

**DSC response to the Office for Civil Society's
consultation on**

Policy directions for the Big Lottery Fund

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1. Summary

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.'

The Big Lottery Fund is a grant-making body established by law, which is independent of government policy however must comply with policy directions. These are described as 'matters which must be taken into account in determining the persons to whom, the purposes for which and the conditions subject to which the Fund distributes money. These directions are set by ministers.

The current policy directions issued to the Fund were introduced in 2012 and the Office for Civil Society is now consulting on new ones. Unfortunately many of the proposed directions far too closely align the Fund to government policy priorities greatly undermining the principle of additionality of the Fund. We strongly recommend that the Office for Civil Society takes responses into serious consideration and that it seeks to preserve the independence of the Big Lottery Fund.

2. Responses to questions

The Office for Civil Society invited stakeholders to respond via a set questionnaire. The questions from the questionnaire are repeated here and followed by DSC's response. Where relevant the responses identify specific policy directions according to their number.

Question 1: Is there anything set out in these directions that the Big Lottery Fund should not be doing? If your answer is yes, please tell us what it is and why they should not be doing it.

The Fund should not redefine ‘additionally’ in terms of its relationship with government or government policy. (Direction 1C)

This draft redefines additionality as ‘additional to and distinct from government funding, while complementing and adding value to it in areas of mutual policy interest.’

This definition is problematic in many ways. This narrows the focus of additionality, suggesting that it is something to do with government policy and suggests that the Fund will be restricted to working in areas of mutual benefit to government policy.

This is a big change in priority, with the previous definition being ‘projects should complement, add value and be distinct from the work of other funders and parties working towards the Fund’s goals’. The new definition seems to suggest that the Fund should be working towards the government’s goals, giving that a kind of supremacy.

This places the Fund far too close to government policy and compromises its independence.

The Fund should not “operate within the Big Society policy” of government. (Direction 3A)

There is no discernable ‘Big Society policy’ thus this statement is meaningless.

DSC has long argued that the Big Lottery Fund should remain a grant funder of voluntary and community organisations which has the ability to develop its own grant-making practise and set its own priorities, based on feedback and data from applicants and communities in need. The independence of the Big Lottery Fund from government is vital. The Fund exists to give resource to charities, not to further government policy or to serve the ideology of government.

The promotion of “Social Investment as a means to improve sustainability and impact” should not be a policy (Direction 3C.5).

Any decision by the Fund’s board to experiment with different types of social investment, which departs 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.

It is government policy that the voluntary sector adopts more social investment. Big Society Capital already promotes Social Investment. As DSC has argued previously there is no need to align the Fund in this way.

Using the Fund to promote this policy explicitly undermines its independence. Social Investment is not a proven concept, and there is little evidence that it encourages sustainability or improves impact. In the volatile political and economic climate a policy that promotes investment is a major risk.

The Fund should not be tied to supporting “early years child development and parenting” and should not have as a priority “complementing the Government’s Life Chances Strategy” (Direction 3C.1) Likewise it should not have a particular focus on “engaging young people... to give them opportunities to develop vital skills for life and work.” (Direction 3C.2).

The independence of the Fund is of key importance to its ability to help those most in need. The Fund provides resources, which add value through their additionality. By specifying that the Fund works to promote particular government policy, such as the Life Chances Strategy or employment strategy, its independence is being compromised and there is a risk of the Fund ‘taking-over’ from the state, i.e. not providing additionality at all.

The Fund should not be tied to ‘British Values that support integration and unite communities’ (Direction 3C.3)

British Values are an abstract concept and there is little firm agreement on what these are. A definition of British Values is not developed in the policy directions. Thus this direction is meaningless. While inevitably funding decisions will be to a certain degree, values-based, decisions should be made based on the Fund’s assessment of needs.

In summary, the Fund should not be restricted to funding specific areas of need over others, and the broad wording of the previous policy directions should be preserved. Specifying certain causes over others ties the Big Lottery Fund to government policy which it does not exist to further. The Fund needs the ability to make funding decisions independent of what the government thinks is important.

The Fund should not be constrained as to what areas of voluntary sector infrastructure should be supported. For the sake of the entire sector it needs to promote voluntary sector infrastructure across all sub-sectors. (Direction 3C.7).

3C(7) prioritises supporting and strengthening “organisational infrastructure” with an emphasis on the youth sector. Again this ties it too much to government policy. This would compromise the Fund’s independence.

Voluntary sector infrastructure is under an enormous amount of financial strain. Infrastructure bodies which ensure charities are properly trained, informed, represented, resourced are of the utmost importance to the strength of the sector and the sustainability of services.

Question 2: Is there anything else the Big Lottery Fund should be doing, not covered by these directions? If your answer is yes, please tell us what else they should be doing and why.

The Fund should work closer with other funders so that they can coordinate better in terms of where the money is directed.

Research by DSC ([Sector Insight: UK Grant Making Trusts and Foundations](#)) shows that a significantly larger proportion of money from grant-makers goes to the south-east of England compared to the areas of greatest deprivation in the North-East and North-west. Better coordination, which could be provided, by the Fund could see the area's of greatest need see much needed funding into local charities.

The Fund could act as a convener to bring together other grant-makers to address the north-south divide in grant-making, and better coordinate activities so that grant money is having the biggest possible impact.

Our research finds huge variations in how different funders operate. The Fund could act to improve communication and collaboration between grant makers and develop best practise in areas such as how the application process works and how the relationship between funders and grantees works.

Reach out more to charities and help them apply for funds.

The Fund needs to get more of its grant money into more charities, quicker. This will involve establishing closer links with charities and local infrastructure to better understand the needs of charities, to better advertise the funding available, and to help charities successfully apply for the funding they need. More needs to be done to invest in support for applicants, for example running sessions on how to apply, ensuring resource for providing feedback etc. The Fund should also target more funding into the underserved areas where levels of deprivation and need tend to be higher.

Invest more in infrastructure.

Infrastructure is important for charities to be able to operate effectively. Well-resourced infrastructure will strengthen the sector so it can help more people and be more resilient in the face of increasing demand and adverse political and economic conditions.

Support for training bodies will be essential; especially training and support around charity governance, which is a key issue in the voluntary sector now and will be in the future. Charities need excellent governance but in many cases the demands on resources are such that charities struggle to provide training for trustees. Funding an initiative to address this problem, for example, would have an immediate and far reaching benefit for charities across the country.

Question 3: What is your view of the Fund's international work? Are you content with the policy direction (2.E) covering this work – is there anything more you would expect to see or are there any limits or conditions you would expect the Fund to apply to this work, which should be included in the final policy directions?

The Fund's international work is vital. The focus however should be on people's needs. 2E specifies that it should focus on 'new approaches' and the 'exchange of best practise' however this may not be what is needed. Funding tried and tested approaches may have a bigger impact on people's lives. In disaster zones, people on the ground might be more in need of basic materials for survival as opposed to tips for best practise. This wording seems to restrict the situations in which the Fund can work.

Question 4: Is there any part of these directions that is not immediately clear or that you do not understand, either in terms of the language used or the intent behind the direction?

'To ensure money distributed... [is] not intended primarily for private gain' (Direction 1A.2)

This is unclear. Money from the Fund cannot be used for the private gain of individuals or private companies save for the cost of goods, services and labour. The word 'primarily' confuses this and implies that private gain from charitable resources is acceptable once it wasn't the initial intention of a project.

'British Values' (Direction 3C.3)

There is no agreement of what this means and no definition is offered in the policy directions. It says 'support integration and unite communities' but it's unclear how this is achieved through British Values which are contestable, and not, of course, uniquely British.

'Organisational infrastructure... particularly the youth sector' (Direction 3C.7)

In previous drafts of the policy directions this has been referred to as 'voluntary sector infrastructure'. It is unclear if this means charity infrastructure (for example umbrella bodies etc.) or something else. And it's not clear what sections of infrastructure, i.e. just those relating to bodies representing children's charities or more general bodies?

Question 5: In conclusion, is there anything else you wish to say about these policy directions?

These policy directions seem to be pulling the Fund closer to government, while there is a clear need to enhance and reinforce the Big Lottery Fund's independence from government and its distinct role. Funding priorities should be determined by needs in the community, not according to what the government of the day thinks is important. Any move towards a closer government policy in practice would be highly worrying. The Fund

needs greater independence. We have seen in the past how the Fund has been raided by government ministers. The government still owes £425m to the Fund which could be used to make a big difference at a time of great volatility. Last year there was a second attempted raid which was narrowly averted by a charity campaign. Moving the Fund closer to government confuses its very purpose and puts it in a position where further abuse of its resources for political reasons looks more likely. www.biglotteryrefund.org.uk

3. DSC's principle of Responsible Regulation

DSC believes that voluntary activity should be regulated responsibly. Some regulation is necessary to safeguard and maintain the interests of the general public, the beneficiary, and of the organisations and individuals being regulated. However, it should have a demonstrable benefit and should aim to empower and strengthen voluntary activity rather than control it unnecessarily. We believe that:

- a) Regulation should be **proportionate** – it must strike a balance between perceived risk and intended benefit. It should recognise the diversity of voluntary sector activity and be developed and applied in a proportionate way.
- b) Regulation should be **appropriate** – it must be informed by the characteristics, capacity, and needs of the organisations and individuals that are being regulated. Insofar as is possible it should be focussed, rather than acting as a blunt instrument that has unintended effects.
- c) Regulation should be **enabling** – it should seek to empower rather than control voluntary activity. The reasons for the regulation and the regulation itself must be properly understood by those institutions which are applying it. It should be accessible and intelligible to those being regulated. It should seek as far as possible to encourage self-regulation rather than focus simply on enforcement.

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 charity law and regulation, especially the Charity Commission with which we work closely according to our principal of responsible regulation.