Big Thinking – Big Lottery Fund Consultation response

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1. Executive Summary

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DSC has long maintained that due to the nature of the revenue it distributes and its position as a very large, semi-independent funder, the Lottery should:

- only fund projects that are additional to state expenditure – funding should not subsidise state services or be determined by government policy priorities;

- only fund charitable purposes and causes, as stipulated in the original National Lottery Act;

- support organisations and causes that find it difficult to get support from other funders or the public, which may be risky, unpopular, or simply not fashionable;

- use its position to build an evidence base to analyse need as expressed by applicants, which in turn should inform the development of funding programmes;

- distribute the majority of its funds through an accessible, open programme of community support.

With these points in mind DSC makes the following recommendations in response to the Big Thinking consultation.

Recommendation 1: BIG should commit to a detailed analysis of core elements of its funding to date that will/can be stacked against other funding data.

Recommendation 2: Conduct a review of the consultation process, including rates of online and offline submissions (as well as failed and incomplete online submissions).

Recommendation 3: Replace meaningless themes of transitions and isolation, instead using essence of lottery funding as additional to state expenditure as the main identifier or brand.

Recommendation 4: BIG should **absolutely not** become a loan funder.

Recommendation 5: Do not make partnership working a condition of any BIG funding.

Recommendation 6: That 100% of funding from BIG should go to independent voluntary and community organisations.

Recommendation 7: Investigate the possibilities of open programmes structured around project duration.

Recommendation 8: No post-award monitoring for grants made below £5,000.

Recommendation 9: Do not seek to involve the public in funding decisions. Explore the potential for developing a public fund supported by public donations, rather than ticket revenue.

Recommendation 10: Administer the majority of funds through a major, demand-led and lightly prescribed open programme

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2. Broad responses

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The consultation

We have found it particularly difficult to respond constructively to the Big Thinking consultation. In our opinion the general design of the consultation was conceptually and technically very poor.

Firstly, there are many specific questions which could enable more informed responses were they accompanied by information we presume to be held by BIG. Without any supporting evidence, it is almost impossible to make an informed response. At the launch of the consultation even the guidance notes were not available on the website – without which it is impossible to even understand many of the online survey questions.

Secondly, the online survey appears to have been designed to force respondents into particular answers; it typically requires one to choose from a series of options, without giving the respondent any way to register an opinion that these were simply the wrong options or the wrong questions to ask. Many of the questions, for example, allow an 'other' selection which includes an associated small text box, but also requires that another pre-determined option be ticked as well. Selecting 'no opinion' plus 'other' as the two mandatory choices invalidates the 'other' choice and accompanying text.

Thirdly, it appears that the consultation was set up to strictly control the way responses were submitted. Online survey questions with a text box option were limited to 700 words. There was no way to submit the consultation other than by using the online form. We were told that we could submit a response by email, but that it could not be analysed in context with other responses. We therefore had to do our best to adapt our opinions and responses to the online form, which in many cases did not allow us to accurately represent our views.

A number of critical comments were posted on the Big Thinking blog. We would draw attention to the following points, which echo our own concerns:

"Maybe I am stupid, but I have found your survey so difficult to fill in that I have given up after question 3…the questions are far from even-handed. It assumes answers will fall into ceratin [sic] categories. For example, I am not convinced partnerships improve results in the long term, as their effectiveness often depends on the personalities involved. When those individuals change, the partnerships wither. There should be an answer that allows me to reflect this view. Another point is the question about whether funding should be increased or remain about the same. Why isn't there a choice for reducing it? Again, you have produced a survey to get the answers you think you want…It took me ages to realise there wasn't a specific document about the consultation, only the survey. Having said that, I did find the Guidance Notes clarified much of my confusion, but I will still not be completing the survey for the reasons set out above."

"This is quite possibly *the worst* online survey I have ever taken. I have taken many!"

"The questions are vague and bland and the technology painful. I suppose a huge amount of money was spent on this and I must say that I think it's a appalling waste."

"Analyze your stats, people, how many abandoned questionnaires are you getting??????? That will tell you all you need to know abut how useful this exercise has been."

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In this paper we have attempted to fit the majority of our concerns and recommendations in a format consistent with the consultation layout; however in many areas this has not been possible. We have also submitted a version of this paper though the Big Thinking online survey, but as discussed above the survey design prevented us from doing this in a satisfactory way.

Recommendation 1: Commit to a detailed analysis of core elements of BIG funding to date that will/can be stacked against other funding data (our Almanac).

Recommendation 2: A review of the consultation process, including rates of online and offline submissions (as well as failed and incomplete online submissions)

3. Responses to specific consultation questions
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UK 1.1 – Do you agree that the theme of transitions provides a useful starting point for our funding?

UK 1.2 – Do you agree that the theme of isolation provides a useful starting point for our funding?

UK 1.3 – Are there any other themes you would suggest?

As mentioned above, there is no explanation of BIG's "evidence and experience" for arriving at these particular themes. As a result we are unable to answer the question with a simple yes or no because no evidence has been described or made available to support the proposed themes.

In a broader sense they are so open-ended that almost any project could be shoehorned in. Our preference would be for there to be either no theme at all, or for themes to be sufficiently broad to enable the widest range of voluntary sector organisations to apply.

Any themes should not serve merely to allow specific and targeted programmes to be constructed on the grounds that they contribute to a broad theme.

We would suggest no meaningless theme, rather a focus on the core essence of lottery funding as being additional to state expenditure through BIG, along the lines of "community support through additionality".

Recommendation 3: Replace meaningless themes of transitions and isolation, instead using essence of lottery funding as additional to state expenditure as the main identifier or brand. Feel free to use "community support through additionality".

UK 2.1 – Do you agree we should have a greater focus in our funding to benefit those most in need?

The focus first and foremost should be on supporting those organisations and causes that find it difficult to obtain support from other funders. The issue of additionality is of far greater concern since the drafting and development of the programmes currently due to end, and post-2009 programmes need to reflect the changing funding environment. On

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one hand statutory disinvestment in discretionary social spending creates more opportunities for BIG to fund "in addition" however BIG funding must not become an exit strategy for local authorities wishing to cut voluntary sector spending.

We have outlined a potential programme structure and related recommendations in response to question E2.2.

UK 2.2 – Tell us if you think BIG should have a different focus.

BIG should be contributing to broader debates on funding and publicly demonstrating where need is greatest based on data and evidence from its applications.

Recommendation 4: BIG should **absolutely not** become a loan funder. This is fashionable at the moment and there are a number of other bodies, government and non-government that provide loan funding for the sector. If the proposal of loan funding is about making money go further because of the Olympics raid, this is a perverse consequence. A chunk of money set aside for loans only further reduces the much needed pool of grant funding.

We do not believe that BIG should fund social enterprises as per the recent statutory redefinition[1] on the grounds that they are businesses (despite the current statutory definition of Third Sector), and are significantly funded by government as a stated priority. For BIG to fund non-charitable social enterprises conflicts directly with section 44(1) of the National Lottery Act 1993 which states funds may only be made available for *charitable* expenditure classified as follows;

 "charitable expenditure" means expenditure—

> (a)
> by charities, or

> (b)
> by institutions, other than charities, that are established for charitable purposes (whether or not those purposes are charitable within the meaning of any rule of law), benevolent purposes or philanthropic purposes;[2]

The vagaries around the meaning of 'social enterprise' are such that they cannot universally claim to be 'institutions, other than charities, that are established for charitable purposes'.

UK 3. – How can BIG best help build lasting partnerships and networks that support communities and people most in need? (pick top two)

The best way for BIG to help build lasting partnerships is to leave them well alone. By all means offer relevant support to organisations wanting to work in partnership, but by let it be their choice rather than a contrived funder-driven decision.

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[1] "businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners" www.cabinetoffice.gov.uk/third_sector/social_enterprise/background.aspx
[2] http://www.opsi.gov.uk/acts/acts1993/ukpga_19930039_en_3#pt2

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Recommendation 5: Do not make partnership working a condition of any BIG funding.

UK 3.2 – How can we get better at engaging with the private sector?

DON'T – focus on the voluntary and community sector.

UK 3.3 – Are there opportunities for joint funding that BIG should take up?

No, BIG needs to remain independent.

UK 4 – After 2012, when our 60-70% undertaking ends, should we continue to guarantee that a percentage of our funding goes to the voluntary and community sector?

The question of additionality has become blurred in recent years in our view and this complicates the question. How is an application 'from the sector' and one that is not determined? How is it categorised? Does a joint application between the sector and a local authority count as 'for the sector' or not?

Given the concerns over the blurring boundaries between state and voluntary sector delivered services we feel that 100% of BIG's funding should go to voluntary and community organisations. That is not to say Local Authorities could and would not benefit, but that any partnership working must be led by a VCS applicant, and any funding arrangement made through them.

A survey of our e-newsletter subscribers[3] in January 2009 showed that 86% (of 1293 respondents) did not think local authorities should be able to access lottery funding. More important than the headline results, the comments we received demonstrated significant concerns relating to lottery funding and additionality. We will be producing a follow up report in early March which we will forward separate to this document and would welcome the opportunity to discuss.

BIG should not fund organisations such as local authority leisure trusts or social enterprises set up by Primary Care Trusts. This process is blurring the idea of additionality because it is in part designed to lever in funds from sources such as the Lottery to subsidise or take the place of public expenditure.

Recommendation 6: That 100% of funding from BIG should go to independent voluntary and community organisations.

UK 5 – Over and above giving out grants, what would make BIG a better funder in the way we work? (select two)

All the stated options are potentially good ones, but without any information on the additional cost or the need for each, it is impossible to make an informed response.

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[3] See Appendix 1

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We would be in favour of good (but does this mean more?) pre-application support, but the rest of the options would depend on demand (what is demand for specialist support and advice i.e. project management, financial planning, etc?)

As we are not a direct recipient of BIG funding we would be interested to know what the feedback from BIG's applicants about this is.

We do not see a role for BIG developing a more visible profile in debates on social issues, but BIG should absolutely use its learning and evidence base to benefit the development of funding practice and knowledge about need.

UK 6 – Should we aim to fund fewer projects, but fund for a longer period? Or have we got the balance about right? (select one)

This is a very difficult question to answer without any further parameters. It would be essential to know what the balance is at present, as well as the current demand for any change that is demonstrated through applications. We make a case for a significant majority of BIG funding to be administered via an open programme in our response to question E2.2, but within an open programme themes/programmes might better be structured around timescale rather than themes or funding priorities. For example, a split pot of open funding catering for <1 year, <2 years, <3 years and >4 years projects would quickly indicate the demand for short and long term funding.

Recommendation 7: Investigate the possibilities of open programmes structured around project duration.

UK 7 – Do you think BIG should take more risks with our funding to promote innovative solutions?

Innovation and risk are relative concepts. Innovative compared to what? Risky compared to what? Taking a risk on a project or an organisation? There is a danger that discussion about risk involves examining failure rates for projects and considering taking greater risks than the existing baseline of failure, however we do not feel this would be a positive step. Actively deciding to fund organisations or projects with a high rate of failure would require a considerably more complex approach to both assessment and monitoring.

However, statutory funding is on the whole very risk-averse, so we would tend to argue that other funders (such as BIG) should be willing to take greater risks.

We would suggest a measured approach to increasing risk would be to cut monitoring and reporting for grants below a threshold of £5,000. That is to say that all assessment would be done in advance of the award, and once paid, no further reporting would be required by the recipient. A final report could be developed to aid the organisation in reflecting on its own performance and to contribute to the building of BIG's evidence base.

Recommendation 8: No post-award monitoring for grants made below £5,000.

UK 8 – Are there areas beyond those described in BIG thinking, where you think it is important to operate at a UK level, rather than at a country level?

The approach of the Scottish Government sounds very antithetical to the idea of additionality. The consultation says:

The Scottish Government has developed and articulated its purpose (sustainable economic growth), and mapped clear outcomes for Scotland. It wants to focus all resources – including BIG's – on achieving these. Scottish Ministers will draw on this consultation to help them do this

We think it is appalling that the Scottish Government is being allowed to influence the way that BIG uses its funding in Scotland. It should not be allowed to prioritise the use of lottery funding on 'sustainable economic growth'.

UK 9 – Which ways of increasing public involvement do you think would work best for BIG?

Some of this – i.e. local decision-making panels, public voting on projects, citizens' juries – sounds like it is being suggested because it corresponds with the Government's 'Empowerment Agenda' rather than from a position of improving the relevance of BIG's grantmaking.

We believe that BIG needs to continue provide funding to organisations and groups that may not be popular, rather than entirely to those causes that the public is aware of and which already receive greater shares of public funding (i.e. cancer, youth, older people, disability, animals etc)

To that end we do not believe that the public should be involved in deciding where the proceeds of lottery ticket sales go – they are proceeds from gambling, not donations.

However, in order to address the BIG objective of *involving people* a public fund could be set up which would be run from public only donations (made through ticket outlets?) as a means of engaging lottery customers in regular and committed giving.

Recommendation 9: Do not seek to involve the public in funding decisions. Explore the potential for developing a public fund supported by public donations, rather than ticket revenue.

UK 10 – BIG is not restricted to distributing Lottery money alone. Are there other sources of funding that BIG would be the right organisation to manage, either on our own or in partnership?

No.

E 1.1 – Do you agree that we should develop tighter outcomes for all but our smallest grants?

No.

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E 1.2 – Are the changes listed (on page 17 of the England section of the Big Thinking document) the right ones?

These categories are not wrong in and of themselves but sound suspiciously like top priority outcomes for government. If they are based on BIG's own analysis of what outcomes are most important then fine; if they are based on government influence, then we think that is wrong. Again, we need to know more about BIG's evidence base for prioritising these in order to make an informed response.

E 2.1 – BIG in England proposes to fund projects in three ways – open funding, community funding, and targeted funding. Do you agree with this proposal?

E 2.2 – Between 2009 – 2012, BIG will deliver the highest proportion of our funding through an OPEN funding approach. After 2012, we will use a mixture of approaches; open funding, community funding, and targeted funding. Which combination is best?

It is vital that open funding is retained. Most funding from statutory funders is becoming more and more prescribed. BIG needs to counteract this trend.

Further, other ways of funding need to be based on what is received through the open programme. Providing open funding also allows BIG to maximise the analysis of need as evidenced in applications.

Community and targeted funding approaches where appropriate should be driven by sector need, and informed by BIG data gathered through a majority open programme. Any programmes developed out of this that have any degree of specificity should provide the following;

- A clear demonstration of why the programme is needed, and why it cannot be catered for through the open fund
- Clear rationales for any specific criteria and requirements that differ from those of the open programme
- A detailed statement on the way and degree to which the programme demonstrates additionality

Recommendation 10: Administer the majority of funds through a major, demand-led and lightly prescribed open programme.

E 3 – Which of the following statements do you agree with?

A. It is better to give early decisions on applications, including rejecting those likely to be unsuccessful, based on a few key questions

Or

B. It is better to gather more information over a longer period of time before deciding which projects to fund

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We think as a rule it is right to try to avoid needless waste of time and effort if an application is unlikely to be successful, but it depends on the programme, the amount of money being awarded, the complexity of the project etc. In general a two-stage process is a sensible way of trying to reduce the amount of time and effort that goes into applications that will be ineligible or stand a low chance of succeeding.

A short set of key questions should provide the basis for an initial application, asking for basic information on;

- What is the need?
- What will you do?
- What will change as a result?
- How will you know you've done that?
- How much will it cost?

4. About Directory of Social Change
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Directory of Social Change does not purport to represent the voluntary sector. We do not have members, and our mandate is not that of a representative body. There are plenty of other bodies that play that role. Our core work supporting the voluntary and community sector (in its widest sense) puts us in direct contact with over 35,000 organisations every year, and although that contact informs our position, we stand for our own view and see our mandate as that of a 'concerned citizen' with a right to a voice and an opinion. There are times when DSC will disagree with the majority view of the sector and will say so.

There are two characteristics of our engagement with the voluntary and community sector that we see as being especially unique to DSC. Firstly is the sheer scale of the contact we have with the individuals, networks, groups, registered charities, funders and influencers that make up the highly complex entity we refer to as the voluntary and community sector. Secondly, is the size of the groups and organisations we work with. Reflective of the sector itself, by far the majority are small to medium sized, rely on volunteers and are constantly struggling to maintain and improve the service they provide to their beneficiaries.

Our vision is of an independent voluntary sector at the heart of social change. We have 3 core strategic objectives – helping voluntary organisations become effective agents for social change (providing support through training, publishing, networks, information and research); promoting independence for the sector (through campaigning for an independent voluntary sector and championing the needs of SMVCOs) and maintaining our own independence through being predominantly self-funded so that we can speak out without fear or favour.

DSC seeks to ask critical questions of those influencing the voluntary and community sector. We aim to challenge the direct impact, and highlight the unintended consequences, of shifts in policy, practice and performance by the few on the many.

5. Appendix 1
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Every month DSC runs a snap poll in its enewsletter, called the 'quick survey'. This survey gathers the views and opinions of DSC e-news readers who choose to participate. Its purpose is to stimulate interactive dialogue on issues of interest to people involved with the voluntary and community sector.

In our January 2009 quick survey we asked: Should local authorities be able to access lottery funding?

The results – 1203 responses

14% - yes

86% - no

439 written comments were also received. A selection of illustrative readers' comments is provided below, organised according to some general themes:

The majority of comments were unequivocally against the idea, often citing the need for independent sources of funding for the voluntary sector.

"It is important that there are sources of funding available to voluntary and community groups that are not subject to local authority or statutory sector control and priorities"

"In the recession lottery money should be focused on charities…doing so removes the temptation to substitute lottery cash for conventional public spending - and helps deal with the increased difficulty in raising cash from business and individuals."

"It is hard enough as it is for voluntary sector organisations to get funding competing against each other let alone adding statutory agencies to the mix."

However, a number of respondents discussed the role that local authorities might play as partners with the voluntary sector in lottery bids, acting as facilitators or capacity builders for groups and community projects.

"Many times the LAs are able to work in partnership with local VCS organisations to deliver projects and can provide robust financial management, monitoring and evaluation structures, good practice ideas etc to support projects. LAs can also more easily draw on their contact re expertise and potential match funding from other relevant partners, e.g. PCT, local schools & colleges, County Council. In particular this could be beneficial for wider impact projects and / or programmes of work both within a district and through cross district working."

"There are often projects which would benefit communities that are not seen as priorities in terms of council spending but where councils could take a lead. Accessing Lottery funding would allow councils to be more innovative in meeting the needs of their citizens."

"Local authorities are better able to support VCS groups as a result of drawing down BIG funding - not least because it enables them to develop bidding expertise that they can pass on to smaller groups. Our local authority has been excellent in this regard."

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"I have spoken to many people from the voluntary sector who embrace the use of Local Authorities as they reduce the "red tape" and let them get on with delivering the service or activity. In many cases small voluntary groups find application processes too onerous or are put off by the sheer scale of grant, i.e. My Place"

Interestingly, a number of comments that were obviously from councillors or local authority staff pointed out real risks with this approach, often citing the practice of cutting programmes because of budgetary pressures, then trying to replace it with external funding such as the lottery.

"Adding Lottery money as a possible addition to LA funding from Central Grants and the Rates gets elected MPs and Councillors off their accountability to electors. They could always excuse themselves by saying their view was that this item should be Lottery Funded. I speak as a former Urban District and City Councillor."

"Unless it is for community led projects, it would become a prop for departmental budgets."

"As a local authority employee who relies heavily on grants to deliver projects due to a lack of adequate core funding, any change to the lottery to make accessing funding easier would be appreciated."

"Local authorities are experiencing a funding shortfall, and have done for several years. Unfortunately some are dealing with this situation by decimating some service provision e.g. Youth Services and then applying to Reaching Communities etc to fund them to pay the local groups they used to provide with grants to run youth services on their behalf. Knowing that they can apply for certain bits of work is encouraging them to solve their problems by deleting that area of work from their portfolio. This, in turn, enables the government to continue making cuts in LA funding."

Many people also mentioned the concept of 'additionality', the difference between statutory and discretionary services, and the fact that the lottery is not intended to subsidise public spending.

"I was horrified to find out how many millions of pounds my local authority has received for doing what I thought I paid my Council Tax for. And they employ one or more people full-time to make applications. This is surely wholly at variance with the founding principles of the Lottery."

"This is double-funding. Local Authorities already obtain funding from the public through direct and indirect taxation. My view is that many people would stop buying lottery tickets if that is where the money was going. This would also have the knock-on effect of reducing the pot for the voluntary sector."

"The Lottery is already a tax on the poor. Lottery money is now put into Government led programmes i.e. to implement Government policy initiatives. These initiatives should be funded directly through Government grants. It is all somewhat of a travesty and unfortunately those that buy lottery tickets are unaware and probably not that interested."

"An extension of this theme involved comments that touched on the public understanding of 'good causes' as the original purpose of the Lottery, and that ticket-buyers do not expect their fees to be subsidising services funded through taxation."

"People who buy Lottery tickets think they are contributing to "good causes", i.e. charitable causes. Local authorities are not charities. Already too much lottery money has been taken for non-charitable work (the Olympics being the prime example) and this should stop."

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