Response to Cabinet Office Consultation:
Big Lottery Fund - Consultation on proposed policy directions

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Charities Aid Foundation

1. Background and Introduction

1.1 The Charities Aid Foundation (CAF) is a registered charity that aims to help charities and social enterprises make the most of their money. CAF provides financial, investment and fundraising services and works directly with tens of thousands of charitable organisations across the UK and internationally.

1.2 CAF has a strong history of campaigning for changes in policy and legislation in order to improve the giving environment and to secure supportive legal, fiscal and regulatory conditions for donors, charities and social enterprises. Our knowledge and understanding - gained through direct experience and research - makes us a trusted voice on giving and the effective use of charitable funds.

1.3 CAF does not itself receive any public funding and does not have any contracts to provide services. However, many of the charities we work with do deliver public services and have experience of the commissioning environment.

1.4 CAF has a social investment fund, CAF Venturesome, which has been operating since 2002. As a result of this, we have developed influential thinking on the requirements for successful social investment, how the market as a whole could be developed, and what the issues are relating to risk.

Partnership Working

2.1 The proposed new policy directions identify “collaborative working” as one of the principles to be taken into account when distributing funding. This is a positive move, as effective interaction between public sector, private sector and civil society will be increasingly important in the coming years in order to combat major social issues with limited resources.

2.2 It is important to be realistic, however, about the fact that effective partnership working is both labour and cost-intensive. Coordinating multiple funders and multiple recipients requires a high level of management. Similarly, monitoring the performance of grantees and measuring the impact they deliver requires investment in appropriate systems and skills. There is likely be tension here with BIG’s need to keep its administrative costs at 5% of income.¹

¹ [http://bigblog.org.uk/2011/02/20/big-lottery-fund-statement-20022011/]

²
Strategic Funding

3.1 BIG is one of the largest funders of small-scale community charities and social enterprises in the UK, and it is important that it continues to support these organisations.

3.2 Given the resources at its disposal however, there is a valid question about whether BIG should look to take a more strategic approach with some of its funding, supporting things which will benefit the voluntary sector as a whole over the long term, rather than simply individual civil society organisations.

3.3 More focus on strategic funding by BIG could help compensate in part for the reduction in funding for voluntary sector infrastructure in recent times.

Social Investment

4.1 A strategic approach will be particularly important if BIG is to fulfil the priority in England and the Isle of Man of “strengthening and increasing the capacity of the social investment market for supporting public benefit and social action”. In order to undertake a market development role, there must be a strategic approach to funding.

4.2 There also needs to be an understanding of the proper role of grant funding in building the market for social investment, as it is important not to distort the market by offering grants in areas where other forms of funding would be more appropriate.

4.3 In order to ensure that BIG does not stray too far from its original mandate, it will be important to be clear about what qualifies as a “social enterprise”. There is a danger to getting bogged down in definitions. But in this instance it is necessary to have some clarity so that people can have confidence that BIG is not subsidising unsuitably commercial entities.

4.4 In order to fulfil the ambition of developing the social investment market without straying from addressing the needs of the voluntary sector, it would be sensible to have a focus on supporting charities and community organisations to develop so that they are in a position to take advantage of social investment opportunities in the future. By using grant money to help organisations to become “investment ready”, BIG could play a vital role in developing the demand side of the social investment market.

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