

Proposed new Big Lottery Fund policy directions consultation:

FIVE POINTS

Briefing paper 67

The format of the lottery consultation, which will affect how £600m per year funding is used, does not allow formal collective consultation responses. The purpose of this briefing is to:

- Encourage groups to respond by 18 November:
- Outline five points to consider

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Introduction

The Cabinet Office have published [‘proposed new Big Lottery Fund policy directions for consultation’](#) and opened a 12 week consultation that will end at midnight on Friday, 18th November 2011.

As “policy directions” from the now accountable Government Department for the Big Lottery Fund, they will shape the use of around £600m of grant funding per year that has, for the most part, been directed at the voluntary, community, and faith sector including social enterprises (VCS).

To put this in perspective it’s the single largest, regular pot of money that’s used, for the most part, intelligently and creatively to support and spark voluntary and community action. It represents just under a quarter of all non-statutory sector grant funding. Its importance as a source of grant funding available to VCS groups is second to no other single source of funding.

As such, we urge VCS groups to consider the following five points and let Cabinet Office know what you think:

- The Third Priority: the social investment market
- Percentage going to VCS groups
- Defining social enterprise
- Being clear about the principle of additionality
- Equity and evidence of need

The scale of the response will be critical to the future use of this singular resource.

The Third Priority: the social investment market

The proposed policy directions states that there's a “... need to ensure over time that the distribution of money addresses one or more of the following [three] priorities”. The first two are familiar concepts: (i) Encouraging social involvement in communities and removing barriers; (ii) Strengthening the capacity of voluntary and community organisations and social enterprises. While the third priority (of which only one need be met) is:

(iii) Strengthening and increasing the capacity of the social investment market for supporting public benefit and social action. (p.3)

Taken to extremes this could mean that the entirety of the Big Lottery Fund be handed over to Big Society Capital (nee Big Society Bank) to administer loan finance. While this is an extreme interpretation, it would not be beyond the terms of this policy direction to expect a third of Big Lottery Funding to therefore be used as loan finance. This would effectively cut total available non-statutory sector grant funding by at least 8%.

We believe that there is a necessary role and need to develop the capacity of the social investment market. We do not, however, believe that social finance capacity should be created through simply transferring out large sums of lottery money to financial intermediary bodies. There are others sources and such activity is likely to deprioritise social investment as an option for other investors.

We believe that smaller portions of lottery money could be used to pilot, experiment and explore innovative ways of developing a vibrant social investment market. In other words: **Lottery funds should be the catalyst for innovative social investment and not the capital of the social investment market.**

Percentage going to VCS

The policy direction proposes that Big Lottery funding should go '**primarily**' to the voluntary and community sector. Previously the Government said that BIG lottery funding should **exclusively** go to the voluntary and community sector: 100%. This was a Conservative Party election commitment and was reiterated, less than 12 months ago, as the share of good cause money going to the Big Lottery Fund was reduced. The impact assessment said there would be no effect as there would effectively not be a reduction in the pot available.

Kevin Curley, the Chief Executive of NAVCA, points out that the use of 'primarily' could reduce the proportion of the fund going to groups to 51% which would equate to a loss of £300m grant funding per year:

"Public spending cuts especially in local government grants mean that there is more pressure than ever on lottery funding. I am worried that this is a quiet signal that more Big Lottery Fund spending will go to the statutory sector. And I would feel that the whole voluntary sector has been let down if the government reneges upon the reassurances it gave us just 12 months ago.

"Anyone who cares about our sector should respond to this consultation and press the government to make good the commitment they made last year for all Big Lottery Fund money to go to voluntary and community sector organisations".

Further details on NAVCA's campaign, and the commitments made by Government, are available from NAVCA's [website](#)¹

Defining social enterprise

In the statement on page 1 of the proposed policy direction, it states that the distribution of funds should be "to primarily those delivered by the voluntary and community sector and social enterprises..."

Given this, the definition of social enterprise becomes significant. Without wishing to go over well-trodden and controversial ground, the definition of social enterprise could have genuine financial and social implications. Our stance is that we fully support the definition as provided by the UK's social enterprise sector. We do not, for instance, endorse the Health Secretary's definition of social enterprise that includes foundation trusts².

¹ <http://www.navca.org.uk/news/view-article/navca-urges-frances-maude-to-keep-the-governments-lottery-promise>. The final footnote includes this Jeremy Hunt MP quote: "The lottery was set up to fund grassroots initiatives, not as a pot of money for ministers to dip into. At times like this it is even more important to the arts, heritage and sports sectors which is why I am wasting no time in making these changes. And, because I want to see a rise in the amount going to voluntary and community organisations, I will make sure that funds to that sector are protected with the Big Lottery fund focusing its support exclusively on that sector." **19 May 2010**

² Health Secretary challenges narrow definition: <http://www.socialenterpriselive.com/section/news/policy/20100714/health-secretary-challenges-%E2%80%98narrow%E2%80%99-definition-social-enterprise>

There will be significant incentive for Community Interest Companies (CICs) spinning out of the public sector to access charitable trust funding including Big Lottery Funding. This has happened in the past (e.g. with Leisure Centres) but we may be facing this issue on a much larger scale going forward.

Being clear about the principle of ‘Additionality and Complementarity’

We would like to re-emphasise the meaning of the principle of additionality. We are concerned that the proposed draft has lost some clarity. It is our understanding, repeated by DCMS as at September 2010³, that Lottery funding should not be used in place of core Government funding:

“We continue to support the principle of additionality of Lottery funding, that the Lottery is in addition to core Government spending.”
(DCMS, September 2010)

Equity and evidence of need

We believe that the distribution of funding should continue to be distributed on the basis of the evidence of need but alongside considerations of geographic and community of identity and interest ‘cold-spots’. We believe that these should also be considered high level principles within the ‘policy direction’ document.

Given this, the importance of the Big Lottery Fund’s outreach and evidence gathering work should not be underestimated and this needs to be understood in the context of the pressure to reduce costs.

Change will not happen without a large-scale response

We hope you agree with some of the five points listed above:

- To shape our final response please feel free to email Warren Escadale, VSNW’s Policy and Research Manager, on policy@vsnw.org.uk or ring him (from 31st October) on 0161 276 9307 or 07950 162815.
- More importantly please send your own response. The response template is extremely brief and does not allow collective responses: **Only single responses are allowed by the response template.** Of course, please feel free to copy us in.

To respond

Details of how to respond are available on the Cabinet Office website:

<https://update.cabinetoffice.gov.uk/resource-library/big-lottery-fund-consultation-proposed-policy-directions>.

There is a formal response form that is extremely restrictive (limit of 200 words imposed).

Deadline: Midnight on Friday, 18th November 2011

³ <http://www.culture.gov.uk/consultations/7460.aspx>

VSNW (Voluntary Sector North West) is the regional voluntary sector network for the North West. The purpose of VSNW is to ensure that the voluntary and community sector (VCS), in all its diversity, takes its full part in shaping the future of the North West.

VSNW members provide community services, regenerate neighbourhoods, support individuals, promote volunteering and tackle discrimination. The 40 generalist LIOs in membership of VSNW have a membership of 6,780 VCS groups and are in contact with 19,800 local voluntary and community sector groups in the North West – just under two-thirds (63%) of the region's VCS groups.

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