



National Audit Office

Report

by the Comptroller
and Auditor General

Big Lottery Fund and the Cabinet Office

Investigation into grants from the Big Lottery Fund and the Cabinet Office to the Big Society Network and the Society Network Foundation

Summary

1 In response to questions raised with us by Gareth Thomas MP, the former shadow Minister for Civil Society, we have investigated two grants awarded by the Big Lottery Fund and one awarded by the Cabinet Office to three related organisations. These grants were:

- The Big Lottery Fund's grant of £830,000 in February 2011 to the Big Society Network for the *Your Square Mile* project.
- The Big Lottery Fund's grant of £997,960 in April 2013 to the Society Network Foundation for the *Britain's Personal Best* project.
- The Cabinet Office's grant of £299,800 in April 2012 to the Society Network Foundation for the *Get In* project.

2 Part One of this report sets out background detail on the organisations involved. Part Two sets out our findings on the two Big Lottery Fund grants, and Part Three sets out our findings on the Cabinet Office grant.

Scope of the investigation

3 This investigation focused on whether the Big Lottery Fund and the Cabinet Office followed their own procedures in soliciting and assessing the initial bid applications, monitoring project progress and making payments to the projects. We have not sought to assess the value for money of the grant awards, nor have we drawn conclusions on other grants made by the Big Lottery Fund and the Cabinet Office.

4 Appendix One to this report sets out our investigative approach.

Key findings

The Big Lottery Fund's grants to the Big Society Network and the Society Network Foundation

- 5 Big Lottery Fund's decision to solicit applications for the funding of the *Your Square Mile* project and the *Britain's Personal Best* project was in line with its procedures. It also followed, in both cases, its standard approach to assessing the bids, and concluded that both applications fully met its application criteria.
- 6 However, with regard to the *Your Square Mile* project, the Big Lottery Fund:
- did not challenge the Big Society Network's ambitious target for recruitment of members to the mutual organisation created by the project, which were critical to the project's success, nor did it consider the impact of failure to achieve these targets on the project overall;
 - allowed the responsibility for the *Your Square Mile* project to transfer, along with the payment of the grant, from the Big Society Network to Your Square Mile Limited without assessing whether the new team had the necessary specialist IT skills to deliver the project;
 - limited its own ability to influence the project by funding it for just the first year of its three-year life, and also by making its final payment three months early; and
 - did not enforce a £76,457 VAT refund from Your Square Mile Limited despite clear evidence that the project was not achieving its aims.
- 7 With regard to the *Britain's Personal Best* project the Big Lottery Fund did not:
- take into account the fact that senior staff at the Big Society Network who had scoped the *Your Square Mile* project (a project which was struggling to achieve its objectives) had also scoped the *Britain's Personal Best* project, and the projects shared similar delivery risks; and
 - consult the Cabinet Office to take into account the performance of the Social Network Foundation in managing the *Get In* project.

The Cabinet Office's grant to the Society Network Foundation

8 The Cabinet Office subcontracts the administration of its Social Action Fund (from which the *Get In* project was funded) to the Social Investment Business. The Cabinet Office and the Social Investment Business considered the bid from the Society Network Foundation for its *Get In* project, but the programme's Advisory Panel rejected the bid because the Society Network Foundation did not meet eligibility requirements. However, the Cabinet Office did subsequently fund the *Get In* project and in doing so it:

- expanded the eligibility criteria for organisations that could apply to the Social Action Fund after the closing date for applications, and asked the Social Investment Business to reconsider four bids, including one from the Society Network Foundation, that had been originally assessed as ineligible;
- solicited and approved a joint bid from the British Sports Trust and the Society Network Foundation, but did not establish a lead organisation to receive the funding and it issued separate grants to the two organisations, which was contrary to the Cabinet Office's own guidelines;
- made the second payment to the Society Network Foundation to cover the cost of remedial action to try and bring the project back on track; but
- did not, in making the second payment, consider the latest financial information from the Society Network Foundation which showed the project was in surplus.

9 The Cabinet Office has now withdrawn its funding to the *Get In* project although it has not so far recouped any unspent funds. The Charity Commission is currently making inquiries to determine whether the Society Network Foundation's transfer of restricted funds to unrestricted funds was in accordance with the conditions of the *Get In* grant, and whether this transfer was correctly reported in the charity's accounts. The Society Network Foundation told us it believed the freedom to transfer the remaining funds had been agreed with the Cabinet Office when the remaining grant was withdrawn. The Cabinet Office has highlighted that the Social Investment Business's letter of January 2013 to the Society Network Foundation, which reduced the project's funding, stated that the other terms and conditions of the grant remained unchanged. This included the conditions around treating the grant as restricted funds and using them only for the purposes set out in the grant agreement.