

Report by the
Comptroller and Auditor General

National Lottery
Charities Board

Grants made by the National Lottery Charities Board

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Executive summary

1 The National Lottery Charities Board (the Charities Board) had, as at November 1999, awarded some 28,000 grants totalling over £1.5 billion to mainly small charities and voluntary groups throughout the United Kingdom. The types of projects funded by the Charities Board vary considerably, but all are aimed at helping those at greatest disadvantage in society and improving the quality of life for their intended beneficiaries. This report looks at the progress made by projects funded by the Charities Board under their first three main grants programmes, when they were a new organisation, and examines the Charities Board's management of their grants programmes.



Progress made by projects funded by the Charities Board

2 We concentrated on grants of £20,000 and over – 4,789 grants, with a value of over £460 million, made between October 1995 and January 1997. These projects were at a sufficiently mature stage to allow us to reach a view about their progress. We examined a sample of 150 projects, with grant awards totalling £20 million, selected at random to ensure that they were representative of the first three grants programmes (paragraph 2.5).

3 For each project, we identified from the approved grant application the level of service or activity that the grant recipient had planned to provide. We then assessed the progress made, drawing as far as possible on the Charities Board's own monitoring records. To gain additional assurance we visited 75 of the 150 projects in the period October 1998 to March 1999. For each project, our assessment was based on the progress made against the tasks that the grant recipient had indicated would be completed by that time (paragraph 2.6).

4 As many projects were still underway at the time of our examination, the Charities Board examined each project in the period July to November 1999 to assess what further progress had been made. The results of this analysis showed that with the passage of time there had been an improvement in the overall position as regards whether planned services or activities are being provided. The updated analysis, which was completed in November 1999 and which we reviewed (paragraph 2.7), is shown below.

Current assessment of service or activity provided	Number of projects	Percentage of projects	Value of projects	Value of projects as a % of total
Fully provided	91	61	£11.1m	55
Mostly provided	31	21	£4.3m	22
Partly provided	23	15	£3.9m	19
Not provided	2	1	£0.3m	2
Not provided, no grant paid	3	2	£0.4m	2
Total	150	100	£20.0m	100

5 In summary, 122 (over 80 per cent) of the 150 projects examined appeared to be progressing much as planned. However, for 23 projects, with grant awards totalling £3.9 million, the level of service or activity provided was less than that set out in the approved grant application, although some progress had nevertheless been made. In the other five cases the service or activity had not been provided, but in three of these cases the Charities Board had not paid out any grant. The amount paid in the remaining two cases was £224,589 and the Charities Board are reviewing these cases (paragraphs 2.8 to 2.9).

6 We extrapolated the results of the project examination work to all the grants over £20,000 awarded under the Charities Board's first three grants programmes (almost 4,800 grants worth £460 million). The results, which fall in the ranges set out in the figure below, indicate that for the first three grants programmes grant awards of between £315 million and £393 million have been given to projects that are progressing as planned, and that awards of between £67 million and £145 million have been given to projects that are not progressing as planned (paragraph 2.10).

Extrapolation of the results of our project examination work

Category	Number of projects	Value of projects
Projects progressing as planned (fully and mostly provided)	Range: 3,700 - 4,370 projects	Range: £315 million - £393 million
Projects not progressing as planned (partly provided and not provided)	Range: 430 - 1,100 projects	Range: £67 million - £145 million

7 For those projects that had not progressed fully or mostly as planned, we identified the contributory factors. We found that projects that involve the acquisition or refurbishment of premises present special risks for the Charities Board, with grant recipients experiencing difficulty in three specific areas:

- obtaining planning permission and resolving tenancy issues;
- identifying suitable premises for the project; and
- estimating the cost of the work to be carried out.

The Charities Board recognised these difficulties and have recently introduced changes to their arrangements for assessing grant applications for such projects. In particular, they now intend to limit the level of the grant award until the project has been sufficiently developed, effectively introducing a two stage application process (paragraphs 2.12 to 2.14).

The Charities Board's management of grants programmes

8 The Charities Board's project monitoring arrangements have evolved over the period that they have been awarding grants and the arrangements they now have in place are, in most respects, in line with good practice for a grant making body of their size. However, there are a number of areas where their project monitoring arrangements could be improved further.

9 The Charities Board's approach of seeking self-assessments from grant recipients, both during and at the end of the project, reflects good practice within the charities sector, although the assessments are sometimes late and provide limited assurance about the progress of projects. Of the 150 projects we examined, 132 had reached the stage where the grant recipient should have completed a progress report and returned it to the Charities Board. Progress reports were received on time for 106 (80 per cent) of projects. However, for 15 projects, with grant awards totalling £1.8 million, reports were received between three and 12 months late; and for nine projects, with grant awards totalling £1.2 million, reports were received between 13 and 31 months late. In two cases, with grant awards totalling £400,000, reports had not been returned to the Charities Board. The Charities Board intend to introduce new procedures, by mid 2000, in an attempt to secure the timely submission of progress reports, particularly the end of grant report (paragraphs 3.6 and 3.11 to 3.13).

10 One particular feature of good practice in monitoring the progress of projects is that monitoring requirements should be proportionate to the size of the grant. The Charities Board request the same information for each project – it does not change to reflect the size of the grant or the risks associated with a particular project, although they do expect the amount of detail provided by grant recipients to reflect these factors (paragraphs 3.6 to 3.7).

11 Another feature of good practice is that the extent of monitoring should take account of the level of risk in delivering projects. The Charities Board carry out visits to all projects awarded £200,000 or more and to a random sample of five per cent of others. This approach reflects the size of grant awards, but it does not take account of all the other factors that can add to the risks associated with a project, such as new organisations and those where management is lacking in experience; capital projects; and projects involving revenue funding of several different activities. The Charities Board recognised the need to take greater account of risk. They commissioned consultants to undertake a comprehensive analysis of indicators of risk and are now piloting a risk assessment system which will categorise grants as high risk, medium risk, or low risk and enable them to focus their grant management and monitoring accordingly (paragraphs 3.6 and 3.8 to 3.10).

12 Where a grant recipient fails to provide the service or activity within a reasonable period of time, the Charities Board's policy is to reclaim all or part of the grant wherever practicable. Within our sample of 150 projects, we found three projects, with grant awards totalling £333,000, where it was not clear whether the grant recipient had used the grant wholly for the purpose for which it was given. For example, in one case, a significant portion of the grant had been used to pay off outstanding debts, a key member of staff had not been recruited, and the Charities Board did not have sufficient information about how the bulk of the grant had been spent. In each of these cases, we considered that the Charities Board could have acted more decisively when their monitoring identified problems. The Charities Board, who had already stopped grant payments to two of the three projects, re-examined their position and are considering how to proceed (paragraphs 3.31 to 3.35).

13 Our review of the Charities Board's monitoring of projects, including visits to projects, indicated that grants officers, who are responsible for the day to day monitoring of individual projects, needed additional training. The Charities Board have since produced a comprehensive manual on grant management, which sets out detailed guidance on project visits, and have provided associated training to grants officers. They are also in the process of providing training on financial skills and fraud awareness to all grants officers (paragraphs 3.22 to 3.24).

14 The Charities Board currently have no arrangements in place to obtain assurance that assets purchased with lottery funds are being used for the purposes intended after the period of grant. Over one third of the projects we examined, with grant awards totalling almost £6 million, involved the acquisition or refurbishment of buildings. The Charities Board have, however, developed a system for a computerised register of assets which they expect to be fully operational by autumn 2000, and they propose to carry out periodic checks on the existence and utilisation of assets (paragraphs 3.36 to 3.37).

15 The Charities Board recognise the need to assess the impact of their grants programmes to determine whether each programme has achieved its objectives. This evaluation work should provide an indication of the types of projects that have been most successful, along with an understanding of the factors that have hindered progress on others. The Charities Board have not yet implemented such a programme of evaluation, but have confirmed that they intend to commission evaluation work, covering particular beneficiary groups and specific types of projects, and that this will examine the impact of their funding (paragraphs 3.42 to 3.44).

Conclusions and recommendations

16 Our examination of 150 projects indicates that over 80 per cent of the projects funded by the Charities Board under their first three grants programmes have progressed as planned. The Charities Board have recognised that particular types of projects present additional risks and are acting to strengthen their application assessment arrangements as a result. The Charities Board's project monitoring arrangements are broadly in line with good practice for a grant making body of their size. However, there is scope for improvement in a number of areas and the Charities Board are acting to strengthen their arrangements accordingly.

17 In the light of our findings, we recommend that the Charities Board should:

- continue to identify factors that prevent projects progressing as planned and pay particular attention to those factors when approving grants and monitoring achievements;
- develop further their guidance and training for grants officers so that they have the necessary skills and expertise to monitor effectively the progress of projects and to carry out probing project visits;
- take prompt and decisive action as soon as their project monitoring indicates problems on individual projects;
- press ahead with the planned implementation of arrangements for obtaining assurance that assets obtained with the Charities Board's grant are being used for the purposes intended after the period of grant; and
- give early attention to developing and implementing a programme of evaluation which would assess the overall impact of the Charities Board's grant payments.