



**NCVO response to the  
Department for Media,  
Culture and Sport  
consultation on the  
National Lottery Shares**

August 2010

Contact: James Allen  
Tel: 020 7520 2475  
Email: [james.allen@ncvo-vol.org.uk](mailto:james.allen@ncvo-vol.org.uk)

## **NCVO response to the Department for Media, Culture and Sport consultation on the National Lottery Shares**

### **1 Introduction**

1.1 NCVO is the largest general membership body for voluntary and community organisations (VCOs) in England. Established in 1919, NCVO represents over 8000 organisations, from large 'household name' charities to small groups involved in all areas of voluntary and community action at a local level. NCVO champions voluntary action. Our vision is of a society in which people are inspired to make a positive difference within their communities. A vibrant voluntary and community sector (VCS) deserves a strong voice and the best support. NCVO works to provide that voice and support.

1.2 NCVO is pleased to submit evidence to this consultation as a long standing stakeholder in the full range of issues impacting upon funding in the VCS. National Lottery funding remains an important source of income to the VCS and we share the ambition with government for our sector to grow and to play a greater role in UK society. Financial resilience and sustainability, built in part through the ability to draw on a reliable, diverse base of funding, will be an important pre-requisite for the building of an increasingly vibrant VCS.

1.3 We acknowledge the Secretary of State's desire to return the National Lottery good causes funding to its original purpose and recognise the contribution that the arts, heritage and sport sectors make to communities and to wider society. Voluntary and community organisations (VCOs) form significant parts of those sectors and therefore all Lottery distributors potentially play important roles in supporting the VCS. Whilst the proposed changes will result in less money to BIG in real terms, current levels of National Lottery funding to the sector as a whole should be maintained. In order to assess the impact of this change, all distributors should make available detailed information about the type and size of projects being funded.

1.4 It is vital that a full range of VCOs continue to receive funding from the National Lottery once these changes have taken effect and that small and community groups are not disadvantaged, either through reduced administration costs, increased tendencies for distributors to become more risk averse or through inaccessible funding application processes.

1.5 Flexibility by distributors should be encouraged, with the potential for multiple funds being awarded to single projects which deliver a range of cross-cutting objectives.

1.6 The following three principles should underpin the way the National Lottery operates:

- Independence: Lottery distributors must be independent of government, but accountable to Parliament, and should have the freedom to take final decisions on funding priorities and specific grant allocations, after consultation.

- **Additionality:** Lottery money should not be used to fund that which is properly funded by government, and should not be a substitute for it. It should not be used to fund essential services or government-inspired programmes.
- **Sustainability:** Lottery funding should cover the full cost of the activity being funded; an aim should be to help organisations deliver and sustain the project throughout and beyond the life of the grant.

1.7 If you would like further information or to discuss any of the points made in this response please contact James Allen on 020 7520 2475 or email james.allen@ncvo-vol.org.uk

## **2 How would the change benefit you or the sector you represent?**

2.1 NCVO has called for 100% of BIG funding to be allocated to the VCS and we therefore welcome this proposal. However, the intelligent funding model, which BIG has pioneered, should be protected as far as possible as part of this process of change so that the positive elements of work between the VCS and statutory sector are protected. Effective funding policy will ensure that this proposal to divert 100% of BIG funds to the VCS fulfils its potential.

2.2 This change has the potential to drive more effective engagement between the public sector and the VCS, for example leading to an increase in community-led projects. It may also enable the VCS build additional capacity to bid for funding, which may have the effect of reducing dependence on current sources in the long term. Identifying ways in which the VCS can become more financially resilient is a priority for NCVO and we would be keen to work with government to explore ways in which changes to BIG funding could help VCOs to become more financially secure through a diversity of funding streams.

2.3 Many arts, heritage and sports organisations fall within the VCS and therefore the sector should continue to benefit from the proposed redistribution of shares. However, there must be transparent arrangements to ensure that these organisations receive adequate funding from the relevant lottery distributors and that there is a clear sense of the range, type and scale of projects that are being funded.

2.4 All distributors should be required to provide detailed and public information about the ways in which their funding breaks down. This level of transparency would provide a clear picture of the type and size of projects that are being funded, in the interests of the promotion of a vibrant and plural civil society. It could also play a valuable role in establishing a 'floor', beneath which funding for the VCS as a whole should not drop.

2.5 These changes should be used as an opportunity to strive for better, more joined up working across distributors, where multiple funds may be awarded to one project or organisation from a range of distributors, particularly where project outcomes are cross-cutting. There should be common standards to ensure that VCOs can access appropriate funding from any distributor as the

situation requires, amidst some concerns from NCVO members that arts, heritage and sport funding is harder to access for the VCS.

2.6 If ticket sales and revenue continue to increase, then the VCS would benefit through that additional revenue, and the shift to 100% funding from BIG for the VCS would increase this positive effect.

### **3 How would the proposed change disadvantage you or the sector you represent?**

3.1 We are concerned about the potential impacts of the proposed changes to the shares of funds between the VCS and arts, heritage and sport. Whilst the phasing in of changes, to see funding reduced from 50% of the total to 46% in 2011 and 40% will allow organisations more time to plan, we are concerned that there will be less funding available overall at a time when other funding streams are being squeezed. This will put additional strain on the VCS and its ability to continue to provide existing levels of support to individuals and communities.

3.2 BIG has consistently awarded a significantly higher proportion of its funding to the VCS than it is obliged to do: giving 91% in 2009/10 and 87% in 2008/9 against an undertaking to direct 60-70% to the VCS. This means that in real terms, the sector is likely to lose some funding. For example, through BIG allocating 91% of its current 50% share, this means that around 45.5% of good causes funding goes to the VCS. The shift to a 100% share (of 40%) would not therefore fully compensate for this change in real terms.

3.3 There are concerns beyond the overall 'headline' amount of money that the VCS receives that some organisations within the sector would be disadvantaged. DCMS should consider ways in which to protect the full range, type and size of VCOs under these changes, to ensure that funding does not become disproportionately allocated to larger organisations to the detriment of smaller, community based organisations.

3.4 Distributors will need to balance support for excellence against participation, particularly at a time when funds for community projects are diminishing. For example, a focus on elite sport, arts and heritage projects may divert funds away from community activity and the aim of increased participation. There would be likely knock-on effects of reduced participation, for example, a reduced level of participation in sport will impact on the nation's health.

3.5 BIG funding is already oversubscribed and it is likely that competition for funding will increase in coming years. This will be driven in part by the external funding environment, but also by BIG's reputation as an engaged funder with an accessible funding process. It will be important that VCOs have the confidence to apply for funding from heritage, arts and sports Lottery

funding distributors. Other distributors could potentially work with BIG to learn from them and share best practice as an engaged funder with a strong track record of channelling funds to a range of VCOs.

#### **4 What impact would the changes have on member organisations' ability to deliver previously identified priorities or projects?**

4.1 The wider funding and economic climate is having an impact on the VCS. This overall climate, rather than proposed changes to Lottery funding viewed in isolation may impact on the ability of member organisations to deliver previously identified projects and priorities. It is important to see the interactions and inter-dependence between Lottery funding and other sources of funding, particularly as Lottery funding becomes a relatively more important part of the funding mix.

4.2 Beyond the impact on existing priorities and projects, DCMS should take a broader view and to consider the significant opportunity cost and negative impact on innovative working that a decline in Lottery funding may cause. Some NCVO members have expressed concern that BIG may respond to these changes by becoming more risk averse, and that this would have an impact on new, start-up VCOs seeking support. In order to build vibrant civil society organisations, and provide wider opportunities for individuals and communities, it is important to ensure that this opportunity cost is minimised.

#### **5 In your view will the change have any adverse or positive impact on particular groups, taking into account race, gender, disability, age, faith/belief, sexual orientation, gender identity and socioeconomic equality? How could impacts be avoided or mitigated. Please provide evidence if possible.**

5.1 Given that the current BIG processes actively facilitate applications and allow community groups to access grants, reduced BIG funding could have an indirect equality impact. Organisations which represent marginalised and disadvantaged groups often rely heavily on BIG as a key source of funding. It has also been supportive of organisations that tackle less well known, or more controversial issues and has developed good practice in assessing the needs of projects in rural areas. It is essential that this work is allowed to continue to mitigate against potential equality impacts.

5.2 A further concern is in relation to the funding of community groups. These groups often tend to be smaller, and therefore may need specific protection to ensure that they are able to bid for and access Lottery funding. As many of these organisations will represent individuals from the groups listed above, ensuring fair access to funds and proportionate and fair criteria for the application process would help to ensure that impacts are mitigated.

#### **6 Other observations**

### *Administration costs*

6.1 Government is seeking a significant reduction in administration costs from Lottery funding distributors. Whilst this falls outside the direct scope of this consultation, the relationship between administration costs and the types of projects in the VCS that secure funding is important. Currently BIG seeks to maximise the use of funds by providing support to applicants, engaging in the projects it funds and sharing learning. Smaller organisations in particular benefit from this approach, which has contributed to the success of programmes such as Awards for All. There is a difficult but important balance to be struck between the need to minimise administration costs and maximise effectiveness by funding in ways that promote value for money.

6.2 International benchmarking could help to establish the appropriate level of cost for Lottery funding distributors. DCMS should ensure that any changes to administration costs are carried out on the basis of comprehensive, robust and relevant evidence and are mindful of the distinctions between routine administration costs and costs that are associated with helping VCOs (particularly smaller organisations) to set up projects.

### *Olympic assets*

6.3: Following a commitment from the previous administration that BIG would be compensated for its contribution to the London 2012 Olympics on a pro-rata basis after the sale of Olympic assets, we look forward to confirmation that this will indeed take place. A successful Olympics will be important to the UK in both social and economic terms, but there is a strong case for returning this money to good causes. BIG has made a disproportionately higher contribution than other Lottery distributors and therefore should be compensated on a pro rata basis.

NCVO Policy Team  
August 2010