



Briefing Paper 75

‘Wherever there is money there is influence’: exploring BIG’s impact on the third sector

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Introduction

The Big Lottery Fund (BIG) represents a significant source of income for the third sector (‘the sector’). BIG has made awards of £3.4 billion to the sector since 2004 and, as such, is likely to have impacted upon sector policy and practice. BIG’s mission is not, however, to achieve outcomes for the third sector; it is to bring improvements to individuals and communities. Little is known about what difference it has made to the sector itself.

In collaboration with BIG, TSRC set out to explore:

- BIG’s relationship with the third sector and how this has evolved over time;
- Perceived impacts of BIG on the third sector and its organisations;
- Future priorities and directions.

The research involved five key elements:

- **Scoping:** literature review and interviews with senior BIG staff (5);
- **Key informant interviews:** with Board members (2); third sector leaders (7); government officials (2); funders (3) in England, and BIG, sector and government representatives in devolved administrations (8, plus 1 focus group);

- **Focus groups:** with BIG staff (1) and third sector organisations (4) in England;
- **Online survey:** of England-based third sector BIG applicants, with 1,694 responses, including successful (1,422) and unsuccessful (272) applicants;
- **Administrative data:** analysis of BIG’s database of 148,306 England-based applicants, of which 117,359 were from third sector organisations.

This briefing paper summarises the key findings.

The BIG context

BIG’s development has taken place against a backdrop of an evolving third sector. The last decade has been characterised by growth – of the number of organisations within the sector, of its income, its staff and its infrastructure. Statutory funding has become increasingly important, with grants from government increasingly replaced by contracts. New public management principles have been adopted by an increasing number of third sector organisations, to the extent that there has been a blurring of boundaries between third, public and private sectors.

The policy environment has also evolved. New Labour's period of office was characterised by high levels of engagement and support towards the third sector. After being elected in 2010, the Coalition government largely abandoned the programme of support for third sector infrastructure, along with implementing widespread cuts to public expenditure.

For its part, BIG has also evolved since it was launched in 2004, following the merger of the Community Fund and the New Opportunity Fund. BIG has so far been responsible for distributing over £4.6 billion of Lottery money across the UK, for which it is accountable to government via its Non-Departmental Public Body (NDPB) sponsor bodies – the Office for Civil Society which sets its policy directions, and the Department for Culture Media and Sport which sets its financial directions. BIG's relationship with government has influenced its development and its relationship with the third sector.

BIG's mission is to '*bring real improvements to communities and the lives of people most in need*'. Its belief that the third sector is often best placed to help it achieve its mission is reflected within the undertaking of its Board to ensure that a large proportion of its funding flows through the sector (originally 60-70%, rising to 80%).

BIG's overall approach to funding has developed over time, moving from being a '*cash machine*' to an '*intelligent funder*'. Within this, BIG delivers numerous individual funding programmes, organised into three types: open (demand-led); strategic (targeted); and place-based.

The third sector dominates applications, and awards, across all types of funding. Beyond direct funding, BIG also supports the sector through a range of capacity building activities.

Building relationships

While the third sector and BIG have both evolved individually, the relationship between them has also developed. Various stages to the relationship can be identified over time:

Courtship: In the first couple of years of its existence BIG set out to 'woo' the sector, to overcome concerns created by the merger of its predecessor organisations, consulting with a large number of sector stakeholders, launching a major programme targeted specifically at improving the quality of support for third sector organisations, and ensuring that between 60-70 per cent of its awards went to the sector.

Honeymoon: Following a successful courtship, the period between 2006/7-2011 was something of a honeymoon, with BIG having built its reputation as an organisation that could be trusted. During this period BIG continued to respond to the sector's needs, through for example, introducing full cost recovery and five-year funding, and undertaking large scale consultations. The sector responded positively – en masse by applying for funding; to a lesser extent by responding to consultations; and amongst a few by sustained efforts to network and build strategic relationships.

A mature relationship: What the next, current, phase will look like is unclear, but is likely to be influenced by high levels of anxiety within the sector, by cuts in public expenditure, and by BIG's move to a new sponsor department, the subsequent drafting of a new set of policy directions, a cap on its administrative costs, and its on-going commitment to engagement. While the relationship is likely to remain strong, it may become more challenging.

Within this broad overview, there are differences:

- **A less linear path:** For some, the development of the relationship felt less

linear than suggested above, and others felt it had not changed at all;

- **Engagement mechanisms:** Different organisations have different types of relationship with BIG, influenced, to some extent, by the ways in which they engage as: non-applicants; applicants; agents; informants; or partners;
- **Geography:** BIG is a devolved organisation, and relationships between it and the sector varied between Northern Ireland, Scotland, Wales and England;
- **Organisational size and type:** The size, scale, tier, and function of an organisation made a difference to relationships with BIG, with a tendency for deeper relationships to be more common amongst larger, better resourced organisations.

There were also challenges to the relationship:

- **Bureaucracy:** While parts of the sector felt BIG was flexible and responsive, others felt it was overly bureaucratic;
- **Making connections:** While some organisations had developed close working relationships with BIG, others struggled to build relationships with grants officers, or to make connections between grant officers and other parts of the organisation;
- **Getting to the table:** While some felt BIG was working to ensure a level playing field, others felt there was a '*charmed circle*' of organisations who were able to influence decision making, access to which was limited to those who knew the right people/the right things, or who had the right resources.

Making a difference

BIG's relationship with the third sector is important to both parties, and has resulted in significant impacts - however hard to quantify.

BIG has had a direct impact on the existence, size and scope of a large number of third sector organisations to varying degrees:

- **Starting and saving organisations:** Over one-tenth of survey respondents, who had received BIG funding, agreed that BIG had enabled the formation of their organisation; over two-fifths that it had enabled the continuation of their organisation. BIG was most likely to initiate or save small organisations.
- **Transforming organisations and activities:** For a larger number and broader range of organisations, BIG had contributed to organisational growth and development. Three-fifths of (BIG funded) survey respondents agreed that BIG had enabled an expansion of their organisation, and over four-fifths agreed it had supported the development of new projects.

BIG has had an impact on the skills and capacity of organisations:

- **Developing skills:** A majority of online survey respondents reported skills development as a result of BIG, with some (limited) filtering through to unsuccessful applicants. For example, three-quarters of successful applicant respondents reported enhanced bid-writing skills, and one-third of unsuccessful applicant respondents also agreed with this view.
- **Working together:** Partnership working is a requirement within certain targeted programmes and an aspiration across all BIG programmes. BIG was seen to have impacted upon partnership working, most often through third sector organisations sharing knowledge and experience with each other, but also through working together to bid for and deliver BIG projects (most common among larger organisations).
- **Understanding outcomes:** Alongside requirements for identifying and measuring outcomes, BIG has delivered

various capacity building activities to help organisations understand outcomes. Over half the online survey respondents who were award holders agreed BIG had enhanced both their ability to identify outcomes and to measure them. Between one-tenth and one-twentieth of unsuccessful applicants responding to the survey also agreed with this view.

- **Involving users:** User involvement has been a requirement in some programmes and an aspiration in others. Approximately half the online survey respondents who were grant holders agreed that BIG had positively impacted on the involvement of service users in both project design and delivery; with limited evidence of trickle down to unsuccessful applicants.

Beyond individual organisations, there was greater uncertainty as to BIG's impact, although three sector-wide impacts were identified:

- **The shape of the sector:** BIG was seen by some to have helped grow and maintain local, small scale voluntary action by giving small amounts of money to a large number of organisations;
- **Influencing funding practices:** Over half of the online survey respondents felt BIG may have had an impact on the policies and practices of other funders, one-fifth said definitely. BIG was felt to be influential on other funders in terms of: full cost recovery, longer term funding, two-stage applications, rigorous processes, self-evaluation, 'intelligent funder' approaches, and a move towards emphasising outcomes over outputs.
- **Influencing policy:** BIG's potential role in influencing policy is complicated by its NDPB status. In general, BIG's impact to date on policy was felt to be limited, or unknown: one-quarter of successful applicant respondents and one-tenth of unsuccessful applicant respondents felt that it had definitely had an impact on

government policy, a third or more didn't know. There was some desire for BIG to beef up its policy influencing role.

Fundamental questions

BIG distributes a large amount of money to the sector; this creates a certain responsibility, and also a certain amount of power and influence. BIG has taken the responsibility seriously and invested heavily in the sector. The sector has also taken the relationship seriously, with leading organisations working hard to engage with and influence BIG, while most restrict themselves to interactions via the application process or through grants officers.

BIG influences the sector through its philosophy, strategies, processes and funding. It has contributed to the establishment, continuation, diversification and capacity of organisations. It has contributed to a move towards outcomes thinking, user involvement and partnership working in the sector, and has influenced funders and to a lesser extent government policy makers.

BIG, however, has a set of more direct responsibilities to other stakeholders – the communities and individuals its mission focuses on benefitting, and those who provide its money (government and the public). Balancing its responsibilities is a continual theme. As is the need to balance other demands: open and targeted funding programmes; support for projects and organisations; and, its role as facilitator or leader of change. While BIG on the whole has got the balance right in these different areas to date, it treads along a precarious tightrope.

Five fundamental questions emerge from the research, each generating a set of potential strategies that BIG may do well to consider:

Engaged? BIG engages extensively with the sector and has worked hard to do so, providing the basis for a healthy relationship.

However, there are differences across the sector in organisations' experiences of engaging with BIG. There is disconnect between how BIG perceives itself and how parts of the sector experience it. As BIG continues on its journey into intelligent funding, and explores possibilities for co-production, ensuring equality of access and engagement becomes even more important. This raises the question: **How could BIG do more to widen and deepen its relationships with the third sector?**

Four potential strategies have been identified:

- **Clarify:** Expectations for engagement are high. Be clearer what is possible and what is not. In turn, third sector organisations could reflect more on what is realistic to expect of BIG, and themselves.
- **Inform:** Make sure organisations are aware of the opportunities for engagement that do exist, and that good use is made of those existing mechanisms.
- **Connect:** Ensure connections are made within BIG, between operations and policy in particular, and also within the sector, between individual organisations and infrastructure organisations which may mediate the relationship with BIG.
- **Coproduce:** Increase opportunities for third sector organisations to influence decision making within BIG.

Transparent? For some, BIG is a model of a transparent funder, and this is not by chance as BIG has taken steps to ensure it is seen as such. Others, however, are less sure, with concerns around transparency in three key areas: how funding decisions are made; how programme decisions are made; and what thinking lies behind implicit or explicit 'strategies' for the third sector. Issues of transparency do not end with BIG; there are also questions as to how transparent third sector organisations are in their dealings with BIG, with regards to: applications; during

grant management; and end of project reporting. Issues of trust lay under those of transparency. We are left with the question: **How could BIG and its applicants and agents become more transparent in their dealings with each other?**

Three potential strategies emerge:

- **Teach:** Where steps have been taken to ensure transparency, make them better known.
- **Tell:** Be more explicit about who can and can-not apply for funding and why, and about how BIG wants organisations to operate and why. For its part, the sector might consider more the potential long term benefit of reporting challenges alongside successes.
- **Trust:** Deepen relationships; build trust and a more open relationship.

Intelligent? BIG has invested a lot of time and money into becoming an intelligent funder and the results of this are beginning to be felt and widespread respect built. Two key challenges, however, exist. First, BIG is seen to be encouraging the sector to operate in certain ways yet it is not always leading the way: it requires applicants and grant holders to identify and measure outcomes, yet it continues to focus on outputs not outcomes; it requires applicants to demonstrate user involvement, yet the engagement arguments above could be reframed as issues of user involvement. The second area of challenge relates more directly to BIG's use and sharing of intelligence: in decision making; to inform the sector; and to influence policy. The question we are left with is: **How could BIG become a more intelligent organisation?**

Several potential strategies have been identified:

- **Strengthen:** Strengthen BIG's evidence and its internal cohesion, and the sector's use of evidence.
- **Share:** Once strengthened, then share the evidence that BIG has – that it uses to inform programme design, about the

types of organisations and projects that it funds, and about 'what works'. Share also the sector's evidence with BIG.

- **Shape:** Make better use of intelligence to influence policy and practice, directly or indirectly, with careful consideration from BIG and the sector as to how best to do this.

Independent? BIG has cultivated its brand as an 'independent' or at least a 'straddling' organisation, playing down its formal links with government. BIG is not, however, a truly independent organisation. It has a number of direct and indirect dependencies: it is an NDPB; it is committed to funding the sector; it is 'public'; it is 'populated' by executive and non-executive teams. BIG's straddling position contributes to different views across the sector as to how independent it has been to date and the implications of this. There are particular concerns within the sector at present about potential 'threats' to BIG's independence, relating to: Coalition policies, a new sponsor body, the wider funding environment, the delivery of non-Lottery programmes.

Collectively these changes are contributing to a concern about the ability to maintain the distinction between BIG and government. The question that emerges is: **How could BIG do more to assert a sense of 'independence'?**

There are at least two potential strategies:

- **Reposition:** BIG could do more to position itself closer to foundations, away from government.
- **Remind:** BIG could make more explicit the constraints under which it operates

and its success in maintaining independence to date.

Active? BIG is a policy actor: it has an impact on the sector at organisational and strategic level. It has transformed numerous third sector organisations, and has built the capacity of more. While sector level changes are harder to evidence, it has influenced funding practices and has occasionally impacted upon specific areas of policy affecting the sector. Its impact is not, however, as consistent or as coherent as it might be, and it is not always positive. There is also no agreement as to whether BIG wants to be seen as a policy actor, or as a leader of change within the sector, let alone as to whether the sector would like to see it as such. The question is: **Should BIG be a more 'active' policy actor in relation to the third sector and if so how?**

Several potential strategies emerge:

- **Reinforce:** Reinforce BIG's current position as primarily an outcomes funder rather than a sector funder.
- **Reveal:** Make the underlying assumptions behind developments aspired to within the sector more explicit.
- **Revisit:** Consider putting greater emphasis on achieving outcomes for the sector, over and above, or alongside, any wider outcomes.

To most readers these issues will be both familiar and contentious. The engagement of a range of stakeholders in debate about how they might be resolved could prove significant for future policy and practice in both BIG and the sector.

This paper is part of the Third Sector Research Centre – Briefing Paper Series. See www.tsrc.ac.uk for more details and a copy of the full Research Report (75)

The support of the Economic and Social Research Council (ESRC), the Office for Civil Society (OCS) and the Barrow Cadbury UK Trust is gratefully acknowledged. The work was part of the Third Sector Research Centre's research programme. This particular project has received additional co-funding from the BIG Lottery Fund, to whom we are also grateful.