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Social Justice and Social Security Committee
The Scottish Parliament
Edinburgh
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17 November 2025

Dear Convener,

Revised Scottish Government Policy Directions in respect of the upcoming expansion of the Dormant Assets Scheme

I am writing to update you on the Scottish Government's priorities with respect to the upcoming expansion of the Dormant Assets Scheme.

Back in July 2010, the Scottish Parliament approved the Dormant Bank and Building Society Accounts (Scotland) Order 2010. This Order came into force on 2 July 2010 and provided for the distribution of Scotland's share of dormant account funds to third sector organisations to support activities which promote strong, resilient and supportive communities. As per the Order, Scotland's share of the Dormant Assets funds are distributed by the National Lottery Community Fund (NLCF). The Scottish Government issue policy directions to NLCF to determine how the monies are distributed.

More recently, the Dormant Assets Act 2022 extended the Dormant Accounts scheme from bank accounts into a wider range of sectors including pensions, insurance, and investments, increasing the amount of funding that the scheme will distribute over time. In the context of the scheme's expansion, Scottish Ministers agreed that the Scottish Government's current policy direction on Dormant Assets funding should be revisited to ensure that the themes continued to align to Scotland's strategic priorities.

Following a review of existing directions, I have attached, for your information, the revised Scottish Government policy direction framework that has been issued to NLCF. The directions set out four broad priorities for the expanded Dormant Assets monies. These are:

- Opportunities for Children and Young People
- Supporting Mental Health & Wellbeing
- Tackling Poverty and Inequality
- Financial Inclusion

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The Financial Inclusion theme will specifically allow support to be offered in a similar way as is offered in England through the UKG's allocation of Dormant Assets monies to Fair 4 All Finance, including access to affordable credit, which is an area the Committee will be aware of through its wider work.

In line with the 2010 Act, the NLCF will distribute the Dormant Assets funding in line with these revised policy directions. NLCF will now work to produce a strategic plan on how to best deliver against them and develop the awarding scheme(s) on which delivery will be based.

I will endeavour to keep the SJSS Committee updated on the progress of the expansion of the Dormant Assets Scheme, including the development of NLCF's strategic plan. My officials continue to engage with counterparts in DCMS regarding information about when the flow of expanded funds can be expected to begin and we will share that information with the Committee when it becomes available.

Yours sincerely,

SHIRLEY-ANNE SOMERVILLE

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REVISED SCOTTISH GOVERNMENT DORMANT ASSETS POLICY DIRECTIONS FRAMEWORK.

DIRECTIONS GIVEN TO THE BIG LOTTERY FUND (OPERATING AS THE NATIONAL LOTTERY COMMUNITY FUND) UNDER SECTION 22(5)(b) OF THE DORMANT BANK AND BUILDING SOCIETY ACCOUNTS ACT 2008 AS AMENDED IN RELATION TO SCOTTISH EXPENDITURE

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

General Directions

1. In exercising any of its functions in distributing dormant assets money under that Act in relation to Scottish expenditure, the Fund must comply with the following general directions in determining the persons to whom the Fund makes distributions, the purposes for which the Fund makes distributions, the process used to determine what payments to make and the terms and conditions on which the Fund makes distributions.
2. These directions shall supersede the previous directions provided to The Big Lottery Fund by the Scottish Government on 20 September 2011.
3. The distribution of dormant assets money;
 - A. must be to projects which promote the public good and which are not intended primarily for private gain;
 - B. must be to projects which make real and sustainable improvements to the quality of life of local communities;
 - C. may only be to third sector organisations i.e. organisations that exist wholly or mainly to provide benefits for society or the environment;
 - D. must balance the need to encourage innovation with the need to manage risk in a manner commensurate with the type of project and applicant; and
 - E. should seek to further the objectives of sustainable development.
4. In distributing dormant assets money the Fund must ensure that applicants:
 - A. in all cases demonstrate the financial viability of the project for the period of the distribution;
 - B. in cases where capital funding is sought, demonstrate a clear business plan incorporating any running and maintenance costs associated with

each project for a reasonable period, having regard to the size and nature of the project; and

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

5. In distributing dormant assets money the Fund must;

- A. Set specific time limits on the periods in respect of which distributions are payable, whether for capital or revenue expenditure;
- B. Ensure that it has such information as it considers necessary to make decisions on each application, including independent expert advice where required;
- C. Work with other organisations, including other distributors, where this is an effective means of fulfilling its functions and objectives;
- D. Ensure over time a distribution of money to a reasonably wide range of third sector organisations of varying sizes, location and focus
- E. Have regard to the interests of Scotland as a whole, the interests of different parts of Scotland and their relative population sizes and the scope for tackling poverty in the different parts of Scotland;

Specific Directions

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

7. The Fund must act in accordance with the prescribed restrictions laid down in Dormant Bank and Building Society Accounts (Scotland) Order 2010, and in accordance with the following themes:

- **Opportunities for Children and Young People** - Providing opportunities for children and young people to realise their potential, involving them in the decisions that affect them.
- **Supporting Mental Health & Wellbeing**, with focus on prevention and early intervention in order to improve population mental health and wellbeing. By prevention, we mean preventing mental health issues from occurring or intensifying and tackling underlying causes and inequalities wherever possible.

- **Tackling Poverty and Inequality** by supporting projects, programmes and organisations that work to reduce social, economic and demographic inequality as well as addressing poverty across Scotland, including recognising the particular value of approaches that provide holistic whole family support.
- **Financial Inclusion**, including specifically increasing access to affordable credit through [as set out in section 5C] providing strategic funding to one or more organisations with a strong understanding of the Financial Inclusion landscape and suitable expertise in providing support to the community lending sector in Scotland.