 | 60,340 |

¹The National Audit Office have not been paid for any non-audit work performed during the 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 and sublet properties. We also exclude the one-off costs of investment to achieve future efficiencies. On this basis the cost of distributing our share of Lottery income was 6.3 per cent of that income (2010/11 6.8 per cent).

| | Year ended 31 March 2012 | Year ended 31 March 2011 |
|---|-----------------------------|-----------------------------|
| | Total £'000 | Total £'000 |
| Operating costs for distributing Lottery income | 48,960 | 53,103 |
| Proceeds from National Lottery | 770,917 | 773,162 |
| Investment Income | 5,550 | 8,528 |
| | <u>776,467</u> | <u>781,690</u> |
| Percentage | 6.3% | 6.8% |

7. Staff numbers and costs

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

| | Year ended 31 March 2012 | Year ended 31 March 2011 |
|-----------------------|-----------------------------|-----------------------------|
| | £'000 | £'000 |
| Wages and salaries | 26,951 | 28,059 |
| Social security costs | 2,196 | 2,179 |
| Other pension costs | 4,740 | 4,884 |
| Agency staff costs | 691 | 1,446 |
| Capitalised salaries | (1,384) | (1,024) |
| | <u>33,194</u> | <u>35,544</u> |

These costs include £110,441 for staff seconded out to other organisations. Recoveries of £106,006 are included in other income. The salary and pension entitlement of the senior management and Board members of BIG are included above; details are disclosed in the Remuneration Report. It is not possible to identify the number and cost of members of staff within the total who are not employed on a permanent basis with the exception of those employed through agencies.

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

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

| | Year ended 31 March 2012 | | | Year ended 31 March 2011 |
|---------------------------------------|---|---|--|--|
| | Average number of temporary staff (FTEs) | Average number of employees (FTEs) | Total average number of staff (FTEs) | Total average number of staff (FTEs) |
| Grant-making | 19 | 562 | 581 | 605 |
| Support to customers and stakeholders | 3 | 173 | 176 | 186 |
| Governance and administration | 4 | 160 | 164 | 170 |
| Staff engaged on capital projects | - | 30 | 30 | 21 |
| | <u>26</u> | <u>925</u> | <u>951</u> | <u>982</u> |

At 31 March 2012, BIG employed 955 full-time equivalent employees (2010/11 994). This included 33 full-time equivalent temporary employees (2010/11 75).

Exit packages

Although BIG 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 BIG and are not met by the Civil Service or Exchequer Funds.

| Exit package cost band | Number of compulsory redundancies | Number of other departures | Total number of exit packages by cost band |
|---------------------------------------|-----------------------------------|----------------------------|--|
| < £10,000 | 0 (1) | 0 (0) | 0 (1) |
| £10,000 - £25,000 | 9 (7) | 0 (0) | 9 (7) |
| £25,001 - £50,000 | 3 (5) | 0 (0) | 3 (5) |
| £50,001 - £100,000 | 1 (8) | 0 (0) | 1 (8) |
| £100,001 - £150,000 | 0 (0) | 0 (0) | 0 (0) |
| £150,001 - £200,000 | 0 (3) | 0 (0) | 0 (3) |
| Total Number of exit packages by type | 13 (24) | 0 (0) | 13 (24) |
| Total cost £'000 | 283 (1,347) | 0 (0) | 283 (1,347) |

Figures in brackets are prior year comparatives.

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 2011/12, the costs of this restructuring included termination payments and property transactions. The main property transaction this year was the relocation of our Leeds office, moving from Carlton Tower to Consort House. Additionally, the Exeter office was downsized.

We have invested in a review of our business processes including a new funding management system to improve customer service and increase efficiencies. Direct costs of staff working on this project, along with hardware and licenses have been capitalised in accordance with IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' (see notes 10 and 11).

| | Year ended 31 March 2012 £'000 | Year ended 31 March 2011 £'000 |
|--|--------------------------------------|--------------------------------------|
| Termination payments | 237 | 57 |
| Property rationalisation | 170 | 765 |
| Onerous lease provision | - | (637) |
| Business process re-engineering review | 247 | 194 |
| | 654 | 379 |

9. Taxation

BIG only pays corporation tax on bank and any other interest received.

The tax charge for 2011/12 is £159,000 (2010/11 £146,000 receivable). The prior year refund relates to an over provision of tax of £173,000 in 2008/09. Investment income generated on balances held and invested by the National Lottery Distribution Fund on BIG's behalf is not taxable.

10. Property, plant and equipment

| | Leasehold improvement | IT | Office equipment, furniture and fittings | Total |
|-------------------------|--------------------------|--------------|---|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | |
| At 1 April 2011 | 6,815 | 1,915 | 300 | 9,030 |
| Additions | 5 | 535 | - | 540 |
| Disposals | - | - | - | - |
| At 31 March 2012 | 6,820 | 2,450 | 300 | 9,570 |
| Depreciation | | | | |
| At 1 April 2011 | 3,452 | 1,479 | 252 | 5,183 |
| Charge for the year | 366 | 209 | 39 | 614 |
| Disposals | - | - | - | - |
| At 31 March 2012 | 3,818 | 1,688 | 291 | 5,797 |
| Net book value | | | | |
| At 31 March 2012 | 3,002 | 762 | 9 | 3,773 |
| Cost | | | | |
| At 1 April 2010 | 6,588 | 1,863 | 300 | 8,751 |
| Additions | 227 | 52 | - | 279 |
| Disposals | - | - | - | - |
| At 31 March 2011 | 6,815 | 1,915 | 300 | 9,030 |
| Depreciation | | | | |
| At 1 April 2010 | 3,099 | 1,239 | 213 | 4,551 |
| Charge for the year | 353 | 240 | 39 | 632 |
| Disposals | - | - | - | - |
| At 31 March 2011 | 3,452 | 1,479 | 252 | 5,183 |
| Net book value | | | | |
| At 31 March 2011 | 3,363 | 436 | 48 | 3,847 |
| At 31 March 2010 | 3,489 | 625 | 87 | 4,201 |

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

11. Intangible assets

| | Funding system software – under devel- opment | Website under devel- opment | Total | | Funding system software – under devel- opment | Website under devel- opment | Total |
|-------------------------|--|--------------------------------------|---------------|-------------------------|--|--------------------------------------|--------------|
| | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| Cost | | | | Cost | | | |
| At 1 April 2011 | 5,237 | - | 5,237 | At 1 April 2010 | 2,235 | - | 2,235 |
| Additions | 6,289 | 248 | 6,537 | Additions | 3,002 | - | 3,002 |
| At 31 March 2012 | 11,526 | 248 | 11,774 | At 31 March 2011 | 5,237 | - | 5,237 |

12. Trade and other receivables

| | At 31 March 2012 £'000 | At 31 March 2011 £'000 |
|---|------------------------------|------------------------------|
| Amount falling due within one year | | |
| Held by delegated partners for payment of grant commitments | 20,024 | 8,815 |
| Deposits and advances | 263 | 1,573 |
| Other receivables | 3,641 | 2,727 |
| | 23,928 | 13,115 |
| | | |
| Prepayments and accrued income | 4,778 | 3,780 |
| | 28,706 | 16,895 |

Balances receivable are as follows:

| | At 31 March 2012 £'000 | At 31 March 2011 £'000 |
|---|------------------------------|------------------------------|
| Amounts due from other Government bodies | 3,580 | 965 |
| Amounts due from local authorities | 22 | - |
| Amounts due from bodies external to Government | 25,104 | 15,930 |

13. National Lottery Distribution Fund

| | £'000 | £'000 |
|--------------------------------------|-----------|----------------|
| Balance as at 1 April 2011 | | 523,406 |
| Proceeds from the National Lottery | 770,917 | |
| Investment income from the NLDF | 5,550 | |
| Funds drawn down from the NLDF | (909,682) | |
| Net increase in balance | | (133,215) |
| Cost as at 31 March 2012 | | 390,191 |
| Unrealised gain on investment | | 8,652 |
| Market value at 31 March 2012 | | 398,843 |

BIG 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, Olympics, 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

| | At 31 March 2012 £'000 | At 31 March 2011 £'000 |
|--|------------------------------|------------------------------|
| Amount falling due within one year | | |
| VAT | 127 | 109 |
| Other taxation and social security | 1,143 | 1,164 |
| Trade payables | 885 | 15 |
| Owed to joint partner for payment of grant commitments | 6,516 | - |
| Other payables | 869 | 200 |
| Accrual and deferred income | 3,639 | 3,937 |
| | 13,179 | 5,425 |
| Amount falling due after more than one year | | |
| Other payables, accruals and deferred income | 1,541 | 1,726 |
| Total | 14,720 | 7,151 |
| Included in the amounts above are the following balances payable to other Government bodies: | | |
| Amounts due to other Government bodies | 7,820 | 885 |
| Amounts due to local authorities | - | - |
| Amounts due to bodies external to Government | 6,900 | 6,266 |
| | 14,720 | 7,151 |

15. Provisions for liabilities and charges

| | Onerous lease payments | Early retirement contributions | Redundancy provisions | Total provisions |
|---|---------------------------|--------------------------------------|--------------------------|---------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Brought forward at 1 April 2011 | 6,387 | 1,010 | 922 | 8,319 |
| New provisions created | - | - | 266 | 266 |
| Provisions utilised | (694) | (222) | (267) | (1,183) |
| Provisions released | - | (153) | (4) | (157) |
| Carried forward at 31 March 2012 | 5,693 | 635 | 917 | 7,245 |

Onerous lease payments

BIG has sublet part of its Plough Place, London premises to three tenants. The provision represents the difference between the rent charged to BIG's tenants and that which we are contracted to pay to our landlords. The provision for the difference in market rent is calculated using an assumed inflation rate of 3 per cent. The provision will be realised over 11 years which is the remaining term of the lease.

At 31 March 2012, we have discounted the provision for onerous lease payments using the discount rate advised by HM Treasury, 2.2 per cent.

There have been no new provisions created during the year.

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 BIG 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 BIG has entered into consultation prior to 31 March 2012. Redundancy payments are made in accordance with contractual arrangements and terms set out in the Principal Civil Service Pension Scheme arrangements. It is expected that the majority of this provision will be realised over the course of the next financial year to 2012/13.
- ▶ Permanent BIG employees are contractually entitled to up to £500 on being made redundant, in relation to the purchase of training courses or materials for development towards future employment. This has also been provided.

16. Grants committed for payment (hard commitments)

| | £'000 | £'000 |
|---|-----------|----------------|
| Hard commitments | | |
| Brought forward at 1 April 2011 | | 897,727 |
| Grant commitments made | 759,590 | |
| Lapsed and revoked commitments | (9,383) | |
| Grant commitments met | (668,477) | |
| Net movement in hard commitments | | 81,730 |
| Carried forward at 31 March 2012 | | 979,457 |

Ageing of hard commitments

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

| | At 31 March 2012 £'000 | At 31 March 2011 £'000 |
|--|------------------------------|------------------------------|
| Grants committed for payment within one year | 473,063 | 450,550 |
| Grants committed for payment in more than one year | 506,394 | 447,177 |
| | <u>979,457</u> | <u>897,727</u> |

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

| | At 31 March 2012 £'000 | At 31 March 2011 £'000 |
|---|------------------------------|------------------------------|
| Grants committed for payment to other Government bodies | 17,213 | 38,042 |
| Grants committed for payment to local authority bodies | 74,398 | 93,586 |
| Grants committed for payment to the National Health Service organisations | 4,219 | 6,923 |

17. Soft commitments

Soft commitments represent grant offers that have yet to be formally accepted in writing by the applicant.

As such these offers are not recognised as a financial commitment within these accounts.

| | £'000 | £'000 |
|--|-----------|---------------|
| Soft commitments | | |
| Brought forward at 1 April 2011 | | 54,792 |
| Soft commitments made | 768,841 | |
| Lapsed and revoked soft commitments | (4,352) | |
| Soft commitments transferred to hard commitments | (759,590) | |
| Net movement in soft commitments | | 4,899 |
| Carried forward at 31 March 2012 | | 59,691 |

18. Joint schemes

Parks for People

This scheme is administered by the Heritage Lottery Fund on behalf of all parties to the agreement BIG has agreed to contribute up to £130 million to the total expected funding of £309 million. Included within hard commitments are £4.4 million (2010/11 £21 million) of new grant commitments; and grant commitments carried forward at 31 March include £34.2 million (2010/11 £51.1 million) representing BIG's contribution to the Parks for People joint scheme. The creditors figure includes £6.5 million which is due to Heritage Lottery Fund in respect of our contribution to payments they have made to grant recipients.

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

| | Year ended 31 March 2012 £'000 | Year ended 31 March 2011 £'000 |
|--|---|---|
| (Deficit)/Surplus for the period | (178,921) | 272,689 |
| Depreciation of property, plant and equipment | 614 | 632 |
| Write down of disposal of property, plant and equipment | - | - |
| Write down of intangible assets | - | - |
| (Deficit)/Surplus adjusted for non-cash transactions | (178,307) | 273,321 |
| (Increase)/Decrease in trade and other receivables | (11,780) | 1,748 |
| Decrease/(Increase) in NLDF balance | 124,563 | (49,264) |
| Increase/(Decrease) in trade and other payables | 7,538 | (1,773) |
| Decrease in provisions | (1,074) | (2,351) |
| Increase/(Decrease) in provision for grant commitments | 81,730 | (224,714) |
| Net cash inflow/(outflow) from operating activities | 22,670 | (3,033) |

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 Big Lottery Fund than is typical of the listed companies to which IFRS 7 mainly applies. Big Lottery Fund does not have powers to borrow and can only invest grant-in-aid-derived funds. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the organisation.

Liquidity risks

In 2011–12, £771 million (92 per cent) of Big Lottery Fund's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the NLDF, £6 million (1 per cent), along with a small amount of bank interest and sundry income £10 million (1 per cent) and income from dormant accounts £48 million (6 per cent). The Board recognise that their hard commitments (that is, signed grant contracts) and their other payables exceeded the value of funds in the NLDF at 31 March 2012. However, the Board considers that Big Lottery Fund is not exposed to significant liquidity risks as they are satisfied that they will have sufficient liquid resources within the NLDF and the bank to cover all likely grant payment requests in the coming years. The Board have been informed by the Department for Culture, Media and Sport (DCMS) that it has no plans to change the Lottery distribution arrangements for the voluntary and charitable sector. The Board have set a long-term grant-award strategy to ensure that Big Lottery Fund's liabilities are in line with assets, and that BIG is able to meet our commitments to 2019, when the fourth Lottery licence expires. Thus, even if there were a long-term decline in Lottery income, the Board would be able to adjust annual grant budgets to compensate.

| | |
|---|-------------|
| Liquid assets at 31 March 2012 | £m |
| Market value of NLDF investments | 399 |
| Cash | 14 |
| | 413 |
| Forecast cashflows during 2012/13 | |
| Income from the National Lottery | 737 |
| Less transfer to the London 2012 Olympics | (80) |
| Other income | 17 |
| Operating cost payments | (50) |
| Grant payments | (640) |
| Net forecast outgoings | (16) |
| | 397 |

The income forecasts are based on projections provided by the Department for Culture, Media and Sport. The forecast grant payments are based on expected draw down profiles as compiled at 31 March 2012.

Market and interest rate risks

The financial assets of Big Lottery Fund are invested in the NLDF, which invests in a narrow band of low-risk assets such as government bonds and cash. The Board have no control over the investment of these funds. For these two reasons, Big Lottery Fund has not carried out sensitivity analysis on market risks. At the date of the Statement of Financial Position, the market value of our investments in the NLDF was £399 million. Funds at the NLDF earned on average 2.26 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 0.15 per cent in the year. The sharp decline in market interest rates in 2008 has had a significant impact on returns, but as there is little room for rates to fall further, the risk is small. The Big Lottery Fund cash balance at the year-end was £14.1 million. The Board considers that Big Lottery Fund is not exposed to significant interest rate risks. Other financial assets and Big Lottery Fund's financial liabilities carried nil rates of interest.

| Cash balances | 2011-12 | 2010-11 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Sterling at floating interest rates - BIG | 14,076 | 6,501 |
| Sterling at floating interest rates – dormant accounts | 8,018 | - |
| Sterling at a mixture of fixed rates | 398,843 | 523,406 |
| | 420,937 | 529,907 |

Credit risk

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

Foreign currency risk

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

Financial assets by category

| Assets as per Statement of Financial Position | 2011-12 £'000 | 2010-11 £'000 |
|---|------------------|------------------|
| Non-current assets | 15,547 | 9,084 |
| Investments available for sale | 398,843 | 523,406 |
| Cash and cash equivalents – BIG | 14,076 | 6,501 |
| Cash and cash equivalents – dormant accounts | 8,018 | - |
| Loans and receivables | 28,706 | 16,895 |
| | <u>465,190</u> | <u>555,886</u> |

Financial liabilities by category

| Liabilities as per Statement of Financial Position | 2011-12 £'000 | 2010-11 £'000 |
|--|------------------|------------------|
| Financial liabilities: | | |
| - Grant commitments | 473,063 | 450,550 |
| - Operating payables | 13,179 | 5,425 |
| | <u>486,242</u> | <u>455,975</u> |

Fair values

Set out below is a comparison, by category, of book values and fair values of Big Lottery Fund's financial assets and liabilities as at 31 March 2012.

Financial assets at 31 March 2012:

| | Book value £'000 | Fair value £'000 |
|--------------------------|---------------------|---------------------|
| Cash ¹ | 22,094 | 22,094 |
| Investments ² | 398,843 | 398,843 |
| Receivables ³ | 28,706 | 28,706 |
| | <u>449,643</u> | <u>449,643</u> |

Financial assets at 31 March 2011:

| | Book value £'000 | Fair value £'000 |
|-------------|---------------------|---------------------|
| Cash | 6,501 | 6,501 |
| Investments | 523,406 | 523,406 |
| Receivables | 16,895 | 16,895 |
| | <u>546,802</u> | <u>546,802</u> |

Financial liabilities at 31 March 2012:

| | Book value £'000 | Fair value £'000 |
|---------------------------------|---------------------|---------------------|
| Grant commitments ⁴ | 473,063 | 473,063 |
| Operating payables ⁵ | 13,179 | 13,179 |
| | <u>486,242</u> | <u>486,242</u> |

Financial liabilities at 31 March 2011:

| | Book value £'000 | Fair value £'000 |
|--------------------|---------------------|---------------------|
| Grant commitments | 450,550 | 450,550 |
| Operating payables | 5,425 | 5,425 |
| | <u>455,975</u> | <u>455,975</u> |

Basis of fair valuation

¹ The figure here is the value of deposits with commercial banks. It is expected that book value equals fair value.

² Investments are controlled by the Secretary of State for Culture, Olympics, 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 £506 million of grant commitments as not being due for payment until after one year, we have not made a fair value adjustment. The Board have a contractual obligation to pay these amounts on demand, subject to contract, and so the amounts could be paid within the next 12 months.

⁵ All payables are due within normal contractual terms, and so no difference exists between book value and fair value.

Maturity of financial liabilities

| Liabilities as per Statement of Financial Position | 2011-12 £'000 | 2010-11 £'000 |
|--|------------------|------------------|
| In less than one year | 1,015,229 | 904,878 |
| In more than one year, but less than two | - | - |
| In two to five years | - | - |
| In more than five years | - | - |
| | <u>1,015,229</u> | <u>904,878</u> |

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

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

21. Financial commitments

Olympic transfer

In 2007/08 Parliament agreed to the transfer of £1,085 million from the NLDF to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games. BIG is committed to contribute up to £638 million between February 2009 and August 2012 in quarterly instalments.

Commitments under operating leases

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

| | As at 31 March 2012 £'000 | As at 31 March 2011 £'000 |
|---|---------------------------------|---------------------------------|
| Property leases held as a lessee: | | |
| Not later than 1 year | 6,294 | 6,355 |
| Later than 1 year and not later than 5 years | 23,568 | 24,555 |
| Later than 5 years | 23,545 | 29,301 |
| | 53,407 | 60,211 |
| Property leases where we are the lessor: | | |
| Not later than 1 year | 1,643 | 1,423 |
| Later than 1 year and not later than 5 years | 4,462 | 5,096 |
| Later than 5 years | 4,150 | 5,159 |
| | 10,255 | 11,678 |

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

22. Pension scheme

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

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers.

The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

For 2011/12, employers' contributions of £4,544,138 were payable to the PCSPS (2010/11 £4,876,047) at one of four rates in the ranges set out below. Employer contributions are to be reviewed every four years following a full scheme valuation. The latest valuation, carried out by Hewitt Bacon and Woodrow, was on 31 March 2007. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Rates for 2011/12 are in line with recommendations from the Actuary.

| Bands | Year ended 31 March 2012 |
|-------------------|--------------------------|
| £21,000 and under | 16.7% |
| £21,001 - £43,500 | 18.8% |
| £43,501 - £74,500 | 21.8% |
| £74,501 and over | 24.3% |

| Bands | Year ended 31 March 2011 |
|-------------------|--------------------------|
| £21,000 and under | 16.7% |
| £21,001 - £43,500 | 18.8% |
| £43,501 - £74,500 | 21.8% |
| £74,501 and over | 24.3% |

The PCSPS is multi-employer defined benefit scheme, BIG cannot identify its 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 2012 we have written off losses of £1,554,073 representing 116 awards (2010/11 £2,216,257 representing 140 awards). There were four write offs that exceeded £100,000 as detailed below.

Detainee Support and Help Unit £174,503
 Centre for Community Development Initiatives
 £187,485
 Losanganya L Analengo De London £101,682
 County Durham PCT £137,127

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 2012 three special payments totalling £39,662 (2010/11 £27,110 representing 4 awards) were made in relation to grant transactions.

24. Related party transactions

BIG is a non-departmental public body. Policy sponsorship of BIG was transferred from DCMS to the Cabinet Office on 13 April 2011, but BIG has 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, BIG has 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 of England and the Olympic Lottery Distributor.

Transactions with DCMS reflect income received through the NLDF (National Lottery Distribution Fund) and the inward secondment of staff. Transactions with other lottery distributors include income received for management of Awards for All and rental of office space. Payments are made to Heritage Lottery Fund and Sport England for their services in running grant programmes (Note 13).

In addition, BIG has 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, who deliver a grant programme on our behalf.
- ▶ HM Revenue and Customs relating to PAYE and NI Transactions.
- ▶ The Department for Education has contracted to BIG the management of the *myplace* grant programme.
- ▶ The Office for Civil Society has contracted to BIG the management of the Community Assets programme and the Transition Fund.
- ▶ The Cabinet Office has contracted to BIG the management of the Advice Services Fund and Transforming Local Infrastructure programmes.

Board members

BIG 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 BIG and commercial relationships with BIG.

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. BIG's 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 BIG has non-material business interests. These are disclosed on page 77. These include hard and soft commitments.

25. Third party assets

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

At 31 March 2012 the following bank balances were held on behalf of third parties:

| | 31/03/11 £ | Inflows £ | Outflows £ | 31/03/2012 £ |
|--|---------------|--------------|---------------|-----------------|
| Department for Education; the myplace programme | 19,687,806 | 106,032,887 | (112,843,808) | 12,876,885 |
| Office for Civil Society; The Community Assets programme | 1,147 | 334 | (1,374) | 107 |
| Arts Council England; Awards for All England | 51,804 | 3,031 | (6,460) | 48,375 |
| Heritage Lottery Fund; Awards for All; England, Scotland, Northern Ireland | 83,843 | 2,681 | (22,008) | 64,516 |
| Sport England; Awards for All England | 25,173 | 3,986 | (6,790) | 22,369 |
| Sports Council Northern Ireland | 100 | - | (100) | - |
| Advice Services Fund | - | 17,771,058 | (17,129,720) | 641,338 |
| Transforming Local Infrastructure; Office for Civil Society | - | 15,551,847 | (15,419,702) | 132,145 |
| National Lottery Promotions Unit | 1,557,152 | 2,438,873 | (2,673,828) | 1,332,197 |
| Community Assets Transfer; Welsh Assembly Government | 80,500 | 1,891,519 | (1,456,589) | 515,430 |
| Community Wildlife; Scottish National Heritage | 43,472 | 4,805 | (18,246) | 30,031 |
| Transition Fund; Office for Civil Society and Department of Health | 38,755 | 89,997,993 | (89,999,095) | 37,653 |

26. Joint venture – National Lottery promotions unit

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

The proportion of the joint venture which relates to BIG has not been consolidated within annual accounts in view of the materiality.

More information and the accounts of the NLPU will be available on their website <http://www.lotterygoodcauses.org.uk/> in due course.

27. Dormant accounts funds

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 accounts to Big Lottery Fund. 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 United Kingdom in accordance with a statutory instrument approved by Parliament.

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

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

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

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

The first transfers of funds occurred in 2011-12 so there are no corresponding figures.

| | Total £'000 | England £'000 | Scotland £'000 | Wales £'000 | N. Ireland £'000 |
|---|----------------|------------------|-------------------|----------------|---------------------|
| Transfers from Reclaim Fund Ltd | 47,630 | | | | |
| Bank interest receivable on dormant accounts funds | 251 | | | | |
| Total dormant accounts income | 47,881 | | | | |
| BIG's operating costs of distributing dormant accounts income | 340 | | | | |
| Available for apportionment to countries | 47,541 | | | | |
| Share of each country | | 83.9% | 8.4% | 4.9% | 2.8% |
| Apportioned to each country | | 39,887 | 3,993 | 2,330 | 1,331 |
| Costs incurred by Minister and devolved administrations | (1,630) | (1,630) | - | - | - |
| Transfers to Big Society Trust | (37,990) | (37,990) | - | - | - |
| Other grant commitments made | - | - | - | - | - |
| Balance of funds available for distribution | 7,921 | 267 | 3,993 | 2,330 | 1,331 |

**Memorandum of accounts –
dormant accounts****Statement of Comprehensive Income for the Year
ended 31 March 2012**

| | |
|--|---------------|
| Income | £'000 |
| Transfers from Reclaim Fund Ltd | 47,630 |
| Bank interest receivable | 251 |
| | <hr/> 47,881 |
| Programme expenditure | |
| Transfers to Big Society Trust | 37,990 |
| Other grant commitments made | - |
| | <hr/> 37,990 |
| Operating costs | |
| Costs incurred by Minister and devolved administrations | 1,630 |
| Other operating costs | 340 |
| | <hr/> 1,970 |
| Total expenditure | 39,960 |
| Surplus before taxation | 7,921 |
| Taxation | - |
| | <hr/> 7,921 |
| Total comprehensive income | 7,921 |
| | <hr/> <hr/> |
| Reserves | |
| Brought forward at 1 April 2011 | - |
| Total comprehensive net income for the year | 7,921 |
| Carried forward at 31 March 2012 | <hr/> 7,921 |
| | <hr/> <hr/> |

Statement of Financial Position

| | |
|--|--------------|
| Current assets | £'000 |
| Cash at bank and in hand | 8,018 |
| Total Assets | <hr/> 8,018 |
| Current liabilities | |
| Trade and other payables | (97) |
| Grant commitments | - |
| | <hr/> (97) |
| Non-current assets less net current liabilities | 7,921 |
| Assets less liabilities | <hr/> 7,921 |
| | <hr/> <hr/> |
| Represented by: | |
| Dormant accounts funds reserve | <hr/> 7,921 |
| | <hr/> <hr/> |

28. Capital commitments

There were £5,529,000 contracted capital commitments at 31 March 2012 (2010/11 £6,289,000) relating to the new funding management system. Of this, £34,000 is held on the Statement of Financial Position as capital accruals.

29. 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, BIG 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 2012 and 2031.

30. Contingent liabilities

Soft commitments are detailed at Note 17. There are no other contingent liabilities to report (2010/11 £0).

31. Post balance sheet review

There are no significant events having a financial impact on the annual accounts between 31 March 2012 and the date these accounts were authorised for issue, 12 July 2012.

Our large grants

During 2011/12 we made six awards of £5 million or greater. We now manage a total of 40 awards with a value of £5 million or greater. In this appendix we summarise the progress of each of these awards. This appendix is not subject to audit.

UK portfolio

International programme

Organisation: Helpage International
Grant scheme name: Preventing HIV/AIDS and alleviating its impact in multi-generational households
Grant awarded: £5.1 million

This portfolio of nine projects across Eastern and Southern Africa aims to address the needs of older people, people living with HIV/AIDS and orphans and vulnerable children who live in multi-generational households where, due to sickness or death of the middle generation, the burden of care for supporting the family lies with the older family members. This grant was awarded in 2007/08 and in 2009/10 a grant increase was approved as part of a package of additional support for International grants affected by the global economic downturn. By 31 March 2012 we had paid out £4,034,061. The project is expected to complete by April 2013.

Organisation: Care International
Grant scheme name: Enhancing mobile populations' access to HIV/AIDS services, information and support
Grant awarded: £ 5.1 million

The aim of this five year portfolio of projects is to develop a model of working with marginalised mobile populations in high mobility routes between Bangladesh, India and Nepal who are vulnerable to HIV/AIDS. The grant was awarded in 2008/09 and in 2009/10 a grant increase was approved as part of a package of additional support for International grant holders affected by the global economic downturn. By 31 March 2012 we had paid out £2,161,856. The project is expected to be completed by August 2014.

Organisation: University College London – Institute of Child Health
Grant scheme name: Improving maternal, newborn and child health in low-income countries
Grant awarded: £5.1 million

This five year portfolio of projects aims to decrease maternal and child mortality in target rural areas in Bangladesh and India by improving home care practices, such as early breastfeeding and use of safe delivery kits, and increasing health care use for pregnant women and babies, by reducing delays in seeking and reaching care. This grant was awarded in 2007/08 and in 2009/10 a grant increase was approved as part of a package of additional support for International grants affected by the global economic downturn. By 31 March 2012 we had paid £3,853,857. The grant is expected to complete by March 2013.

Living Landmarks

Organisation: Sustrans
Grant scheme name: Connect2
Grant awarded: £50 million

The project aims to connect people to people and people to places by addressing the causes of 'severance' within communities, such as busy roads and railways, which make travelling from one place to another more difficult.

This grant was awarded in 2007/08 and by 31 March 2012 we had paid £19,213,881 to the recipient. It is expected that this project will complete by July 2013.

Organisation: Falkirk Council
Grant scheme name: The HELIX 'creating living connections'
Grant awarded: £25 million

Located between Falkirk and Grangemouth, the project will create a new canal link, a 'Kelpie' boatlift, canal hub and a new 'Helix' park.

This grant was awarded in 2007/08 and by 31 March 2012 we had paid £3,420,708 to the recipient. It is expected that this project will be completed in 2013.

Organisation: Cornwall Council
Grant scheme name: Cornwall's Heartlands Project
Grant awarded: £22.3 million

The project will transform a 7.5 hectare brownfield site in Pool, including 4.5 hectares of derelict wasteland and Robinson's Shaft, a group of listed mine buildings to create a network of green spaces and multi-use facilities.

This grant was awarded in 2007/08 and by 31 March 2012 we had paid out £20,131,342. The project has now reached practical completion and had its official opening in April 2012.

Organisation: Belfast City Council
Grant scheme name: Connswater Community Greenway
Grant awarded: £23.5 million

The project will create a linear park through east Belfast following the course of the Connswater River and its tributaries, the Loop River and the Knock.

This grant was awarded in 2007/08 and by 31 March 2012 we had paid out £1,441,569 to the recipient. The timescale has been delayed due to contractual discussions.

Forces in Mind Trust

Organisation: Confederation of British Service and Ex-Service Organisations

Grant scheme name: Forces in Mind

Grant awarded: £35 million

The Forces in Mind Trust aims to support the psychological well-being and successful and sustainable transition of veterans and their families into civilian life and focuses on veterans from more recent conflicts. The £35 million Forces in Mind programme launched on 25 June 2010 for bidders to set up an independent UK-wide Trust with an endowment of £35 million to expend over 20 years.

The Trust was set up on 31 January 2012 and has already secured partnership support from the Foundation of Prince William and Prince Harry which will back the Trust with its own grants over a three-year programme and also help raise awareness of the issues facing veterans.

By 31 March 2012 £35,000,000 had been paid. We expect the trust to complete this work in 2032.

Replication and Innovation

Organisation: Social Finance Limited
Grant scheme name: Social Impact Bond - HMP Peterborough

Grant awarded: £6.3 million

This project is to establish the success of the Social Impact Bond preventative model and to reduce the rate of reoffending among prisoners in HMP Peterborough.

The project will raise money from investors to fund services such as housing support, employment and debt advice, to support beneficiaries in prison for an average of four months from release. If these interventions are successful in sufficiently reducing the reoffending rate, BIG will then provide part payment based on these successful outcomes. BIG is also paying for the administrative costs for the project. The project beneficiaries will be male prisoners serving short-term sentences (under two years), their families and the communities from which they are drawn.

The project was awarded in June 2010. By 31 March 2012 we had paid out £428,404. The project is expected to be completed in July 2018.

Organisation: Social Finance Limited
Grant scheme name: Building a market for Social Impact Bonds
Grant awarded: £5 million

This project aims to develop the Social Impact Bond (SIB) funding model to address a number of deep-rooted social issues. Through this grant Social Finance will develop at least three SIBs in a number of thematic areas. The marketplace will be further developed by engaging government and other stakeholders and investors in the development of SIBs and disseminating best practice and tools to enable rapid replication of the model.

The project was awarded in August 2010. By 31 March 2012 we had paid out £3,000,000. The project is expected to complete in September 2013.

Organisation: Catch 22 Charity Limited
Grant scheme name: Realising Ambition
Grant awarded: £24.9 million

Realising Ambition is a £25 million investment that will replicate effective, evidence based interventions that support young people to fulfil their potential and avoid the pathways into offending and anti-social behaviour. This has two key dimensions – the prevention of first time offending and the replication of effective VCS practice.

The programme is being delivered through the portfolio model. In March 2012 we appointed a consortia led by Catch 22 as our UK partner to deliver the programme.

Having previously made a development grant to set this project up, by 31 March 2012 we have not have made payments for this grant. Over the next financial year Catch 22 and partners will begin to work intensively with 25 projects that have been selected as part of the portfolio. These represent some of the best evidenced projects in the area of supporting young people to avoid offending in the UK. We expect that the programme will complete by 2015.

Public Participation and Engagement

Organisation: The Foundation and Friends of The Royal Botanic Gardens, Kew
Grant scheme name: Grow Wild
Grant awarded: £10.5 million

This programme will be a national, mass-participation campaign to inspire individuals, groups and communities to take positive action for local conservation. The project will work with organisations across the UK to encourage a public rethink about environmental priorities, and the importance of key environmental challenges in a comprehensive, inclusive and wide reaching manner. The total project value is £12,967,123 of which £10,505,123 has awarded from BIG.

Over the life of the grant Kew have set ambitious targets to reach over four million young people and encourage over one million people to take action. Four flagship gardens will transform unused urban spaces, over two million sites will be planted and an additional 200,000 sites planted by young people.

The UK Funding Committee awarded £10,505,123 to the Kew Grow Wild! project in March 2012. By 31 March 2012 we have not may any payments. We expect the project to complete by 2017.

Organisation: Public Service Broadcasting Trust Limited
Grant scheme name: Fixers
Grant awarded: £7.2 million

Fixers is a proven and innovative project currently delivered in England which will increase its young people's programme in England and roll it out across the UK. Young people aged 16 to 25 can choose and develop campaigns that will be useful to the local community and help other people. Over 5,000 young people have worked on 600 Fixers projects which once scaled up will reach around 21,000 new Fixers.

The UK Funding Committee awarded £7,197,907 to the Fixers project in March 2012. By 31 March 2012 we have not may any payments. We expect the project to be completed by 2016.

Other UK programmes

Fair Share Trust

Organisation: Fair Share Trust Ltd
Grant scheme name: Fair Share Trust
Grant awarded: £50 million

The Fair Share Trust is targeted at 77 areas across the UK that missed out on Lottery funding prior to 2002. Community Foundation Network is the sole trustee for the programme throughout the UK, and manages delivery agents in each Fair Share area.

The programme helps communities to take control of their own needs and priorities by involving them in deciding what those needs and priorities are and how they should be met. It has built community skills, confidence, experience and networks to leave a positive lasting impact in each area.

The full grant was paid into the Trust in 2002/03. In Scotland the programme ended in 2010 and will finish in the rest of the UK in 2013.

Legacy Trust

Organisation: Legacy Trust UK
Grant scheme name: Legacy Trust UK
Grant awarded: £29 million

This grant was awarded in 2007/08. Our grant comprised £29 million. Separate awards were made by DCMS and Arts Council England to create a £40 million endowment for the Legacy Trust UK. The Legacy Trust UK will help communities' nationwide build a lasting legacy from the London 2012 Olympic and Paralympic Games. Their projects will unite culture, sport and education; make a lasting difference to all those involved; support grassroots initiatives, often small in scale; and unite communities of interest at local and regional level. LTUK has committed most of its regional and national programme funding already and will complete its work by 2013.

England portfolio

BASIS

| | |
|---------------------------|---|
| Organisation: | British Refugee Council |
| Grant scheme name: | RCO Infrastructure Building Project- Realising Potential |
| Grant awarded: | £5.1 million(BASIS), £10,000 (Supporting Change and Impact) |

This project is establishing England-wide infrastructure support for the delivery of support and capacity building to Refugee Community Organisations (RCOs). 400 RCOs will benefit from advice on their development, sustainability, governance and management.

This grant was awarded in 2007/08 and in February 2012 £10,000 funding was awarded for Supporting Change and Impact. By 31 March 2012 we had paid out £4,710,878. It is expected that this project will be completed by September 2012.

Big Local

| | |
|---------------------------|-----------------|
| Organisation: | Big Local Trust |
| Grant scheme name: | Big Local Trust |
| Grant awarded: | £196.9 million |

The Big Local Trust (BLT) programme will be delivered by a new organisation established through a consortium led by The Community Development Foundation (CDF) and six delivery partners, Capacity Global, CCLA, IVAR, NMAN, Renaisi and UnLtd. They will act as the corporate trustee of the trust to deliver BLT aimed at creating sustainable, resilient neighbourhoods. The trust is expected to operate for a minimum of 10 years, with services being delivered in England.

The project objectives are to deliver the programme of activities to provide long-term help that supports and joins up with the valuable work already being carried out at a community, local and national level to help disadvantaged local areas and communities build their capacity.

The trust was launched in February 2012. By 31 March 2012 we had paid out £100,000,000

Changing Spaces

| | |
|---------------------------|--|
| Organisation: | Building Research Establishment Ltd |
| Grant scheme name: | The Community Sustainable Energy programme |
| Grant awarded: | £11.7 million |

This portfolio awards grants to eligible not-for-profit community based organisations for the installation of microgeneration technologies, such as wind turbines and solar panels, along with energy saving measures.

This grant was awarded in 2007/08 and by 31 March 2012 we had paid out £10,256,930. It is expected that this project will be completed by June 2013.

Organisation: Groundwork
Grant scheme name: Community Spaces
Grant awarded: £57.5 million (Changing Spaces), £806,400 (Supporting Change and Impact)

Groundwork is using the funding to award grants to not-for-profit community groups to create better local environments and increase access to local spaces, as well as improving local green spaces and increasing the number of people actively involved in developing and running environmental projects.

This grant was awarded in 2007/08 and in December 2011 the award partner was awarded Supporting Change and Impact funding of £806,400. By 31 March 2012 we had paid out £50,818,828. It is expected that this project will be completed by March 2014.

Organisation: Natural England
Grant scheme name: Access to Nature
Grant awarded: £28.8 million (Changing Spaces), £1.4 million (Supporting Change and Impact)

Natural England is using the funding to award grants to voluntary, community and public sector organisations to work with people who have little knowledge or contact with nature. The projects encourage people to learn about the natural environment and also to create/improve wildlife spaces to meet the needs of local communities.

This grant was awarded in 2007/08 and in December 2011 the award partner was awarded Supporting Change and Impact funding of £1,363,200. By 31 March 2012 we had paid out £16,607,793. It is expected that this project will be completed by September 2014.

Organisation: Royal Society of Wildlife Trusts
Grant scheme name: Local Food
Grant awarded: £57.5 million (Changing Spaces), £2.3 million (Supporting Change and Impact)

RSWT is using the funding to make awards to not-for-profit community groups for projects that give people the opportunity to grow and buy food locally through, for example, allotments and box schemes. Projects aim to stimulate economic activity through the development of social enterprises related to local food and promote the link between food and healthy lifestyles.

This grant was awarded in 2007/08 and in December 2011 the award partner was awarded Supporting Change and Impact funding of £2,342,400. By 31 March 2012 we had paid out £33,295,752. It is expected that this project will be completed by December 2014.

Organisation: MIND
Grant scheme name: Ecominds
Grant awarded: £8.9 million (Changing Spaces), £2 million (Supporting Change and Impact)

MIND is using the funding to make awards to not-for-profit community groups for projects that integrate mental health service users into the community.

This grant was awarded in 2008/09 and in December 2011 the award partner was awarded Supporting Change and Impact funding of £2,014,999. By 31 March 2012 we had paid out £9,214,254. It is expected that this project will be completed by September 2013.

Organisation: The Crime Concern Trust Ltd
Grant scheme name: Community Space Challenge
Grant awarded: £8.4 million (Changing Spaces), £1.3 million (Supporting Change and Impact)

The Crime Concern Trust is providing a range of environmental projects for young people at risk of antisocial behaviour or offending. The projects involve young people improving their neighbourhoods, giving them a sense of pride in their community.

This grant was awarded in 2007/08 and in February 2012 the portfolio was awarded Supporting Change and Impact funding of £1,288,600. By 31 March 2012 we had paid out £7,220,022. It is expected that this project will be completed by September 2012.

Organisation: Imperial College
Grant scheme name: Open Air Laboratories Network
Grant awarded: £13 million (Changing Spaces), £1.5 million (Supporting Change and Impact)

The network of projects is working with people in their communities, alongside leading scientists to develop the skills and experience to explore, study, enjoy and protect their natural environment. The data is being collected to provide a new educational resource which the communities can access.

This grant was awarded in 2007/08 and in February 2012 the portfolio was awarded Supporting Change and Impact funding of £1,500,000. By 31 March 2012 we had paid out £12,119,026. It is expected that this project will be completed by November 2012.

Organisation: Plunkett Foundation
Grant scheme name: Making Local Food Work
Grant awarded: £10 million (Changing Spaces), £500,000 (Supporting Change and Impact)

The Plunkett Foundation is using the funding to make awards to projects working with local people to grow their own food and run their own shops and cooperatives.

It aims to reconnect consumers to the land by increasing access to fresh, healthy local food.

This grant was awarded in 2007/08 and in February 2012 the portfolio was awarded Supporting Change and Impact funding of £500,000. By 31 March 2012 we had paid out £9,953,673. It is expected that this project will be completed by September 2012.

Organisation: Places for People Homes Ltd
Grant scheme name: Green spaces for people
Grant awarded: £15.7 million (Changing Spaces), £1 million (Supporting Change and Impact)

This funding is facilitating a range of projects to create and improve green spaces for people living in social housing, particularly on estates where anti-social behaviour is a problem.

This grant was awarded in 2007/08 and in February 2012 the portfolio was awarded Supporting Change and Impact funding of £1,000,000. By 31 March 2012 we had paid out £15,878,999. It is expected that this project will be completed by September 2012.

Well-being

Organisation: The Soil Association
Grant scheme name: Food for Life
Grant awarded: £16.9 million (Well-being), £1 million (Supporting Change and Impact)

This national portfolio established 20 flagship communities in each of the nine government regions. By using local schools as hubs the portfolio's aim is for children and families to improve their skills, knowledge, and access to healthy and sustainable foods.

The grant was awarded in 2007/08 and in February 2012 the portfolio was awarded Supporting Change and Impact funding of £1,004,400. By 31 March 2012 we had paid out £16,913,532. It is expected that the project will be completed by April 2013.

Organisation: School Food Trust
Grant scheme name: Let's Get Cooking
Grant awarded: £20 million (Well-being), £1 million (Supporting Change and Impact)

This national portfolio of projects aims to achieve a positive impact on the eating behaviour of school age children, their families and the wider community.

This grant was awarded in 2007/08 and in February 2012 the portfolio was awarded Supporting Change and Impact funding of £1,037,824. By 31 March 2012 we had paid out £17,079,655. It is expected that this project will be completed by the end of October 2013.

Organisation: Greater London Authority
Grant scheme name: Well London
Grant awarded: £9.5 million (Well-being), £486,000 (Supporting Change and Impact)

This portfolio of projects is working closely with 20 small, disadvantaged communities to tackle health inequalities related to poor diet, lack of physical activity and poor mental well-being.

This grant was awarded in 2007/08 and in February 2012 the portfolio was awarded Supporting Change and Impact funding of £486,000. By 31 March 2012 we had paid out £9,460,000. It is expected that this project will be completed by May 2013.

Organisation: Stockport Metropolitan Borough Council

Grant scheme name: North West Networks for Healthy Living Partnership

Grant awarded: £7 million (Well-being), £589,898 (Supporting Change and Impact)

This portfolio covers the North West of England and includes 'arts on prescription' projects for those with mild to moderate mental health difficulties, 'soup and salad' cook and eat workshops, and 'fit for life' programmes.

This grant was awarded in 2007/08 and in February 2012 the portfolio was awarded Supporting Change and Impact funding of £589,898. By 31 March 2012 we had paid out £6,184,671. It is expected that this project will be completed by September 2013.

Organisation: Yorkshire and Humber Strategic Health Authority

Grant scheme name: Altogether Better – working to create healthier people and communities

Grant awarded: £6.9 million (Well-being), £202,108 (Supporting Change and Impact)

This portfolio covers the Yorkshire and Humber region and projects aim to help people to eat better, be more physically active and to improve their mental health.

This grant was awarded in 2007/08 and in February 2012 the portfolio was awarded Supporting Change and Impact funding of £202,108. By 31 March 2012 we had paid out £6,724,031. It is expected that this project will be completed by May 2013.

Organisation: Age UK (formerly National Council on Ageing)

Grant scheme name: Fit as a Fiddle

Grant awarded: £15.1 million (Well-being), £979,828 (Supporting Change and Impact)

This national portfolio of projects aims to stimulate the interest of older people in physical activity and healthy eating, as well as addressing issues of mental and physical health.

This grant was awarded in 2007/08 and in February 2012 the portfolio was awarded Supporting Change and Impact funding of £979,828. By 31 March 2012 we had paid out £13,571,694. It is expected that this project will be completed by December 2013.

Organisation: Mind – National Association for Mental Health

Grant scheme name: Time to Change

Grant awarded: £16.2 million (Well-being), £467,136 (Supporting Change and Impact)

This national portfolio of projects aims to stamp out stigma and discrimination by improving public understanding, raising people's aspirations and encouraging them to stand up for their rights.

This grant was awarded in 2007/08 and in February 2012 the portfolio was awarded Supporting Change and Impact funding of £467,136. By 31 March 2012 we had paid out £16,016,259. It is expected that this project will be completed by April 2013.

Organisation: Sustrans Limited
Grant scheme name: Active Travel Consortium
Grant awarded: £20 million (Well-being),
£1.4 million (Supporting
Change and Impact)

This national portfolio of projects aims to enable individuals identified as currently inactive or insufficiently active to walk and cycle as part of their everyday lives, improving their physical and mental well-being.

This grant was awarded in 2007/08 and in February 2012 the portfolio was awarded Supporting Change and Impact funding of £1,413,276. By 31 March 2012 we had paid out £19,762,018. It is expected that this project will be completed by May 2013.

Organisation: The Federation of Groundwork Trusts
Grant scheme name: Target: Well-being
Grant awarded: £8.9 million (Well-being),
£1.2 million (Supporting
Change and Impact)

This portfolio covers the North-West region and comprises 91 projects to improve the well-being of people living in the most disadvantaged communities by delivering activities that improve mental well-being, increase physical activity levels and encourage healthy eating.

This grant was awarded in 2007/08 and in February 2012 the portfolio was awarded Supporting Change and Impact funding of £1,190,223. By 31 March 2012 we had paid out £9,116,284. It is expected that this project will be completed by November 2013.

Organisation: South East Coast Strategic Health Authority
Grant scheme name: Chances 4 Change –
Re-addressing the hidden health
inequalities in the South East
Grant awarded: £5.6 million (Well-being),
£735,197 (Supporting Change
and Impact)

This portfolio covers the South-East region and comprises 62 projects to tackle the most socially, economically and geographically excluded groups and individuals seeking a legacy of permanent health improvement.

This grant was awarded in 2007/08 the portfolio completed its work in November 2011. In February 2012 the portfolio was awarded Supporting Change and Impact funding of £735,197. By 31 March 2011 we had paid out £5,479,575. It is expected that this project will be completed by May 2013.

Organisation: Peabody Trust
Grant scheme name: Activate London
Grant awarded: £4.7 million (Well-being),
£895,876 (Supporting Change
and Impact)

This portfolio has projects in all 33 boroughs of London targeting the more common mental health complainants.

This grant was awarded in 2007/08 and in February 2012 the portfolio was awarded Supporting Change and Impact funding of £895,876. By 31 March 2012 we had paid out £4,603,328. It is expected that this project will be completed by April 2013.

Scotland portfolio

Investing in Communities – Dynamic, Inclusive Communities

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|---------------------------|---|
| Organisation: | Scottish Council for Voluntary Organisations (SCVO) |
| Grant scheme name: | Supporting Voluntary Action |
| Grant awarded: | £8.1 million |

The grant is to co-ordinate a strategic programme of activity to improve the effectiveness of the CVS network, and to improve the way it works with other voluntary and equalities sector networks across the country. This grant was awarded in 2007 and by 31 March 2012 we had paid out £7,526,075. The project was due to be completed in 2012 but due to delays in the development of some project activities it may be extended into early 2013.

The JESSICA (Scotland) Trust

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|---------------------------|------------------------------|
| Organisation: | Resilience Scotland |
| Grant scheme name: | The JESSICA (Scotland) Trust |
| Grant awarded: | £14.9 million |

The JESSICA (Scotland) Trust (now known as Resilience Scotland) will work alongside the main European-funded JESSICA Trust to offer business development support, grants and repayable loans to community-led groups in the 13 most disadvantaged urban communities in Scotland. By 31 March 2012 we had made an endowment to the trust of £14,920,000.

Northern Ireland portfolio

Building Change Trust (Northern Ireland)

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|---------------------------|---------------------------|
| Organisation: | Building change Trust Ltd |
| Grant scheme name: | Building Change Trust |
| Grant awarded: | £10 million |

The Building Change Trust will invest £10 million to help community groups and larger voluntary organisations adapt and develop new ways of working to ensure that the sector will be fit for purpose in the future. The funding will be invested over 10 years.

This grant was awarded in 2008/09. By 31 March 2009 £10,000,000 had been paid. It is expected that this project will complete in 2019.

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 (BIG), 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 take effect from 01 April 2012.

However, for 2011/12 our existing Policy directions as well as a new direction that was issued on 2 December 2010 and came into effect on 1 April 2011 applied. These directions are set out below.

The Big Lottery Fund has complied with these Directions throughout the financial year 2011/12 in every material aspect.

England and UK

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

The Secretary of State for Culture, Media and Sport, in exercise of the powers conferred on her by section 36E of the National Lottery etc. Act 1993 and having consulted the Big Lottery Fund (“the Fund”), National Assembly for Wales, Scottish Ministers and Northern Ireland Department of Culture, Arts and Leisure pursuant to section 36E(5) of that Act, hereby gives 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 English devolved expenditure, Isle of Man devolved expenditure and transformational grant 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.

Transformational Grants

- 3.** In exercising any of its functions in relation to transformational grant 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 achieves over time the distribution of money to projects in each country of the United Kingdom.
 - B.** The need for money to be distributed for the purpose of capital expenditure on projects and only to be otherwise distributed where the money:
 - (i) is distributed for the purposes of endowments or in the form of revenue grants where:
 - (a) such endowments or grants are associated with a capital project, in respect of which money has been or is proposed to be distributed; and
 - (b) such endowments or grants support the delivery of the project outcomes, increase accessibility, reduce barriers to entry and ensure that such projects are sustainable; or
 - (ii) is distributed for development funding to projects which have been assessed as suitable for such funding.
 - C.** The need to transform and revitalise communities and the physical environment.
 - D.** The need for widespread public participation in the decision to award grants which:
 - (i) involve consultation, voting systems or other suitable mechanisms;
 - (ii) are free from bias, corruption and manipulation; and
 - (iii) involve partnerships with broadcasting, electronic, print and other media.

English And Isle Of Man Devolved Expenditure

4. 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 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 England 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 England as a whole, the interests of all the different parts of England and the relative population sizes of, and the scope for reducing economic and social deprivation in, the different parts of England.

5. In relation to English and Isle of Man 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 having better chances in life, with better access to training and development to improve their life skills.
- B.** Stronger communities, with more active citizens, working together to tackle their problems.

C. Improved rural and urban environments, which communities are better able to access and enjoy.

D. Healthier and more active people and communities.

6. In relation to English and Isle of Man 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.** Improving family skills.
- B.** Improving literacy, numeracy, ICT and creative skills.
- C.** Developing consumer skills, including finance and debt management.
- D.** Developing basic business skills, particularly for social and creative enterprise.
- E.** Removing barriers to and developing employability, including through improving communication and problem solving skills.
- F.** Developing life skills, including skills which help improve personal independence and interactions with others.
- G.** Supporting the training needs of volunteers.
- H.** Celebrating community identity, culture, diversity and achievements.
- I.** Strengthening volunteering and voluntary sector infrastructure.
- J.** Building capacity for community engagement.
- K.** Broadening children and young people's experiences and raising expectations.
- L.** Reducing isolation, for example for older people, disabled people and their carers, and enabling participation in community and family life.
- M.** Supporting citizenship, leadership and local planning and delivery.
- N.** Ensuring safer places, free from anti-social behaviour and crime.

- O.** Better designed, clean and well-maintained public places and public art.
- P.** Increasing community usage of local parks, play facilities, public places, community building and the countryside.
- Q.** Enabling communities to tackle local environmental problems and improve their local environment.
- R.** Promoting environmental awareness through educational projects.
- S.** Increasing community participation in sport, dance, play and physical and creative activity.
- T.** Developing better approaches to tackling mental health problems, including through education, public awareness and the arts.
- U.** Improving opportunities for healthier eating and promoting the relationship between methods of production and the environment.
- V.** Addressing health inequalities through educational and information projects.

Signed on behalf of the Secretary of State for Culture,
Media and Sport
30th November 2006

England

DIRECTION ISSUED TO THE BIG LOTTERY FUND UNDER SECTION 36E(1) OF THE NATIONAL LOTTERY ETC. ACT 1993

The Secretary of State for Culture, Olympics, Media and Sport, in exercise of the powers conferred on him by Section 36E of the National Lottery etc. Act 1993, and having consulted with the Big Lottery Fund (“the Fund”) pursuant to Section 36E(5) of that Act, hereby gives the following Direction:

- 1.** In this Direction any reference to a section is a reference to a section of the National Lottery etc. Act 1993.
- 2.** In determining the persons to whom, the purposes for which and the conditions subject to which it distributes any money under Section 36B, the Big Lottery Fund shall take into account the following matters in exercising its functions in relation to England expenditure:
The need to ensure that, in England, money is distributed to projects that benefit people and local communities served by the voluntary and community sector.

Signed on behalf of the Secretary of State for Culture,
Olympics, Media and Sport
2 December 2010

Scotland

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

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

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

General Directions

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

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

Scottish Devolved Expenditure

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

- A. The need to operate within the distinctive policy context in Scotland, adding value where appropriate to Scottish Ministers' strategy; supporting a fairer Scotland with the development of opportunities for everyone to flourish within a more successful and sustainable Scotland.
- B. The need to ensure that the Fund, achieves over time the distribution of money to address the priorities of tackling disadvantage, the advancement of well-being and addressing inequalities; while ensuring a reasonably wide spread of recipients, including small organisations, those organisations operating at a purely local level, social enterprises and organisations with a base in Scotland and working overseas.
- C. The need to have regard to the interests of Scotland as a whole, the interests of different parts of Scotland and the relative population sizes of, and the scope for reducing economic and social deprivation in, the different parts of Scotland.
- D. Finally, the need to ensure that the Fund achieves over time, the distribution of money reasonably equally between the expenditure on or connected with:
 - (i) the promotion of community learning;
 - (ii) the promotion of community safety and cohesion; and
 - (iii) the promotion of physical and mental well being.

The priority of tackling disadvantage and the need to address inequalities.

4. In relation to Scottish devolved expenditure the Fund shall take into account the need to distribute money under section 25(1) to projects which are intended to achieve one or more of the following objectives:

- A. SMARTER: People having better chances in life.
 - B. SAFER AND STRONGER: Communities work together to tackle inequalities.
 - C. GREENER: People have better and more sustainable services and environments.
 - D. HEALTHIER: People and communities are healthier.
5. In relation to Scottish devolved expenditure the Fund, in distributing money under section 25(1), shall take into account the following principles:
- A. ENGAGEMENT – the development of programmes should be based on the active engagement of public, private and third sector partners.
 - B. SOLIDARITY and COHESION – ensuring that individuals and communities across Scotland have the opportunity to contribute to, participate in, and benefit from a more successful Scotland.
 - C. SUSTAINABILITY – to improve Scotland's environment today and for future generations while reducing Scotland's impact on the global environment.
 - D. ADDITIONALITY and COMPLEMENTARITY – the development of programmes should complement and add values to the strategies and activities of partners and stakeholders.
 - E. COLLABORATION – where possible, the outcomes of projects and programmes should benefit from effective collaboration between organisations and between public, private and third sector partners.

Signed on behalf of Scottish Ministers by John Swinney,
Cabinet Secretary for Finance and Sustainable Growth, a
member of the Scottish Government
July 2009.

Wales

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

The National Assembly for Wales, in exercise of the powers conferred on 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 Secretary of State for Culture, Media and Sport pursuant to section 36E(8) of that Act, hereby gives 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 Welsh devolved expenditure, the Fund shall take into account the following matters in determining to whom the Fund may make grants or loans, the purposes for which the Fund may make grants or loans, the process used to determine what payments to make and the terms and conditions on which the Fund makes grants or loans:

- 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 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. This should be achieved by including specific conditions on language in grants and monitoring and overseeing the performance of grant recipients with regard to those conditions.
- E.** The need to further the objectives of sustainable development.
- F.** The need to set specific time limits on the periods in respect of which grants are payable, whether for capital or revenue expenditure.
- G.** 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.
- H.** The desirability of working with other organisations, including other distributors, where this is an effective means of delivering elements of its strategy.

- I. The need to ensure that it has such information as it considers necessary to make decisions on each application, including independent expert advice where required.
 - J. 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.
 - K. The need to include a condition in all grants to acknowledge Lottery funding using the common Lottery branding.
 - L. The need to involve the public in making policies, setting priorities and making grants.
 - M. The need to ensure an outcome focused approach, working closely with appropriate partners to achieve the best pattern of investment for the benefit of communities across Wales. Where appropriate the experiences of other organisations should be utilised to enhance development and delivery of funding mechanisms.
- 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 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, and the need to encourage public service bodies, collaborating together, to deliver better service outcomes to citizens.
4. In relation to Welsh devolved expenditure the Fund shall distribute money under section 25(1) to projects which are intended to achieve one or more of the following outcomes:
- A. people of all ages equipped with the skills and learning to meet the challenges of a modern society;
 - B. people working together for stronger communities, social justice and better rural and urban environments; and
 - C. healthier and more physically active people and communities.

Welsh Devolved Expenditure

3. In exercising any of its functions in relation to Welsh devolved expenditure, the Fund shall take into account the following matters in determining to whom the Fund may make grants or loans, the purposes for which the Fund may make grants or loans, the process used to determine what payments to make and the terms and conditions on which the Fund makes grants or loans:

- 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 Wales and working overseas.
- 5. In relation to Welsh 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. tackling the barriers to community learning and effective life skills;
 - B. people working together for stronger communities, social justice and better rural and urban environments; and
 - C. empowering communities to develop and deliver local revitalisation programmes;

- D. developing constructive community responses to disaffection, anti-social behaviour and crime;
- E. enabling older people to live independent lives and to contribute to their community;
- F. enabling communities to manage and enhance their local environment and amenities;
- G. developing people's ability to take responsibility for their own health and well-being in line with the principles underlying Health Challenge Wales, encouraging individuals and organisations to improve health in Wales;
- H. promoting healthier eating and increasing physical activity across all age, gender and social groups;
- I. developing new approaches to promoting community building and the countryside.

Northern Ireland

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

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

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

General Directions

2. In exercising any of its functions in relation to Northern Ireland devolved expenditure, the Fund shall take into account the following matters in determining the persons to whom, the purposes for which and the conditions subject to which the Fund distributes money:
 - A. The need to ensure that money is distributed under section 25(1) for projects which promote the public good and which are not intended primarily for private gain.
 - B. The need to ensure that money is distributed under section 25(1) to projects which make real and sustainable improvements to the quality of life of local communities.
 - C. The need to encourage innovation balanced with the need to manage risk in a manner commensurate with type of project and applicant.
 - D. The need to further the objectives of sustainable development.
 - E. The need to set specific time limits on the periods in respect of which grants are payable, whether for capital or revenue expenditure.
 - F. The need:

- (i) in all cases, for applicants to demonstrate the financial viability of the project for the period of the grant;
- (ii) where capital funding is sought:
 - (a) for a clear business plan incorporating the need for resources to be available to meet any running and maintenance costs associated with each project for a reasonable period, having regard to the size and nature of the project; and
 - (b) to ensure that project evaluation and management process for major projects match those of the Office of Government Commerce's Gateway Reviews.
- (iii) in other cases, for consideration to be given to the likely availability of other funding to meet any continuing costs for a reasonable period after completion of the Lottery award, taking into account the size and nature of the project, and for Lottery funding to be used to assist progress towards viability wherever possible.
- G.** The desirability of working with other organisations, including other distributors, where this is an effective means of delivering elements of the Fund's strategy.
- H.** The need to ensure that the Fund has such information as it considers necessary to make decisions on each application, including independent expert advice where required.
- I.** The need to require an element of partnership funding and/or contributions in kind from other sources commensurate with the reasonable ability of different kinds of applicants, or applicants in particular areas to obtain such support.
- J.** The need to include a condition in all grants to acknowledge Lottery funding using the common Lottery branding.
- K.** The need to involve the public in making policies, setting priorities and making grants.

Northern Ireland Devolved Expenditure

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

- A.** The need to ensure that the Fund, taking into account its assessment of needs and any priorities it has identified in its strategy, achieves over time the distribution of money to a reasonably wide spread of recipients, including small organisations, those organisations operating at a purely local level, social enterprises, and organisations with a base in Northern Ireland and working overseas.
 - B.** The need to ensure that the Fund achieves over time the distribution of money reasonably equally between the expenditure on or connected with:
 - (i) the promotion of community learning;
 - (ii) the promotion of community safety and cohesion; and
 - (iii) the promotion of physical and mental well being.
 - C.** The need to have regard to the interests of Northern Ireland as a whole, the interests of all the different parts of Northern Ireland and the relative population sizes of, and the scope for reducing economic and social deprivation in, the different parts of Northern Ireland.
- 5.** In relation to Northern Ireland devolved expenditure the Fund shall take into account the need to distribute money under section 25(1) to projects which are intended to achieve one or more of the following outcomes:
- A.** People have the opportunity to achieve their full potential
 - B.** People can actively participate in their communities to bring about positive change

- C. Community ownership of better and safer rural and urban environments
- D. Improved physical and mental health for all people.
- 6. In relation to Northern Ireland devolved expenditure the Fund, in distributing money under section 25(1), shall take into account the need to ensure one or more of the following priorities are met:
 - A. Improve essential skills to meet social 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 by Secretary of State NI

FINANCIAL DIRECTIONS

The Financial Directions set out below apply across all our operations in all four UK countries. We have complied with these directions through implementation of procedures throughout the organisation to ensure the requirements of the Statement of Financial Requirements are followed. We maintain an internal audit service to check on a sampling basis that all officers and departments are following the agreed procedures, and to ensure that these procedures are properly documented and disseminated. The full Statement of Financial Requirements can be obtained from the Department of Media Culture and Sports' website: http://www.culture.gov.uk/what_we_do/national_lottery/4202.aspx

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

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

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

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

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Accessibility

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

Our equality principles

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

We care about the environment

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

Our mission

We are committed to bringing real improvements to communities and the lives of people most in need.

Our values

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

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



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