The Big Lottery Fund's Big Plan

Jay Kennedy believes it's a good time for charities to take a gamble

It's a tough task for any charity looking for grants these days, with funding from government, charitable trusts and companies under pressure because of the recession. Thankfully one funder has seen sustained income recently – the National Lottery. It appears that economic hard times provide good conditions for playing games of chance.

Around 28p of every pound raised from lottery games goes to support "good causes" – in broad terms charitable programmes, sports, arts and heritage projects. One lottery distributor in particular, the Big Lottery Fund, has grown to become a major source of funding for charities in the UK since its inception in 2004.

Big's mission is to "bring real improvements to communities and the lives of people most in need" and its commitment to primarily fund charities in realising these outcomes is crucially important. No other single funder can boast its reach – Big's grants have become a lifeline and a catalyst for local voluntary action and all kinds of community work across the UK.

Despite its success, the past few years have been a challenging period for Big. All lottery distributors are non-departmental public bodies, ultimately accountable to Ministers and thus subject to the shifting political winds. Recent events have impacted the funder's strategic development and its ability to get on with its core business.

The Olympics raid

Big's Strategic Framework – *Big Thinking* – was introduced in 2009 to guide its work through the years to 2015. It set out a clear mission for Big and some principles and priorities for how it will fund, under the banner of "intelligent funding" – basically an aspiration to move beyond being a distributor of money to becoming an active participant and partner in achieving outcomes for people and communities.

The strategy was produced in the aftermath of the Labour government's outrageous decision in 2007 to raid an additional £675 million of Lottery revenues (including £425 million from Big) to fill the multi-billion pound black hole in the Olympics budget, following the success of the London 2012 bid. Although the decision was technically legal, it was widely seen as wrong and was criticised by both parties which now form the Coalition government.

To illustrate the impact, during each of the financial years 2009/10, 2010/11, and 2011/12 (ie the recession years) Big transferred £172m per annum to the Olympics budget – roughly 20–25% of its annual income. This money was effectively taken away from people in need to fund the construction of large-scale infrastructure projects in East London. The Directory of Social Change (DSC) is currently campaigning for the £425m to be returned to Big after the Olympics – for more see www.biglotteryrefund.org.uk.)

Not only did this decision mean that charities and the people they support lost out, it proved to be a strategic headache for Big. As Big often funds organisations for a number of years it needs to have relatively rigorous forecasts of its revenue. It is not able to keep large cash reserves to deal with unexpected developments as this is politically unpopular. Although recently income has increased, during the onset of the recession the Olympics raid threw in a Niagara Falls-shaped drop that was totally unplanned.

The 2010 election and aftermath

More uncertainty arrived in the form of the 2010 election. People had started to take notice of Conservative policy on the Lottery as early as 2008, with the prospect of a change of administration becoming a serious possibility. Several policies subsequently emerged following the election that were not necessarily in the best interests of the charities which receive Big's funding.

The first reform added further insult to Olympics injury, as the Coalition government implemented a Conservative policy to change the revenue shares between Big and the other Lottery distributors. Over a two-year period, Big's share was reduced from 50% to 40% of revenues, with the Heritage Lottery Fund, Sport England and the Arts Council equally splitting the additional 10%.

The second reform was the requirement that Big limit its administration costs to 5%. DSC and others argued that while it is important to keep unnecessary spending down, a crude percentage cap would tie management's hands and could threaten applicant support. Big administers a high volume of small grants,

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so the amount they spend on administration in total and in relative terms per grant is likely to be higher than other distributors like the Heritage Lottery Fund, which makes larger grants often for capital projects. It's vital that Big continues to improve its customer service, help and advice for applicants – helping to "skill up" the applicant pool – all of which is "admin cost". It remains to be seen what effect the cap will have in the longer term.

A further reform arising from the election involved a shift in accountability for Big. As part of the quango cull in autumn 2010, oversight for Big transferred to the Office for Civil Society, with the other lottery distributors remaining under the aegis of the Department for Culture, Media and Sport (DCMS). In theory this shift made sense – as Big had always been slightly the odd one out at DCMS. This change led to a review of the high-level "policy directions" that guide Big's funding. A number of themes from the new directions subsequently appeared in the recent *Fresh Thinking* document (discussed below).

The calm after the storm, or the eye of the storm?

Following several years of significant uncertainty and upheaval for Big, we can now hope for a period of relative stability on the administrative side. This is crucial for the voluntary sector, given the serious instability across the rest of the funding environment. Big now needs the space to be able to refine and develop its programmes, without further interference from government.

But where does the *Big Thinking* framework sit now, in the context of recent events? Big originally described an "intelligent funder" as one which:

- offers support (apart from financial) to the organisations it funds;

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- works with other funders to develop and share leading practice; and
- promotes the analysis of the impact of its funding to policy makers.

This overall approach is the right one – DSC and many others have always wanted to see Big function more like a top-notch charitable grantmaker and less like a government bureaucracy. This view is echoed throughout much of the voluntary sector.

Have they achieved this? It's hard to say. It is likely that the administrative upheaval of recent years hasn't helped. The *Fresh Thinking* document, recently published by Big as an update to *Big Thinking* midway through the 2009–2015 period, oddly doesn't provide much of an assessment of how far they have travelled.

In what ways have they worked with other funders to share knowledge and best practice, and how has that influenced what they do? How have they built up their research and evidence base, and fed that into public policy? How much progress do they think they have made? What do others think they have achieved? The ambition to be an intelligent funder remains; hopefully there will now be greater space to realise it.

What does the future hold?

In tune with their pre-election policy, the Conservatives have been keen to show a light-touch approach to the Lottery (with the Lib Dems not really having much Lottery policy to speak of). However, as we have seen above the reality has not necessarily lived up to the ambition. In fact, several key themes in the *Fresh Thinking* document clearly reflect the policy influence of the current government – specifically around social investment and building partnerships with business.

In a nutshell, social investment is any form of finance which seeks to achieve both social and financial "returns" (or outcomes). Both Big's revised policy directions and the *Fresh Thinking* document mention that Big will be involved in "building the social investment market" in the future. At DSC we don't think that should be Big's role – after all, the government has only just launched Big Society Capital, the social investment organisation whose mission is to do just that.

However, it's important to remember that social investment is still an embryonic field, and much of it remains basically experimental. Big's view appears to be that they should be engaged in order to influence its development and help make it relevant to a wider set of organisations than otherwise might be the case. The argument that they are better inside than outside the discussion has some merit, but the risk is that they may become distracted from their core purpose and audience.

Another new emphasis in *Fresh Thinking* involves greater focus on partnerships with the private sector. We will have to see where this leads – enforcing partnership as a condition of funding would be counter-productive and would contradict the original *Big Thinking* strategy, which states that Big "will not force partnerships, but we will encourage links to be made between organisations who are working to deliver the same ends".

But could Big use its influence and knowledge to improve charitable giving by business and corporates? Could it use data from its pool of applications to identify social need in communities for businesses that wanted to give in those areas? That would be an interesting prospect. It's early days, and we shall have to wait and see how this discussion pans out.

Conclusion

In the future, Big's funding and its focus on people and communities in need are likely to be more important than ever. Charities will doubtless be keeping a keen eye on how Big's future strategy plays out in practice, and whether the "intelligent funder" ideal lives up to the reality of their own experience.

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