



National Audit Office

Report

by the Comptroller
and Auditor General

Investigation into the management of the Libor Fund

Key facts

£973m

finer collected by the
Financial Conduct
Authority (FCA) committed
to the Libor Fund

£773m

amount assigned to
be granted to charities
and good causes by
HM Treasury and the
Ministry of Defence

£200m

amount given to
the Department for
Education to spend on
50,000 apprenticeships

£40 million amount remaining from Libor fines yet to be committed through
any scheme

£141 million amount committed to the Covenant Fund from Libor fines that
is yet to be spent

Summary

Key findings

On the allocation of the Libor Fund

1 The government's Libor Fund totalled £973 million. The Financial Conduct Authority (FCA) fined eight banks a total of £688 million for Libor offences between 2012 and 2015. The FCA transferred the whole amount to HM Treasury in accordance with legislation, to be spent by the government. In June 2015, the Chancellor added a £284 million Forex fine to the Libor Fund (paragraphs 1.1 to 1.4 and Figure 1).

2 Up to September 2017 the government had committed £933 million of the £973 million.⁴ The majority of this has been to support Armed Forces and emergency services charities and other related good causes. HM Treasury and the Ministry of Defence (MoD) have distributed £592 million of the Fund since 2012 to a range of different causes that they judge to demonstrate “the very best of values” and meet with the government’s pledge for the Fund.^{5,6} In April 2015, the then Prime Minister David Cameron pledged £200 million of the fund to support 50,000 Apprenticeships (see paragraphs 1.5 and 1.7, and Figure 3).

3 Of the £933 million committed to the Fund, £141 million has yet to be distributed but will support the Covenant Fund. The Covenant Fund is a scheme that will make grants up to £10 million per year in perpetuity. It is currently funded from the Libor Fund. £40 million of the Libor Fund is still held by HM Treasury but yet to be committed (paragraphs 1.7, 1.13, 3.13 and Figure 3).

4 The government pledged £200 million of the Libor Fund to support 50,000 new apprenticeships but the Department for Education is unable to demonstrate that these have been delivered. In April 2015, as part of a general election campaign pledge, the then Prime Minister committed £200 million of Libor Fund spending – more than 20% of the fines – to create a three-year fund to support 50,000 new apprenticeships for unemployed 22–24 year olds. HM Treasury deducted £200 million from the Libor Fund total and included this as part of the overall apprenticeships budget provided to the Department for Business, Innovation & Skills. The Department for Education, now responsible for apprenticeships, was not directed to use the £200 million to pursue a specific policy to deliver apprenticeships for unemployed 22–24 year olds and cannot demonstrate whether 50,000 new apprenticeships for this group have been provided (paragraphs 1.8 to 1.12).

4 In June 2017 the government announced a further £1.5 million that will be provided to support the mental health of emergency services workers. However, this amount has yet to be formally agreed through a grant arrangement and therefore is not included within the £933 million committed or taken into account within any of the numbers and figures that follow in the report.

5 Approximately £0.6 million of administration costs is included in this figure.

6 Taken from a quote on the government website. In 2012, HM Treasury announced that: “the proceeds from LIBOR fines would be used to support Armed Forces and Emergency Services charities and other related good causes that represent those that demonstrate the very best of values.” Available at: www.gov.uk/government/publications/libor-funding-applications.

5 Of the £592 million distributed through grants, two-thirds (£385 million) has been awarded following requests for funding directly to the Chancellor of the Exchequer from charities, MPs and government departments. HM Treasury officials provided advice on which causes to fund. The remaining £207 million was spent through competitive application processes managed through HM Treasury and MoD (paragraphs 2.4 to 2.10).

On the distribution of funds

6 So far, 729 different grants have been awarded to 639 different charities and causes. Grants ranged from £1,000 to £50 million. The average grant was £0.8 million. Figure 4 provides a further breakdown between schemes.

7 Not all grants from the Libor Fund had terms and conditions attached to them as standard until the Autumn Statement 2015. Between October 2012, when the first HM Treasury Libor (HMT Libor) grant was awarded, up to and including the summer Budget in July 2015, 67 grants totalling £272 million were made by HM Treasury and other departments from the HMT Libor scheme on behalf of the Chancellor; £196 million of the £272 million grants were given out without any terms and conditions attached, of which HM Treasury states that £139 million did not require them (paragraphs 3.2 and 3.3).

8 HM Treasury and the MoD cannot yet confirm that charities spent all grants as intended. HM Treasury commissioned MoD in January 2017 to carry out a retrospective review of all grants awarded since 2012 to seek assurance on how the grants were spent and provide information for future monitoring. The departments hold differing levels of information on grants depending on when they were paid and from what scheme. MoD is currently gathering information from grant holders for 236 of the 729 grants. For the other 493 grants, the departments believe the monitoring requirements already built into the schemes under which the grants were given is sufficient to complete the review. The review is expected to be completed by December 2017 (paragraphs 3.6 to 3.11).

9 The government cannot yet demonstrate the impact the Libor grant fund has had as it has not been evaluating the impact of the grant schemes on the charity sector. However, it has committed to completing an external evaluation in 2018 once it has completed the retrospective review in December 2017. By this time, more than 80% of the grant fund will have been awarded (paragraph 3.16).

10 MoD is now using a grant from the Libor Fund for a project to help understand the needs of the Armed Forces community. This will inform the distribution of the £141 million of Libor funding still to be spent from the Covenant Fund grant scheme. MoD is also using a grant from the fund to pay for the creation of a measurement framework in order to be able to assess impact on an ongoing basis (paragraphs 3.14 and 3.15).