



Review of Lottery Funding

A consultation paper on Lottery distribution policy

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Foreword

The National Lottery has been a resounding success. The twelve billion pounds it has raised so far for good causes has benefited people and communities in every part of the United Kingdom, and has funded all kinds of different projects. Arts Centres, sports facilities, local history projects, healthy living centres, after schools clubs, Olympic medal winners, local parks, national stadia, community halls: the list runs to over 100,000 awards. We can justly be proud of what Lottery money has achieved both nationally and within our local community: in that sense we are all Lottery winners.

But it is nearly eight years since the Lottery started. We need to consider how we can enhance and develop the Lottery for the future and to plan how to go forward in the coming years in order to build on that success. This consultation paper is the first stage in that process.

The paper sets out some of the issues we might address and some of the options for tackling them. It is not intended to be prescriptive. We believe that it is the people and organisations who have direct experience of Lottery funding, perhaps who are working on Lottery funded projects or who have applied for a Lottery grant, who may be best able to identify where things can be improved. And everyone who plays the Lottery has an interest in how the money is spent. Just as we are all Lottery winners, so too we are all Lottery stakeholders, and we would like as many people as possible to contribute to the debate.

This is your chance to tell us what you think. We hope you will take the time to become involved in the discussion.



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Section 1: Introduction

1.1 Setting the context

Since the National Lottery was set up in 1994 it has become one of the most successful lotteries in the world and it is important to recognise and celebrate that success. It is impossible to fund everything we would like from public expenditure. The Lottery was set up to fund some of the things which would not be funded by Government, but which were recognised as being important. The original five good causes were the arts, sport, heritage, charities and the Millennium, to which health, the environment and education were added in 1998. The Millennium no longer receives funding from the Lottery but the other good causes are as important now to people's quality of life as they were when they were introduced, and we have no plans to change the funding they receive.

However we have made changes to the way that Lottery money works for those good causes. There were concerns that too much Lottery money was going on buildings, and not enough on people, that it was easier for bigger, well-established organisations to get access to funding than smaller groups and that some groups and areas were missing out entirely. The changes we introduced in 1998 have helped to address these issues.

As a result of the changes in distributors' responsibilities and powers that we introduced, Lottery Distributors have been enabled to make better use of Lottery funding by using money more strategically. They have developed ways of working in partnership with other local, regional and national stakeholders and they are better able to complement and add value to mainstream policies and programmes. And by targeting some of their programmes towards areas and groups of greatest need, they have been able contribute to the wider objective of promoting social inclusion, as well as delivering results for the individual good causes.

However successful institutions stay that way by periodically taking a long, hard look at themselves and, where necessary, changing. The Lottery is no exception to that rule and now, nearly eight years on from when the Lottery started but well ahead of the next licensing period, seems an appropriate time to take stock of where we are now, work out where we want to be in the future and – most importantly of all – decide how we want to get there.

The review of the Lottery is split into two parts. The first of these, described in a consultation paper which was published on 27 June, dealt with licensing arrangements when the current licence comes to an end in 2009. This paper deals with the other part of the review, the distribution of Lottery money. The paper does not attempt to examine individual distributors in detail. Rather it addresses broad themes, common to them all, in the way that Lottery money is distributed.

Lottery money is special. It is a completely different source of funding, separate from the Treasury. And it has huge potential for innovation, both in the kind of things it funds and in the way it funds them. Lottery money can be used to experiment, to try new things or to try different ways of delivering the same things. As well as preserving some of the best things from our past, it can also be used to unlock future potential, whether in sport, arts, heritage or communities. And it has potential to make lasting improvements to people's quality of life by funding projects that would not otherwise have been supported.

The Lottery is truly democratic. Just as anyone can play the Lottery, so anyone can apply for Lottery money. People apply for funding for the things which are closest to their hearts, and it is that commitment and involvement with the projects it funds which is the Lottery's greatest strength. The more involved people are with how Lottery money is spent, the stronger will be their commitment to see it used well on projects and programmes which meet their needs and which will leave the best possible Lottery legacy.

1.2 The changing world

Lottery programmes have been developed to deliver outcomes flexibly by the most appropriate route. Those routes can range from giving a grant to a local youth group so that they can replace a leaky roof to helping parents with their childcare needs through Local Childcare Partnerships. What many of them have in common is that they fund communities, either by direct grants or by funding community services.

As Lottery programmes have become more established they have increasingly become associated with other public programmes and influenced by the arrangements for these, working in partnership with other programmes and funders. Developing these cross-cutting links can often be the key to putting Lottery money where it can do most good. And because Government structures and programmes, local and regional priorities and the needs of the voluntary sector change over time the Lottery in turn has to take account of that changing context.

Some of the key changes to the way central and local government are structured include the continued development of the devolved administrations in Scotland, Wales and Northern Ireland; the development of the English regional agenda, reflected in the proposals of the Regional Governance White Paper¹, and measures to reinvigorate local government following, in England, the Local Government White Paper². We need to consider whether the existing delivery methods reflect and support the current and emerging government structures in the UK.

As well as changes to structures, we have also seen a re-focussing of national priorities on improving delivery of public services in health and education and on reducing crime and social exclusion. These too have an influence on Lottery funding.

1.3 An evolving Lottery

So the Lottery has evolved over the last eight years, partly in response to the concerns and experiences of stakeholders, partly in response to changing needs. This process would no doubt continue without further intervention. But to ensure that the Lottery remains truly effective in meeting need and responsive to the public who fund it, the time seems right to consider the direction it should take over the next few years.

¹ Your Region, Your Choice – Revitalising the English Regions, May 2002, DTLR.

² Strong Local Leadership – Quality Public Services, December 2001, DTLR.

Individual distributors consult widely on changing needs and priorities within the areas for which they are responsible, and show how they will respond in their strategic plans. This consultation complements that process and takes a wider view for the Lottery as a whole.

In this paper we have identified some of the issues for consideration under four broad areas:

- making the Lottery more responsive to the needs and priorities of communities;
- ensuring that funding is fairly distributed to all areas and communities across the UK;
- managing the distinctive challenge of Lottery funding; and
- making the delivery of Lottery funding more efficient and effective.

1.4 What do you think?

We are grateful for the contributions from those who have been consulted in the course of the review to date, including Lottery Distributors, NESTA³, Camelot, the Coalfields Communities Campaign and representatives of local government. So far the debate has been both constructive and challenging.

But the most important part of the process is to hear what you think. You may have received Lottery funding; you may have applied for it and been unsuccessful; you may have seen a Lottery project operating successfully in your area; you may simply play the Lottery each week. Your views are important in deciding how Lottery money should be spent in future.

This discussion paper is the first part of that process. It looks at a number of issues and proposals as to how the Lottery could or should change the way it operates and asks for your comments and opinions. You may want to raise other areas for change.

This consultation will last until 30 October 2002. After that we will consider the views we have received and use them to develop a longer term strategy for the future of the Lottery.

³ National Endowments for Science, Technology and the Arts

Section 2: Making the Lottery more responsive to the needs and priorities of communities

2.1 Introduction

In spite of the undoubted success of the Lottery, people are not as aware as they could be of what it has achieved in their local area, and of the potential for Lottery funding within their community. The Government would like people to engage more with the Lottery, particularly at a local level and to become more involved in saying how and where Lottery money goes.

Already Lottery distributors consult widely over their programmes and priorities, and take into account the views expressed. Increasingly in England they have devolved decision making to regional levels, in some cases via their own regional awards committees and in others by working in close partnership with local authorities and regional or local organisations. In Scotland, Wales and Northern Ireland Lottery distributors are well placed to address local priorities through their respective country offices. These work closely with the relevant devolved administrations to ensure that Lottery funding is aligned with the strategic aims of the devolved administrations and that it has a distinct local direction.

However we think there is scope to do even more to consult stakeholders on how they would like Lottery money to be spent, both nationally and in their own area. We would also like decisions about awards to be taken closer to where the money actually goes, where that is possible, and to increase public involvement in making those decisions.

Distributors have a responsibility to ensure that Lottery money is spent properly. Unfortunately that can sometimes mean that decisions on applications are a long time coming. Where there are large sums involved applications must be scrutinised in detail and it takes time to do so. The 'Awards for All' scheme has been widely acclaimed for its success in speeding up the process for smaller grants⁴. But we think there is also scope for a new programme for even smaller grants, which could be locally administered and where decisions could be made very quickly.

2.2 Public awareness of the Lottery

It is clear that more could be done to raise public awareness of what Lottery money funds: research carried out by Camelot in 1999 showed that only 20% of those asked could give an example of a local Lottery project, although that figure had gone up to 34% at the end of 2001. It may be the chance to become a millionaire which encourages people to buy Lottery tickets in the first place. But the knowledge that a proportion of proceeds goes to good causes helps to keep them playing. And that means more money for community benefit.

⁴ For more details on 'Awards for All' see Section 2.8 Micro Grants.

There are further advantages to greater awareness of what the Lottery funds. Larger organisations are usually well informed about potential sources of funding, including Lottery funding. Smaller groups may find this more difficult, particularly in areas where there is not a well-established voluntary sector, or a local authority with a dedicated funding officer. It is desirable for the public, and particularly those who buy Lottery tickets, to be aware of how their money is being spent, whether at the national, regional or local level. But it is equally important for those who might be successful at winning Lottery funding to be aware of what others have achieved, particularly at the local level where local successes can encourage others to apply.

A considerable amount has been done during recent years to promote the Lottery more widely:

- DCMS has developed a database accessed via the internet (www.lottery.culture.gov.uk) which gives details of all Lottery awards.
- Distributors launched a joint national telephone help line in February 2001 (0845 275 0000) which provides general advice on what grants are available and contact details for relevant distributors. An internet portal was launched at the same time (www.lotterygoodcauses.org.uk). Both have been popular, with around 8000 enquiries to the help line to date and the portal averaging over 4000 hits per month.
- Distributors have developed a shared brand, “Lottery Funded”, to be used in addition to their own individual logos, so that people can see at once when a project or programme has received Lottery money.
- Camelot recently invested over £3 million in a three-week campaign, working closely with the distributors, to celebrate the Lottery’s achievement and the public’s knowledge of the distribution of good causes money. The campaign included a television advert shown in each of the four home countries and a regional PR campaign with pullouts in major regional newspapers. Camelot also provided retailers with information to display about awards local to their outlet and has encouraged them to display the amount of money they have raised for good causes.

But we think that more needs to be done if the public are to become more generally aware of how Lottery money is spent.

Did the recent campaign help to improve awareness of the Lottery good causes, and stimulate interest in applying for funding? Would there be value in doing similar campaigns on a regular basis?

What proportion of the money raised by the Lottery is it right to spend on increasing awareness of the good causes and increasing applications for funding?

2.3 A joint approach

The fifteen Lottery distributors⁵ individually do a good deal to promote Lottery funding, and they and Camelot are increasingly working closely together to promote the good causes

⁵ The fifteen distributors are: Arts Council for England, Scottish Arts Council, Arts Council of Wales, Arts Council for Northern Ireland, Sport England, Sport Scotland, Sports Council for Wales, Sports Council for Northern Ireland, UK Sport, Heritage Lottery Fund, Community Fund, New Opportunities Fund, Millennium Commission, Film Council and Scottish Screen. NESTA is not technically a Lottery distributor.

funded by the Lottery. But as separate organisations with separate priorities the necessary level of coordination is difficult to achieve, particularly as its reach needs to extend right down to local level.

We propose to explore the scope for setting up a single promotional body to be responsible for raising awareness of what Lottery money has achieved nationally, regionally and locally. Such a body would aim to publicise what Lottery money has been spent on and thus help maintain confidence in the Lottery – not least so as to encourage people to keep on buying tickets and supporting good causes. But it could also help to encourage people to apply for Lottery funding – particularly in areas which have not done so well – by publicising the kind of projects which have been successful.

Of course it would be important that such a body did not duplicate work already being done by individual distributors and by Camelot to publicise the good causes. And it may be that the focus should be on joint activity rather than a separate body, with distributors, Camelot and Government developing better ways of working together on promoting the Lottery.

We would also need to consider how joint promotional activities or a promotional body might be funded, and how much of the money raised by the Lottery should be ploughed back into raising awareness in this way.

Is there a case for establishing joint promotional activities?

If so, would this best be done by setting up a separate body? Or by distributors and Camelot working more closely together?

2.4 National Lottery Day

One way of raising awareness of Lottery good causes and helping to encourage applications would be a National Lottery Day, which could become an annual focus on the Lottery and its achievements. This might involve a promotional campaign focussing on local projects, a nationwide programme of events, perhaps with organisations/attractions which have received Lottery funding offering free or reduced charges to the public, and perhaps even a special draw organised by Camelot, as happened with the Golden Jubilee.

Would an annual 'Lottery Day' be useful in raising awareness?

What should it involve and which organisations should implement it?

2.5 Consultation

Involving the community closely in determining priorities is essential not just to securing their commitment but also to ensuring that Lottery programmes meet real needs. The Government has guaranteed that the shares of Lottery funds going to the arts, heritage, charities and sport will remain until at least 2009, but within each good cause there is considerable scope for the public to influence how funds are spent.

Of course there is a clear distinction to be made between consulting people on broad issues and funding priorities and the actual process of making decisions about specific projects. There might be broad support for a targeted consultation exercise which asked people to indicate the kinds of projects they would like to see supported in their area. An exercise which asked people to choose between specific applications, on the other hand, might raise concerns about impartiality and expertise.

Distributors already consult widely on their strategic plans and are increasingly involving communities in formulating particular programmes. However there is scope for taking this further. One possibility would be local referenda to establish local priorities, possibly focussing on areas of low take-up of Lottery funding. They could ask people about their priorities in their area, whether they wanted to see money spent on local capital projects or revenue grants, which local groups needed to be targeted and what were the needs of young people in the local area. One method of doing this might be some form of polling mechanism based at Lottery retailers.

Other examples of how communities might be consulted include:

- Using 'Citizens Panels' where these exist to incorporate local opinion into the Lottery distribution process. Citizens panels comprise a significant sample of citizens (usually between 600 and 2,500) and are representative of the relevant population. The panels are used as sounding boards to test specific options or proposals, to assess local services and to develop views about future needs and goals.
- Conferences or workshops for particular groups, such as children and young people, to involve them in the design, development and implementation of programmes.

The Film Council's First Light project has been involved in a range of children's and young people's film events in England. These have been targeted at children and young people rather than the adults, who more usually have the greatest say in deciding on priorities. Events have included a symposium on filmmaking with young people with learning disabilities in Birmingham, a debate on young people and film at the Young People's Parliament and a young people and television event organised by BAFTA. These events open up critical debates around the issues of filmmaking by and for young people and feed into First Light's strategies for further developing, strengthening and celebrating this field by allowing young people themselves to influence the overall direction of the schemes.

It would be important to examine whether any new arrangements considered might add disproportionately to administration costs or delay the distribution of funding to good causes.

Is there a need for Lottery distributors and/or the Government to consult more widely than at present on how Lottery funds should be spent? If so, how should that be done?

2.6 Public involvement in national and regional awards committees

Most decisions about applications for Lottery funding are made by awards committees at a national or regional level. The committees clearly need to include members with expert knowledge of the relevant good cause, but there is a case for including some members who are more representative of the community and many distributors do so. These can be local elected representatives, or members of the public selected through an interview process, or even completely at random.

All members of the Heritage Lottery Fund country and regional committees are members of the public appointed following open public advertisement and interview. Experience and enthusiasm for Heritage are key criteria, rather than expert knowledge.

The Community Fund selects one or two members of each of the England Regional Awards Committees by lot from the electoral register. This approach allows members of the public who might not normally put themselves forward for a public appointment to get involved in the process of grant making.

It has been suggested that increasing the number of democratic representatives, such as councillors, on awards committees is a way of increasing community involvement. For example “Your Region, Your Choice”, the recent White Paper on regional government in England, suggested that any future elected regional assembly might be invited to nominate members of regional Lottery awards committees.

Do current regional and national awards bodies work well or is there scope for introducing a more democratically appointed element to them?

If so how should these ‘community representatives’ be appointed?

2.7 Local decision-making

It is important to strike the right balance between local decision making about local priorities and the need for a strategic approach which takes into account local authority and regional plans, and wider national initiatives. For example, while it is right that decisions about major national projects or UK-wide programmes are taken at a national level, it is equally right that decisions which affect a specific region are taken where possible by those best placed to do so by virtue of their local knowledge. Increasingly where appropriate Lottery funding decisions are being taken at a regional rather than a national level by regional awards committees based in the area. This works well since regional committees are well placed to identify local needs and priorities within their own region without losing sight of the wider strategic picture.

However there may be scope, particularly for some of the smaller awards and schemes, for decisions to be delegated to a local level. We would need to bear in mind that smaller grant making bodies could have proportionately higher administration costs and increasing the layers of decision making could make it more difficult to know who to apply to. Equally there could be a risk that devolving decisions may remove the element of independence provided by regional awards committees.

Even so, allowing local areas to influence the way that Lottery money is spent in their area could help to ensure that awards genuinely reflect local priorities, as well as helping to engender a sense of local ownership of those projects and programmes which were successful in winning Lottery funding. Demand for local devolution could vary between different areas, and between distributors, but we would welcome consideration of this, particularly for areas with a low take-up of Lottery funding.

There are various ways in which local areas could influence decision-making:

- Identify local funding allocations against which partnerships prepare portfolios of projects as happens, for example, with many NOF programmes, including their current PE and sport programme. This approach places Lottery funding firmly within the framework of the Government's regeneration policies, delivered via Neighbourhood Renewal and the Local Strategic Partnerships, which have an increasing role in setting priorities locally. However it is currently open only to NOF since they alone are empowered to deliver funding through allocations as well as in direct response to applications.
- Establishing Local Awards Committees – a system of awards panels at the sub-regional level. These would be expensive to administer but might be worthwhile in areas of particular deprivation or low funding.
- Delegation of umbrella grants to local organisations who would then distribute funds according to local need. Again there would be issues around any additional administration costs, and robust and transparent accountability arrangements would need to be in place.

How effective are distributors' current methods of making local needs assessments, and how could they be improved?

Is there a demand to devolve more decisions about Lottery funding to local level? If so how could this be done?

Should other distributors besides NOF be empowered to allocate funds to the local level rather than relying solely on applications?

2.8 Micro grants

'Awards for All' is a Lottery programme which makes grants of between £500 and £5000 from a joint pot of Lottery funds to which all distributors contribute⁶. It is popular and successful because it is easy to apply for and decisions on applications are made quickly (usually within 12 weeks). However decisions are made at regional rather than local level.

⁶ Except the Arts Council of Wales and Sports Council for Wales.

We propose that smaller grants, perhaps up to £500, should be delivered at a more local level, provided this could be delivered in a simple enough way to keep administration costs below the level of the awards given. Although the amounts involved would be relatively small they have the potential to make a real difference at grass roots level, particularly if money could be accessed quickly by going through a simple application process. Demand for micro grants might vary for different good causes.

The Sports Council of Wales runs a scheme called 'Community Chest' which makes grants of up to £750. This fund is intended to support activities at a local level which will increase participation and improve standards of performance in sport particularly amongst children. Projects are intended to provide new, additional or improved opportunities in sport. The programme is run in conjunction with the 22 Local Authorities across Wales.

Given the small size of the grants, administration costs would also have to be kept low in order for the scheme to be worthwhile. One way to do this would be for distributors to give sums of money to other organisations to distribute. This could be more cost effective and could mean that decisions about funding were being taken at a more local level.

The Home Office's 'Community Resource Fund', established in 1999, makes grants of up to £500 to local organisations in England and is administered at local level through agents such as the Community Foundations. The areas selected are mainly the size of electoral wards, or smaller. Many are not normally identified in national profiles of disadvantage because they are small pockets of extreme deprivation within more affluent areas.

The most important issue here would be which organisations were chosen by distributors as the partner organisations. There may be lessons to learn from good practice in other areas of Government, such as the Home Office's Community Resource Fund.

Would introducing a micro-grants scheme be a good idea? What would be the advantages or disadvantages of such a scheme?

If a micro grants scheme was set up what sort of organisations might administer it?

Section 3: Ensuring that funding is more fairly distributed to all areas and communities across the UK

3.1 Introduction

Our policy is to encourage the fair distribution of Lottery funding across the UK. The Review provides an opportunity to consider how successfully we deliver that objective. Equitable distribution does not necessarily mean that every county or constituency will receive exactly the same amount. We believe that there is a need to pay particular attention to the needs of areas of social deprivation and of socially deprived groups and there is evidence that those in areas of need have particular difficulty in accessing Lottery funding. For that reason we have asked distributors to target socially excluded areas and communities, and proportionately more Lottery funding goes to areas of greater need.

Distributors must also use funding to address the needs they have identified of their particular good causes. For example Sport England identifies the specific sporting needs of different parts of the country and distributes funds accordingly.

Some variation in funding is inevitable because major centres of population tend to attract the larger capital projects, although they are not the only beneficiaries. A city or town centre theatre or museum will serve a much wider surrounding area. For example, Tate Modern in London and the Millennium Stadium in Cardiff are of national significance. In many cases a grant is given to an organisation which has its headquarters in a particular town or city, but which provides a service across an entire region. Some areas may already have a very good range of arts or sports facilities and therefore be less likely to need a new leisure centre or theatre, and in other areas there may be a well-established local voluntary sector which already has good access to other sources of funding. However even taking these factors into account it is clear that some areas of the UK are missing out on Lottery funding.

Often the problem is that particular areas do not put in many applications for Lottery funding, or apply for small amounts, and while their success rate can be very good, they do not do as well as other areas where more applications have been submitted. Research in coalfields areas⁷ identified four main reasons why people did not apply for Lottery funding, or were unsuccessful when they did: people were often unaware of funding opportunities, or felt that the Lottery was not “for them”; the process was too complex for those unused to making funding applications; some communities had neither the expertise or the cash to establish and sustain projects; and it was difficult to juggle separate sources of funding with different priorities and timescales.

⁷ Improving Lottery Funding Access and Delivery in the British Coalfields, CRESR Sheffield Hallam University, March 2000.

Distributors are aware of the need to encourage applications from areas and groups which have not been successful and are increasingly targeting their funding on areas of need. Some options for building on progress so far are set out below and we would welcome views on how and whether these might work. We would also welcome other suggestions, particularly from those who have had experience in making applications for Lottery funding.

3.2 Capacity building

Since Lottery funding is awarded on merit, it is dependent on the quality of the applications which have been received. In some areas application requirements have proved a barrier to local groups and some groups require help in working out how the Lottery can meet their needs and in putting together an application. Currently, there are a number of different formal and informal support mechanisms that exist to encourage and help potential applicants for Lottery funding.

Local authorities' Lottery or external funding officers play a valuable role in encouraging, and advising on, applications from their communities. DCMS and the Local Government Association have worked with the Chief Cultural and Leisure Officers' Association (CCLOA), which has produced guidance to spread best practice in the encouragement and support of applicants for Lottery funding in England⁸.

Lottery distributors themselves undertake a variety of forms of advisory and development work on a national level, and through their regional development officers. This includes presentations, workshops, seminars and advisory briefings for potential Lottery applicants.

Lottery distributors came together for a joint distributor event in Great Yarmouth in February 2002. The idea from the event arose from a series of joint meetings between distributors in the region as a way of jointly meeting targets and priorities. Great Yarmouth is a funding "cold spot" for many distributors and the local authority area has the highest rates of deprivation in the East of England. The event was designed to raise awareness of funding opportunities, celebrate local successes and build capacity. As well as Lottery distributors the event was also attended by the local authority and by successful applicants who were able to share their own experiences.

As well as information stands, distributors also ran workshops and offered one-to-one advice sessions. It proved an excellent opportunity for distributors to give pre-application advice for projects, helped to sow seeds of interest and to begin to build capacity in the area. The event was well received and by providing shared information and a collective understanding of needs may provide a model for other shared target areas.

⁸ Local Authorities and the Lottery – Maximising Opportunities, June 2001 www.culture.gov.uk

There are also a number of other intermediary organisations, primarily from the voluntary sector, which have positioned themselves as advisors on Lottery funding, some of them focussing on a particular area or community of interest.

The Coal Industry Social Welfare Organisation (CISWO), funded by the Community Fund, has helped welfare charities set themselves up as one-stop-shops in the Coalfields regions. At present 25 miners' welfare charities are engaged in redevelopment as One-Stop-Shops.

However, provision of advice and support is often inconsistent. Not all local authorities have Lottery Officers, and the quality of their advice and service is not always consistently high. The voluntary organisations and networks that help support applicants for Lottery funding are often small, and poorly resourced to carry out this function. Distributors' own offering in terms of advice, outreach and development work varies in its depth and quality.

There may be scope for distributors to fund more external organisations to carry out capacity building in areas where that need has been identified. They might also join forces with each other and with other funders to develop more efficient and cost effective ways of building capacity.

Should capacity building be a universal provision or targeted towards specific areas or groups?

What proportion of Lottery funding is it reasonable to spend on advice and support for potential applicants?

How should such advice and support for applications best be provided? Via distributors? Local Authorities? Or other groups, such as charities, voluntary organisations or facilitators from the private sector?

3.3 Targeting areas and groups

Targeting funding is an effective way of increasing an area or group's share of Lottery funds, although to reap the full benefit targeting generally has to be accompanied by developmental and capacity building work. Many Lottery distributors now provide funding programmes with a more targeted approach with the twin aims of targeting disadvantage and reducing the wide variation in funding which currently exists.

One approach is to target additional resources to build capacity in a particular area, working with local organisations to encourage them to submit applications and to develop skills and experience so that the quality of applications and the ability to run successful projects and programmes is improved. The actual level of funding which an area receives is dependent on good quality, successful applications being submitted, although identifying the funds which are available and setting an indicative target can help motivate. This was the approach taken in "Brass for Barnsley".

Brass for Barnsley began in April 1999 when Barnsley was chosen to host the first Priority Areas Initiative, a Community Fund initiative designed to increase the number and quality of applications from identified areas. Barnsley was chosen because it had received significantly less from the Board than its position on the Index of Local Deprivation warranted. The Community Fund identified £3 million from the regional grants budget to be made available to Barnsley over the three years until 2002. Regionally based Community Fund officers worked in partnership with local development agencies to increase the amount of funding given by the Board to local voluntary and community organisations in Barnsley Metropolitan Borough. In the event, all £3 million was distributed in the first year of operation, considerably boosting Barnsley's share of the Lottery which had been just £1.5 million in the first three years of the Lottery.

Another approach is to allocate specific funds to be spent, ringfencing them for a particular area or group and then to work with local authorities and groups to identify how the money can best be used within the area.

The Fair Share initiative, which was launched earlier this year, is a scheme which targets specific areas according to a formula based on a combination of high levels of deprivation and low levels of Lottery funding. The initiative is managed jointly by the New Opportunities Fund and the Community Fund and will deliver £168 million over the next three years to 62 areas.

This approach ensures that funding gets into those areas or groups which have been targeted. However it risks tying up Lottery funding in an unduly restrictive way and could give rise to questions about the quality of applications, and about fairness and equity with other, non-targeted areas.

Sport England's Lottery strategy commits £750 million over 10 years to fund the development of sport in priority areas. Sport England identified 12 Sport Action Zones which were officially launched by the Secretary of State in January 2000. These Zones provide a direct response to the need to address sporting deprivation in some of the most socially and economically deprived areas of the country. Sport Action Zones are concerned more with people than buildings and Sport England's support is focussed around sports and community development officers, coaches and sports leaders and other outreach workers. The zones will be testing new ways of working and new partnerships that will benefit all of English sport in the future. A further 18 Sport Action Zones will be identified in late 2002.

Should funds be targeted at local authority, ward or constituency level?

How far can we, and should we, avoid targeting different sources of money at the same areas?

Should we ask distributors to target funds to ensure that no area receives less than a certain percentage below the median level of funding?

Does ring-fencing money for specific areas or groups go against the principle of fair and open competition? Is it better to set indicative targets, something to aim for?

What proportion of Lottery funding is it right to set aside for targeting?

3.4 Applications

In the past a common concern has been that application processes for Lottery funding are complicated and lacking in transparency. This was seen as a particular difficulty for smaller groups who were less likely to be experienced in making applications for funding. A report by the independent Quality, Efficiency and Standards Team (QUEST) published in August 2000⁹ made a number of recommendations for improving application and assessment procedures for grants up to £100,000 in order to ease the administrative burden for smaller groups applying for grants. Lottery distributors welcomed the report and have already done a considerable amount to implement its recommendations.

In many cases distributors have simplified application procedures for smaller grants. For example the Heritage Lottery Fund has introduced a simple application form for capital grants under £50,000 and in April 2001 the Community Fund launched a new grants programme for awards up to £60,000 based closely on the Awards for All programme, with a shorter simpler application form and a quick turnaround time. The Arts Council of England identified simplification of the application process as a major objective in launching the Regional Arts Lottery Programme. This uses an eleven-page form for awards which can range from £2,000 to over £200,000 and includes project support for three years as well as capital awards up to £100,000 and organisational development support in a single grant.

A second QUEST report, published in March 2002, focussed on applications for grants over £100,000. The report identified four key issues for applicants: time taken to process cases; the need for greater communication and increased transparency during the process; a need for greater flexibility, so that application processes were appropriate to the requirements of individual projects; and the need for support in making applications, particularly for those applying to the Lottery for the first time. The report made ten specific recommendations for DCMS and distributors to consider, including increasing available levels of delegation, introducing greater flexibility to applications processes and improving mechanisms for support and feedback to applicants. The report has been broadly welcomed and DCMS and distributors are currently considering the recommendations.

⁹ A Review of Lottery Application Processes – A Report to the Secretary of State for Culture, Media and Sport from the Quality, Efficiency and Standards Team, August 2000.

3.5 A single application form

Distributors have also looked at the possibility of producing a single application form for all distributors, at least for smaller grants, as happens for Awards for All. Initial views are that this would not be helpful in most cases because the information required varies for different programmes. However there may be advantages in developing a single application form when a project is seeking funding from more than one distributor and this approach is to be trialed later in the year in the West Midlands.

The Community Fund, Sport England and the Arts Council England are about to run a trial scheme for upgrading and refurbishing multi-purpose community halls in West Midlands. In the past different funding criteria have proved a major obstacle to applicants who had to apply to more than one distributor. This scheme will be applicant friendly with Lottery distributors rather than applicants deciding the funding split. The scheme will involve a “single front door” application process which will be promoted through the Community Fund application pack, and bids will be submitted on Community Fund application forms. The scheme will be carefully evaluated and if successful could have positive implications for other areas and other schemes.

What are the issues surrounding the production of a single application form for particular Lottery programmes? What is the demand from applicants?

3.6 Electronic application forms

Many distributors offer electronic application forms which can be downloaded and completed on the applicant’s own pc. Such systems have the potential to offer pop-up help notes so that applications can be developed and submitted electronically. Of course this may not necessarily be appropriate for all levels of grants, where additional, complex information may be required, but there may be scope to extend the number of schemes where this is available, provided there is a demand.

Some distributors have gone one step further and developed on-line application forms which can be completed and submitted electronically. There is scope for further development of this service.

Over 3,000 applicants have made bids to NESTA for funding since it opened for business three years ago, and all of these have been submitted on-line. These ‘pre-applications’ are automatically referred to an appropriate external assessor, who makes a recommendation on whether to reject, invite a full application or request further information. NESTA staff time is therefore concentrated on the 10% of proposals which become the subject of full applications (also submitted on-line) with the result that staff numbers are reduced, but application processing times are speeded up.

Should more distributors develop electronic application forms and introduce the facility to submit them on-line?

Would a more 'interactive' application process be helpful?

3.7 Lottery distributors as investors

Increasingly distributors are acting as investors rather than funders, working with applicants and with those who have been awarded grants to ensure that projects succeed. For example in its new strategic plan the Community Fund suggests how it might work much more closely with applicants and grantees to help secure positive outcomes from the grants it makes.

NESTA adopt a "hands-on" approach to funding. They have found that by working with groups to whom they have awarded funding in order to see the projects to fruition, they can form a more open and honest relationship than can be achieved through a monitoring regime. This mentoring approach involves a cost (although some saving can be made on monitoring costs.)

Clearly, both in the interests of sustaining the project in the long term, as well as ensuring that a project is properly assessed, the roles of project owner and funder must be kept separate. Distributors appear to be managing this interface sensitively by pitching the level of involvement according to the type of project.

Some distributors have introduced a two-stage application process, allowing them to work more closely with applicants who have been successful at the first stage and help them to achieve a successful outcome. Others have introduced grant programmes which include elements to provide up front assistance with project planning for successful applications.

As part of this process it is clearly important that unsuccessful candidates are given constructive and detailed feedback, not least because this may help them to succeed next time. Distributors already provide feedback and are working jointly to provide common minimum standards for this. However it may make sense for distributors to give feedback much earlier in the process, rather than waiting until the project has been rejected. This could allow applicants to review their application at an early stage and, in some cases, to rethink it in the hope of making it more likely to be successful.

Should distributors spend more to help individual projects to a successful outcome?

Would this be appropriate for all programmes, or would it add too much to administration costs?

Should such costs be considered as administration costs – or are they a fundamental part of the project?

Should there be a named case manager for each application above a certain threshold (as suggested in the QUEST report) to provide clarity and consistency of advice?

Should more feedback be given on applications early on in the process?

3.8 One-stop-shops

The sheer number of distributors and variety of schemes distributing Lottery funding can be confusing, particularly to the first-time applicant. A single point of access to advice (the “one-stop-shop”) could have many benefits. It could raise general awareness of the Lottery, increase uptake in terms of applications and provide an easier way in. However it is unlikely that a single form of advisory service would be able to cater for every kind of Lottery applicant. Those applicants more experienced at making funding applications are unlikely to require the same kind of assistance as a first time applicant. It is likely that a one-stop-shop would be of most benefit to applicants new to the Lottery, from community groups and those applying for relatively small grants.

One-stop-shops could take many forms:

- A network of physical Lottery advisory offices – drop-in centres for those considering applying for Lottery grants. These might be based in regional capital or larger towns. The cost of such a venture could however be high, and might still be unable to reach smaller areas of need or those in remote locations.
- Cross-distributor teams of Lottery advisors operating on a mobile basis. This would be in effect a one-stop-shop with no permanent location. The flexibility this would create would help to ensure that no particular area need be disadvantaged because of its geographical location. In effect, it would be making more systematic and coherent existing forms of regional outreach and development work that are already undertaken by Lottery distributors on an ad-hoc basis. This flexibility would enable distributors to focus in on target areas as and when necessary, for example where there had been low Lottery take-up.
- Partnership with existing public information network(s). This need not necessarily be on a permanent basis: teams of individuals could move locations on a regular basis, and partnerships with a combination of providers could be considered. Suitable partners might include local libraries.
- Virtual one-stop-shops. To an extent these already exist through the joint telephone hotline and Lottery website which both act as a single ‘front door’ to Lottery funding. The success of these support channels illustrates that demand does exist for this kind of support, generally from first-time applicants interested in applying for small grants. There may be scope for expanding the services offered by the existing help line and website to provide a more locally or regionally responsive service.
- A source of advice on wider sources of funding as well as the Lottery. Applicants will often be looking to other sources of funds as partnership funding. Applicants who were not eligible for Lottery funding could be advised on alternatives. This might be web-based.
- Local authorities already offer support on Lottery applications but provision varies across the country. Some authorities have Lottery funding officers, others external funding officers who have a wider brief. Most helpful is where a senior officer in an authority – with sufficient authority to form working relationships at developmental level with other funders – takes on responsibility for a coordinated approach.

The Government has created a website to join up information provision on small grants across Government in England. The pilot website will provide funding information on grants from four government departments (Home Office, DTLR, DoH and DfES) to the voluntary and community sectors. The website goes live this summer. The Community Fund are already considering how they might get involved in this initiative.

There are advantages in offering a number of different ways for the public to find out about the opportunities that Lottery funding can offer, whether this is from printed or online documentation, a telephone advisory line or face-to-face contact. In the same way, different areas may have different needs, and choose different solutions. There does not need to be single national preferred option.

The Northern Ireland Council for Voluntary Action, an umbrella group for the voluntary sector in Northern Ireland, have developed an interactive software package, Grant Tracker, which contains comprehensive information on sources of funding available to the voluntary and community sector in Northern Ireland, enabling users to shortlist potential funders who match their projects funding requirements. Grant Tracker provides full information on trusts and foundations, Lottery, European, corporate and statutory funders in Northern Ireland and includes many of the funders' own guidelines, application forms and annual reports. It is currently available on CD Rom and will soon be available on the Internet. It is intended to act as a virtual one-stop-shop for funding information in Northern Ireland.

Is there merit in developing a form of one-stop Lottery advice shop? For all applications, or those under a certain amount?

What form should a one-stop shop take? Who should run it?

Should it just advise on Lottery funding or provide information about other sources of funding?

Should there be a UK-wide scheme, or should one-stop shops be developed to meet specific local needs?

3.9 Working partnerships

In order to maximise the impact of the Lottery in local communities, it is often necessary for distributors to work closely with local and regional agencies to ensure their programmes fit with local priorities and achieve the synergies necessary to benefit local communities.

The New Opportunities Fund, for example, has the wide brief of working to fund projects across education, health and the environment. The Fund was set up to be strategic, work in partnership and complement other funding programmes. This means that the success of the Fund's programmes is dependent on the strength of the partnerships it forms and on they and their partner's awareness of the context and background to each of their programmes.

Regional Cultural Consortia in England provide a single voice to promote and speak for all the cultural sectors in their regions. A major task for the consortia is to draw up a cultural strategy for the region with a common focus, drawing together the many threads and identifying priorities for the region. We believe that there is scope for closer liaison between Regional Cultural Consortia and Lottery distributors to help inform spending decisions. In some regions there are already Lottery subgroups which consider the synergies between Lottery and other sources of funding. This approach might be adopted more widely.

In Scotland, the Community Fund have set up the Three Way Agreements with COSLA for the local authorities and SCVO for the voluntary sector. Meetings take place regularly in each local authority area to discuss the CF's strategy, grant programmes, voluntary sector and local government issues.

Is there greater scope for distributors to act more strategically in partnership with other local and regional agencies?

How do we achieve the balance between ensuring Lottery funds remain distinct from other public funds while ensuring they achieve synergies with these same funds?

How can distributors ensure they complement existing local, regional and national strategies and plans to best effect, and that their funding does not duplicate, undermine or replace existing funding streams and strategies?

Section 4: Managing the distinctive challenges of Lottery funding

4.1 Introduction

Lottery funding is different from other forms of public spending. It is directed only in broad terms by Government and is not bound by the usual rules of annuality. For the most part it is not allocated to particular recipients but is dependent on good applications coming forward. Lottery spending cannot substitute for Government spending – it must be additional. And an important principle of Lottery funding is that individual projects are one-off interventions over a defined period of time which produce a specific result with lasting benefits.

As a completely different type of funding it offers opportunities to deliver projects of benefit to the public in new and innovative ways. But there are also important challenges: ensuring that Lottery programmes complement rather than duplicate other programmes, ensuring that projects are sustainable in the long term, and avoiding unnecessary bureaucracy while managing risk effectively. We also see a possible role for Lottery money as a way of funding social enterprise within communities – allowing new ideas to flourish, encouraging community activity and active citizenship.

4.2 Additionality

We have always made clear that we shall not use Lottery money to substitute for Government spending. We propose that this should remain a fundamental principle.

The fact that Lottery money can fund projects in different ways from Government does not mean that it can only fund different things. The Government funds the arts, heritage and sport just as the Lottery does. And Lottery money can now fund health, education and environment projects. These areas have never been the preserve of central Government alone. Local government and the voluntary sector have also traditionally provided funding. So Lottery funding forms part of the overall funding jigsaw.

What should be the added value of Lottery funding?

Is additionality still relevant?

How do we best ensure that the different funding streams complement each other?

4.3 Sustainability

Lottery funding is provided for a limited period to avoid commitments which would progressively consume larger proportions of distributors' income and reduce the availability of resources for new projects. Nonetheless, there are concerns that the short-term nature of Lottery funding can leave projects to fail because they have been unable to secure long-term funding from other sources. There are also concerns that the difficulties of obtaining such long-term funding can exclude some areas or groups from applying in the first place.

In the early stages of Lottery funding, the focus was on capital expenditure, with the expectation that revenue following completion would be provided by other means, such as charges for entry. As part of the 1998 Lottery reforms, new policy directions moved the focus away from capital projects and allowed distributors to fund people and activities. One of the results of this has been that the number of small grants under £5,000 has more than trebled since the Lottery reforms. Another has been a decline in the number of awards to large capital projects in need of ongoing revenue.

However, even revenue funding is currently time-limited, and usually for three years. While there is a growing tendency for grants to be renewed to allow schemes to continue, such follow-on funding cannot be repeated indefinitely.

Some means through which sustainability can be assisted are set out below.

4.4 Extended revenue funding

As part of their consultation with the voluntary sector about their Strategic Plan, the Community Fund asked about length of funding. The majority of views supported their current approach of funding for three years in the first instance and up to another three years on renewal. As an encouragement to sustainability the Community Fund has decided to introduce tapered funding arrangements for reapplications. This means that if a project needs to continue beyond Lottery funding there is real encouragement to seek funds from elsewhere. Following consultation in preparing their recent Strategic Plan the Heritage Lottery Fund now offer revenue funding for up to five years.

Should the Lottery help projects to keep going by providing ongoing revenue or should the balance be tipped towards time-limited grants, allowing fresh projects to get funding?

Is there a case for longer term funding in deprived areas which have difficulties in sustaining projects long-term?

4.5 Core funding

The Community Fund also recently reviewed its policy towards supporting core costs. While it has always met the new core costs of projects it supports, the appropriate share of existing direct staff management costs and where justified some existing accommodation costs can also now be met.

Is there a case for greater use of core funding by distributors, or would this be a poor use of Lottery funding?

4.6 Endowments

Endowments might be one way of providing long-term revenue funding through the Lottery, particularly for poorer communities which have little potential to provide the longer term revenue funding required by some schemes once the initial Lottery funding expires.

Endowments have the advantage of providing relative certainty about future income levels, although income will obviously vary with the return on the endowment. There are though a number of potential problems with endowments. A large sum is required up front to provide reasonable revenue. Endowments therefore tie up money and mean less is available for other grants. Distributors may have less control over, and less flexibility with, funds they have provided. And applicants need expertise to manage funds, or would need to buy in such expertise.

Is there scope for using financial endowments to help sustain certain projects in the longer term? Or is this funding the few at the expense of the many?

4.7 Innovation and risk

We propose that the Lottery should be a fund for innovation. Lottery funding is different in kind from Exchequer funding and was set up to fund those things which Government would not. The independence of Lottery funding provides distributors with the opportunity to fund new things in new ways.

This is not to suggest that Lottery and Government funding should bear no relation to each other. Rather we would see the Lottery as the trail blazer for new forms of funding or funding new kinds of projects. We have already acknowledged that Lottery funding for an individual project cannot go on indefinitely. But where it has funded new and exciting areas which have proved successful and for which there is continuing demand, there is sometimes scope for Government or other funders to provide the continuation funding. Options for mainstreaming need to be developed at an early stage in the life of the programme.

Funding innovation may involve risks, but risk management does not mean risk avoidance. What is important is to identify, understand and manage risk, and learn how to accept the right risks. This has been described as 'risk-taking with a rationale'.

4.8 Reducing red tape for low-risk projects

In attempt to avoid risk Lottery distributors can sometimes subject small, low-risk projects to a level of control which is out of proportion to the risk involved. One of the reasons for this is that distributors themselves are subject to a series of controls which govern how and when they may spend their share of the money the Lottery raises. They must comply with Government accounting procedures and follow other advice and guidance. In particular, the financial directions that Government issues prescribe how distributors should receive and assess applications for Lottery funding, when and under what conditions they should pay grant to successful applicants, how they should audit and account for their use of Lottery funds, and what other financial rules and practices they should follow.

Lottery money is public money and it is important that proper accounting procedures continue to apply. However we propose that the Financial Directions should be reviewed and, where appropriate, reduced to give distributors greater flexibility in the way they manage Lottery funds. For example, more discretionary powers might be introduced so that distributors can assess applications on the basis of the level of risk involved.

Should distributors be given greater discretion in managing risk, particularly for smaller grants?

4.9 Supporting major capital projects

A different level of control is required where higher risk projects are involved.

The shift in recent years from capital to revenue funding has been welcomed and has allowed Lottery funding to be spread much more widely. Consultation on distributors' strategic plans suggests however that there is still support for capital funding which allows the development or restoration of major cultural and sports facilities which could not have been envisaged without Lottery funding.

The sustainability of major Lottery-funded projects depends on careful analysis of its long-term viability before an award is made. Distributors have responded to concerns about the sustainability of Lottery-funded attractions by increasing their in-house expertise on the assessment of visitor numbers and other factors affecting viability. For very large projects greater support may be needed. And many attractions, while sustainable in the medium term, may need further funding to renew their exhibits and maintain public interest.

We will consider with the Office of Government Commerce (OGC) how they can become involved in the risk assessment and project appraisal of large high-risk projects. The use of the OGC Gateway process can be an invaluable tool to confirm the achievability of a project's business plan and subsequently measure delivery against targets.

Is there more distributors could do to work with other funders to agree exit strategies for major projects?

How should major capital projects be funded?

What more can be done to ensure their long-term viability?

Should funding be made available to renew existing Lottery-funded attractions?

4.10 Funding social enterprise

We believe that Lottery funding has an important role in funding social enterprise within communities, giving seed corn funding for projects which will be self-sustaining in the longer term. That initial investment, in the hands of the right people, can have an effect out of all proportion to the actual sum available. There are the obvious benefits provided by an additional facility or service for local people, but a successful Lottery project can often stimulate other projects or activities, and can have knock-on effects on local jobs and local enterprise.

If we want to get the maximum possible benefit from Lottery money, both now and for the future, we need to build on this. We need to encourage those individuals, groups and organisations who have the drive and the vision to act as catalysts within their own communities to make things happen, the social entrepreneurs, whatever their particular field. We may need to look at the administrative restrictions we place on them and explore ways of freeing them up from some of them. We may want to look at how we identify the people who have most to offer and help them to access funding.

We also need to encourage innovative ideas and alternative ways of delivering projects or services. That may mean that distributors need in some cases to re-assess how they make decisions about Lottery funding, to factor in a willingness to take risks in backing a project where this seems reasonable, perhaps because the possible outcomes are particularly to be valued, or because the individual or organisation has a good track record on delivery.

How can we best ensure that those individuals and organisations which have most to contribute to their community gain access to Lottery funding?

How can we best help to encourage innovative thinking?

How do we balance the greater risks involved in innovative projects against the need not to waste lottery money?

Section 5: Making the delivery of Lottery funding more efficient and effective

5.1 Introduction

Like all organisations which are responsible for spending public money, Lottery distributors must keep their administration costs as low as they can, while continuing to fulfil their statutory functions. They and we need to consider whether there are areas where they could become more efficient, perhaps by combining functions or sharing resources. And like any other organisation, distributors need to consider whether there are ways in which they could deliver their services more effectively in order to maximise the funding which goes to projects.

Keeping administrative costs low is particularly important if distributors are to increase the development work they do with those applying for grants in order to target funding and increase capacity in certain areas.

5.2 Increasing joint working

When the Lottery was first set up it was decided that because of the substantial sums involved and the differing natures of the good causes it was not appropriate for Lottery funding to be administered by a single distributor. There are now fifteen Lottery distributors, including separate Arts and Sports councils for England, Scotland, Wales and Northern Ireland.

Different distributors are mandated to support different activities and organisations. Each distributor has established links with the other organisations involved with its individual good cause, helping to ensure synergies between the Lottery and other sources of funding for the sector. However there is also a need to ensure a degree of joint working both between distributors, and between distributors and other generalist funders. It is also important for schemes supporting similar projects, but funded by different distributors, to be complementary.

There is some overlap in the areas which distributors cover, and it is important to ensure that those applying for Lottery funding do not fall through the cracks, with potentially worthwhile projects missing out because they need funding from more than one distributor. Distributors are making real efforts to develop more joined-up ways of working and already cooperate in a range of areas. Awards for All and Space for Sport and Arts are already successful examples of joint schemes operated by distributors, and Fair Share is a targeted scheme involving close cooperation between the Community Fund and New Opportunities Fund. There is however still scope to do more.

One option could be to top-slice Lottery funds, allocating specific funds for joint Lottery programmes.

- One contender might be a Youth Fund, bringing together funds allocated to young people by distributors into an integrated cross-cutting fund.
- Another could be community halls, which often require funding from more than one distributor.

Or a more straightforward approach might be to develop the scope for distributors to team up to deliver specific programmes in which one or more have an interest, as in the Childcare programmes where the Community Fund carries out some of the management work for the New Opportunities Fund.

The Home Office proposes to use the Government Office for the regions (GOs) to coordinate funding of small grants (up to £10,000) for each English region. It is suggested that GOs will appoint a voluntary or community organisation to act as the single grant administrator for each area, to handle all the small grants funds operating in that area. It is likely that these administrators would be chosen from a number of different kinds of organisations such as:

- local strategic partnerships
- community foundations
- rural community councils
- rural Development agencies
- community voluntary services

Lottery distributors have developed a considerable degree of expertise in delivering a variety of types and sizes of grants, and have developed systems for delivering those grants across different areas, in some cases across the UK. We think there is scope in some cases to use that expertise to deliver other kinds of grants for other non-Lottery funders, thus reducing the overall administrative costs for delivering Lottery funding. There would also be a significant benefit for applicants in the simplicity provided by such a co-ordinated approach.

Should Lottery funds be top-sliced to fund joint schemes? In what areas would joint schemes have value?

How could the delivery of funding by Lottery distributors and other funders be streamlined?

Should distributors be allowed to distribute funds on behalf of other funding bodies?

5.3 Reducing the number of distributors

In spite of their best efforts, there may be a limit to the level of joint working which can be achieved by separate organisations and we should consider whether there is any scope for distributors to merge, if such a merger would lead to efficiency gains. This might involve the merger of particular functions (as proposed earlier in this paper in relation to promotional activities), or the merger of entire organisations where their operations cover much of the same ground. There is scope in future for merging the residual functions of the Millennium Commission – such as monitoring the projects they have funded – with another distributor, but there may be other candidates.

A more radical option would be to create a single umbrella Lottery distributor which could then delegate funding to other organisations. This could encourage a more co-ordinated approach to distribution, and would give the public – who are primarily aware of ‘the Lottery’ rather than individual distributors – a single point of contact. It might also make the application process more straightforward by providing a single point of entry. However when the Lottery began it was considered that separate bodies for each of the good causes would be appropriate, and that existing bodies should be used where possible in order not to duplicate expertise or run counter to existing well-laid strategies. There is also a risk that the creation of a new, single body to operate through delegates could simply add another layer of administration, and build delays into the system, without adding value.

There is scope within existing structures for distributors to make efficiency gains by the joint occupancy of premises and sharing of services.

Would there be merit in merging some distributors? Would these be simple economies of scale or are there advantages for more efficient working?

If there were to be a single distributor how would the advice and expertise of individual beneficiary areas be retained?

Is there potential for greater sharing of premises and functions?

5.4 Reducing the number of programmes

There may be scope to reduce the number of programmes operated by distributors, making the application process more straightforward, although it is arguably easier for applicants to access funds which are clearly signposted as separate programmes. Again the answer may vary from distributor to distributor. Consultation carried out by Heritage Lottery Fund in preparing their recent Strategic Plan showed a strong preference for wide generic grants programmes. The New Opportunities Fund is different because the content of its programmes, as well as its emphasis on partnership, complementarity, strategy and social inclusion. As a result the Fund delivers over 50 programmes in the fields of health, education and the environment.

Should distributors consider reducing the number of programmes they operate?

5.5 Outcome funding

Distributors are already required to monitor and evaluate the programmes they fund to ensure that there is value for money from Lottery funds. In the past the emphasis has been on inputs rather than outcomes. This is beginning to change. For example, the Community Fund has stated in its new strategic plan that it intends to put a greater emphasis on outcomes, and that the organisations and groups it funds will have to demonstrate that they are making a measurable difference to the lives of the people they fund. This sort of feedback is essential if distributors are to be able in future to design effective programmes which meet real priorities and needs.

How far should distributors seek to prescribe outcomes for the projects they fund at the outset?

Should there be more focus by distributors on the evaluation of their programmes?

5.6 National Lottery Distribution Fund balances

Concern has been expressed over the relatively high levels of funds which have been raised by the Lottery for good causes and yet have not been distributed. Part of the problem is that there is often a gap between a project or organisation being awarded Lottery funding and being in a position to use the money. This can be for very good reasons – they may be awaiting partnership funding, they may wish to take time to develop a full project plan, or the project itself may be scheduled to run from a specific future time period. In fact, although the NLDF balance stood at £3.53 billion at the end of December 2001, distributors had commitments totalling £3.82 billion, some £290 million more than was actually available. And interest earned on the money is simply added to the total available for good causes.

However the Government is working with distributors considering how to allow committed funds to be transferred more quickly. Possibilities include permitting advance payments for low-risk projects, introducing a more flexible approach to partnership funding and releasing more funding for project planning.

What more can be done to get funds to successful projects more quickly?

Section 6: Conclusion

We welcome your comments on the issues raised in this paper and more widely on any other issues connected with the distribution of Lottery funding. The consultation period will last until 30 October 2002.

Written comments should be sent to:

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Under the code of practice on open government, any responses may be published or made available to third parties on request. Respondents should therefore indicate clearly if they wish any part (or all) of their response to remain confidential.

If you wish to pursue a complaint about the process of consultation in this paper, please contact Craig Patchett in the Policy, Innovation and Delivery Unit at the Department for Culture, Media and Sport, 2-4 Cockspur street, London, SW1Y 5DH or at craig.patchett@culture.gsi.gov.uk



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