

Ensuring local VCS groups don't lose out in Lottery changes

Overview

The Cabinet Office has proposed changes to the Big Lottery Fundⁱ. This fund is about £600m per annum of which approximately 90% goes to voluntary, community and faith groups including social enterprises (VCS). As such The Big Lottery is the largest single source of grant funding for local VCS groups.

Having consulted with our networks, which includes direct contact with over 2,000 VCS representatives and reaches out to the 30,000+ local VCS groups in the North West, VSNW's response highlighted the following five issues:

1. Lottery funds should be the catalyst for innovative social investment and not the capital
2. The Big Lottery Fund should aim to fund VCS groups
3. If "Social Enterprise" is not defined there will be consequences that have not been agreed
4. Addition of a principle of 'Equity and Evidence of Need'
5. Lottery money should not be used to permanently replace Government funding

1. Lottery funds should be the catalyst for innovative social investment and not the capital

The proposed *Policy Direction* lists three priorities for the Fund. The first two are most welcome and fit well with current use. The proposed third priority is: "Strengthening and increasing the capacity of the social investment market for supporting public benefit and social action." Our concern is this priority will mean a significant shift away from grant funding just when other sources of grant funding are rapidly disappearing.

There is a 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 large sums of lottery money to financial intermediary bodies. There are other sources for this and the point is to attract new sources of investment.

Such a shift in the format of funding from one that suits the voluntary and community sector (grants), including social enterprisesⁱⁱ, to a form that does not suit the sector (loans), would disproportionately affect small local to medium groups (less than £100k pa) that make up over 92% of the sector and are working with people most in need in our local communities.

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.**

2. The Big Lottery Fund should aim to fund VCS groups

The following wording has caused concern for groups: "... the distribution of funds to ... primarily those delivered by the voluntary and community sector and social enterprises" (underscore added).

Local groups we have been in contact with are concerned that this may equate to an overall reduction in the amount of Lottery funding going to voluntary, community and faith sector groups including social enterprises. The current aim is that these groups should get 100% of the Big Lottery Fund. We believe, as do many national voluntary sector bodies, that this should continue to be the case. This is consistent with manifesto commitments and with the rationale (made 12 months ago) for reducing the amount apportioned to the Big Lottery Fund from ticket sales.

3. If “Social Enterprise” is not defined there will be consequences that have not been agreed

“Social Enterprise” needs to be adequately defined otherwise it will be unclear who is eligible and what groups are being funded. The current *Policy Directions* do not offer a definition. The proposals will encourage agencies to self-declare as social enterprises in order to access Lottery money. We are not against encouraging such change but we need to ensure it is genuine change. A clear understanding of what being a social enterprise entails is necessary.

In any definition, we believe that serious consideration needs to be given as to how agencies have accountable governance structures. However, we would urge Government to consult with social enterprises on this matter.

4. Principle of ‘Equity and Evidence of Need’

The proposed *Policy Directions* outlines six principles for the distribution of Lottery funding: engagement, representation, sustainability, longer term benefit, additionality and complementarity, and collaborative working.

We believe this is a good opportunity to embed, as a principle, much of the good practice of the Big Lottery Fund distributor. We propose a principle of *Equity and Evidence of Need*:

Funding should continue to be distributed on the basis of

- i. Evidence of need, alongside
- ii. Considerations of lack of take-up of Big Lottery Funding in
 - a. geographic communities and
 - b. communities of identity and interest.

This should also be considered across different Big Lottery Funding programmes.

5. Lottery money should not be used to permanently replace Government funding

The proposed definition is ambiguous and changes the commonly accepted meaning of ‘additionality’ (see page 2 of the proposed *Policy Directions*).

Additionality should be defined in line with Government’s statement of last year, namely that “... the Lottery is in addition to core Government spending” (DCMS, September 2010).

Further Information

Given the potential impact of proposed changes on local groups we hope that MPs are able to take an interest in this issue. If MPs, or anyone from their team, would like to further discuss VSNW’s understanding of this matter please do not hesitate to contact Warren Escadale, Policy and Research Manager, VSNW on 07950 162815 or policy@vsnw.org.uk. News about MP’s actions on behalf of the local VCS is most welcome too.

ⁱ The *Proposed New Big Lottery Fund Policy Directions* consultation took place from August to 18 November 2011. Details are available from the Cabinet Office website here: <http://bit.ly/CabinetOfficeLotteryConsultation>. The new Policy Directions, available through this link, are just three pages long should you wish to read them.

ⁱⁱ Grants are an essential part of the local funding mix. We know, through Big Society Capital, that 68% of social enterprise income in Yorkshire & Humber is grant funding. We expect there are similar levels in the North West.