

# DIRECTORY OF SOCIAL CHANGE

INFORMATION AND TRAINING FOR THE VOLUNTARY SECTOR

## **DSC's response to the Office for Civil Society's consultation on proposed policy directions for the Big Lottery Fund**

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## About the Directory of Social Change

The Directory of Social Change has a vision of an independent voluntary sector at the heart of social change. We believe that the activities of charities and other voluntary organisations are crucial to the health of our society.

Through our publications, courses and conferences, we come in contact with thousands of organisations each year. The majority are small to medium-sized, rely on volunteers and are constantly struggling to maintain and improve the services they provide.

We are not a membership body. Our public commentary and the policy positions we take are based on clear principles, and are informed by the contact we have with these organisations. We also undertake campaigns on issues that affect them or which evolve out of our research.

We view our role as that of a 'concerned citizen', acting as a champion on behalf of the voluntary sector in its widest sense. We ask critical questions, challenge the prevailing view, and try to promote debate on issues we consider to be important.

DSC has a long-standing interest in Lottery policy and the activities of the different distributors. We are engaged with the Big Lottery Fund in particular on policy matters and have provided practical training and information for charities and voluntary organisations about how to access Lottery funds for over a decade.

## Background to the consultation on the proposed policy directions

In the autumn of 2010, during the Government's review of non-departmental public bodies (NDPBs) and other arms-length agencies, Government announced plans to transfer oversight of the Big Lottery Fund from the Department of Culture, Media and Sport (DCMS) to the Office for Civil Society (OCS). The remaining distributors would remain accountable to DCMS.

Although Big has operational independence from the Government and ministers, and is governed by its own board, it is accountable to Government as an NDPB. Part of this involves what are known as 'policy directions' – essentially broad strategic objectives which are set by the relevant department (now OCS). Following these changes, the Office for Civil Society issued revised policy directions for public consultation in August 2011.

The following analysis refers to these draft policy directions, which are available from the Cabinet Office website at: <http://www.cabinetoffice.gov.uk/resource-library/big-lottery-fund-consultation-proposed-policy-directions>

## Big's independence and position in the funding environment

The Big Lottery Fund is a vital funder of voluntary and community activity across Britain. It is one of the largest grant-making bodies for charities in the country. As such it occupies a uniquely strategic position in the funding environment. Big's work has an impact beyond the amount of money and the projects it funds. It is and should be a key player in the development of best practice in grant-making, and delivering good outcomes for many diverse types of beneficiaries.

DSC has long argued that in order to be effective, the Lottery distributors – and Big in particular – need to operate more like top-notch grant-making trusts, and less like bureaucratic government agencies. In order to do this, Big needs sufficient independence from political interference, insulation from unpredictable policy shifts and demands on its budgets, and the freedom for its board to make decisions based on the needs of applicants and their beneficiaries.

We accept that as a public body Big needs to be subject to a reasonable level of political oversight, but the temptation is always for any government to overstep the mark. This temptation is inevitably greater when public spending is under extreme pressure.

In opposition, both parties in the Coalition Government repeatedly made similar points – with the Conservative Party at one point promising to ‘restore the Lottery’s independence.’ We urge the Government to live up to the spirit of those promises as the relationship between OCS and Big develops. The revised policy directions are an opportunity to demonstrate this and put the relationship on the right path.

## **General points – generating learning and support for applicants**

As a document, DSC believes these directions on the whole are an improvement on the previous version, with some important exceptions (discussed below). Much of the random and needless specific prescriptions in the previous version have been removed, and the overarching principles for the fund have been clarified.

We think the points in section 1.A are particularly important, especially in 1.A.iii, which mentions the need to ‘generate learning to help the development of policy and practice beyond the Fund’s funding’. This is a vital role for Big which has arguably been underdeveloped. Also 1.A.ii, which hints at the important support Big provides to often inexperienced applicants (however, this point could be made more clearly).

Having said that, the opportunity to clarify the independent nature of Big’s role and its legal relationship to the OCS in broad terms does seem to have been missed in the draft document. A simple paragraph outlining this at the beginning would helpfully clarify that relationship to interested parties.

## **Major criticisms – social investment and definition of additionality**

DSC has long argued that it is vital that Big should remain a grant funder of voluntary and community organisations. It must be able to develop its own grant-making practice, and to share learning about grant-making with others. Any decision by Big’s board to experiment with different types of social investment which depart from a grant-making approach should be based on an assessment of whether such innovations can facilitate the right outcomes for beneficiaries, not on a political agenda.

The priority listed in 1.C.iii about ‘increasing the capacity of the social investment market’ sounds like the Government’s mission for Big Society Capital, and is not an appropriate role for the major grant-making Lottery distributor.

Building the capacity of a particular funding ‘marketplace’ should not be a priority or role for Big, even if as an ‘Intelligent Funder’ it is engaged in constructive policy conversations with other funders about different developments and practices in funding, and applies learning in practice through its programmes where appropriate. OCS should remove this priority from the policy directions.

It is also a major concern of DSC’s that the definition of additionality appears to have been watered down in 1.G5 of this document, as compared to other previous interpretations, including documents such as Big’s latest annual report. Lottery funding should not displace, substitute, or replace Exchequer funding, or fund services which the state has a statutory obligation to provide. This has been a founding principle of the Lottery, and much was made of it by both Coalition parties when they were in opposition – particularly with respect to the raid on Lottery funds for the 2012 Olympics.

We recognise that the additionality principle has always been difficult to uphold and interpret in practice, and that doing so is likely to become more difficult in the future. However, that is all the more reason for it to be stated as clearly as possible – especially given the current environment where public spending is under such pressure.

Section 1.G5 should be reworded, with ‘Complementarity’ removed entirely or included as a distinct principle. We suggest:

## **5. ADDITIONALITY**

Lottery funds, and the projects and causes they support, are legally and morally separate from tax revenues in origin and purpose. Lottery funds must not displace, substitute, or replace Exchequer spending, or fund services which the state has a statutory obligation to provide.

## **6. COMPLEMENTARITY**

As an Intelligent Funder, Big’s programmes and funding can complement and add value to the plans of action and activity of other funders working towards similar goals.

## **Minor criticisms – funds ‘for private gain’ and ‘measurable’ outcomes**

There are other minor issues with some of the current wording in the draft directions. For example in 1.C, it says ‘not intended primarily for private gain’. We understand that this wording has resulted from the different requirements in Wales, Scotland and Northern Ireland – but it is nevertheless confusing and even misleading. It must be made clear that Big’s funding cannot be used for the private profit of individuals or for-profit companies, at least in England and the Isle of Man, where these instructions prevail.

Also, section 1.E mentions ‘delivering measurable outcomes’. It is unlikely that even a majority of the outcomes achieved with Big’s funding will be measurable, or measurable in any robust and cost-efficient way. That does not mean they are not important or worthy of being funded, or that what is measurable carries greater impact. The word ‘measurable’ should therefore be removed.

Finally, section 2.A is relatively meaningless and the phrase 'fairer, freer and more responsible society', whilst not objectionable, merely seems to mimic current Coalition government rhetoric. We do not see the purpose of this item.