

DIRECTORY OF SOCIAL CHANGE

INFORMATION AND TRAINING FOR THE VOLUNTARY SECTOR

DSC response to DCMS consultation on changes to the National Lottery Shares

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Jay Kennedy
Head of Policy
Directory of Social Change
24 Stephenson Way
London
NW1 2DP
Tel: 020 7391 4800
www.dsc.org.uk

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 delivered practical training for charities and voluntary organisations about how to access Lottery funds for over a decade.

Summary - DSC's views on proposed Lottery changes

In making changes to the Lottery, the coalition Government should:

- Ensure that changes to the shares do not reduce the overall amount of money going to voluntary and community groups (calculations should exclude refunds due from the Olympics).
- Ensure that redistributed funding remains widely accessible to a range of local organisations. For example, funding shifted from the BIG Lottery Fund to Sport England and the Arts Council should be distributed through smaller grants programmes for local community sports or arts groups.
- Work with distributors to develop clear criteria for evaluating and tracking joint bids between voluntary and community organisations and statutory bodies, with a view to ensuring funding is only for the voluntary and community sector and not acting as a substitute for statutory spending cuts.
- Ensure that when Olympic assets are sold, funds are returned according to the proportions that were in operation at the time funds were diverted.
- Scrap the proposed mandatory cap of 5% on Lottery administration costs, as this will act as a disincentive to:
 - operating grants programmes which make many small awards

- providing support for organisations which may have little experience in applying for funding or managing projects
- investing in research which supports the development of effective programmes and good funding practice.

Background to the consultation on Lottery shares

The Conservatives outlined policies on the National Lottery in their policy paper *Voluntary Action in the 21st Century*, published in June 2008. The paper criticised changes made by the Labour Government since the Lottery's inception, such as creating the New Opportunities Fund and diverting money to fund the 2012 Olympics. It proposed a range of ambitious measures designed to 'restore the integrity of the National Lottery' by returning it to its 'original' purposes of sport, arts, heritage and communities, and to refocus its funding solely on voluntary and community groups.

Many of the specific proposals in *Voluntary Action* appear not to have survived the Conservatives' election manifesto process or the drafting of the Government's coalition agreement. However, the agreement does contain a commitment to reform the Lottery so more money goes into sport, arts and heritage, to ban lobbying activities and to restrict administration costs.

The Department for Culture, Media and Sport (DCMS) has responsibility for the Lottery. The distributors are Non-Departmental Public Bodies accountable to the department and its ministers. The new DCMS 'Structural Reform Plan' sets out activities to be achieved by the department, and contains three proposals which affect the Lottery in the near-term. These are:

Reform the National Lottery so that more money goes into sport, the arts and heritage

- Consult about plans to allocate 60% of Lottery funding to the arts, sport and heritage causes, and 40% to the voluntary and community sector
- Lay statutory instrument to enact these changes

Reform the Big Lottery Fund to ensure that only voluntary and community sector projects are funded and to prevent funding of politicised projects

- Issue new policy directions to the Big Lottery Fund

Stop wasteful spending by Lottery distributors, by banning lobbying activities and reducing administration costs to 5% of total income

- Agree plans for administrative cost reductions with distributors

The first item – changing the shares – is the subject of a consultation exercise which concluded in August 2010. The second item – concerning an instruction to BIG to fund voluntary and community sector projects only – is also in part the subject of a consultation ending in October 2010. At the time of writing the proposal to limit administration costs to 5% was not the subject of any formal consultation.

DSC's response addresses issues from all three categories above.

DSC's overall position on the National Lottery

The Lottery is a hugely important source of funding for many voluntary and community groups. The BIG Lottery Fund in particular, like the Community Fund which preceded it, is in a unique position. Its size and reach across the country is greater than any charitable trust or foundation. It generally has more freedom to operate and develop its funding practice and programmes over longer periods, with more stability in policy direction, than statutory funders typically have.

DSC has argued that in the past the Lottery has suffered from political interference which has sought to align its spending with government policy priorities. This has hampered the development of funding programmes and good funding practice. Instances such as the diversion of money to fund the 2012 Olympics are a good example. This is not just about the amount of money available – the disruption to programme development and strategic direction caused by such decisions is significant.

DSC has long maintained that due to the nature of the revenue the Lottery distributes (the proceeds of legalised gambling), and the position of the respective distributors, as comparatively large and semi-independent funders, Lottery funding 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;
- 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;
- build an evidence base to analyse need as expressed by applicants, which in turn should inform the development of funding programmes;
- be primarily distributed through accessible, open programmes of community support.

Given these views, DSC broadly agreed with much of the Conservatives' critique in *Voluntary Action*, and with the broad ambition to protect it from political influence and focus funding on the voluntary and community sector.

Changing the shares of Lottery revenue allocated to distributors

Impact on development of funding practice and new programmes

DSC is concerned however that the Government has not fully understood or appreciated the potential impact of reducing the share of funds distributed by the BIG Lottery Fund to voluntary and community groups.

The BIG Lottery Fund's Strategic Framework, launched in 2009, shows promise. Its aim is for BIG to become an 'intelligent funder' – and calls for greater use of research and evaluation to develop and refine programmes, and greater engagement with other

funders in developing best practice. BIG is in a unique position to play such a role, given its size, reach and position in between charitable and statutory funders.

The planned BIG Local Trust initiative, which builds on the Lottery's Fair Share programme, involves analysing data from past awards and other indicators of need to target funding in specific local areas which have been underserved. DSC has long argued for such an approach to be more widely applied. Interestingly, the Conservatives' *Voluntary Action* paper went so far as to say that 'the "Fair Share" approach will become the norm across the fund – and the distribution channels will be made accessible to the other good causes.'

However, it is evident that Government plans to change the shares are now taking up much of BIG's time and resources, and that this may make it more difficult for BIG to deliver on the Framework and develop and refine its programmes. Disruption to forward planning may result in a longer roll-out time for new programmes such as BIG Local Trust.

Impact on overall amount of money for voluntary and community sector

All four distributors give to charities and voluntary organisations, although BIG is the only distributor which uses 'voluntary and community sector' to define the focus of its funding. In our view the distinction between 'voluntary and community sector' and 'arts sector' is often artificial. For example, local charities doing youth work may seek Arts Council funding for projects to involve young people in art, with outcomes that go beyond the creation of art.

In its Strategic Framework BIG has committed that 80% of its funding will go to voluntary and community groups. According to BIG, in practice this figure is closer to 90%. To date the debate about reducing BIG's share has centred on the question of whether the financial effect of any reduction would be counteracted by the instruction to fund only VCS-led projects. In theory, there would be a greater share of a smaller pie allocated specifically for the VCS. However, it is not clear whether the 80 – 90% figures include projects where a VCS organisation bids in partnership with a public body, or if such bids are classed in the 10-20% of 'non-VCS' funding.

The amount of funding available to BIG in the future also depends on ticket sales and what happens to the Olympics assets following the 2012 London games. DSC believes that when assets are sold off, the Government should refund the Lottery distributors according to the funding proportions in operation at the time the funds were diverted.

Impact on accessibility of funds for voluntary and community organisations

The BIG Lottery Fund runs two major programmes which are well-established and widely accessible to a range of voluntary and community organisations – Reaching Communities and Awards for All. It is vital that funding levels for these programmes remain protected as income levels change – in fact they should be increased if at all possible, as they have been heavily oversubscribed in the past.

Further, we would like to see the other distributors invest their additional funds in similar types of programmes. There is some precedent for this already. Sport England, The Arts Council and the Heritage Lottery Fund have all had their contributions to the Awards

for All fund reimbursed from 2009; prior to that, Awards for All had been a small grants programme jointly funded by the four distributors. BIG has retained Awards for All, but there has been uneven progress on the development of similar small grants programmes from the other distributors following this change.

As the Arts Council, English Heritage and Sport England receive extra funding over coming years, it is important that this funding is widely accessible to a range of local organisations. For example, it should be distributed through smaller grants programmes for local community sports, arts or heritage groups. Such local groups, particularly local sports clubs, have suffered as a consequence of the diversion of funds to the Olympics.

Other proposals in the DCMS Structural Reform Plan

The following points are outside the scope of the current consultation, but we wish to put our views on the record at the same time.

Preventing ‘politicised’ projects

It is unclear what this phrase from the Structural Reform Plan means. Does it refer to the Olympics diversion, for example? One might also assume it refers to any number of projects which have attracted negative press interest or criticism from some politicians or sections of the public in the past. Funding for projects to assist asylum seekers, for example, could be considered ‘politicised projects’, depending on one’s point of view.

The BIG Lottery Fund in particular plays a crucial role in supporting causes and organisations which find it difficult to get support anywhere else. Its funding is targeted at achieving outcomes for people and communities most in need – which should include groups such as those supporting asylum seekers in our view. We would like to see this phrasing scrapped. At a minimum there must be clear definitions and criteria about what it means and how it is to be applied. A situation whereupon individual grant awards were evaluated as to whether they are ‘politicised’ would be an administrative disaster.

Arbitrary caps on administration costs

For any funding programme, there is an understandable desire to see the maximum amount possible spent directly on the activity being funded. BIG in particular may have attracted criticism in the past for what has been perceived to be excessive branding and marketing, particularly around the time it was launched.

However, an arbitrary cap on distributors’ administration costs will not be beneficial to voluntary and community groups seeking funding. Mainly, it will act as a disincentive to:

- operating grants programmes which make many small awards, as a small grant costs more to administer as a percentage of the value than a large one;
- providing support for organisations which may have little experience in applying for funding or managing projects;

- investing in research which supports the development of effective programmes and good funding practice.

The Government should scrap this proposal. If it has evidence that distributors are wasting money, it should clearly spell out what this is and work with them to reduce those costs in a sensible way. An overall cap, driven by the assumption that all distributors work under the same conditions and have the same objectives, is unlikely to result in achieving sensible reductions and may damage the organisations and causes being supported.