ANNEX 18

Other sources of funding

The other sources of funding discussed in this Annex are:

- Big Lottery Fund;
- Money Advice Service;
- social impact bonds;
- lawyer fund generation schemes.

Big Lottery Fund

As one of the Lottery Distributing bodies, the Big Lottery Fund operates under the 1993 National Lottery Act and subsequent Lottery legislation. Its operation is devolved to the four nations in the UK.

England

In England, the Big Lottery Fund is given policy directions by the Cabinet Office. However, these directions are high level and focused on outcomes, rather than on specific programmes. Since the National Lottery began in 1994, advice services have received more funding than any other part of the voluntary sector. Its main investments, including those it administers on behalf of government, have been:

- **Advice Plus** (2007/08, £48m) – This strategic fund supported people in greatest need with better access to legal advice services. Some of the funding was focused on joining up providers across a locality, to improve the efficiency and effectiveness of services. Advice Plus projects have contributed learning that has influenced how the Big Lottery Fund has considered transition in the sector in later investments.
- **Advice Services Fund** (2011/12, £16.8m – delivered by the Big Lottery Fund on behalf of the Cabinet Office) – 301 grants supported organisations in the free advice sector that had been affected by reductions in public spending.
- **Advice Service Transition Fund** (2012/13, £67.2m in total, with matched funding support from the Cabinet Office) – This funding is supporting the not-for-profit sector transform and adapt to a new funding environment by renewing its service models to reduce duplication, measure the difference services can make to people's lives, and bring providers together to be more efficient and effective.
- **Improving Financial Confidence** (2011, £31.7m) – This is helping people become more confident in taking control of their finances. To make the biggest difference the Big Lottery Fund focused on areas of greatest need by

targeting social housing residents, who are among the most likely to be financially excluded.

The design of the Advice Services Transition Fund in particular demonstrates the Big Lottery Fund's vision for change in this sector in England. The Big Lottery Fund started from the perspective of service users, rather than the current structure of the provider base. It believes that duplication can be reduced through better and new collaborations between local providers (including mergers). More resilient and sustainable services require a greater focus on the impact advice can make across a wider range of social indicators. In parallel, evidence of impact needs to be skilfully and professionally articulated to local commissioners, which requires strong leadership with more business-minded and enterprising skills.

Wales

In recent years, the Big Lottery Fund has invested a significant amount of money in the advice sector in Wales. This has been done through a mixture of strategic and open, demand-led programmes. For example, People and Places funded advice with awards of up to £50,000 as part of a response to the recession, more recently with 21 larger awards totalling £5.8m.

Advocacy projects received £6.5m under the AdvantAGE programme to help secure people's rights, represent their interests and obtain services. For example, £650,000 was awarded to Eiriol Mental Health Advocacy that is expanding specialist advocacy service for older people suffering from dementia, or any conditions that may affect their autonomy. The project helps people participate in decision-making regarding their current care provision and prepare for their future care needs. It includes supporting self-advocacy to older people, carers friends, family and professionals, by providing awareness raising sessions about the Mental Capacity Act 2005, and how to take steps to protect their interests.

The Welsh Community Voice programme funded £12m for community voluntary councils to manage a portfolio of projects that build the capacity of citizens to engage in planning and running services that respond to their communities' needs and advance community benefit.

Outlook

In view of the Big Lottery Fund's interest in this field, there is a good prospect of the Fund playing a role in helping take forward the Low Commission's strategy. The Big Lottery Fund could also play a key role in administering government funding to the not-for-profit sector.

Money Advice Service (MAS)

MAS is funded via a mechanism tied to the Financial Conduct Authority (FCA). Bodies regulated by the FCA are required to pay fees, which are set by the FCA on an annual basis. The FCA divides regulated organisations into 'fee blocks' depending on the type of regulated activity the organisation undertakes. MAS funding comes from two of the fee blocks for secured and unsecured lending. MAS agrees its budget with the FCA each year and then this amount comes from these two blocks on the basis of a ratio set by the Bank of England.

Payday loan providers such as Wonga and other similar organisations are currently regulated by the Office of Fair Trading (OFT) rather than the FCA, although this will change in April 2014.

The fund is distributed through six lead organisations, with each organisation co-ordinating the provision of debt advice in a particular geographic area. The largest of these lead organisations is Citizens Advice, which runs MAS in Wales and some regions in England. The second largest is Capitalise, which leads the London debt advice partnership of 25 advice organisations, and is based at Toynbee Hall (see Box 11 in main report).

For 2012/13 MAS increased its targets for the number of cases to be handled by 50 per cent (from 100,000 to 150,000 overall) in anticipation of an increase in demand following the legal aid cuts. MAS conducted research with over 2,000 recipients of advice which showed no reduction in quality resulting from the increase in cases. Other research also suggested that 25 per cent of clients who received face-to-face debt advice would prefer to have received telephone or online advice. MAS has therefore been encouraging grant recipients to transfer users to a telephone service where appropriate.

MAS will be seeking an increase in its budget for debt advice, but it expects changes in the way it allocates the grant, since research has suggested an oversupply in some areas (eg the South East of England) and an undersupply in others (eg London). MAS plans to continue to work through partnerships, but is keen to co-ordinate better with other funders, such as local authorities, through funders forums to discuss priority areas for different funders. It also expects to continue focusing on face-to-face advice, as the various telephone debt advice services that already exist (National Debt Line, StepChange and Payplan) are very good.

Outlook

Given increasing levels of debt, the Low Commission should support MAS in bidding for an increased budget. The transfer of the regulation of payday loan providers from the OFT to the FCA in April 2014 should add further weight to this bid for an increased budget. However, it will be important to ensure that increases in the levy on financial institutions do not lead to a reduction in the funding which many of these institutions already provide by way of direct contributions eg the Royal Bank of Scotland (RBS) pays the levy, but also helps fund Fair Shares, the Money Advice Trust's Adviser to Adviser training programme and other infrastructure projects.

Social impact bonds

Social impact bonds (SIBs) are a financial mechanism for funding interventions that will result in savings to the public purse. Pioneered by Social Finance in Peterborough Prison in a project designed to reduce reoffending, SIBs involve investors, such as trusts and foundations and the Big Lottery Fund, putting up the initial funding required for the intervention (eg employment, benefits and housing advice, training and other types of support to prevent re-offending). At the same time, an agreement is entered into with the government department that will stand to benefit from the intervention (eg the Ministry of Justice (MoJ) or a particular local authority department). This agreement will involve metrics for measuring the rate of improvement to be achieved; once the target is reached, over an agreed timescale, the 'benefitting' government department begins paying back the original investors. Improvement beyond an agreed point could involve repayment with interest.

The approach has been described as a 'win-win-win', as the initial investors have the opportunity to be repaid, possibly with interest; the government department achieves a saving, without incurring any risk; and the service providers are funded up-front (unlike the, more common, payment-by-results model being used by MoJ to fund work with ex-offenders). Furthermore, the user's life is improved.

Social Finance has suggested the following way of applying SIBs to interventions involving advice and legal support:

- Persuade a trust or foundation and/or the Big Lottery Fund to fund an advice agency's interventions with, say, a 1,000 people in a local authority's area.
- The funders agree a contract with the local authority whereby they get reimbursed by the local authority as particular milestones in savings are achieved. Social Finance suggests it would be helpful from a measurement point of view to identify one major outcome (eg reduced homelessness) and have the others (eg reduced debt, increased benefits income and employment) as secondary.
- The local authority could potentially secure top-up funding from the Cabinet Office's Central Outcomes Fund, which has been made available to reflect the fact that not all the measurable improvements will fall within the local authority's area of responsibility, with some being central government responsibilities.

Lawyer fund generation schemes

There are five different kinds of lawyer fund generation schemes at varying forms of development:

- The costs awarded for pro bono cases are prescribed, by the Lord Chancellor, to go to the Access to Justice Foundation. These amounted to around £100,000 in 2012. Pro bono costs are available in the county court, High Court, Court of Appeal Civil Division and Supreme Court. In general, tribunals currently operate a no-costs regime, but indications are that this will change over the coming years. The possibility of pro bono costs being introduced in tribunals is being explored. However, there is a potential danger that this could discourage people from taking cases, even though in practice most people would be of limited means and would therefore not risk costs.
- Dormant funds held by solicitors for clients who can no longer be traced are subject to Solicitors Regulation Authority (SRA) Accounts Rules 2011. Under these Rules, unclaimed client account balances may not be used by the law firm, but where the rightful owner cannot be traced the Rules allow sums to be donated to charity. Balances under £50 can be transferred without approval by the SRA but any balances over that amount must be approved. The Law Society currently lists on its website the Solicitors Benevolent Association, the Law Society charity and the Access to Justice Foundation as three sources these funds can be directed to, but in fact it is for the law firm to select the recipient. One suggestion is that the scheme be altered so that all dormant funds should go directly to the listed legal charities. Another suggestion is that the 'one size fits all' approach be replaced with a Rule referencing the turnover of the law firm so that large firms can donate sums over £50 but still relatively small in relation to their turnover without going through the administrative hurdle of seeking SRA approval.
- Dormant funds held by solicitors in relation to companies that have dissolved (so called 'bona vacantia estates') are currently meant to be paid to the Treasury. However, discussions have been taking place to secure an exemption, so the monies could be paid instead to the Access to Justice Foundation.
- In 2012 the government consulted on introducing collective actions in competition law. The government's proposal is for an opt-out scheme whereby a collective action could be brought by a single organisation on behalf of all affected claimants. In a successful case, if not all claimants come forward to collect their damages, the government proposes the Access to Justice Foundation as the recipient of these residue funds. The sums involved could total several million pounds a year. There is a need to ensure that this is the subject of legislation and that if there are any future areas of law where class actions resulted in damages, the funds raised go to Access to Justice Foundation.

- Interest on lawyers' trust accounts (IOLTA) is a scheme that has been successfully introduced in the US, Australia and Canada. The scheme relates to the extra interest that lawyers can achieve through grouping together funds they hold on behalf of clients (eg mortgage deposits) and thereby getting a higher interest rate than they would on the individual sum. Interest on the individual sum has to be repaid to the client, but the difference between this and the interest on the group investment has traditionally been held by solicitors. Some then use it for charitable donations, while others just treat it as their own income. The government consulted on whether to introduce a compulsory IOLTA scheme similar to other countries, but instead asked the Law Society to set up a voluntary scheme. No real progress has been made, since most solicitors view the interest as their money. The only way of introducing an IOLTA scheme would therefore be by legislation. The sums involved could be considerable, given the size of current property deals and other financial transactions involving lawyers.