



National Audit Office

## Making grants efficiently in the culture, media and sport sector

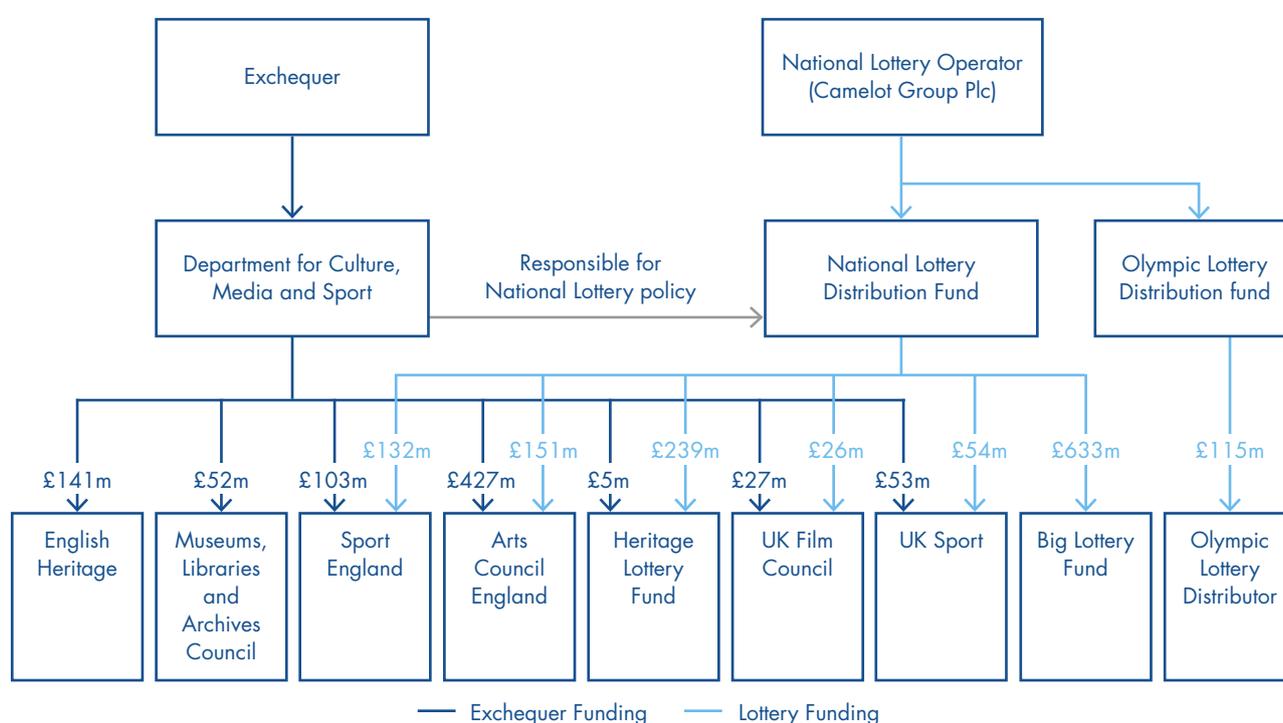


# SUMMARY

**1** This report looks at the cost-efficiency of making grants in the culture, media and sport sector. In 2006-07, the nine principal grant-makers in the sector, sponsored by the Department for Culture, Media and Sport ('the Department'), received some £2 billion in funding from the Exchequer and the National Lottery (**Figure 1**) and awarded grants totalling £1.8 billion. Although not all the grant-makers separately identified the costs of their grant-making activities, we estimate that the combined cost of administering these grants and fulfilling their wider functions was in the region of £200 million.

**2** We focus in this report on grant-making at four of the nine principal grant-makers: – Arts Council England, Big Lottery Fund, English Heritage and Sport England. The grants these four organisations make range in size from a few hundred pounds to many millions of pounds and support a wide variety of activities, from funding educational schemes for children and supporting theatre performances, to the restoration of places of worship and the building of new sports facilities. Some examples of the types of grants made are shown at **Figure 2**.

## 1 The nine principal grant-makers received funding of some £2 billion from the Exchequer and the National Lottery in 2006-07



Source: Grant-makers' 2006-07 Annual Report and Accounts

### NOTE

English Heritage's Grant-in-Aid includes an £8m non-recurrent contribution towards a relocation project. Lottery funding does not include any loss or gain on the revaluation of investments.

## 2 Grant-makers in the culture, media and sport sector support a wide range of activities

### Arts Council England

David Fine a poet from Bakewell, Derbyshire received a grant of £7,580 to be the *poet in residence* for the 2006 Ashes cricket test series in Australia, where he wrote 25 poems, one for each day of play. The aim of the grant was to bring a different perspective to the sporting tour and to raise the profile of poetry as an art form in the UK.

Connect 4, based in Swindon, plays a key role in connecting up different sectors within the theatre community across Wiltshire. It received a grant of £28,000 in May 2006 which helped it to facilitate events such as newly commissioned international theatre, new work from local companies, school residencies, skills workshops, pre and post show events and a festival of community theatre.

### English Heritage

In 2007, a grant of £127,000, was awarded to the Losang Dragpa Buddhist Centre at Dobroyd Castle in Todmorden, West Yorkshire. The grant was used to fix a leaking roof and preserve the intricate stone-work and tower on the nineteenth century Grade II listed building.

### Big Lottery Fund

In October 2007 Withyam Parish Council in East Sussex used a grant of £2,800 to give two to 17 year olds in the area the chance to take part in outdoor activity weekends run by the Sussex Wildlife Trust. The aim of the project was to educate children about the outdoors and the environmental needs of the area.

The North East Lincolnshire Women's Aid charity received a grant of £116,000 in 2006 to establish a new Women's Centre in Grimsby. The Centre helped those who have suffered from domestic abuse can learn valuable life skills, rediscover independence, reduce their social isolation, move on with their lives and improve their children's lives.

### Sport England

Holden Lane Residents' Association in Stoke-on-Trent was awarded £119,000 in October 2007. The grant was used to provide sports facilities at Repington Road Park, including a new multi-use games area and Skateboard Park, and to employ coaches to organise sporting activities. The overall aim of the project is to provide local people with much needed sports facilities to help combat high levels of anti-social behaviour and to help increase sports participation to improve quality of life in the Stoke area.

Source: Arts Council England, Big Lottery Fund, English Heritage and Sport England

**3** We examined in detail eight grant programmes at the four grant-makers. These were:

- Arts Council England: *Grants for the Arts for Individuals, Grant for the Arts for Organisations and Regularly Funded Organisations*;
- Big Lottery Fund: *Awards for All England and Reaching Communities England*;
- English Heritage: *Repair Grants for Places of Worship in England* (in partnership with the Heritage Lottery Fund); and
- Sport England: *Community Club Development Programme* and the *Community Investment Fund*.

**4** Each of these programmes had different objectives. Some were broad, such as the *Awards for All* programme which is managed by the Big Lottery Fund, but jointly funded with the Arts Council England, Heritage Lottery Fund and Sport England, which sought to support and increase participation in arts, sport, heritage and community activities and promote education, the environment and health in local communities. Most were focused on delivering policy objectives within a specific sector, such as the Arts Council's *Grants for the Arts for Individuals* programme, which sought to help individual artists to carry out their work for the benefit of people in England. Six of the programmes employed an open and competitive application process, in which the grant-makers awarded funding to those proposals which most closely matched the programme's policy objectives. In the other two programmes, the Arts Council's *Regularly Funded Organisations* programme awarded grants to organisations such as the English National Opera based on its own assessment and without an application process; and Sport England's *Community Club Development Programme* made grants only to governing bodies of sports. In both cases the grant-makers often had a long-term relationship with the grant recipients.

**5** It is a priority for the Department in the light of competing demands on finite resources, and in particular the need to achieve cash savings following the announcement of the 2007 Comprehensive Spending Review, to ensure that its sponsored bodies operate as efficiently as possible. The focus of this report is the cost-efficiency of making grants, and it does not seek to evaluate their effectiveness.

**6** We sought to identify the costs and the main cost drivers of each grant programme taking account of the complexity of the grant-making activities and inherent differences between the grant-makers. We found that in most cases the grant-makers had not themselves developed measures of their costs or efficiency, and those that had done so did not seek to assess the costs or efficiency of grant-making by any consistent methodology. We therefore commissioned research to map their processes and, on the basis of the cost data they could provide, to estimate and compare the processing costs between different grant programmes. For each programme, we sought to estimate the overall costs and to calculate two key indicators – the direct staff cost of awarding each pound (£) of grant, and the full operating cost of awarding each pound (£) of grant, including overheads. We also identified what work each grant-maker had done to measure and enhance the efficiency of grant-making.

**7** The second main strand of our work was to consider the cost-efficiency of the grant-making process from the perspective of applicants. To do so, we surveyed successful and unsuccessful grant applicants on their satisfaction with different aspects of grant-making and asked them to estimate the time they spent making applications and complying with grant-makers' monitoring and reporting requirements.

**8** Thirdly, we sought to identify in the light of our analysis what further actions grant-makers might take to improve the efficiency and performance of their processes and so reduce costs, taking into account work already underway at individual grant-makers within the sector. A full analysis of the methods we applied is at Appendix 1.

**9** The focus of our work was on the cost-efficiency of the grant-making processes, seeking to shed light on the scope for grant-makers to learn from one another to identify potential savings. It did not consider the effectiveness of the grant programmes in delivering the grant-makers' policy objectives.

## Main findings

Our main findings are as follows:

### On measuring the costs of grant-making processes:

- The grant-makers held little information by which to judge the efficiency of their grant-making. They had not routinely undertaken an analysis of the costs of their processes and the Department and the grant-makers had not agreed common indicators to assess and compare costs or efficiency across the sector. Having attempted to do so some years ago, the Department and grant-makers had concluded that the inherent difficulty and complexity of making valid comparisons between bodies handling different work precluded such analysis.
- Our estimates of costs show variations, some of which can be explained by differences in objectives, the level of support offered to applicants, and the type of grants being made. However, we also found that many of the administrative functions carried out by the grant-makers were similar. The variations among programmes which had similar features suggest there is more grant-makers could do to understand the differences and identify the relative efficiency of their processes.
- We found that on some programmes, more work was needed by the grant-maker to understand where costs fell and to evaluate whether the costs of grant-making were proportionate to the outcomes delivered. For example, the Arts Council's *Grants for the Arts for Individuals* involved intensive work to support individual artists in applying for grants though the costs of this development activity were not separately identified. It cost the Arts Council an average of 35 pence to award each pound of such grant.

### On the impact of the grant-making process on the grant applicant:

- Grant applicants bear significant costs in preparing applications and in meeting grant-makers' monitoring and reporting requirements. The estimated average number of days spent preparing an application, for example, ranged from five days to 21 days for a sample of programmes we examined.
- Successful grant applicants reported high satisfaction with the grant-makers' processes while, as one would expect, satisfaction was much lower among failed applicants. We found no correlation between the level of resources committed to grant-making and applicants' satisfaction with the process.
- Whilst applicants' satisfaction with the grant process is not a reliable indicator of a programme's effectiveness, their views on each stage of the process do indicate where grant-makers might seek to improve in order to help potential applicants engage with their programmes more effectively. Both successful and unsuccessful applicants considered the level of knowledge of grant-making staff to be a strength of grant-makers, while the availability of feedback about an application and information about decision-making were areas where they would like grant-makers to improve their performance. In the case of unsuccessful applicants this is a likely consequence of having their applications rejected.

### On opportunities to improve the cost-efficiency of grant-making:

- Practice within and outside the sector demonstrates a number of methods grant-makers have employed to enhance their processes and so reduce the costs of grant-making, both to themselves and to applicants. Key areas include managing the demand for grants, mapping and streamlining processes, and sharing systems or facilities. In the USA, for example, a number of government organisations work together through one common website to promote grant opportunities and receive and manage on-line applications. A similar single gateway to lottery funding exists in the UK, although it does not allow applications to be made on-line.
- Overall we found little evidence that grant-makers had sought to learn from one another by sharing information on the costs and processes of grant-making. There was, however, an established forum for sharing knowledge among the lottery distributors on which the grant-makers could build.

## Overall conclusion

**10** On the evidence of our work at four of the principal grant-making organisations, grant-makers in the culture, media and sport sector do not have a clear understanding of the costs or efficiency of their grant-making and how they compare with others. Grant-making in the sector is complex and the different objectives of the grant-makers make comparisons of their efficiency inherently difficult. However, in many cases grant-makers had not sought to identify separately the costs of administering their main grant programmes, or to assess whether their activities were cost-efficient relative to other organisations employing similar administrative processes. Without such measures, there are no firm grounds on which to conclude whether or not the processes used in the sector to make grants currently provide value for money.

**11** Our estimates of the costs of administering eight grant programmes show variations between their administrative costs as a proportion of the value of grants awarded. Some of these differences are explained by the different nature of the grant programmes. For example, in general we found that strategic grant programmes with a pre-selected field of grant recipients cost less to administer for each pound of grant awarded than programmes with a high volume of awards made on an open, competitive basis. The extent of variation, however, among programmes with many similar features suggests there is scope for grant-makers to find savings by applying good practice from elsewhere in the sector. We think that the grant-makers could do more to identify and compare the costs of their processes on the basis of a clearer understanding of where costs are incurred and where value is added.

## Recommendations

We make the following recommendations for making grants more efficiently in the culture, media and sport sector:

- a) The grant-makers hold little information against which to judge the cost-efficiency of their grant-making processes.
  - **In order to understand their cost of making grants and so identify where they can make efficiency savings, grant-makers should collect information on the costs of grant-making on a consistent basis.** They should agree ways to measure the costs of individual grant programmes based on relevant indicators, such as those identified in this report – the direct staff cost of awarding a pound of grant and the full operating cost of awarding a pound of grant.
- b) There is no accepted framework for comparing cost-efficiency across the sector, although lottery distributors are required to report their administration costs on a consistent basis in respect of lottery funding.
  - **The Department should agree with all grant-makers a common framework for reporting administration costs.** They should extend the measures currently reported by lottery distributors in respect of lottery funding to grant-making activities that are funded by the Exchequer.
- c) Grant-makers do little to compare grant programmes in order to identify the scope for efficiency savings.
  - **Grant-makers should identify the scope to increase the efficiency of grant-making by comparing their grant programmes, or elements of them such as the application process, both internally and against similar programmes in other organisations.** Several of the grant-makers have developed process maps which set out in detail each stage of the grant-making process. They should build on this work to increase their understanding of where costs fall, the reasons for cost differences and how efficiency improvements might be made.

- d) Over 80 per cent of the grants made in 2006-07 on Arts Council England's *Grants for the Arts for Individuals* programme were for £5,000 or less, and 10 per cent for £1,000 or less. The Arts Council does not know how much its costs vary according to the size of grant.
- **Grant-makers should review whether the costs of making grants are proportionate to the size of grants awarded.** Should they judge the cost of making grants to be disproportionate, they should seek to learn from others' processes to see how their costs might be reduced. Where intensive development work with applicants is undertaken, they should identify these costs separately and evaluate whether the cost is proportionate to the outcomes delivered.
- e) Grant applicants bear significant costs in preparing applications and in meeting grant-makers' monitoring and reporting requirements which vary between programmes.
- **Grant-makers should explore how they might estimate the costs to grant applicants of preparing applications and providing information for each grant programme they manage.** Where appropriate, they should adapt their processes in order to reduce the burden on applicants.
- f) There is little effective sharing of information on the costs and processes of grant-making in the sector.
- **The Department should facilitate an initiative across the sector to share information about the administrative costs of grant-making.**  
It should:
    - promote the exchange of information and learning about good practice, both within and beyond the sector, for example by helping grant-makers set up a benchmarking club;
    - help the grant-makers to collate information on the relative efficiency of their programmes based on relevant indicators of costs and to set targets to bring down the costs of grant-making for those programmes which may have the scope to reduce administrative costs.
    - encourage grant-makers to work together wherever possible to make better use of technology, such as by developing a shared grant application system similar to the grant-gov model operating in the USA.
- g) Grant-makers could reduce the costs of their processes for themselves and for applicants by managing the demand for grants and by streamlining or sharing their processes.
- **Grant-makers should build on each others' existing work to enhance efficiency by identifying further opportunities to improve their processes.** They should each review whether they could do more to:
    - Manage the demand and flow of applications by, for example:
      - notifying applicants when programmes are over-subscribed;
      - setting financial or time limits to restrict repeat applications;
      - using a two-stage process by inviting outline applications which are subject to an initial sift so that not all applicants go through the full process.
    - Streamline their processes by:
      - mapping the grant-making system to identify where costs fall and where the process might be simplified;
      - taking up opportunities to share systems, services and facilities between regional offices and with other grant-makers; and
      - making greater use of IT systems to automate applications and relevant parts of the decision making and awards process.