

Department for Digital, Culture Media & Sport

# Tailored Review

Heritage Lottery Fund/National Heritage Memorial Fund

November 2017

# Contents

Foreword by John Glen MP, Minister for Arts, Heritage and Tourism	5
Executive Summary	7
List of recommendations	10
Chapter One: Background and Introduction	15
Chapter Two: Form and Functions	21
Chapter Three: Effectiveness	29
Chapter Four: Efficiency	56
Chapter Five: Corporate Governance	62

**Annexes** (included as a separate document)

- Annex A: Written Ministerial Statement
- Annex B: Terms of Reference
- **Annex C:** Background information on the Challenge Panel, review team and steering group
- Annex D: List of stakeholders consulted
- Annex E: Results of Public Consultation
- Annex F: Summary of NHMF's legislation
- Annex G: National Heritage Memorial Fund Policy Directions
- Annex H: National Heritage Memorial Fund Spending Review Letter
- Annex I: National Heritage Memorial Fund Organisational Structures
- Annex J: Alternative Delivery Model Assessment
- Annex K: Good Governance Self-Assessment

# Foreword by John Glen MP Minister for Arts, Heritage and Tourism



This tailored review has provided a valuable opportunity to examine and consult widely on the Heritage Lottery Fund's effectiveness as a National Lottery distributor and as a Memorial Fund for the nation's at-risk heritage. I am pleased to see such positive feedback about this widely respected organisation and I support the recommendations in the report, which will help HLF to further strengthen its performance.

HLF is the largest single source of funding for heritage in the UK. This funding is clearly seen as vital to the conservation of heritage assets, to engaging communities across the UK with their heritage, and to providing support for heritage organisations to survive and thrive. Heritage provides enormous value for the UK through boosting economic growth and social wellbeing, contributing to place making, encouraging international and domestic tourism, on top of the intrinsic value to be found in preserving the UK's unique heritage.

In the context of fluctuating National Lottery receipts, I endorse the report's recommendation that, in order to become more effective, HLF must become more strategic in its thinking and its decision making; must strengthen its partnerships with others within and beyond the heritage sector; and must focus on supporting the sustainability of the sector and of our heritage.

Heritage belongs to people, and I support the steps HLF will take to make its funding more accessible and to encourage broad audiences to engage with heritage, making sure that National Lottery money benefits as many people as possible, from all backgrounds, across the UK.

I look forward to seeing the outcome of HLF's internal business transformation programme, and I am assured by this review that HLF is appropriately focused on its efficiency as an organisation. It is crucial that National Lottery money is being spent for the public benefit, and I expect DCMS to hold HLF to account for delivering on the savings it has projected over the coming years.

HLF will shortly consult on its next Strategic Framework, and the findings of this review will feed into the organisation's own thinking about its future. HLF will also develop an implementation plan for the recommendations in this report, in agreement with DCMS.

I would like to offer my thanks to all those who provided evidence to the review team; to the members of the Challenge Panel who provided assurance that review was comprehensive and robust; and to Sir Peter Luff, Ros Kerslake and all of the staff at HLF who engaged so positively with this review.

John P.Glen

# **Executive Summary**

1. The tailored review of the Heritage Lottery Fund (HLF) and National Heritage Memorial Fund (NHMF) was launched on 23 February 2017 by the laying of a Written Ministerial Statement in Parliament by then Parliamentary Under-Secretary of State for Sport, Tourism and Heritage, Tracey Crouch MP.<sup>1</sup>

2. Tailored reviews are part of the government's public bodies reform programme. They seek to provide robust challenge to and assurance of the continuing need for governmentsponsored organisations, and to review their functions, form, performance, and governance arrangements. This is the first such review of NHMF and HLF.

3. NHMF was created by the National Heritage Act in 1980. As a memorial to those who have given their lives for the United Kingdom, this fund of last resort provides financial assistance towards the acquisition, preservation and maintenance of some of the UK's finest heritage which is at risk of being lost to the nation.

4. HLF is the National Lotterydistribution arm of NHMF, which in 1994 was given the responsibility of distributing a share of money raised through the National Lottery to Good Causes to heritage across the UK. HLF is the largest dedicated funder of the UK's heritage and covers a broad range of heritage ranging from landscapes to historic buildings, from museums to community projects, from industrial heritage to places of worship and beyond. 5. For clarity, this report will hereby refer to the organisation as the Heritage Lottery Fund (HLF) unless referring to the specific money allocated to the fund of last resort for heritage at risk, which will be known as 'the Memorial Fund', or unless otherwise explicitly noted. Although known as the National Heritage Memorial Fund in its legislation, the vast majority of the organisation's funding is distributed through HLF, the vast majority of its work relates to HLF funding, and the organisation is known to the heritage sector and public as HLF.

#### **Main Findings**

6. The first stage of the tailored review process was to challenge the continuing need for the functions delivered by the organisation, and to examine whether those functions should continue to be delivered by a Non-Departmental Public Body (NDPB).

7. The review team received a strong message from stakeholders that the organisation's grant distribution functions (through both HLF and the Memorial Fund) were vital and should be retained. The review also concluded that the NDPB model, funded by but operating at arm's length from government, remained the most appropriate model to deliver these functions.

8. The second stage of the process, once those conclusions had been reached, was to consider the effectiveness, efficiency and good governance of the organisation. Overall, the review team received positive feedback from stakeholders in meetings and via the online public survey.

Department for Digital, Culture, Media and Sport

Tailored Review of Heritage Lottery Fund/National Heritage Memorial Fund

<sup>&</sup>lt;sup>1</sup>See Annex A for full Written Ministerial Statement

9. HLF staff are highly regarded as open, helpful and valuable sources of support, and the organisation's nature as a UK-wide funder with a sole focus on heritage is highly valued. HLF performs well as an organisation, with 79% of survey respondents seeing them as a 'very' or 'extremely' effective funding body. HLF funding was described as transformative for the cultural and natural heritage sectors, and the organisation was seen to have a genuine commitment to engaging people and communities with their heritage through National Lottery funding. Feedback from stakeholders was particularly positive about HLF's regional presence, and across the UK HLF's operational teams appear to be well embedded into the country/ regional heritage infrastructure.

10. As in any organisation, there are ways that HLF could improve its performance. The external context is challenging: HLF is operating within the context of a current trend of reducing National Lottery receipts, reduced local authority funding, and uncertainty caused by the UK's departure from the EU. As a result, HLF will need to adapt to work more strategically, more effectively and more efficiently. ensuring that National Lottery funding is spent to support the resilience of the heritage sector, to maximise the benefits of heritage for people across the UK, and to preserve the UK's heritage for future generations.

11. The review makes recommendations for how HLF can strengthen the effectiveness of its performance in four broad areas:

#### Strategy

Stakeholders saw opportunity for HLF to approach its role as a unique funder of scale for heritage more strategically. It has shown its ability to do this successfully in areas such as building skills capacity and supporting financial resilience. HLF should clarify its priorities in its upcoming Strategic Framework, and should look to strengthen its strategic partnerships with other funders and experts, its communications, its data management, its research strategy and its evaluation of the impact of its funding.

#### Accessibility

The accessibility of HLF funding – both in terms of who is applying for it and who is benefitting from it – should remain a strong focus for the organisation, to ensure that National Lottery funding benefits as broad and diverse a range of people as possible. To achieve this, HLF should look to streamline its application processes, collect data about the diversity of its audiences, and think ambitiously about how to approach the digital agenda to benefit funded organisations, the heritage sector and the public.

#### Efficiency

HLF is embarking on a business transformation programme, which this review strongly supports. This programme must be designed to meet clear and ambitious targets to improve the efficiency of the organisation, including its estates management, its procurement of consultancy services, and its corporate services functions.

#### Governance

HLF is taking further steps to strengthen its strategic governance, and the review supports the better use of HLF's Board and Committee members. The Board needs to take more responsibility for the strategic oversight of the organisation, supported by a simplified scheme of financial delegation and by improved data management that allows for a robust assessment of the organisation's performance against ambitious targets. There are further steps that HLF should

take to improve its transparency and improve the diversity and skills of the Board.

12. The review makes some recommendations for the Department for Digital, Culture, Media and Sport (DCMS), as HLF's government sponsor, including the need to clarify the UK government's priorities for the heritage sector in England by working with government partners to draw together existing policy into a coherent set of priorities. The devolved administrations have published strategies for specific aspects of heritage, and the review found that HLF would benefit from a similar understanding of cross-government priorities for the heritage sector in England, to assist with strategic decision making and enhanced understanding of government heritage priorities in the four nations.

13. The review also recommends some changes in the relationship between HLF and the governments of the UK. Although HLF should retain its independent decision making role at arm's length from government, it should report on its performance in a more structured way. This should include providing evidence on how National Lottery funding benefits the public and demonstrating how HLF takes account of the Policy Directions set by the Scottish, Welsh and UK governments, which will be renewed as a result of this review.

14. HLF will shortly publish a response to this review, which will include its agreed plan for implementing the review's recommendations.

# List of recommendations

#### FORM AND FUNCTIONS

- NHMF's functions, including its activities as the HLF, remain necessary, should continue to exist and should remain within NHMF's remit
- NHMF's functions, including its activities as the HLF, should continue to be delivered at arm's length from government in its current form as an NDPB

#### RELATIONSHIP WITH GOVERNMENT

- Working with government partners including Defra and DCLG, DCMS should clarify the current cross-government priorities for the heritage sector in England, looking for best practice in the strategies of the devolved administrations.
- 2. The Scottish and Welsh governments should review their Policy Directions for HLF to ensure they reflect each government's priorities. The UK government should review the UK-wide Policy Directions and set specific priorities for England's heritage sector. The Northern Ireland Executive should keep under review whether to set HLF Policy Directions.
- 3. The UK, Scottish and Welsh governments and the Northern Ireland Executive should agree a more structured reporting relationship with HLF, which demonstrates how HLF meets any relevant KPIs, takes into account its Policy Directions and provides evidence of how

National Lottery funding is used across the UK for the public's benefit.

 DCMS should undertake a stocktake every six months of HLF's progress against the recommendations of the tailored review so that both organisations are held to account for delivery and supporting delivery.

#### **EFFECTIVENESS**

#### Strategy

- 5. In its next Strategic Framework, HLF should:
  - assess and clarify its relationship with, and strategic remit in relation to, other government-sponsored public bodies and National Lottery distributors. This should include consideration of how HLF can collaborate with, and take account of, the priorities of other bodies to ensure funding for the heritage sector is as effective as possible.
  - b. clarify its own strategic priorities, explain how those priorities are identified and illustrate how evaluation and research are used to inform them
  - c. articulate its strategy for reaching underrepresented groups and geographical 'Priority Development Areas'
  - **d.** outline how it responds to priorities in Scotland, Wales, Northern Ireland and England, within the UK-wide framework

- Building on successful examples to date, HLF should identify further opportunities to develop joint funding partnerships to ensure that funding for the sector is efficiently and effectively distributed.
- HLF should ensure that its vision and priorities are better understood by grant applicants, the heritage sector and more widely; and that its value and impact is communicated more clearly to National Lottery players.
- 8. HLF's next Strategic Framework should set out clear, assessable targets for the impact it hopes to achieve through its funding.
- 9. HLF should ensure that skills training for its operational and strategic staff, as well as its grant decision-makers, is consistent and regularly refreshed. HLF should focus its learning and development offer on supporting the delivery of its priorities as identified in its next Strategic Framework, and on supporting the sustainability of the sector through skills in areas such as commercial, financial, digital, inclusion and intellectual property, so that staff can encourage and support successful projects.

#### Communications

10. HLF should work with and through funded organisations and with partners (including governments of the UK) to better showcase how National Lottery funding delivers successful heritage projects, including in ongoing communications after projects launch.

- 11. HLF should further strengthen acknowledgment and publicity requirements for grant recipients to ensure that the National Lottery is credited appropriately, working with appropriate partners including other National Lottery distributors and the National Lottery Promotions Unit.
- 12. NHMF should improve communications around the Memorial Fund, articulating what the Fund is used for and who is eligible to apply, showcasing how the Fund has been used for the public benefit.

#### International Engagement

13. HLF should support the projects and organisations it funds to promote themselves and the sector internationally, and to engage further with the GREAT Britain campaign and tourism campaigns led by the devolved nations.

#### Evaluation

- 14. HLF should better and more consistently embed learning from project and programme evaluations into the organisation, using lessons about successes and failures to inform programme design, strengthen the advice given to applicants and ensure decision-making is focused on building a sustainable sector.
- 15. HLF should develop robust targets for its outcomes, and should work with partners across and beyond the sector to establish a robust methodology to evaluate the short, medium and long term impact of its grants in order to target future funding effectively for maximum benefit.

#### Data

- 16. HLF must prioritise better understanding its data, including by designing and implementing a strategy for collecting, analysing and managing data.
- 17. HLF should make its data available as Open Data and its research as Open Access so that those within the sector and beyond (for example academic researchers) can access the information that HLF collects.

#### Research

18. HLF should clarify its research strategy externally, working with other government-sponsored public bodies, National Lottery distributors, research institutions and heritage sector organisations to determine how HLF's research relates to that conducted by others.

#### Inclusion

- 19. Building on learning to date, HLF should develop a cohesive strategy for engaging underrepresented groups with heritage, to ensure that National Lottery money benefits as wide and diverse an audience as possible. HLF should capitalise on the benefits of digital tools to achieve this aim of broadening access.
- 20. HLF should ensure that funded projects collect audience data to ensure it is fully aware of who is currently engaging with the projects it funds and to assess its progress in broadening and diversifying audience participation.

21. HLF should take steps to improve the diversity of its workforce through activity such as advertising vacancies widely, designing job descriptions with diverse applicants in mind, and seeking external expertise on how to attract diverse applicants where necessary.

#### Digital

- 22. HLF should work strategically, including with the DCMS Digital Culture Project where appropriate, to support:
  - a. the delivery of digital heritage projects and the use of digital in all types of heritage projects
  - b. the digital capability of organisations working in the heritage sector and those with heritage assets
  - c. the preservation of digital content to ensure its longevity
  - d. the effective use of digital technology by organisations it funds
  - e. access to National Lottery funding for digital projects
  - f. the digital literacy of its staff (including operational, strategic and decision-making staff as well as the executive, Board and Committees)
- 23. HLF should consider how it could better showcase projects which have successfully used digital tools to enhance the impact of National Lottery funding, working with other National Lottery distributors where appropriate.

# Grant Making and Grant Administration

- 24. HLF should complete its in-depth review of grants processes, engaging with sector stakeholders on opportunities to simplify and increase the efficiency of the application process both for applicants and HLF staff.
- 25. HLF should explore whether alternative options to pure grant giving would support the sustainability of the sector. DCMS, Defra, DCLG and the devolved administrations should work with HLF as alternative fundraising mechanisms are developed, to support the take-up of new options where appropriate.

#### EFFICIENCY

- 26. HLF should use its upcoming business transformation programme to set robust and challenging targets for efficiency savings, with clear timescales and benefits realisation plans by March 2018.
- 27. HLF should complete the ongoing internal efficiency review of its corporate services by March 2018, with a view to incorporating any identified opportunities for efficiency savings into the business transformation programme.
- 28. Whilst HLF's Register of Support Services (ROSS) is a valuable tool for the organisation and has a positive impact on the success of funded projects, HLF must ensure that this service is delivered more cost-effectively in order to distribute the maximum amount of its National Lottery allocation in grants to the heritage Good Cause. Quality performance measures should be in place for

ROSS consultants to provide assurance over the quality of support provided for recipients of HLF funding.

#### Estates

- 29. HLF should reduce the size of its estate over the coming years, as lease renewals and other factors allow.
- 30. The UK government's Industrial Strategy, announced in January 2017, commits to reviewing the location of government agencies and cultural institutions to ensure they support growth and local communities. HLF should engage with this review, including by moving its corporate and executive staff to alternative offices outside central London where this contributes to local growth across the UK and can offer efficiency savings.

#### GOVERNANCE

- 31. As HLF's government sponsor, DCMS should attend at least one HLF Board of Trustees meeting per year, in an observer capacity.
- 32. HLF should review the role of the Board to achieve a better balance between decision making and the need to provide robust oversight of and challenge to the organisation.
  - a. In order to allow its Board more time for strategic oversight, HLF should review its scheme of Financial Delegation, and examine whether an alternative or simplified system could be designed.
  - b. HLF should ensure that its Board is sufficiently skilled to carry out this role, particularly in areas such as financial

Department for Digital, Culture, Media and Sport

Tailored Review of Heritage Lottery Fund/National Heritage Memorial Fund

management, commercial, and digital.

- 33. The HLF Board should monitor the organisations' performance against more challenging strategic KPIs and against its implementation of the Strategic Framework, using the strengthened data management that HLF will develop to do this robustly.
- 34. HLF should extend annual performance appraisals to its Country and regional Committees, as well as the Board of Trustees.
- 35. In future recruitment for Board positions, HLF and DCMS should aim to improve the diversity of Trustees. In future recruitment for Committee positions, HLF should ensure it follows the same standards for the diversity of its Committee members.
- 36. When Parliamentary time allows, DCMS should raise the period of time for which Trustees are appointed from three to four years.
- 37. HLF should strengthen its approach to countering fraud, taking steps to meet the government Counter Fraud Functional Standards with support from DCMS and the Cabinet Office Fraud and Error Centre of Expertise.

- 38. HLF should look to achieve 'Cyber Security Plus' certification by the end of 2017, and fully adopt the standards of good practice identified by GCHQ's National Cyber Security Centre (NCSC).
- In order to show its commitment to openness and transparency, HLF should:
  - a. consider how it can best provide a forum for HLF to hold itself accountable to stakeholders, for example with an open annual general meeting
  - adopt the government transparency threshold of £500
  - c. proactively publish and update the register of executive staff interests in so much as they relate to heritage and the wider role of HLF
- 40. HLF should develop a detailed stakeholder engagement plan to ensure clear communications and consultation on any significant changes to HLF or its funding streams.
- 41. HLF should strengthen the enforcement of the staff Code of Conduct, by including this within its employment Terms and Conditions.

# **Chapter One: Background and Introduction**

#### The Tailored Review

1.1 Tailored reviews have the following aims:

- to provide robust challenge to and assurance of the continuing need for individual public bodies – both their functions and form, and
- where it is agreed that an organisation should be retained, to review:
  - its capacity for delivering more effectively and efficiently
  - the control and governance arrangements in place

1.2 All tailored reviews are carried out in line with Cabinet Office guidance.<sup>2</sup>

1.3 The Terms of Reference for the review are available at **Annex B**.

#### Process

1.4 The review team was drawn from existing DCMS resource, independent of the relationship between the policy sponsor team and HLF. The devolved administrations were invited to contribute to the review through a formal steering group, which also contained representatives from the Department for Environment, Food & Rural Affairs (Defra), Department for Communities and Local Government (DCLG) and HM Treasury (HMT). Further details about the review team and steering group are available at **Annex C**. 1.5 The review team also established a Challenge Panel to provide independent challenge to the content and the process of the review, ensuring that it was sufficiently robust and evidence-based. The Challenge Panel comprised of members with experience from across the heritage, academic, financial and public sectors. Further details about the Challenge Panel membership are available at **Annex C**.

#### Evidence and Stakeholder Engagement

1.6 The review team identified relevant stakeholders in consultation with HLF and the review's Challenge Panel and steering group. Members of the review team spoke individually to 84 stakeholders across the sectors and across the UK, including heritage charities, umbrella organisations, community groups, local authorities, and other funding bodies and National Lottery distributors. Every effort was made to ensure that the stakeholders consulted fully represented the very broad range and variety of the UK's cultural and natural heritage sectors.

1.7 The review team hosted six roundtables, in Belfast, Bristol, Cambridge, Edinburgh, Leeds and Pontypridd, with 61 further stakeholders. At each roundtable destination, the review team also visited local HLF-funded projects to speak directly to applicants who may not have been reached through the survey or stakeholder interviews. In addition, the review team interviewed the Republic of Ireland's Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs as a comparative study.

https://www.gov.uk/government/publications/tailoredreviews-of-public-bodies-guidance

Department for Digital, Culture, Media and Sport

Tailored Review of Heritage Lottery Fund/National Heritage Memorial Fund

<sup>&</sup>lt;sup>2</sup> Tailored reviews: guidance on reviews of public bodies;

1.8 The review team would like to express their thanks to all those who kindly gave their time to contribute to the review, and especially to those who hosted the team across the UK. A full list of stakeholders consulted is available at **Annex D**.

1.9 To reflect public interest in the work of HLF, the review team published an online survey on the www.gov.uk website from 23 February to 6 April 2017 and sent it to a broad range of stakeholders. The survey received 1320 responses in total and the quantitative results are available at **Annex E**. The review team also took into account a number of written submissions that were received, listed in **Annex D**.

1.10 Throughout this report, all references to 'stakeholders' refer to those people and organisations to whom the review team spoke directly. All references to 'survey respondents' refer to those who answered the question being discussed. Not all 1320 respondents answered every question, and a full breakdown of non-response rates are available in **Annex E**.

1.11 Evidence received from stakeholders and the public mainly focused on experience of HLF's effectiveness as an organisation. Evidence about HLF's efficiency and governance was supplemented with an assessment of written evidence and data provided by HLF, and with specialist views sought from crossgovernment sources in areas such as counter-fraud, digital, public body sponsorship, and social investment. The review team used the evidence gathered to inform conversations and discussions throughout the review process. All the conclusions and recommendations made by the review are based on an assessment of this evidence base. Specific evidence is highlighted in the relevant sections of the report.

1.12 The review team also took note of the National Audit Office's 2007 report on the Heritage Lottery Fund and the House of Commons Committee of Public Accounts' 2007 report on the Heritage Lottery Fund.<sup>34</sup>

#### Working with HLF

1.13 The review team took the decision to liaise closely with HLF staff throughout the review to ensure that they were kept informed and had sufficient opportunity to comment on the approach taken by the team, the emerging conclusions and the final recommendations. The review team would like to put on record their thanks to the HLF Chair, Chief Executive and senior leadership team for their engagement with the review, and to the staff who facilitated meetings, responded to requests for information. and hosted the review team in Cambridge, Cardiff and London.

#### Background

1.14 The National Heritage Memorial Fund (NHMF) was created by the National Heritage Act in 1980, with the purpose of providing grants to help acquire, maintain or preserve any land, building or structure, or any object or collection which is of outstanding scenic, historic, aesthetic, architectural, scientific, or artistic interest. Since 1980 the NHMF has provided more than 1.323 awards with a total of £345,639,675 in grants and loans to March 2017. This includes the acquisition of the Staffordshire Hoard, Tyntesfield, and support for ships such as the Mary Rose.

<sup>&</sup>lt;sup>3</sup>*Heritage Lottery Fund, Report by the Comptroller and Auditor General;* 

https://www.nao.org.uk/report/heritage-lottery-fund/ <sup>4</sup>Heritage Lottery Fund, Fifty–fourth Report of Session2006–07;

https://publications.parliament.uk/pa/cm200607/cmsel ect/cmpubacc/502/502.pdf

1.15 In 1994, NHMF was given the responsibility of distributing a share of money raised through the National Lottery for Good Causes to heritage across the UK: the Heritage Lottery Fund. Part of every pound spent on National Lottery games goes directly to Good Causes for the benefit of communities across the UK. The money is allocated to Good Causes in the following way:

- 20% is allocated for heritage (distributed by HLF)
- 20% is allocated for the arts (distributed by Arts Council England, Arts Council of Northern Ireland, Arts Council of Wales, Creative Scotland and the British Film Institute)
- 20% is allocated for sport (distributed by Sport England, Sport Northern Ireland, Sport Wales, sportscotland and UK Sport)
- 40% is allocated for charitable causes, health, education and the environment (distributed by the Big Lottery Fund)

1.16 HLF is the largest dedicated funder of the UK's heritage. Since 1994, HLF has funded over 42,000 projects at a value of £7.6 billion. The range of heritage funded by HLF includes buildings and monuments; landscapes and natural heritage; community and cultural heritage; industrial, maritime and transport heritage; museums, libraries and archives.

1.17 HLF is a Non-Departmental Public Body (NDPB), accountable to DCMS. This means that it makes independent funding decisions within a remit set by ministers, who are ultimately accountable to Parliament and to the public. HLF's remit is formalised in a management agreement, which is set by Ministers in agreement with HLF. It sets out: the amount of government ('Grant-in-Aid') funding the Memorial Fund will receive; the government's priorities and expectations for how this and the National Lottery money that HLF distributes should be spent; and the performance indicators by which DCMS will assess the organisation. Additionally, HLF must take into account Policy Directions from the DCMS Secretary of State, the Scottish Government and the Welsh Government when making funding decisions.<sup>5</sup>

#### Structure

1.18 HLF is governed by a Board of Trustees and managed by a Senior Leadership team.

1.19 The National Board currently comprises 12 Trustees, appointed by the Prime Minister. The National Board is chaired by Sir Peter Luff. It is responsible for giving strategic leadership and direction, approving control mechanisms to safeguard public resources, approving grant programme and administration budgets, and supervising the overall management of HLF activities. The Board additionally makes decisions on grant requests over £2 million, and on applications for the following targeted programmes: Landscape Partnerships, Parks for People, Townscape Heritage, Heritage Endowments, Kick the Dust, and Skills for the Future. It also oversees the audit and risk sub-committee, and the finance, staffing and resources subcommittee.

1.20 The Senior Leadership Team is led by the Chief Executive Officer Ros Kerslake. It is responsible for the dayto-day management of the organisation and consists of all directors and deputy directors. An organogram setting out the senior management structure of the

<sup>&</sup>lt;sup>5</sup>See Annex G for full Policy Directions

Heritage Lottery Fund is available at **Annex I.** 

1.21 The Trustees have delegated their grant decision-making responsibilities for certain types and values of grant awards to Country and Regional Committees. There are twelve of these Committees. In Scotland, Northern Ireland and Wales these are chaired by a Trustee. In England they are chaired by a locally appointed chair, and a Trustee is a member of the Committee. In addition to making grant decisions, these Committees provide advice to the Board on priorities within their area and act as advocates for the organisation's work as a National Lottery distribution body. Trustees have delegated decision making for grants under £100,000 to Heads of Operations in countries and regions. All decisions made by Committees and staff are reported to the Board.

1.22 Committees are supported by operational teams based in the countries and regions of the UK. HLF currently has approximately 302 fulltime equivalent members of staff.<sup>6</sup> The head office is based in London and HLF also has offices in Scotland, Wales and Northern Ireland. Regional offices are located across England in Exeter, Cambridge, Nottingham, Leeds, Birmingham, Manchester and Newcastle upon Tyne.

#### Funding

1.23 As mentioned, the organisation manages two sources of funding:

The Memorial Fund, set up as a fund of last resort for heritage at risk, receives Grant-in-Aid funding of £5 million annually from the UK government.

<sup>6</sup>*HLF/NHMF business plan 2017;* <u>https://www.hlf.org.uk/hlfnhmf-business-plan-2017</u> HLF, the National Lottery arm, budgeted £435m in 2016-17 following record years of National Lottery sales. However following reductions in returns to Good Causes this was reduced to £305m in 2017/18. The near term is expected to be an equally challenging period for the National Lottery. Camelot (UK) Lotteries announced an in depth review of National Lottery strategy in June 2017 which includes a focus on commercial plans to boost sales performance and thus returns to Good Causes.

1.24 Additionally, in 2015-16, the organisation was given responsibility for administering the Listed Places of Worship Roof Repair Fund scheme on behalf of the UK government, which had a budget of £26.4 million. In response to high demand, the Chancellor allocated a further £25 million for a second round of the programme to be committed in 2016-17. This programme is expected to conclude in 2017-18.

#### Strategy

1.25 HLF has a Strategic Framework setting out its grant programmes and priorities for funding. The current strategy 'A lasting difference for heritage and people: Our strategy 2013-2018' sets out the following principles:<sup>8</sup>

 HLF will invest in the full breadth of the UK's heritage, aiming to make a lasting difference for heritage and people through its funding. This is reflected in the outcomes for heritage, people and communities which it uses to

<sup>&</sup>lt;sup>7</sup><u>http://www.camelotgroup.co.uk/news/camelot-uk-announces-in-depth-review-of-national-lottery-strategy</u> <sup>8</sup>A lasting difference for heritage and people: Our strategy 2013-2018; <u>https://www.hlf.org.uk/lasting-</u> difference-heritage-and-people-our-strategy-2013-2018

assess grant applications. Outcomes include heritage will be better managed and in better condition; people will have developed skills, learnt about heritage and volunteered time; local areas will be a better place to live, work and visit.

- HLF will drive forward its agenda of investing in heritage that people value and broadening the range and depth of engagement with heritage. It does not define 'heritage', instead encouraging people to identify their own heritage and explain why it is valued by themselves and others
- HLF wants more people and a broader range of people to take an active part in heritage, and will challenge applicants, particularly larger and more established organisations, to broaden their audiences

1.26 Trustees decided to extend the current Strategic Framework for a further year to 2019, and to undertake full consultation on the next framework during 2017-18. The conclusions and recommendations of this tailored review will feed into the development of HLF's next Strategic Framework.

1.27 HLF's corporate objectives, as set out in its business plan for 2017-18, are to: simplify grant programmes, processes and decision making; develop proposals for the next Strategic Framework; enable the development of new business and operating models to promote resilience in heritage; embed inclusion and diversity into the business; promote the National Lottery; and use HLF's role to demonstrate the value of heritage as a Good Cause.<sup>9</sup>

<sup>9</sup>HLF/NHMF business plan 2017; <u>https://www.hlf.org.uk/hlfnhmf-business-plan-2017</u>

#### **Overview of Heritage**

1.28 There is a vital need to protect, conserve and promote heritage because of the intrinsic value it holds for people. Heritage helps us to understand where we have come from as a nation and guides us on our way forward. Deciding what we value from the past and want to pass on to the future is key to ensuring that important aspects of our past are conserved for future generations. Our rich heritage makes the UK distinctive, and the value we assign to our heritage is a mark of the history and culture of the UK.

1.29 Heritage also has widespread economic and social benefits. It supports local economies by promoting tourism and creating employment opportunities, making local areas more visibly attractive, supporting local pride and encouraging social cohesion. It is the basis of our tourist industry and a source of inspiration to the creative industries – two growing sectors in the UK economy. Heritage tourism contributed £20.2 billion to the UK's GDP in 2015.<sup>10</sup>

1.30 Heritage also has proven social benefits, making us feel better and improving our quality of life. People living in historic areas report having a stronger sense of place, even after allowing for other socioeconomic factors. For example, DCMS-commissioned research showed that people who engaged with heritage were more likely to report higher wellbeing.<sup>11</sup>

1.31 The UK's heritage sector is extremely diverse in terms of types of heritage, types of organisation and the

<sup>&</sup>lt;sup>10</sup>*The Impact of Heritage Tourism for the UK Economy,* August 2016;

https://www.hlf.org.uk/economic-impact-uk-heritagetourism-economy<sup>11</sup> Quantifying the Social Impacts of Culture and Sport;

<sup>&</sup>lt;sup>1</sup> Quantifying the Social Impacts of Culture and Sport; https://www.gov.uk/government/uploads/system/uploa ds/attachment\_data/file/304896/Quantifying\_the\_Socia I\_Impacts\_of\_Culture\_and\_Sport.pdf

variety of funding sources available. In addition there are many organisations that would not be described as belonging to the 'heritage sector' but which do work that interacts with heritage, such as charities, regulators, and community groups. There are also number of government-sponsored public bodies operating across the UK that have statutory responsibilities to care for particular heritage assets, as well as offering funding in some cases.

1.34 Funding sources for heritage assets and organisations working with heritage are varied, although HLF is the largest single source of funding for the full breadth of heritage in the UK. Specific sources of funding are available to certain types of heritage, and therefore the opportunities for funding are diverse and range greatly in value. Besides HLF, the other main sources of funding (and match funding) for heritage come from the following sources:

- other Non-Departmental Public Bodies and Executive Agencies
- charitable trusts and foundations
- the European Union
- UK government departments and devolved administrations

- the private sector and corporate organisations
- local fundraising activities
- local authorities

1.35 The UK government has a role in promoting and supporting the cultural and heritage sectors across the UK and in promoting them abroad. It is responsible for a number of policies and programmes which benefit the sectors across the UK. These include tax reliefs and incentives, funding from the UK-wide sale of National Lottery games, the UK City of Culture programme and the GREAT campaign. The UK government also provides public funding for cultural and heritage bodies across the UK, including the British Council, the British Film Institute, national museums and galleries including the British Museum and British Library, and HLF.

1.36 In Scotland, Wales and Northern Ireland, other aspects of support for the cultural and heritage sectors are the responsibility of the Scottish Government, Welsh Government and Northern Ireland Executive respectively. The UK government retains responsibility for the cultural sectors in England, including funding for Englandonly bodies such as Arts Council England and Historic England.

# **Chapter Two: Form and Functions**

2.1 This chapter relates to the form and functions of the organisation as a whole, and therefore refers to it as the National Heritage Memorial Fund (NHMF). This chapter examines whether all the functions fulfilled by NHMF are still necessary and, if they are, whether its current form as a Non-Departmental Public Body (NDPB) is the most appropriate delivery model.

### Background

#### National Lottery Legislation

2.2 The legal framework for the existence of NHMF is set out in the National Heritage Act 1980. The legislative basis for the Heritage Lottery Fund (HLF) is set out in the National Lottery etc Act 1993 and subsequently the National Heritage Act 1997 and the National Lottery Act 1998.<sup>12</sup> This legislation sets out the statutory responsibilities of NHMF Trustees, including their responsibility for the distribution of National Lottery proceeds allocated to the heritage Good Cause.

#### Functions

#### What are NHMF's functions?

2.3 NHMF's core functions are:

- the Heritage Lottery Fund: distributing the heritage share of National Lottery money for Good Causes. HLF provides National Lottery grants to sustain and transform heritage
- the Memorial Fund: providing a fund of last resort for financial assistance towards the acquisition and conservation of outstanding national heritage

assets that are at risk of loss to the nation

• <u>the Roof Repair Fund</u>: managing the Listed Places of Worship Roof Repair Fund on behalf of the government. This responsibility was given to NHMF in 2015, and the programme is expected to conclude in 2017-18

#### Are the functions still needed?

#### What the evidence told us

2.4 Stakeholders and respondents to the public survey consistently commented that NHMF's functions - in particular the Heritage Lottery Fund were critical to the sector. Having a National Lottery distributor with an explicit focus on heritage and a remit that covers the UK was seen as indispensable, and many noted how vital HLF funding had been in saving and preserving the UK's heritage. 89% of survey respondents thought that the organisation was either 'successful' or 'very successful' at providing funding to 'sustain and transform heritage', and stakeholders noted the particular importance of this funding at a time when there is uncertainty about funding for heritage in the UK caused by external factors such as reduced local authority funding and the UK's exit from the European Union.

2.5 97% of stakeholders felt that the <u>HLF function</u> of 'investing money from the National Lottery by providing funding to sustain and transform heritage' was still needed. Similarly, 91% thought that the <u>Memorial Fund</u> <u>function</u> of 'providing financial assistance towards the acquisition of assets of national heritage at risk of being lost' was still needed. When

<sup>&</sup>lt;sup>12</sup>See Annex I for a summary of NHMF's legislation

asked about the 'administration of the <u>Roof Repair Fund</u>', only 48% of respondents felt the function was still needed whilst 42% did not know. The review does not focus further on this function as the Roof Repair Scheme is expected to conclude in 2017-18.

2.6 Positive feedback was also received about HLF's decision not to define heritage, and to fund the full breadth of projects that have heritage value. HLF has some programmes targeted at specific forms of heritage, with ringfenced budgets, but within its open programmes does not ringfence funding for particular categories of heritage. As an indication, however, between April 2012 and March 2017, HLF funded various parts of the sector as follows:

	% of projects funded	% of grant awarded
Historic buildings and monuments	23%	42%
Community heritage	25%	3%
Culture and memories	27%	4%
Industrial, maritime and transport heritage	3%	6%
Land and natural heritage	9%	21%
Museums, libraries and archives	13%	24%

2.7 Stakeholders praised this broad approach to heritage, and there was a strong response when survey respondents were asked whether HLF should continue to award funding for projects in all of its six heritage categories:

Category	Yes	No	Don't know
Historic buildings and monuments	94%	1%	4%
Community heritage	86%	7%	8%
Culture and memories	83%	7%	10%
Industrial, maritime and transport heritage	88%	3%	9%
Land and natural heritage	93%	3%	4%
Museums, libraries and archives	90%	2%	8%

2.8 HLF's position as the only UK-wide funder of heritage was also recognised by stakeholders as crucial. The table below outlines the distribution of HLF funding by region and country between April 2012 and March 2017.

	% of projects funded	% of grant awarded
East Midlands	7%	7%
East of England	9%	7%
London	11%	17%
North East	6%	7%
North West	11%	9%
Northern Ireland	3%	3%
Scotland	11%	11%

South East	10%	12%
South West	10%	10%
West Midlands	8%	7%
Wales	6%	5%
Yorkshire and The Humber	7%	6%

#### Are the functions right?

2.9 When survey respondents were asked whether they thought NHMF currently performed any additional functions, many answered that the functions listed in paragraph 2.3 above did not fully reflect the organisation's remit. The most popular functions respondents believed NHMF was already undertaking were: 'promoting the heritage sector' (67%), 'building the resilience of heritage organisations' (55%), 'sharing knowledge within the heritage sector' (55%) and 'supporting skills development in the heritage sector' (68%).

2.10 This suggests that, although NHMF has historically seen itself as a largely responsive grant funder, its funding actually plays a more strategic role in the sector, including through HLF's targeted funding programmes for supporting skills capacity and financial resilience, which have been well received by the stakeholders to whom the review team spoke.

2.11 When asked whether NHMF should perform any additional functions the answers were similar, with the most popular options being: 'sharing knowledge within the heritage sector' (68%); 'building the resilience of heritage organisations' (66%); 'supporting skills development in the heritage sector' (65%); and 'promoting the heritage sector' (59%). 2.12 This reflects the mixed feedback that the review team received from stakeholders. Many called for HLF funding to be used to support the sustainability of the sector through developing skills, sharing knowledge, encouraging financial resilience and promoting heritage. However, there were concerns that these roles should continue to be balanced with the need for HLF, as the only large scale funder in the sector, to save and preserve the UK's heritage. Some stakeholders also noted that - as NHMF's expertise is in project funding rather than in heritage per se - it should be careful not to encroach on the roles of other heritage bodies by veering into direct policymaking, or to set priorities that may shape the heritage sector without taking into account the wider heritage landscape.

#### Conclusions

2.13 In conclusion, NHMF's functions of a) distributing lottery funding (the HLF) and b) acting as a fund of last resort (the Memorial Fund) are the right functions, and should be retained. Stakeholders overwhelmingly argued for the continuing need for and importance of NHMF as a consistent source of funding for the heritage sector, and the majority of feedback indicated that NHMF should remain, at its core, a funding body.

2.14 However, short of explicitly taking on another 'function', the majority of stakeholders and survey respondents saw opportunity for NHMF to do more with its funding by thinking more ambitiously about the breadth of its role in the heritage sector. Within in a challenging funding environment in which HLF needs to respond to National Lottery receipts that fluctuate and have recently declined, NHMF will need clarify its priorities for HLF funding and support for the sector. These themes will be explored further in Chapter Three.

#### Form

2.15 Having concluded that NHMF's functions remained necessary and appropriate, the review team considered how best these functions could be delivered, examining the organisation's current model and considering a range of alternative delivery models.

#### **Current Model**

2.16 NHMF is an Executive Non-Departmental Public Body (NDPB). An NDPB is broadly defined as a "body" which has a role in the processes of national government, but is not a government department or part of one. and which accordingly operates to a greater or lesser extent at arm's length from ministers".<sup>13</sup>

#### Three tests for being an NDPB<sup>14</sup>

2.17 The government's presumption is that if a public function is needed then it should be undertaken by a body that is democratically accountable at either national or local level. A body should only exist at arm's length from government if it meets at least one of three tests:

Test 1 – it performs a technical function which needs external expertise to deliver (met)

2.18 NHMF has technical expertise in grant making and in project delivery. It is critical for the benefit of the heritage sector that decisions about funding are made by an organisation with an existing awareness of and dedicated interest in the heritage sector, although there is scope for NHMF to work more with partners to capitalise on other sources of expertise.

Test 2 – its activities require political impartiality (met)

2.19 It is essential that NHMF remains politically impartial. The governments of the UK set overall policy ambitions for heritage. However, the decisions on how this policy is delivered should be taken impartially based on in depth knowledge of and engagement with the UK heritage sector. Funding for the heritage sector should be protected from any possible political interference, and an organisation with an independent remit should determine exactly where National Lottery money for heritage is distributed for the greatest public benefit.

#### Test 3 – it needs to act independently to establish facts/figures (not currently met)

2.20 NHMF does not currently have a role of establishing facts or figures, although it does commission research into the sector which is well regarded by most stakeholders. However, the review recommends that NHMF makes better use of the data it collects about the projects it funds, and collects more data about the people who engage with those projects. This data collection would lead to establishing reliable figures on who/how many people engage with HLF-funded projects and what intrinsic, social and economic benefits are derived from HLF funding. These facts and figures would not necessarily need to be collected independently of government, but it is sensible for this to be done by the body responsible for distributing the grants.

#### Conclusions

2.21 The review concluded that the functions of NHMF currently meet two of the three tests for being classified a NDPB, and as a result of this review would meet all three.

<sup>&</sup>lt;sup>13</sup> Tailored reviews: guidance on reviews of public bodies:

https://www.gov.uk/government/publications/tailoredreviews-of-public-bodies-guidance

#### Alternative Delivery Models

2.22 When asked what would be the most effective way to deliver NHMF's functions, 84% of survey respondents chose the current model of an NDPB. There was no concerted call for any specific alternative model, with the most popular option being a merger with local government, which 3% of respondents chose. This echoed the feedback received by the review team directly from stakeholders, who spoke positively about NHMF's level of independence from central and local government and its ability both to make decisions at a national level and to respond flexibly to local needs and priorities.

2.23 Nevertheless, as per Cabinet Office guidance, the review considered a range of delivery models to examine whether there were other viable options:

#### 1. Bringing into central government

2.24 This option would involve integrating all existing NHMF staff and functions into DCMS as the UK government department that sponsors NHMF. The review team found significant disadvantages to this option, including potential risks to NHMF's vital political impartiality in distributing National Lottery money, possible challenges for funding in the devolved administrations, and a potential loss of specialist knowledge and expertise. Only 1% of survey respondents thought this would be a viable option.

#### 2. Delivery by a new Executive Agency

2.25 This option would essentially be the same as bringing the functions back into government and establishing a defined business unit, staffed by civil servants, that would deliver those functions. As such, it would carry the same significant risks as option 1 and was therefore not judged to be a viable option, with only 1% of survey respondents considering it a feasible model.

#### 3. Merging with another public body

2.26 The most appropriate merger would likely be with another heritage body or another National Lottery distributor. However, the review concluded that none of these were feasible options. As there are no other public heritage bodies working across the whole of the UK, any merger would lose this crucial aspect of national heritage funding. Similarly, only some of the National Lottery distributors work across the UK (UK Sport, Big Lottery Fund and the British Film Institute). A merger with any of those would mean losing NHMF's highly valued focus on heritage, likely causing concern about the dilution of National Lottery funding for heritage and the potential loss of expertise in funding the sector. Although there are opportunities to strengthen the partnerships between NHMF and other heritage bodies and National Lottery distributors, there are no realistic options for a merger.

#### 4. Devolving to local government

2.27 Although a small number (3%) of survey respondents thought that devolving heritage funding to local government could be a viable option, there are significant disadvantages to such a model. It would lead to inconsistencies in delivery according to local resource and expertise; would not support the provision of strategic national programmes such as building skills capacity; and would jeopardise the political impartiality of heritage funding. The loss of economies of scale caused by devolving to 400 local authorities would also be enormously inefficient. The review has therefore concluded this would not be a viable option.

#### 5. Establishing a commercial model

2.28 This option would mean identifying - or more likely creating - a charity or private sector organisation to undertake these functions, under a contractual relationship with government. A more commercial model may have benefits for efficiency, but could raise doubts about the credibility, experience and independence of an organisation in a purely contractual relationship with government. Private sector handling of public money is also likely to be questioned by the heritage sector and the public: investing National Lottery money is a public service and the review concluded that it was only appropriate for it to be distributed by a public body accountable to Parliament.

2.29 In addition to the summaries above, a detailed comparison is available at **Annex J.** 

#### Conclusions

2.30 The review concluded that NHMF's current form as an NDPB remained the most appropriate model through which to deliver its functions.

#### Conclusions

- NHMF's functions, including its activities as the HLF, remain necessary, should continue to exist and should remain within NHMF's remit
- NHMF's functions, including its activities as the HLF, should continue to be delivered at arm's length from government in its current form as an NDPB

# Relationship with Government

2.31 Having concluded the examination of form and functions, the report will revert to referring to the organisation as 'HLF'.

2.32 As a UK wide body, HLF has a relationship with all parts of the UK government - primarily via the Department for Digital, Culture, Media and Sport (DCMS) and individually in the devolved administrations with the Scottish Government, the Welsh Government and the Northern Ireland Executive.

2.33 DCMS has responsibility for the UK government level oversight of HLF and is referred to as its 'sponsor'. Although almost all of the organisation's funding comes from the National Lottery, DCMS provides £5 million per annum of Grant-in-Aid funding for the Memorial Fund and has also asked HLF to distribute other sources of funding in the past, such as the £44.5 million Listed Places of Worship Roof Repair Fund which was distributed between 2015 and 2017-18.

2.34 While HLF delivers its functions independently, it is a publicly funded 'arm's length body'. DCMS Ministers are accountable for arm's length bodies to Parliament and the public, and HLF therefore operates within a framework set by Ministers. Every four years, DCMS and HLF set a management agreement, which sets out the amount of Grant-in-Aid funding HLF will receive and the government's priorities and expectations for how HLF's funding should be spent. The DCMS Secretary of State also gives financial directions with which HLF must comply.

2.35 HLF also receives Policy Directions from the UK, Scottish and Welsh governments, which it must take into account when making funding decisions. All Policy Directions (available at **Annex G**) take equal precedence.

2.36 This report has noted previously that the level of independence HLF has to set its own strategy and make its own funding decisions is appropriate and should not change. However, there is further scope for the governments of the UK and HLF to work together to showcase the intrinsic, economic and social value and benefits which can be delivered by the heritage sector. This could be better achieved by putting in place a more structured relationship between HLF and each of the governments of the UK. This should be based on:

- DCMS setting out priorities for the heritage sector in England, as clearly as it is done in Scotland, Wales and Northern Ireland. In doing so:
  - DCMS should clarify how HLF contributes to delivering the department's priorities of 'driving growth, enriching lives and promoting Britain to the world', building on the references to heritage in the Culture White Paper<sup>15</sup>
  - DCMS should continue to work closely with HLF, the Department for Environment, Food & Rural Affairs (Defra), the Department for Communities and Local Government (DCLG), and other departments with which heritage can have an important link such as the Department for Health and the Department for Education, to consider how HLF can engage with wider government strategies such as the forthcoming 25 Year

Environment Plan and Integration Strategy

- DCMS should continue to seek to promote heritage's contribution to various government agendas such as local growth and placemaking, nature conservation, health and wellbeing, employment, community cohesion, and international engagement
- DCMS, the Scottish and the Welsh governments updating their Policy Directions for HLF to ensure they remain relevant given the long period since they were last reviewed:
  - these should explicitly acknowledge any relevant government objectives, and how HLF can engage with Scotland's 'Our Place in Time';<sup>16</sup> museums and biodiversity strategies; the 'Well-being of Future Generations Act' and 'Light Springs through the Dark' vision in Wales;<sup>1718</sup> and how HLF can actively participate in Northern Ireland's Programme for Government outcomes and indicators
  - as there are specific challenges facing the English heritage sector, like the Scottish, Welsh and Northern Irish sectors, DCMS should set some Policy Directions - either within or supplementary to the UK wide Directions - which specifically

<sup>&</sup>lt;sup>16</sup>Our Place in Time - The Historic Environment Strategy for Scotland;

http://www.gov.scot/Resource/0044/00445046.pdf <sup>17</sup> Well-being of Future Generations (Wales) Act 2015; http://gov.wales/topics/people-and-

communities/people/future-generations-act/?lang=en <sup>18</sup>Light Springs through the Dark: A Vision for Culture

<sup>&</sup>lt;sup>T</sup>Light Springs through the Dark: A Vision for Culture in Wales; <u>http://gov.wales/topics/culture-tourism-</u> sport/arts/a-vision-for-culture-in-wales/?lang=en

<sup>&</sup>lt;sup>15</sup>Culture White Paper;

https://www.gov.uk/government/publications/culturewhite-paper

refer to England's heritage priorities

- to stay relevant and useful for both the governments of the UK and HLF, Policy Directions should be reviewed every five years, aligning with HLF's strategic planning cycle
- the Northern Ireland Executive does not currently set HLF Policy Directions. It should consider whether it wishes to do so in due course, and should in the meantime work with HLF to acknowledge the relationship between HLF and the relevant strategies and Programme for Government delivery plans being developed in Northern Ireland
- DCMS establishing, in agreement with HLF, a more systematic approach to the sponsorship and oversight relationship given DCMS's ultimate accountability to Parliament. This should build on the existing positive - but informal relationship between DCMS and HLF, and should provide a basis on which to monitor HLF's performance against its Policy Directions, the expectations set in the DCMS management agreement, and the implementation of recommendations made by this tailored review and the separate Museums Review which also has implications for HLF
- HLF providing all four nations with evidence and data on the activity it undertakes that delivers government priorities, its Policy Directions and that makes the case for the value of heritage

#### Recommendations

- 1. Working with government partners including Defra and DCLG, DCMS should clarify the current cross-government priorities for the heritage sector in England, looking for best practice in the strategies of the devolved administrations.
- 2. The Scottish and Welsh governments should review their Policy Directions for HLF to ensure they reflect each government's priorities. The UK government should review the UK-wide Policy Directions and set specific priorities for England's heritage sector. The Northern Ireland Executive should keep under review whether to set HLF Policy Directions.
- 3. The UK, Scottish and Welsh governments and the Northern Ireland Executive should agree a more structured reporting relationship with HLF, which demonstrates how HLF meets any relevant KPIs, takes into account its Policy Directions and provides evidence of how National Lottery funding is used across the UK for the public's benefit.
- 4. DCMS should undertake a stocktake every six months of HLF's progress against the recommendations of the tailored review so that both organisations are held to account for delivery and supporting delivery.

# **Chapter Three: Effectiveness**

3.1 Having examined the ongoing need for the organisation's functions, this chapter assesses the opportunities for the organisation to operate and deliver more effectively.

3.2 The heritage sector is broad and diverse, with various organisations private, public and charitable - holding an interest in one or more aspect of the UK's heritage. Within this complex landscape, HLF needs to clarify its role in relation to others and to strengthen and capitalise on its relationships with others to share expertise and explore opportunities for joint working, to ultimately deliver more effectively for the sector and the public.

3.3 As an organisation, HLF needs to be clear about its own priorities and to use its funding more strategically to support the sustainability of the sector in the long term. To do so it should strengthen the parts of the organisation that will support it to deliver more strategically: communications, data, evaluation, research, international engagement and digital. Within an increasingly challenging financial environment, where National Lottery receipts are currently falling and demand for HLF funding is increasing, HLF will also need to work hard to ensure that access to its funding remains inclusive when considering what its funding priorities should be.

#### Partnership working

#### **Strategic Partnerships**

3.4 HLF's expertise predominantly sits in grant giving and project management, as the only funder of such scale in the heritage sector. This means that HLF must work effectively with others to ensure that it shares its own expertise and that it benefits from the insight and experience of the wider heritage sector, to ensure its funding achieves optimal impact.

#### What the evidence told us

3.5 49% of survey respondents thought that HLF worked with partners across the heritage and cultural sectors 'extremely well' or 'very well' and 21% 'moderately well'. This broadly reflected the feedback from stakeholders, many of whom saw HLF as a very collaborative organisation and thought that where HLF had built or participated in partnerships with other organisations it had done so very effectively. Some saw opportunity for much more partnership working with other organisations at a strategic level to share expertise, to identify the needs of heritage and the heritage sector, and to work together to support the sector's resilience. Others also noted a potential opportunity for HLF to build relationships with the private sector.

3.6 Across the UK, the review found evidence of excellent partnership working at an operational level, and encourages HLF to consider how it can make this engagement more consistent across its offices. Particularly positive feedback was received about the devolved nations, where there were numerous examples of valuable HLF partnerships improving working relationships across the sector, enabling a strategic approach to supporting the sector, and promoting more efficient working to make the best use of available funds. In particular:

 Historic Environment Scotland and HLF have a history of strong and positive engagement, and

maintain a continuing dialogue to improve their working relationship and ensure priorities remain aligned. HLF is also contributing to the work of the Built Heritage Investment Group which has been set up under the guidance of 'Our Place in Time' – the historic environment strategy for Scotland.<sup>19</sup> The Group will work collaboratively with public, private and voluntary sector partners to develop a national investment policy and plan for Scotland's historic built environment

- HLF engages with the Welsh Government in areas such as museums, archives, historic environment and natural heritage, and with stakeholders across Wales including the voluntary sector through groups such as the Historic Environment Forum. HLF has contributed to wider priorities in Wales including heritage-led regeneration, culture and poverty, young people, skills, and projects commemorating the First World War as well as tackling heritage at risk
- there is a strong level of partnership working by HLF in Northern Ireland. The Head of Office in Northern Ireland is a member of the Core Group for heritage stakeholder work, and engages strongly with a wide range of organisations within and beyond the sector, including Tourism NI as it develops a heritage and tourism strategic framework

3.7 Replicating this level of close partnership working is more challenging in England given the size and dispersed nature of the sector. However, the review concluded that there was scope, whilst maintaining the HLF Board's independence, to build more structured relationships in order to clarify HLF's role in the sector, to ensure there is no duplication of effort, and to maximise efficiency. HLF should look to identify partners across the breadth of the sector and should think carefully about how to access partners beyond the 'usual suspects' in the cultural and natural heritage sectors, such as regulated industries and the voluntary sector. In the specific context of government-sponsored public bodies, the review identified several opportunities:

- in line with the findings of the Mendoza Review, HLF and Arts Council England should work in closer partnership to ensure funding for English museums is awarded in a more strategic way.<sup>20</sup> Stakeholders called for greater collaboration at a strategic level to support cross-sector issues in the museums sector, and greater clarity about the division of funding responsibilities between Arts Council England and HLF
- HLF and Historic England should work together more effectively to strategically support the sustainability of the sector and of built heritage assets, particularly in order for HLF to capitalise on Historic England's specialist expertise to ensure that National Lottery funding is invested in built heritage projects that will have the greatest impact. Stakeholders noted that they would welcome clarity on HLF and Historic England's relationship

<sup>&</sup>lt;sup>19</sup>Our Place in Time - The Historic Environment Strategy for Scotland; http://www.gov.scot/Resource/0044/00445046.pdf

<sup>&</sup>lt;sup>20</sup> The Mendoza Review: an independent review of museums in England;

https://www.gov.uk/government/publications/themendoza-review-an-independent-review-of-museumsin-england

- HLF should work closely with Defra and its arm's length bodies, including Natural England and the Environment Agency, to respond to the challenges and opportunities for the natural heritage sector in England, building resilient landscapes for people and nature. This will build on existing strategic advice through the Terrestrial Biodiversity Group to align sector resources around strategic priorities
- HLF and the Big Lottery Fund both have a strong focus on people and communities, and HLF should continue to work closely with the Big Lottery Fund to ensure their remits are clearly defined and complementary, that shared priorities are funded strategically, and that opportunities for collaboration are maximised
- as HLF has a significant role to play in local growth and placemaking, it should also ensure that its approach to engaging with local authorities across the UK is consistent and effective given that local authorities are also key sources of funding for heritage
- where appropriate, HLF should engage with other funders and National Lottery distributors to learn from those who have also developed place-based approaches to grantmaking

3.8 To note, given that these suggested partners are able to apply for HLF funding, HLF should continue to monitor any potential conflicts of interest that could arise within the partnerships it creates.

#### Recommendation

- 5. In its next Strategic Framework, HLF should:
  - a. assess and clarify its relationship with, and strategic remit in relation to, other governmentsponsored public bodies and National Lottery distributors. This should include consideration of how HLF can collaborate with, and take account of, the priorities of other bodies to ensure funding for the sector is as effective as possible.

#### Joint funding partnerships

3.9 HLF has had some very successful joint funding partnerships to date, and much of the positive feedback received was about how these joint funding programmes have ensured money for the sector is spent strategically, effectively and efficiently. Particular country-level schemes that were praised by stakeholders include the joint HLF-Historic Environment Scotland Places of Worship scheme in Scotland and the Great Place Scheme, iointly funded with Arts Council England, which has already invested in 16 places across England to explore and encourage the contribution of arts and heritage to local communities and places.

#### Case study: Parks for People

Since 1996, HLF and Big Lottery Fund have invested £915m in the regeneration of historic parks and cemeteries across the UK. In England HLF has invested £647m with Big Lottery Fund contributing an additional £151 million since 2006 through the jointly run Parks for People programme. Programme evaluation has shown that as a result of investment public parks have seen significantly increased visitor numbers, increased civic pride, increased volunteering (particularly in more deprived areas), the restoration of historic buildings and structures, and habitat improvements increasing species diversification.<sup>21</sup>



#### Recommendation

6. Building on successful examples to date, HLF should identify further opportunities to develop joint funding partnerships to ensure that funding for the sector is efficiently and effectively distributed.

#### Encouraging sector partnerships

3.10 Given HLF's overview of the heritage sector, there is also an important role to play in facilitating partnerships between organisations.

3.11 Through the projects it funds, HLF should continue to encourage crosssector working to deliver benefits across different types of heritage which will encourage greater sustainability (for

<sup>21</sup>Parks for People impact evaluation; https://www.hlf.org.uk/parks-people-evaluation example by incorporating natural heritage into built heritage projects and vice versa) and support capacity building between organisations around issues like digital expertise. HLF should also consider what opportunities it could facilitate for organisations with different skillsets to build links. This would support the sharing of best practice and allow organisations to learn from peers who excel in, for example, developing commercial models, reaching out to diverse audiences, or using digital tools creatively.

3.12 HLF's Landscape Partnerships programme further demonstrates the value that can be gained from partnerships, and HLF should look to see how this model of working can be encouraged further in the sector.

# Case study: Inner Forth Landscape Initiative

The Landscape Partnerships programme is a landscape-scale place-based conservation and engagement programme. Running since 2000, it has supported 125 schemes to date, with £225m of investment.

The Inner Forth Landscape Initiative was funded in 2012 by HLF as part of the Landscape Partnerships targeted programme, receiving £1,975,900. It consists of fifty inter-related projects to conserve, enhance and celebrate the landscape and heritage of the upper Firth of Forth. The partnership is led by RSPB Scotland and made up of eight formal partners including local authorities, public bodies and heritage charities, as well as informal partners on individual projects. Projects have worked to connect habitats to create a landscape with flourishing biodiversity, improve access to historical and natural features (such as Clackmannan

Tower) and train local volunteers.

The Initiative has strong links with the local community, demonstrating clearly the benefits that can be gained from working in partnership to preserve and engage people with heritage.



Photo credit: David Palmar

#### Strategy

3.13 Building on a foundation of strong partnerships, knowledge of the heritage sector's needs, and clarified government priorities for heritage, HLF needs to clarify its own strategy in its next Strategic Framework.

3.14 HLF's current strategy is to fund the full breadth of heritage in the UK, invest in skills and growth and help heritage organisations thrive. To deliver this strategy, it prioritises projects that will deliver specified outcomes and making a lasting difference for heritage, people and communities.

#### What the evidence told us

3.15 Most stakeholders were not aware of HLF's strategy but, once given the description, felt it was broadly the right one. This chimed with the 79% of survey respondents who thought HLF's strategy was the right approach.

3.16 HLF has historically seen itself as a largely responsive grant giving organisation. Stakeholders saw this as a limited description of HLF's responsibilities, and would value more clarity about HLF's role and its funding strategy. Stakeholders saw potential for HLF to be much more strategic and proactive as an organisation. They noted the need for HLF to make funding decisions more strategically to support the sector, given the power that it has as a near monopoly funder of such scale (and the consequent influence that HLF has over the heritage 'market') and given the context of fluctuating National Lottery receipts.

3.17 Stakeholders spoke positively about HLF's aim to invest in skills and growth. They also praised the more strategic targeted programmes HLF has developed for building skills capacity, supporting financial resilience and encouraging commercial models, which have resulted in commercially sustainable projects such as Lews Castle. HLF should retain this focus on sustainability.

# Case study: Lews Castle, Stornoway

Lews Castle received a grant of £4.6million from HLF in July 2016 to restore the building to its original Victorian splendour, rescuing it from dereliction. The exterior and ground floor of the castle were restored and an award-winning new extension built to house a state-of-the-art museum and archive sharing the stories of life on the islands. Telling the history of the Outer Hebrides from pre-history to the present day, the museum's first language is Gaelic with full supporting English interpretation.

The opening of the museum, a new shop and café in the castle grounds created new jobs and will continue to attract visitors and the local community. The Castle also offers luxury holiday accommodation, a retail store and diverse grounds, offering an example of a commercial model for a heritage asset which promotes

sustainability and community engagement.



3.18 HLF has identified a range of 'outcomes' for heritage, people and communities, against which projects applying for funding are assessed. Which outcomes projects are expected to deliver depends on the type and size of funding requested. The review team heard from stakeholders that these 14 outcomes were confusing, and HLF is now addressing this by simplifying these in its next Strategic Framework.

3.19 Overall, there was a lack of clarity within the sector about HLF's strategy and its role beyond grant giving, which suggests that HLF needs to think carefully about how to make its next Strategic Framework clear and well communicated.

#### Recommendation

7. HLF should ensure that its vision and priorities are better understood by grant applicants, the heritage sector and more widely; and that its value and impact is communicated more clearly to National Lottery players.

3.20 As well as being clear about its role and its relationship with other partners in the sector, HLF needs to set and be clear about its own priorities. Whilst acknowledging that HLF will need to maintain flexibility to meet the changing needs of the sector and the needs of heritage within its own changing resources over the coming years, it is important for the sector to fully understand what HLF's funding priorities are in its next Strategic Framework.

3.21 The demand for HLF funding far outstrips the supply, and applications will become more competitive given the current financial landscape and the current trend of falling National Lottery receipts. For example in 2016-17 HLF received over 3,700 grant applications requesting £1.1 billion, 2.7 times the award budget.<sup>22</sup> In order to support the difficult decisions it will have to make, HLF must define and communicate its priorities more clearly. It will also be important for HLF to define what it will and will not prioritise in order to frame its communication with the sector and manage the expectations of potential grant applicants to ensure they do not waste time or money applying for funding they are unlikely to receive.

3.22 It is for HLF to determine its own funding priorities, and is not within the scope of this review or the role of government to dictate what HLF should and should not fund. There is much debate in the sector about how HLF should prioritise different types of heritage and projects, and the review team received conflicting feedback from stakeholders.

3.23 There was a great deal of support for HLF's decision to fund community projects and to prioritise the importance of National Lottery funding being used to benefit National Lottery players. However, there was some concern about whether the best balance of HLF's priorities had yet been reached, and whether HLF should re-prioritise pure heritage conservation or further acknowledge the *inherent* benefit of preserving heritage for people as well

<sup>&</sup>lt;sup>22</sup>HLF annual report 2016-2017;

https://www.hlf.org.uk/hlf-annual-report-2016-2017

as the benefit of, for example, direct community outreach projects. This will be a balance for HLF to consider carefully.

3.24 This broader debate about the balance between conservation of heritage assets and public engagement with those assets is highlighted by the concept of 'additionality'. Since the National Lottery was established in 1993, successive governments have reiterated their commitment to additionality - namely that National Lottery funding should be used to pay for things not likely to be funded by the Exchequer. HLF adheres to the additionality principle, but some stakeholders have called for HLF to rethink its approach given the decline in other sources of funding available for building maintenance, repairs and nature conservation.

3.25 HLF's interpretation of additionality is a strategic decision to be made by the HLF Board. However, HLF must also recognise the needs of the sector and the needs of heritage when developing its strategic frameworks - it is in this vein that this review encourages HLF to actively monitor its interpretation of the additionality principle, in the context of a very uncertain future funding environment for heritage in the UK. Furthermore, in developing the next Strategic Framework, HLF will need to be mindful of the Mendoza Review which states:

> "HLF should focus its museums funding on capital projects with a transformative impact. It should consider how to interpret 'additionality' in the contemporary context where museums need to use investment to tackle buildings maintenance backlogs, attract and

maintain new audiences and generate new funding streams."23

3.26 Additionally, many stakeholders suggested that HLF could improve by developing strategies for reaching underrepresented groups and geographical areas and by tailoring its approach to regional and country needs across the UK. The review team found evidence of all of these areas of work being undertaken, suggesting that the real need is for HLF to better articulate and communicate the work it is already doing. HLF has established Priority Development Areas across the UK, for example, which aim to give more support to areas that have historically received less HLF funding. Overall HLF has developed its response to country and regional needs well; in Northern Ireland, for example, HLF was particularly praised for its nuanced approach to political and cultural sensitivities in the projects it funds.

3.27 HLF's next Strategic Framework will be a valuable opportunity for HLF to articulate its role and its priorities in the interests of transparency and to support potential applicants.

#### Recommendations

(Recommendation 5 continued)

In its next Strategic Framework, HLF should:

b. clarify its own strategic priorities, explain how those priorities are identified and illustrate how evaluation and research are used to inform them

<sup>&</sup>lt;sup>23</sup>The Mendoza Review: an independent review of museums in England, page 15;

https://www.gov.uk/government/publications/themendoza-review-an-independent-review-of-museumsin-england

- c. articulate its strategy for reaching underrepresented groups and geographical 'Priority Development Areas'
- d. outline how it responds to priorities in Scotland, Wales, Northern Ireland and England, within the UK-wide framework
- 8. HLF's next Strategic Framework should set out clear, assessable targets for the impact it hopes to achieve through its funding.

#### Staffing

3.28 HLF has approximately 302 (full time equivalent (FTE)) members of staff distributed across the UK. Staff are organised into four departments: operations, strategy and business development, communications, and finance and corporate services.

#### What the evidence told us:

3.29 The review team heard a lot of extremely positive feedback from stakeholders who praised the professionalism of development and grants officers and the willingness of those officers to have honest conversations with applicants. Many survey respondents also praised the openness, approachability and knowledge of HLF staff. One comment stated that HLF staff "have the necessary knowledge to provide a targeted, personal service where you feel valued as an individual." Another comment stated that "the support offered during the whole application process (and then the decision making process) is brilliant. The staff feel very much like they are enabling successful applications rather than acting as gatekeepers to the funds available."

3.30 However, the review team also heard comments about a lack of consistency in skills and expertise across the organisation. Of those who responded to the survey question 'within HLF, do you feel that there is an appropriate level of the following attributes?', 61% selected 'yes' for skill, 58% selected 'yes' for experience and 56% selected 'yes' for knowledge.

3.31 Some stakeholders noted that there were weaknesses in the consistency of HLF's knowledge about some particular areas of heritage, such as natural heritage, archaeology, and places of worship - and there was a perception that this meant certain types of project were less likely to receive funding. HLF staff cannot be expected to be expert all types of heritage and projects, but HLF as an organisation does need to address this perception and assure the sector that decisionmakers are sufficiently knowledgeable to assess diverse types of bids on an equal footing.

3.32 In order to become a more effective, more strategic organisation, HLF also needs to support staff to develop skills in its priority areas and in those areas that will be important for the future sustainability of the sector, and to ensure these skills are made as consistent as possible across the UK.

3.33 HLF staff will need to be fully equipped to make judgements about the sustainability of projects by strengthening their skills in financial and commercial awareness and their ability to test the long term viability of business cases. As digital becomes increasingly important, HLF staff will also need to be able to support the sector to use digital tools creatively and effectively. As discussed on page 43, data collection and usage will also be an important area in which HLF must have heightened capability in the future.

3.34 As well as providing training for staff, the recent positive changes in internal communications will be valuable in strengthening skills consistency, facilitating cross-site working and the sharing of expertise. HLF's staff turnover in the junior grades has been between 13% and 17% over recent years, which is not unusual. However, there is a much more static picture at more senior grades in the organisation where there is very little turnover. HLF's senior staff are very capable and experienced, many benefitting from having worked in HLF for many years, which was recognised by stakeholders. However, HLF needs to assure itself and the sector that fresh thinking is able to come into the organisation at senior levels.

### Recommendation

9. HLF should ensure that skills training for its operational and strategic staff, as well as its grant decision-makers, is consistent and regularly refreshed. HLF should focus its learning and development offer on supporting the delivery of its priorities as identified in its next Strategic Framework, and on supporting the sustainability of the sector through skills in areas such as commercial, financial, digital, inclusion, and intellectual property, so that staff can encourage and support successful projects.

# Communications

3.35 Communications are a vital part of HLF's activity, showcasing HLF-funded projects and raising awareness of grant opportunities.

3.36 As part of its management agreement with DCMS, HLF has been

tasked with working alongside all of the National Lottery distributors to promote the National Lottery Good Causes. HLF has a crucial role in raising awareness of the heritage Good Cause particularly in the context of the current trend of declining National Lottery receipts - and has recently begun to focus its communications strategy on strengthening its connection with UK National Lottery players.

3.37 For example, HLF has run a 'Changing Lives' campaign since February 2016 to share the stories of people whose lives have changed thanks to projects funded with money from the National Lottery.<sup>24</sup> The collection of stories sheds light on the diversity of people that have been positively affected by HLF-funded projects. This includes people from a range of backgrounds pursuing careers in the heritage sector such as blacksmiths, stonemasons, gardeners, and archivists. This campaign demonstrates the value of National Lottery funding and the impact it has had on people across the UK. The review encourages HLF to continue to think creatively about how to showcase the impact of its funding.

# Changing Lives: Examples of the stories promoted by HLF

- Tracy, a GP from Hampshire, moved house and medical practice to mid Wales to become a regular volunteer at a bird reserve as part of an HLFsupported osprey observatory project.
- Two retired Yorkshire nurses, Anne and Eileen, volunteered to research the history of First World War Red Cross Hospitals in the North Riding and, with no previous experience of public

24 http://changinglives.hlf.org.uk/

speaking, went on to become star ambassadors for the project and co-authors of a bestselling book.

 Owen, from Belfast, retrained as a heritage blacksmith after seeing an advert which was funded by HLF's Skills for the Future programme and has since set up his own business.

### What the evidence told us

3.38 HLF is well known within the heritage sector given its unique position as a funder of scale and its positive relationships with partners at an operational level across the UK. Despite its appropriately strict requirements on the use of HLF branding on funded projects, many stakeholders noted that HLF wasn't well known among the public. Stakeholders saw a stronger role for HLF to play in raising awareness of the positive impact of heritage, and of National Lottery funding for heritage, to the sector and the public - and agreed with HLF that National Lottery players were a particularly important demographic to whom HLF should reach out.

3.39 Much discussion was had with stakeholders about HLF's role in publicising the projects it funds. HLF's communications to date have tended to focus on announcing funding decisions, and many felt strongly that HLF had the potential to do much more in this area. Stakeholders suggested that HLF could promote ongoing and completed projects, and could broaden its messages to reach out beyond the heritage sector. Acknowledging the limits of what HLF can do alone, stakeholders wanted to see HLF working with funded organisations to promote projects: supporting them to demonstrate how National Lottery

money is spent to benefit the public, and what impact that money has.

3.40 HLF should build on its current approach by considering how to use its communications channels creatively to support its important work and to focus on the benefits and outcomes of its funding decisions. It should consider:

- promoting projects throughout their lifetime
- better sharing lessons learned: stakeholders called for further sharing of best practice to support organisations to learn from the successes and mistakes of others to build a strong, sustainable sector; HLF should consider how to communicate the case studies it has already developed to wider audiences
- using its communications to demonstrate the social and economic value of heritage
- demonstrating the impact that HLF funding has on local growth, placemaking and accessibility, by reaching out to broader and more diverse audiences. The 'Stories, Stones, and Bones' initiative and 'Young Roots' programme are examples of HLF successfully reaching out to new audiences in a way that has been well received by stakeholders

### Recommendations

10. HLF should work with and through funded organisations and with partners (including governments of the UK) to better showcase how National Lottery funding delivers successful heritage projects, including in ongoing communications after projects launch. 11. HLF should further strengthen acknowledgment and publicity requirements for grant recipients to ensure that the National Lottery is credited appropriately, working with appropriate partners including other National Lottery distributors and the National Lottery Promotions Unit.

3.41 As previously noted, the organisation's other function is the distribution of UK government funding for the Memorial Fund, a fund of last resort for outstanding heritage at risk of loss to the nation. General awareness of this fund is low; most stakeholders were not aware of it. or did not understand the distinction between it and the HLF. Amongst those who were aware of the Memorial Fund, there was a misconception that it was only available to museums and galleries whereas - like HLF - the Fund is open to applications from all categories of heritage, and has been used in the past to fund landscapes, national parks and archeological sites.

3.42 The Memorial Fund has a dedicated website and social media presence but - while recognising the need to manage demand given the funds available - some stakeholders called for more to be done to promote the Memorial Fund and the heritage that it has helped save for the nation. partnering with other funders where applicable. Future communications should consider how the memorial nature of the Fund can be reemphasised to ensure that its purpose as a memorial to those who have died for the United Kingdom is better publicised.

### Case study: Norfolk Archaeological Trust purchase buried Roman town at Caistor St Edmund, Norfolk

In July 2011, NHMF awarded a grant of £374,000 to preserve an ancient Roman town. Other funding was raised from English Heritage, South Norfolk council, and the Norfolk Archaeological Trust. Venta Icenorum was the Roman civitas capital of what today is northern East Anglia, and a stronghold of the Iceni, the tribe of warrior queen Boudica. The rare greenfield survival of a Roman capital was at high risk of permanent damage due to farming and unauthorised metal detecting. This site provides a rare opportunity to study how the Romans lived and understand the changes that occurred in urban centres across Britain and Europe after the fall of Rome. There is strong evidence that Venta Icenorum was occupied into the Anglo-Saxon period, demonstrating a length of occupation unlike that of Silchester and Wroxeter, and therefore of exceptional importance for the history of Roman Britain.



### Recommendation

12. NHMF should improve communications around the Memorial Fund, articulating what the Fund is used for and who is eligible to apply, showcasing how the Fund has been used for the public benefit.

3.43 HLF must not lose its focus on grant giving, so it should collaborate with others wherever possible as resources for communications will be limited. In order to deliver this complementary communications work, HLF will need to consider where to direct its resources to deliver the most effective communications, and should continue to further embed communications within the organisation to ensure it is incorporated into the work of the strategy, operations, research, and evaluation teams. As part of this - and to reflect the UK-wide nature of its organisational structure -HLF should consider whether its communications staff with devolved and regional portfolios should be co-located in the countries and regions.

3.44 HLF has recently created a Head of Internal Communications role, which is a very positive step. HLF's internal communications have improved thanks to a new emphasis on connecting teams working across different offices, and should deliver real benefits for HLF staff by facilitating cross-organisational working as well as sharing knowledge and expertise.

# International Engagement

3.45 As part of its management agreement with DCMS, HLF has been tasked to support the policy objectives of the Culture White Paper including the cultural diplomacy agenda of furthering international engagement for heritage.<sup>25</sup>

3.46 HLF is keen to support the sector to engage internationally given potential benefits for the sector such as international partnerships, increased income from international audiences, exposure to innovative ideas and perspectives, and skills sharing. Given the UK's impressive heritage assets, increased international engagement from the heritage sector would also have wider benefits for the UK such as promoting soft power, boosting business, and encouraging tourism.

3.47 In May 2017, HLF showed its commitment to this role by, alongside the British Council, bringing together 30 leaders and practitioners from the heritage and tourism sectors to discuss opportunities for HLF to support international engagement in its next Strategic Framework. HLF should continue its positive relationships with partners like the British Council and should support and encourage funded organisations to explore how international engagement is relevant to them and can benefit them, including through engagement with the GREAT Britain campaign and relevant tourism campaigns across the devolved nations.

### Recommendation

13. HLF should support the projects and organisations it funds to promote themselves and the sector internationally, and to engage further with the GREAT Britain campaign and tourism campaigns led by the devolved nations.

# Evaluation

3.48 The evaluation function at HLF has two aims: to understand how grant programmes are working and the difference that projects are making. HLF also undertakes strategic research that informs future funding initiatives and develops thinking around the value and role of heritage.<sup>26</sup>

3.49 HLF has recently changed the structure of its research and evaluation

Department for Digital, Culture, Media and Sport

Tailored Review of Heritage Lottery Fund/National Heritage Memorial Fund

<sup>&</sup>lt;sup>25</sup>Culture White Paper;

https://www.gov.uk/government/publications/culturewhite-paper

<sup>26</sup> https://www.hlf.org.uk/about-us/research-evaluation

team, splitting the previous Head of Research and Evaluation role to create a dedicated Head of Evaluation role and expanding the evaluation team. With this new emphasis, HLF aims to use evaluation to improve its effectiveness by: adapting to a changing external environment, understanding the outcomes and impacts of past investments, and using this to support future activities. These are aims that the review strongly supports and encourages HLF to retain its focus on in order to ensure that its funding has the highest possible impact.

### What the evidence told us:

3.50 Stakeholders praised HLF's approach to monitoring projects and seeking assurance that National Lottery funding is spent properly during project delivery. Most stakeholders and 69% of survey respondents thought that HLF monitored ongoing individual projects robustly and proportionately. However, once projects are complete many stakeholders commented that HLF's involvement in evaluating projects could be strengthened.

3.51 51% of survey respondents thought that HLF evaluated projects 'extremely well' or 'very well', with some noting HLF's positive influence in requiring applicants to think about evaluation early on in the development stage. This mixed feedback was reflected by stakeholders. Some identified best practice present in HLF's approach to both monitoring and evaluation - noting HLF's good reputation in the sector for diligently ensuring that funding is spent properly and that outputs are achieved. On the other hand, some stakeholders commented on an inflexible, 'one size fits all' approach and several felt there was a need for closer engagement from HLF at the evaluation stage of projects, commenting that the current system risked missing lessons that would be

valuable for both recipients of funding and HLF to recognise.

3.52 Similarly, some saw a stronger role for HLF to play in sharing best practice and encouraging other grant applicants to learn from the successes and failures of past projects. A common theme in the feedback was a call from stakeholders for more detailed - and publicly available - evaluations of projects which have faced significant challenges or those which have not worked well. With consent from grant recipients, or appropriately anonymised, HLF should endeavour to publish more evaluation data and lessons learned from projects, and encourage projects to publish this themselves.

3.53 HLF recently published the findings of an independent review of the self-evaluation process and outcomes achieved by 200 completed Heritage Grants projects funded between 2008 and 2013.<sup>27</sup> This report is available for anyone to access, and the review encourages HLF to continue this shift towards making its findings more accessible.

3.54 HLF has begun making positive changes to improve its internal feedback loop by utilising its new internal communications platforms and by developing a training course for staff on evaluation. There are also examples of programme evaluations feeding into HLF's strategic planning, which the review supports. For example, a programme evaluation of Landscape Partnerships carried out in 2015 found that projects focusing on systematic impact on landscapes were more likely to achieve maximum impact, and grant officers now use this as a key criterion when assessing applications.

<sup>&</sup>lt;sup>27</sup>*Heritage Grants: a review of the Self-Evaluations and Outcomes of 200 completed projects;* <u>https://www.hlf.org.uk/heritage-grants-programme-evaluation-and-outcomes-review</u>

3.55 HLF should continue to refine and strengthen its approach to evaluating the projects and programmes it funds and ensure that its internal feedback loop is robust enough to ensure the organisation learns lessons from what has and what hasn't worked in the past and uses those lessons to design future targeted programmes and make more strategic funding decisions.

### Recommendation

14. HLF should better and more consistently embed learning from project and programme evaluations into the organisation, using lessons about successes and failures to inform programme design, strengthen the advice given to applicants and ensure decision-making is focused on building a sustainable sector.

3.56 As well as evaluating how successfully projects deliver their aims, HLF is increasingly working to develop systems of measuring the *impact* of its funding in the short, medium and long term. 65% of survey respondents thought HLF understood the impact of its funding 'extremely well' or 'very well'. Stakeholders broadly agreed with HLF's focus on outcomes, and thought it was vital to demonstrate the impact of heritage on people and places.

3.57 Stakeholders saw opportunity for HLF to support the sector to consider the impact of their National Lottery funded projects, including by developing tools and guidance to help them, and by taking a flexible approach to evaluation that encourages awareness of long term impact. As noted previously, some stakeholders found the number of outcomes HLF uses confusing, and HLF is reconsidering these as part of its next Strategic Framework. Should this remain relevant, HLF should particularly focus on supporting organisations to robustly measure the less tangible of its outcomes, such as 'people will have enjoyed heritage', 'people will have learnt about heritage', 'local areas will be better places to work and to live'.

3.58 Measuring impact is notoriously complex and no organisation - in any sector - has developed a perfect methodology for it. With this in mind, HLF should collaborate with other organisations across and beyond the heritage sector to establish this kind of methodology. Although this is a difficult issue, HLF should focus its efforts on assessing the value of its funding in order to target future funding effectively.

3.59 As a government-sponsored public body, HLF should aim to ensure that its evaluation complies with The Green Book guidance (produced by HM Treasury) for identifying, managing and realising the benefits and impact of its funding.<sup>28</sup> The results of this work should be incorporated into the reporting mechanisms between HLF and the governments of the UK, to help make the case for the value to be gained from investing in heritage.

### Recommendation

15. HLF should develop robust targets for its outcomes, and should work with partners across and beyond the sector to establish a robust methodology to evaluate the short, medium and long term impact of its grants in order to target future funding effectively for maximum benefit.

<sup>&</sup>lt;sup>28</sup>The Green Book: appraisal and evaluation in central government;

https://www.gov.uk/government/publications/thegreen-book-appraisal-and-evaluation-in-centralgovernent#history

# Data

What the evidence told us:

3.60 HLF has made approximately 41,000 grants in 23 years. It collects an enormous amount of data from grant applicants, yet there was no real understanding by grant recipients of how this data was used nor, therefore, why it was being collected.

3.61 HLF's evaluation team is now focusing on the organisation's use of data and the review supports the resource being devoted to this important area. HLF should prioritise better understanding its data, assuring itself and the sector that this data is being collected for a purpose and is being used appropriately. Developing a data strategy would ensure that HLF collects genuinely valuable information to support the monitoring and implementation of its funding strategy.

3.62 The data strategy should particularly address: how HLF will monitor the breakdown of where and how HLF grants are being spent; how HLF will better use data to evaluate and where possible measure - the impact of its funding; how HLF will use its data to identify risks to the success and sustainability of funded projects; and how HLF will collect data to track the diversity of the organisations applying for and audiences benefitting from its funding (as noted in the later 'inclusion' section).

3.63 A large number of stakeholders felt HLF was not effective at making its data accessible to the sector or the public, and called for data to be made open source. Many pointed to the wealth of data HLF holds, and the value this information could have: in facilitating learning from past projects; in providing a source of information for interested academics and researchers; and in supporting cross-cutting agendas by demonstrating the benefits heritage can bring for health, well-being and economic development.

3.64 HLF is interested in taking this step towards Open Data. In its planning, HLF should ensure that the shift is in line with data protection laws and does not pose a risk to the confidentiality of sensitive information provided by the organisations it funds.

### Recommendations

- 16. HLF must prioritise better understanding its data, including by designing and implementing a strategy for collecting, analysing and managing data.
- 17. HLF should make its data available as Open Data and its research as Open Access so that those within the sector and beyond (for example academic researchers) can access the information that HLF collects.

# Research

3.65 HLF has commissioned some highly regarded pieces of research in recent years which stakeholders found "reliable" and "quotable", such as the 'New Ideas Need Old Buildings' report and the 'State of UK Public Parks' research.<sup>2930</sup> HLF's research function focuses on strategic development and making the case for heritage. As an area of work that stakeholders clearly appreciate, improving the sector's awareness of, access to and use of HLF's research could add huge value.

<sup>&</sup>lt;sup>29</sup>New ideas need old buildings;

https://www.hlf.org.uk/new-ideas-need-old-buildings <sup>30</sup>State of UK Public Parks 2016; https://www.hlf.org.uk/state-uk-public-parks-2016

#### What the evidence told us:

3.66 HLF's research budget is relatively large. However, the research strategy is unclear to those outside of the organisation, and stakeholders commented that they were not sure how HLF's research was used to inform its investment decisions or strategic direction.

3.67 Overwhelmingly, stakeholders called for HLF's research to be made more easily available. As much of HLF's research is already available on its website, consideration should be given to why so few stakeholders were aware of it and what steps HLF could take to further publicise it. As with data, HLF should consider how it can make all of its research Open Access. Whilst it is important for HLF to be able to use its research internally to formulate and develop strategy, it is key that this research is made available to the public. While HLF is not obliged to follow the Government Social Research (GSR) Publication Protocol, compliance is good practice for the publication of social research and analysis.<sup>31</sup>

3.68 There is no doubt that the quality of research commissioned by HLF is very high, and there are strong examples of HLF having used it to inform strategic thinking within the organisation. However, there is scope to make HLF's research function even more effective, to ensure that the research commissioned by HLF is ultimately for the public benefit, and to produce a clear external research strategy that sets out how HLF's research plans relate to work conducted by other heritage

<sup>31</sup>Publishing research and analysis in government: GSR Publication Protocol;

https://www.google.com/url?q=https://www.gov.uk/gov ernment/uploads/system/uploads/attachment\_data/file/ 431367/GSR\_publication\_protocol\_2015\_FINAL.pdf&s a=D&ust=1503042540209000&usg=AFQjCNHB7mFT YP2v9hZPYmzAJQ47dmgCgg organisations and funders (including other National Lottery distributors).

3.69 Interesting pieces of work, such as 'HLF Major Grants - The first 100', which studied the impact of HLF's over-£5 million grants between 1994 and 2014, are not reaching stakeholders and informing projects.<sup>32</sup> HLF needs to consider how it can further embed the results of research in the organisation, so that strategy, communications and operational members of staff use, publicise and benefit from the learning gained.

### Recommendation

18. HLF should clarify its research strategy externally, working with other governmentsponsored public bodies, National Lottery distributors, research institutions and heritage sector organisations to determine how HLF's research relates to that conducted by others.

### Inclusion

3.70 HLF is committed to ensuring that National Lottery funding is distributed for the benefit of the public. By putting people and communities at the centre of heritage, HLF has changed the way heritage is thought of and has challenged other bodies to be more inclusive. HLF funds projects which help people understand, regardless of their personal background, the relevance of heritage to modern life. HLF challenges grantees to reach beyond their traditional audiences to those who are less well-represented, and to use National Lottery funding to overcome the barriers that people might

<sup>&</sup>lt;sup>32</sup>HLF Major Grants; The first 100;

https://www.hlf.org.uk/hlf-major-grants-%E2%80%93first-100

face linked to, for example, disabilities, age, health conditions, educational opportunities or financial circumstances.

3.71 Inclusion and diversity are core to HLF's approach. It has developed targeted programmes such as Young Roots, which provides grants to heritage projects led by young people, and has funded projects that celebrate diversity in communities, from secondary school pupils collecting oral histories from asylum seekers in Glasgow, to empowering women in Newcastle through the 'BAM! Sistahood!' project. Through its Priority Development Areas, HLF also aims to provide support in places that have historically received little HLF funding and may not have a strong heritage or cultural infrastructure. HLF is dedicated to maintaining this focus, and thinking is underway about how to increase the accessibility of its funding and the diversity of applicants and audiences.

3.72 HLF has a legal duty to have "due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations" under the Public Sector Equality Duty. It is subject to additional equality obligations in Northern Ireland, namely Section 75, introduced as part of the Northern Ireland Act 1998, and the Disability Discrimination Act. Every three to five years, as required to by the Northern Ireland Equality Commission, HLF sets out its assessment of the key inequalities that exist across its business functions in Northern Ireland and the actions that HLF will prioritise to tackle them. Additionally, in Wales, HLF complies with the Welsh Language Act, for example by producing a website, application materials, guidance and correspondence bilingually and ensuring that Welsh language officers are recruited in Wales.

### Case Study: BAM!Sistahood

This innovative, participatory, learnerled project focused on the cultural, social and political heritage of four generations of Black, Asian, Minority Ethnic and Refugee (BAMER) women in the North East of England. With £177,300 from HLF and led by the Angelou Centre in Newcastle, the project team created a participant-led activities which resulted in the mapping, researching, digital archiving and promotion of North East BAMER women's cultural and political heritage.

Led by the women involved, the project explores their personal and community histories and places them within the greater context of the rich tapestry of the BAMER women's movement in the region.



3.73 In order to focus its efforts to promote inclusion and diversity, HLF should develop a coherent strategy for how to engage underrepresented groups. This strategy should address how HLF will try to broaden the range of people who engage with heritage, both in terms of applying for HLF funding as an organisation and benefitting from HLF funding as an audience member or participant. Fundamental to this is the need for HLF to collect, and its grantees to provide, data that will allow it to understand the current audience of its funded projects to adequately identify 'cold spots'.

3.74 Recommendations about diversity should be interpreted broadly to include ethnicity, gender, sexual orientation, disability, age and socio-economic background.

### What the evidence told us:

3.75 Stakeholders from underrepresented groups in the heritage and cultural sectors, on the whole, praised HLF for having taken risks with their projects, and many complimented their development officers, grant officers and mentors for being supportive, encouraging, and receptive to new ideas. One respondent wrote that HLF "works well with people from all communities to encourage them not only to get involved in history but that anyone from a suitable organisation can apply."

3.76 Stakeholder feedback about HLF's grant application process will be covered in more detail later in this chapter, but it is worth noting that the complexity of the current processes was identified as a concern for the accessibility of HLF funding for underrepresented groups as well as smaller and volunteer-led organisations, who may have less capacity or experience with the process.

3.77 Survey respondents highlighted that HLF could make its funding more accessible by further increasing its focus on encouraging bids from both new and smaller organisations and groups. The most popular response to the question 'how effectively does HLF encourage bids from new organisations and groups?' was 'moderately effectively', which was selected by 28% of respondents. Similarly, for the question 'how effectively does HLF encourage bids from smaller organisations and groups', 30% of respondents selected 'moderately effectively'.

3.78 In line with these findings - and despite HLF's commitment in this area the statistics indicating how much HLF funding goes to organisations or projects led by underrepresented groups are a cause for concern. For example, in 2015/16, just 1.57% and 0.89% of HLF's total grant award went to organisations whose purpose is to represent the interests of BAME communities and disabled people respectively. While these statistics tell a partial story and do not take into account many projects which may benefit underrepresented communities, HLF needs to design a more robust strategy for engaging diverse groups and measuring the reach of its funding as part of its next Strategic Framework.

3.79 This demonstrates that while HLF has made efforts to open its funding up to a wide range of potential applicants, there is scope to go further. In developing a strategy here, HLF should consider the other sections of this chapter that have implications in this area, namely:

- significantly re-thinking HLF application processes and demands on applicants with diversity and accessibility in mind
- strengthening communications, particularly targeted towards communities of interest, ethnic minority communities, underrepresented groups and volunteer-led organisations
- when identifying opportunities for partnerships, considering whether there are strategic partners that could complement HLF's outreach work and/or whether there are opportunities for it to facilitate partnerships between applicants to support peer-to-peer mentoring and skills sharing
- capitalising on the use of digital tools to increase access to and

engagement with heritage - for example through reaching wider audiences through digital communications, or through encouraging technology which aids the interpretation of a heritage asset

### Recommendation

19. Building on learning to date, HLF should develop a cohesive strategy for engaging underrepresented groups with heritage, to ensure that National Lottery money benefits as wide and diverse an audience as possible. HLF should capitalise on the benefits of digital tools to achieve this aim of broadening access.

3.80 As noted, the diversity of the organisations applying for HLF funding is only one element when considering inclusion. In terms of who is *benefitting* from HLF funding, many stakeholders had positive comments to make about HLF's efforts to encourage the diversity of audiences for heritage projects. Stakeholders noted that HLF challenges applicants to think about their audiences in the early stages of project development, and stakeholders in Northern Ireland particularly complimented HLF's sensitive approach to inclusion.

3.81 However, there is always room to improve diversity and there is still a call from stakeholders for HLF to increase its efforts to make heritage accessible to more diverse communities. Other feedback suggested that, whilst it was positive that questions about diversity were asked during the application process, HLF should work to ensure that this isn't a 'tickbox' exercise and that projects truly reach, engage, and provide a quality experience for diverse audiences.

3.82 HLF carries out a quarterly Output Survey to collect data from project funded under the Heritage Grants (£100,000 and over) and Your/Our Heritage (under £100,000) programmes about volunteers, employment and training numbers, activities generated, visitor and audience numbers and related demographic information. As referenced in paragraph 3.78, it also holds data about the value of grants awarded to organisations representing the interests of BAME and LGBT+ communities, and disabled people.

3.83 HLF needs to develop this further and design a system of data collection that provides comprehensive data about the diversity of the audiences engaging with heritage through HLFfunded projects and the diversity of organisations applying for funding. This will require cooperation from funded organisations to help collect and contribute data. In order in assess current audiences, identify priority groups and targets, and measure its success in increasing the reach of its funding, collecting the right data must be the first step.

3.84 There is an opportunity for HLF to work with the governments of the UK, where appropriate, on social inclusion. The Department for Communities and Local Government's (DCLG) forthcoming integration strategy will draw on Dame Louise Casey's independent review of how to boost opportunity and integration in isolated and deprived communities.<sup>33</sup> DCLG and HLF should look for opportunities to work together to support greater inclusion in heritage, and encourage the use of heritage as a mechanism for supporting social integration in

<sup>&</sup>lt;sup>33</sup>The Casey Review: a review into opportunity and integration;

https://www.gov.uk/government/publications/thecasey-review-a-review-into-opportunity-and-integration

communities across the UK. The work HLF is being asked to do to more robustly evaluate the impact of its funding will also be beneficial in evidencing the value of its funding for a broad and diverse range of people and communities across the UK.

### Recommendation

20. HLF should ensure that funded projects collect audience data to ensure it is fully aware of who is currently engaging with the projects it funds and to assess its progress in broadening and diversifying audience participation.

3.85 Overall, stakeholders suggested that HLF had the potential to be an authoritative and leading voice on inclusion, whilst acknowledging that improving the diversity of participation and of heritage is a challenging issue, and is the responsibility of all who work in the sector. Setting a strong strategy will be a key step for HLF to take here, and HLF should articulate its ambitions for encouraging grant applications from a broader range of organisations (including those from minority communities); ensuring it is funding diverse types of heritage projects; and supporting its funded projects to attract more diverse audiences.

### Case study: Hidden Now Heard

A project by Mencap Cymru was awarded £292,900 by HLF in 2014 to highlight the heritage of people with a learning disability in Wales. The three-year project captured the memories of former residents and staff from six Welsh long-stay hospitals which closed in 2006.

During the project, regional museums across Wales displayed exhibitions

based on memories and research undertaken to showcase the stories of former patients and staff at these hospitals. In addition, a permanent exhibition was created in partnership with St Fagans National Museum of History to engage a wider range of people.



3.86 The diversity of HLF's own workforce is an additional consideration. HLF staff are highly praised by stakeholders, and operational staff in particular are considered a real asset to the organisation. However, diversity is low: for example, 91% of staff below leadership level have declared their ethnicity as white, and at leadership level this percentage increases to 100%. Increasing the diversity of staff at all levels within HLF - including at Board and Committee level - has the potential to have a real impact on the diversity of what HLF funds, the decisions it makes and how well HLF understands and responds to the needs of the heritage sector and underrepresented groups.

3.87 HLF has made positive steps in this area, including by developing a partnership with Leonard Cheshire Disability to provide paid work placements to disabled graduates and convening networks of staff to share expertise and knowledge on diversity, but there is always scope to do more.

### Recommendation

21. HLF should take steps to improve the diversity of its workforce through activity such as advertising vacancies widely, designing job descriptions with diverse applicants in mind, and seeking external expertise on how to attract diverse applicants where necessary.

## Digital

3.88 The UK government's Digital Strategy, published in March 2017, sets out an ambitious plan which includes building world-class digital infrastructure for the UK and giving everyone access to the digital skills they need to participate in the digital economy.<sup>34</sup> The digital agenda is a priority for DCMS; it is a fast-moving and innovative area that has huge implications for the accessibility and conservation of heritage, arts and culture.

3.89 There is potential for HLF to play an important role in encouraging and supporting the digital infrastructure of the heritage sector, supporting skills capacity and building the confidence of funded organisations to embrace digital. DCMS's Digital Culture Project is leading on policy development on the relationship between technology and culture and the review recommends that HLF to continue to engage fully as a key partner in developing and delivering that project.<sup>35</sup>

3.90 HLF has recently started to consider at a strategic level the

opportunities and challenges that the digital agenda presents, and this review supports that direction of travel. HLF is seeking to improve the digital expertise of its Trustees with upcoming Board appointments, and has taken steps towards training its staff in how to support digital projects. It has also already funded some exciting and innovative digital projects, such as 'The Forever Project' at The National Holocaust Centre.

3.91 To support its staff, HLF should seek out partnerships and share expertise with other organisations, including other National Lottery distributors and the DCMS Digital Culture Project team. Working with partners, HLF should develop an evidence-based understanding of digital activity in the heritage sector in order to focus its funding on projects that will have the greatest impact.

3.92 When developing its approach to the digital agenda, HLF should consider its role in:

- promoting and funding 'born digital' heritage projects - meaning materials created in a digital form, such as immersive VR experiences, digital photographs or databases
- encouraging and supporting the use of digital tools to preserve existing heritage - for example, digitally cataloguing archives and museum collections
- promoting the benefits for funded organisations of embedding and thinking creatively about the use of digital tools to run projects efficiently, broaden community participation and strengthen the sustainability of their projects
- approaching intellectual property issues to best benefit the public

<sup>&</sup>lt;sup>34</sup>UK Digital Strategy;

https://www.gov.uk/government/publications/uk-digitalstrategy

<sup>&</sup>lt;sup>35</sup> Culture is Digital; <u>https://cultureisdigital.dialogue-</u> app.com/

### Case study: 'The Forever Project' at The National Holocaust Centre and Museum

In 2014, HLF awarded a £84,600 grant to the National Holocaust Centre for a project to capture and preserve the stories of ten Holocaust survivors using 3D laser projections similar to holograms – so that their testimonies can be passed onto future generations when they are no longer able to give them in person. The development phase of the project used the HLF grant to enlist the help of more than two hundred schoolchildren as well as designers, educators and IT consultants to devise hundreds of questions. These were posed to each survivor, and their answers captured using advanced filming techniques.

The Forever Project uses advanced digital technologies that enable children and adults not only to hear and see a survivor sharing his or her story, but also allow them to ask that survivor questions and hear them giving answers to hundreds of frequently asked questions.



What the evidence told us:

3.93 A large proportion of survey respondents and stakeholders were unaware of HLF's current approach to digital, with 41% of respondents selecting 'don't know' when asked whether HLF adequately supports the development of digital content and the use of digital technologies by heritage organisations through its investments. Many noted that this reflected both the relative newness of this area for, and the reasonably low levels of current digital expertise in, the heritage sector.

3.94 HLF's guidance on using digital in projects was recognised by stakeholders as being helpful, and HLF should ensure that this guidance is regularly updated to reflect creative and innovative advances given the pace at which the digital agenda evolves.

3.95 Feedback from stakeholders suggested that HLF could champion the digital agenda in the sector. Stakeholders suggested that HLF could do this in a variety of ways, such as by gathering data on digital activity, supporting more (and more innovative) digital projects, and promoting and building the capability of the sector to use digital technology to increase organisational resilience, innovation, audience diversity and engagement. In line with wider calls for the sharing of best practice, HLF could also play a part in showcasing projects that have successfully used digital tools to enhance the impact of National Lottery funding.

3.96 Stakeholders encouraged HLF to be mindful of the sustainability of digital tools and to ensure that digital did not become a 'tickbox' exercise for grant applicants that failed to add real value or impact in the long term, such as the creation of websites or apps that are not maintained once HLF funding stops. HLF will need to continue to think about the longevity and maintenance of projects which use digital tools.

3.97 Stakeholders with a particular interest in digital also provided feedback on HLF's approach to creative commons licensing and intellectual property, noting that it can be challenging. This is a complex issue which HLF will need to consider carefully and seek support and

expertise on as it defines its digital ambitions.

3.98 To support the organisation here, stakeholders called for HLF to develop the digital literacy of its staff more widely (including operational, strategic, and decision-making staff, as well as the executive and non-executive leadership team), ensuring that they have access to the appropriate level of digital expertise and training. Recommendation 9, made earlier in this chapter, relates to strengthening HLF staff skills in this area.

3.99 To provide clarity for the sector, HLF will need to articulate its ambitions and relationship with the digital agenda in its next Strategic Framework. Digital offers opportunities for real innovation so HLF will need to decide its risk appetite in this fast moving and constantly changing area, as taking risks is an inherent aspect of funding groundbreaking projects which may not always succeed. It could consider how it could use staged development as a method to mitigate risk and support capability building.

3.100 HLF should also consider how its application processes impact on digital projects, which several stakeholders felt needed more flexibility than is allowed by current processes, in terms of speed and not defining concrete outcomes. One comment received in the survey further added that "because of the pace of technological change, HLF must ensure that the detail required in applications does not prevent flexibility and use of new technology and the latest social media."

### Recommendations

- 22. HLF should work strategically, including with the DCMS Digital Culture Project where appropriate, to support:
  - a. the delivery of digital heritage projects and the use of digital in all types of heritage projects
  - b. the digital capability of organisations working in the heritage sector and those with heritage assets
  - c. the preservation of digital content to ensure its longevity
  - d. the effective use of digital technology by organisations it funds
  - e. access to National Lottery funding for digital projects
  - f. the digital literacy of its staff (including operational, strategic and decision-making staff as well as the executive, Board and Committees)
- 23. HLF should consider how it could better showcase projects which have successfully used digital tools to enhance the impact of National Lottery funding, working with other National Lottery distributors where appropriate.

# Grant making

3.101 As a distributor of National Lottery funding, the core business of HLF is awarding and administering grants. HLF awards funding through different types of programmes and initiatives: open programmes for any type of heritage project (such as the Heritage Grants programme) and targeted programmes and initiatives that address specific heritage needs or social groups - such as the Landscape Partnerships programme, Skills for the Future or the Young Roots initiative. HLF funds projects led by not-for-profit organisations, or partnerships led by a not-for-profit organisations. The exception is the 'Our Heritage' targeted programme through which private owners of heritage may apply for a grant if the public benefits of a project outweigh personal gain.

3.102 HLF is a UK-wide funder working through offices in Scotland, Wales, Northern Ireland and nine English regions. HLF allocates funding for grants up to £2m on a per capita basis to each region and country. For grants over £2m and for some larger targeted programmes, there is UK-wide competition for funding.

3.103 As part of the review process, DCMS asked HLF to complete a selfassessment of its grant administration against the Cabinet Office grants standards published in December 2016.<sup>36</sup> These minimum standards apply only to general grants made by government departments and their arm's length bodies using exchequer funding. They do not apply to formula grants, Grant-in-Aid or National Lottery funding. Therefore, these standards do not directly apply to HLF's grants. However, the standards are best practice guidelines set by the Cabinet Office and the review team used these standards as a framework for assessment. HLF broadly met the standards and the review concluded that HLF had robust systems in place to develop grant programmes, ensure appropriate competition for funding, put robust grant agreements in place, train members of staff involved with the development and administration of grants, and carry out due diligence on applications.

3.104 An area for improvement highlighted through this exercise was the need for HLF to consider how it can monitor Key Performance Indicators and long term outcomes of the projects it funds, as well as how grants are spent. This is related to HLF's wider strategy on identifying and measuring the longer-term impact of its funding, which is addressed in the section on evaluation on page 40.

### What the evidence told us:

3.105 Overall, stakeholders appear to have had positive experiences with HLF, demonstrated by the results to the survey question 'how satisfied are you with your interactions with HLF?' to which 70% replied they were either 'extremely satisfied' or 'very satisfied' with 16% 'moderately satisfied' and 10% not knowing.

3.106 Most of the positive comments. as reflected elsewhere in the report, were about the quality of interactions with frontline HLF staff. When asked how much help (defined as time, attention and support) they received from HLF through the application process, 60% of survey respondents responded with 'just the right amount of help'. The second most popular response (19%) to this question was 'more than expected, but I needed/appreciated the extra help.' The review team also heard positive comments about the feedback that HLF provides on successful and failed bids,

<sup>&</sup>lt;sup>36</sup>Government grants minimum standards; https://www.gov.uk/government/publications/grantsstandards

which was broadly seen as very valuable, and applicants appreciated the clear and helpful guidance that HLF produces. Stakeholders generally found the application process open and transparent due to the strength of feedback offered by HLF to applicants.

3.107 However, less positive feedback was received about HLF's application processes. The processes are seen as bureaucratic, and although HLF has taken some steps to simplify them over the years, feedback from stakeholders still suggests that the complexity of the process, especially for first time applicants or smaller organisations, can be costly and off-putting. 70% of survey respondents thought that the resource required to submit an application was proportionate to the amount of funding being sought. Whilst many stakeholders to whom the review team spoke agreed that the process was proportionate for larger grants, for smaller grants stakeholders highlighted that the process contained much repetition. required high levels of resource, and was not user-friendly.

3.108 In some areas of the UK, this is a significant issue. For example, the Welsh heritage sector is very reliant on community and voluntary groups, and has many Places of Worship maintained by small parishes that rely on the time of volunteers, who, generally, have less experience of writing detailed grant applications. As discussed in the section about inclusion on page 44, HLF should develop a strategy for engaging with underrepresented groups and those that do not have the capability and capacity to submit an application without significant support.

3.109 While HLF does need to manage demand against its levels of income, the application process must be designed to ensure that organisations caring for the UK's heritage are able to put in bids for funding, and should not be a barrier to strong and relevant bids being made. HLF should take further steps to streamline its processes to take account of the capacity constraints of smaller and community based groups. This should include revising the language used on the application forms to remove as much heritage and project management 'jargon' as possible.

3.110 Flexibility is something that HLF will need to consider as it redesigns its application processes. It should consider options for how to reduce the burden on applicants and the workload of HLF's (already stretched) operational teams who process applications. This might include developing a structured system of proportional application processes which are sensitive to the nature and size of grant requested, as well as the type of applicant.

3.111 The two stage application process is seen as an effective way to help people develop bids and think about sustainability, and stakeholders value the development funding they have received which allows projects to be fully refined and considered. Stakeholders noted that the two stages add rigour to the process and support the development of robust projects which have a high chance of succeeding. However, in thinking about how to streamline processes, HLF should consider the balance of information required at each stage and the opportunities to potentially introduce more flexibility at stage one.

3.112 A common theme raised by stakeholders was that because of the complexity of the process, they often had to use consultants to draft bids on their behalf. HLF should make efforts to combat the sector's reliance on consultants for bid-writing. Simplifying its own processes will be a necessary first step, accompanied by clear communication to the sector that HLF does not expect, or want, consultants to be employed for the specific purpose of

writing applications and would rather see personal applications which get to the heart of why a particular heritage project is important to the applicant.

### Recommendation

24. HLF should complete its indepth review of grants processes, engaging with sector stakeholders on opportunities to simplify and increase the efficiency of the application process both for applicants and HLF staff.

# Sustainability

3.113 Stakeholders have responded positively to HLF's more recent focus on supporting the sustainability of the heritage sector, with many commenting in particular that HLF's Catalyst and Resilient Heritage programmes have been a positive influence on the sector.

3.114 44% of survey respondents thought HLF was 'extremely effective' or 'very effective' at building skills capacity, 34% thought the same about how well HLF supports financial resilience, and 34% again about how well HLF encourages funded organisations to seek alternative sources of income. In all of these areas, a large proportion of stakeholders thought that HLF was 'moderately effective', and this reflected a call for HLF to continue doing more.

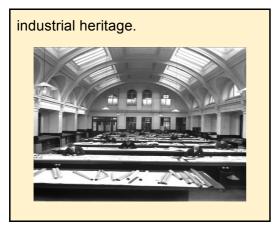
3.115 As well as supporting the sustainability of the sector, HLF is working to ensure its funding produces sustainable heritage assets. Its Heritage Enterprise scheme, for example, was praised by stakeholders for repairing derelict historic places and giving them commercially viable new uses to create jobs and boost economic growth. 3.116 There is a challenge for HLF, as for all funders, to fund only those projects that will be successful. There will always be some 'failures' that cannot be predicted, and HLF should continue taking a pragmatic approach to risk in order to encourage innovative projects. HLF should take steps to mitigate risk wherever possible and to focus on assessing and supporting the long term viability of its funded projects. Other sections of the report have noted the need for HLF to ensure staff are trained to assess sustainability, and for HLF to use the data it holds and the evaluation it does of past projects to identify risks to the sustainability of potential future projects.

3.117 Current Cabinet Office work which is exploring how to support sustainable grant outcomes will also be valuable to public bodies. Cabinet Office and DCMS should ensure that HLF benefits from any future guidance and support available in this area.

### Case study: Belfast Titanic hotel

In 2015, HLF awarded a £4.9million grant to enable the restoration of the Harland and Wolff Drawing Offices where RMS Titanic was designed – which also supported plans to develop a luxury hotel in the shipbuilder's former headquarters building. The grant was awarded under HLF's Heritage Enterprise programme, which helps to repair historic buildings whose restoration would otherwise be commercially unviable.

The Harland and Wolff building had been considered 'at risk' for over a decade and its restoration created over 100 local jobs. HLF funding was used to develop the historic drawing rooms into public spaces, to unlock the commercial potential of the building, and tell the story of Belfast's



3.118 Within the wider context in which HLF is operating, it should consider alternatives to grant giving such as loans, and should consider the potential of partnership schemes along the lines of the Arts Impact Fund, a £7 million initiative set up to demonstrate the potential for impact investment in arts.<sup>37</sup>

3.119 Grants will remain vital to the heritage sector, particularly in the current context of falling National Lottery receipts and uncertainty about the future of EU funding for heritage as a result of the UK's departure from the EU. As such, any alternatives should only be seen as one tool in the box and not as a replacement for grants.

3.120 Social investment opportunities and alternative funding models can be used to support enterprising and entrepreneurial activity, and to boost the commercial resilience of funded organisations. This approach may also present a significant opportunity for HLF to help applicants develop new revenue streams, diversify income, and use funds more efficiently by recycling capital, as well as to reduce the sector's reliance on grants in a funding environment where grants may not be as reliable as they once were.

<sup>37</sup> The Arts Impact Fund is a collaboration between Arts Council England, NESTA, Esmée Fairbairn Foundation, Calouste Gulbenkian Foundation and Bank of America Merrill Lynch. https://artsimpactfund.org/ 3.121 Given the challenging funding environment, HLF needs to find creative ways to meet growing demands for their funding, which may include leveraging funding from others. Repayable finance is already available to heritage organisations from sources such as the Architectural Heritage Fund and Charity Bank; therefore HLF will need to explore opportunities carefully to fill remaining market gaps rather than duplicate the current social investment offer for the heritage sector. HLF is exploring this and the review supports this direction of travel.

### Recommendation

25. HLF should explore whether alternative options to pure grant giving would support the sustainability of the sector. DCMS, Defra, DCLG and the devolved administrations should work with HLF as alternative fundraising mechanisms are developed, to support the take-up of new options where appropriate.

# **Chapter Four: Efficiency**

4.1 Having concluded that HLF should continue to continue to exercise its current functions and recommended ways in which those functions could be delivered more effectively, this chapter considers HLF's efficiency using a number of measures including operating and administration costs, staffing, and estates.

# Operating and administration costs

4.2 HLF operates well within the current caps set by DCMS for its operating and administration costs:

Year	Operating limit: 8%	Administration limit: 5%
2011/12	5.7%	4.5%
2012/13	4.8%	3.8%
2013/14	5.7%	4.1%
2014/15	5.1%	3.7%
2015/16	5.2%	3.7%

4.3 These limits measure efficiency using operating and administration costs as a percentage of National Lottery income. HLF's performance against these targets is evidence of an organisation that places a strong emphasis on internal efficiencies. However, whilst HLF is not a wasteful organisation, there is still significant scope for it to become more efficient and this will be a priority for HLF as it responds to the fluctuating income from National Lottery Good Causes.

4.4 As in any organisation, many factors affect HLF's operating and administration costs. In 2016/17, there was a significant increase in the number of applications and awards which led to increases in staff costs to manage this record workload. In the last financial year, HLF received a record of 3700 grant applications, which requested over £1.1 billion against an awards budget of approximately £435 million. IT costs have also been incurred to support new targeted grant programmes (Kick the Dust, Great Place Scheme, Heritage Endowments and Resilient Heritage) and to improve IT mobility as part of a wider drive to support more flexible working in the organisation. Nonetheless, comparing HLF's actual operating costs for 2016-17 with projections based on an estimate of the level of inflation in the UK economy, costs are 22% lower than inflation since 2003-04 would have suggested – representing a £58.5m real-term reduction in operating costs since 2010-11.

4.5 HLF has already recognised that in order to make significant long term improvements to its efficiency as an organisation it will need to re-design processes and application guidance, review its IT and corporate services systems, and further increase the flexibility of staff working arrangements. In the short term, HLF has begun to make efficiency-driven changes, investing in areas where business improvements can be made quickly and enable direct efficiency savings to be made:

### IT mobilisation

4.6 HLF has invested in an IT mobilisation programme to facilitate more flexible, agile working with mobile devices for all members of staff. This is intended to support HLF to reduce the size of its estate and save over £500,000 per annum from 2019/20. IT mobilisation will assist staff to work away from HLF offices, improve the

support provided to grant applicants, maximise collaborative working tools and enable HLF to manage its staff resources more effectively.

### Digitisation

4.7 HLF is digitising its hard copy records to improve business efficiency, improve information management governance and reduce the size of the estate. This is expected to produce over £900,000 of savings by 2027.

### Register of Support Services

4.8 HLF is currently re-procuring its Register of Support Services, with a target of at least £275,000 of savings per annum for the lifecycle of the next Strategic Framework, which is expected to run from 2018 to 2022. The current procurement exercise is designed to deliver greater value for money and improve the quality and quantity of the support services. Further detail can be found in paragraph 4.20.

### HR system upgrade

4.9 HLF intends to replace its current HR system and procure a new supplier over the coming months, with the aim of ensuring that a new system has improved functionality and can deliver a comprehensive HR service including payroll, recruitment, self-service, performance management and reporting.

# **Business Transformation**

4.10 In response to a number of internal and external pressures, HLF is shortly going to undertake a significant business transformation programme, which the review strongly supports. The current decline in National Lottery receipts, increasing customer demand, and a difficult external funding landscape, as well as the need to produce efficiency savings, provide the best value for National Lottery money, simplify processes and set a new Strategic Framework have all created the context for this ambitious programme.

4.11 DCMS should support HLF with its transformation programme wherever there are opportunities to do so, and should ensure that the implementation of the recommendations in this area challenge HLF to meet ambitious deadlines and targets and to prioritise cost savings appropriately.

4.12 The transformation programme will consist of several strands, including:

- the development of the next Strategic Framework to take place from April 2019
- an overhaul of business processes and models (which has begun with a specific Business Process Review, discussed in paragraph 4.22) to simplify processes, reduce demands on applicants/ grantees and reduce the cost/staffing resource required to administer programmes, grants and applications
- a review of HLF's governance and decision making framework
- the development of a new digital strategy to improve and extend the digital interface with HLF's customers, improve online applications, reduce paper records within the organisation and redirect staffing resource into more valued added roles
- the development of options to deliver greater efficiency and effectiveness in the grant management system, as well as to improve customer experience
- an estates rationalisation programme to take advantage of the mobilisation programme in IT and the development of

homeworking and more flexible working

- an organisational design of structure, skills, resourcing, capabilities and accountabilities and location needs (fitting to estates planning) to meet its strategic and corporate objectives
- a supply chain review for all suppliers to drive better value
- the recommendations from the tailored review that will require significant change

4.13 Several of these key areas have potential to produce efficiency savings, which should be costed by HLF at the earliest opportunity as part of its business transformation process. This includes the management of corporate services (such as IT and HR); reducing paper use and storage, including the number of reports written by HLF staff to facilitate meetings and core business; reducing the size of HLF's estates; and simplifying the complex grant administration processes.

4.14 HLF's business transformation programme will be closely linked to its next corporate and funding strategies, to ensure that the organisation is fit to deliver the priorities that will be identified in the next Strategic Framework. While the review acknowledges the need to co-ordinate strategic change and business processes, it is imperative that HLF sets itself deadlines for improving its efficiency and that this work occurs at pace. These deadlines and targets for benefits realisation should be identified in HLF's implementation plan for the tailored review, following consultation with DCMS.

### Cabinet Office controls

4.15 Alongside all central government departments, arm's length bodies and NDPBs, HLF is subject to and adheres to spending controls set by the Cabinet Office for expenditure on communications, commercial transactions, digital, consultancy, redundancies, recruitment and learning and development.<sup>38</sup>

### Shared services

4.16 HLF has collaborated with other National Lottery distributors on data assessments and benchmarking for areas including grant giving, IT costs and common service suppliers such as Internal Audit. HLF has also worked with other funders on joint funding programmes (for example the Big Lottery Fund, Historic Environment Scotland and Arts Council England) and this review has encouraged HLF to explore further joint funding partnerships.

4.17 HLF is a member of the Lottery Forum, which brings together National Lottery distributors to discuss joint working and share best practice. The Finance Directors of the Forum have investigated the potential for using shared services, platforms or providers, although no viable opportunities for producing efficiencies whist meeting the distinct needs of the various organisations have been found to date. The review encourages HLF to continue to engage with other National Lottery distributors and funders to work more collaboratively to explore potential options for shared services and systems in IT, HR and grant giving, as well as specialist areas like cyber security.

Department for Digital, Culture, Media and Sport

Tailored Review of Heritage Lottery Fund/National Heritage Memorial Fund

<sup>&</sup>lt;sup>38</sup>Cabinet Office controls guidance;

https://www.gov.uk/government/publications/cabinetoffice-controls/cabinet-office-controls-guidanceversion-40

### Recommendations

- 26. HLF should use its upcoming business transformation programme to set robust and challenging targets for efficiency savings, with clear timescales and benefits realisation plans by March 2018.
- 27. HLF should complete the ongoing internal efficiency review of its corporate services by March 2018, with a view to incorporating any identified opportunities for efficiency savings into the business transformation programme.

### Grant administration costs

4.18 Whilst it is difficult to compare HLF's cost per grant to other National Lottery distributors and funders given that almost all of its funding is National Lottery (whereas others have higher percentages of Grant in Aid and funding from other sources), it is expected that HLF will continue to make every effort to ensure that its cost per grant provides maximum value for money.

4.19 HLF has carried out an internal programme cost analysis (2013/14 to 2015/16) to determine the costs of each grant programme. The average cost per application varied between £1,134 for single stage grants<sup>39</sup> and £35,807 for Heritage Grants over £5 million. Staff costs make up the majority of the cost of all programmes and the average cost varies considerably depending on the overall caseload. Nonetheless, in 2016-17 the staffing costs of processing a major batch application, where the average application requested

approximately £10 million, was 2.7% of the value of the application - down from 4.2% in 2015-16.

4.20 A significant proportion of HLF's overall operating budget is spent on mentoring grantees and monitoring projects, which is partly delivered through HLF's Register of Support Services (ROSS). The ROSS is a procurement framework put in place with a range of consultancy firms and individuals that enables HLF to call on project monitoring, mentoring and expert advisor services to support its own grant assessment and monitoring activities. It is a valuable tool for the organisation and has a positive impact on the success of funded projects, but it is an expensive service. HLF must consider whether it can be delivered more cost-effectively in order to distribute the maximum amount of its National Lottery allocation in grants to the heritage Good Cause. In the interests of efficiency, HLF should standardise the criterion by which projects are assigned support from the ROSS to ensure that this resource is consistently deployed across the UK only to those most in need of the service.

4.21 Some projects are monitored directly by HLF staff. The cost of monitoring major batch projects by HLF staff has remained low at 1.3% of the value of the award in 2016-17, which is down from 1.9% in 2015-16.

4.22 Ahead of HLF's business transformation programme, it has embarked on a Business Process Review (BPR) which has investigated internal grant management processes. As noted previously, HLF acknowledges that its grant administration system can be made more effective and less burdensome both for applicants and members of staff. As well as making suggestions for increased effectiveness, the BPR has identified some areas for improved

<sup>&</sup>lt;sup>39</sup>which includes the Our Heritage, Sharing Heritage, Young Roots, First World War: Then and Now and Your Heritage targeted programmes, as well as Start-Up grants.

efficiency. For example, some key processes, such as 'Permission to Start' a project, are overly complex and can lead to customer error. It has also recommended that data storage, information and document management need to be improved, which is linked to the grant management system.

4.23 The findings from the BPR are being fed into the transformation programme - as such, it is expected that HLF will significantly improve the efficiency of its grant administration for the next Strategic Framework, while continuing to carry out strong due diligence on applications and projects.

4.24 Part of the work taking place ahead of the business transformation programme is the development of a new 'Knowledge Hub' to support project delivery and secure better value for money on HLF's capital project grants. The Hub will: capture lessons learned from the delivery of capital projects and integrate these into HLF's guidance. assessment and monitoring processes; benchmark cost data for different types of heritage assets to assist decision makers' judgements about project costs; and capture programme data to assist with project planning. This is a very positive step and the review strongly supports this development.

### Recommendation

28. Whilst HLF's Register of Support Services (ROSS) is a valuable tool for the organisation and has a positive impact on the success of funded projects, HLF must ensure that this service is delivered more cost-effectively in order to distribute the maximum amount of its National Lottery allocation in grants to the heritage Good Cause. Quality performance measures should be in place for ROSS consultants to provide assurance over the quality of support provided for recipients of HLF funding.

# **Staffing and Estates**

4.25 The approximate number of employees employed by HLF is 302 (full time equivalent (FTE)). HLF's workforce costs were £12,307,000 in 2016-17, or £40,484 per FTE staff member.<sup>40</sup>

4.26 HLF currently has offices across the UK: one in Northern Ireland, Scotland and Wales, and English offices covering 9 regional areas. This organisational structure is highly valued by stakeholders, who were complimentary about HLF's engagement with and understanding of local priorities and sensitivities. The distribution of staff across the UK is:

Location	Number of FTE staff <sup>41</sup>
London (Corporate Head Office, London and South East England regions)	147
Other 7 English regions	109
Scotland	19
Wales	17
Northern Ireland	10

4.27 The UK government's Industrial Strategy, announced in January 2017, commits to reviewing the location of public bodies to ensure they support growth and local communities across

https://www.hlf.org.uk/hlf-annual-report-2016-2017 41 HLF/NHMF business plan 2017;

Department for Digital, Culture, Media and Sport

Tailored Review of Heritage Lottery Fund/National Heritage Memorial Fund

<sup>&</sup>lt;sup>40</sup> HLF annual report 2016-2017;

https://www.hlf.org.uk/hlfnhmf-business-plan-2017

the UK.<sup>42</sup> HLF is within scope of the government's ALB relocation programme and should engage positively with that review, which is considering whether ALBs with a presence in London could boost regional economic growth by being located elsewhere. HLF should review its estates footprint - including the location of its national corporate functions (currently in Sloane Square, London).

4.28 In addition, HLF will need to consider how to reduce the size of its estate, including by further supporting flexible working, reviewing its paper storage facilities, and investigating opportunities for co-location. HLF should work with the Government Property Unit to identify any opportunities to be part of the government hub programme, which aims to reduce costs through sharing office space amongst government sponsored public bodies. This work will require a pragmatic approach in order to ensure that HLF meets its obligations as a National Lottery distributor to occupy property that provides the best value for money and also meets HLF's business needs.

### Recommendations

- 29. HLF should reduce the size of its estate over the coming years, as lease renewals and other factors allow.
- 30. The UK government's Industrial Strategy, announced in January 2017, commits to reviewing the location of government agencies and cultural institutions to ensure they support growth and local communities. HLF should engage with this review, including by moving its corporate and executive staff to alternative offices outside central London where this contributes to local growth across the UK and can offer efficiency savings.

<sup>&</sup>lt;sup>42</sup>Building our Industrial Strategy: Green Paper January 2017; https://www.gov.uk/government/uploads/system/uploa

ds/attachment\_data/file/586626/building-our-industrialstrategy-green-paper.pdf

# **Chapter Five: Corporate Governance**

# Introduction

5.1 Good corporate governance is central to the effective operation of all public bodies. HLF was asked to complete a self-assessment against the Principles of Good Corporate Governance as set out in the Cabinet Office guidance on tailored reviews.<sup>43</sup> It was asked to identify any areas of noncompliance with the principles and explain why an alternative approach has been adopted and how this approach contributed to good corporate governance. This is known as the 'comply or explain' approach, and is the standard approach to governance in the UK. The full self-assessment is at Annex K.

5.2 There are five broad areas of corporate governance, each with a number of principles and supporting provisions. They are: accountability, roles and responsibilities, effective financial management, communications and conduct and behaviour.

5.3 The self-assessment, which indicated that HLF was largely compliant with the principles of good corporate governance, was judged by the review team to present a broadly accurate picture of HLF's corporate governance arrangements. There were a handful of points of non-compliance or partial compliance, about which recommendations are made throughout this chapter.

5.4 The review found scope for HLF to improve the Board's diversity and range of skills (particularly digital skills), and to take some steps towards

strengthening its transparency and its communication with the sector. More widely, the review supports HLF's steps towards shifting the Board's focus away from grant making and towards strategic oversight of the organisation, and recommends that HLF works to achieve a better balance here. The review also recommends that HLF reviews its performance management framework to ensure that it sets challenging and strategic targets to report against.

# The Principles of Good Corporate Governance

## Accountability

5.5 The review found HLF to be compliant with all applicable statutory and administrative requirements, including those set out in its management agreement with DCMS as well as legislation on freedom of information and data protection. HLF is exempt from the Public Records Acts 1958 and 1967.

5.6 The review also found HLF to be compliant with all of the required governance arrangements for the accountability of public money. The Chief Executive has been designated as the Accounting Officer, and the Audit Committee and Board receive regular financial reports. HLF complies with the requirements set out in the HMT publication 'Managing Public Money' and the Public Contracts Regulations 2015.<sup>4445</sup> The Comptroller and Auditor General is the external auditor for HLF.

<sup>&</sup>lt;sup>43</sup>Tailored reviews: guidance on reviews of public bodies;

https://www.gov.uk/government/publications/tailoredreviews-of-public-bodies-guidance

<sup>&</sup>lt;sup>44</sup>Managing public money;

https://www.gov.uk/government/publications/managing -public-money <sup>45</sup>The Public Contracts Regulations 2015;

The Public Contracts Regulations 2015; http://www.legislation.gov.uk/uksi/2015/102/pdfs/uksi\_ 20150102\_en.pdf

Separate Annual Reports and Accounts for the Heritage Lottery Fund and for the Memorial Fund are laid in Parliament and published on the HLF and Memorial Fund websites.

5.7 As an arm's length body of the Department for Digital, Culture, Media and Sport, DCMS Ministers are ultimately accountable for HLF to Parliament and to the public. There is a good relationship between DCMS and HLF and contact between the two is regular - although as mentioned in chapter two could be made more formal. Given this accountability for HLF, the review recommends that a DCMS representative attends at least one HLF Board meeting annually, in an observer capacity.

#### Recommendation

31. As HLF's government sponsor, DCMS should attend at least one HLF Board of Trustees meeting per year, in an observer capacity.

### **Roles and Responsibilities**

5.8 The review found HLF to be compliant in the majority of the requirements in this area. As the Heritage Lottery Fund does not exist as a separate body in legislation, the Board of Trustees of the National Heritage Memorial Fund is responsible for both the Heritage Lottery Fund and the Memorial Fund. This chapter will refer to the Board as the 'HLF Board', in-keeping with the rest of the report.

5.9 The HLF Board currently comprises of 12 Trustees including the chair, presently Sir Peter Luff. Three Trustees are appointed to represent the interests of each of Scotland, Northern Ireland and Wales. These Trustees are Deputy chairs of the Board and chair their relevant Country Committee. Remaining Trustees sit on the grant giving committees across England. Trustees also sit on the Audit and Finance Committees.<sup>46</sup> Trustees are appointed by the Prime Minister in compliance with the Code of Practice issued by the Commissioner for Public Appointments.<sup>47</sup> As legislation allows for 15 Trustees, this is an appropriate size for the Board.

5.10 Trustees are engaged and dedicated to HLF, and provided thoughtful feedback to the review team. The review had no concerns about the quality of Trustees and Committee members, who are described as being of 'high calibre' by stakeholders. Those survey respondents who had a view on the leadership of HLF described it as strong, and supplementary narrative comments about the scope for improvement focused on better strategic thinking, clear communication, and broadening skills.<sup>48</sup>

5.11 The review recommends that HLF reconsiders the role of the Board in order to establish a better balance between its key strategic role and its role as a decision maker for awarding large grants. HLF has taken steps towards rebalancing these responsibilities in recent years, and the latest changes mean the Board now meets less often (9 times a year as opposed to 11) and that grant decision making for some programmes is now undertaken by delegated panels rather than by the full Board. The review supports this direction of travel and encourages HLF to do more to ensure its Board fulfills the function of challenge and strategic oversight.

 <sup>&</sup>lt;sup>46</sup>See Annex I for HLF's organisational chart
<sup>47</sup>Governance Code on Public Appointments; https://www.gov.uk/government/uploads/system/uploa ds/attachment\_data/file/578498/governance\_code\_on\_ public\_appointments\_16\_12\_2016.pdf
<sup>48</sup>E400\_cf

<sup>&</sup>lt;sup>40</sup> 51% of respondents thought there was strong leadership within HLF, whilst 5% disagreed and 44% who did not know.

5.12 As part of the plan to create a more strategic Board, HLF should consider carefully where and at what levels the decision making function should sit, and what the role of the Senior Leadership Team should be. HLF should assure itself and the sector that the national oversight of HLF's grant making will be retained and that decision-makers will have access to sufficient sector expertise as well as project expertise to make decisions that will benefit and support the sustainability of the heritage sector.

5.13 This area of governance also requires that Board and Committee members have an appropriate balance of skills and expertise and be drawn from a wide range of diverse backgrounds. HLF is conscious of the need to ensure a broad range of skills; with a dominance of public sector backgrounds on the Board, HLF is aware that private and commercial experience would be valuable, as would an increased focus on digital skills.

5.14 Diversity is a difficult issue for the heritage sector as a whole and HLF is no exception. Although Board and Committee gender diversity is good (female 51% to male 49%). HLF has struggled to improve the diversity of ethnicity (BAME 12% to White 88%) and disability (6% declared). The public appointments process is the responsibility of both HLF (which writes the job specifications for Board Trustees and has full responsibility for appointing Committee members) and DCMS (which co-ordinates Ministerial Board appointments); both should continue their efforts to improve these diversity statistics.

5.15 The HLF Board has a clear framework of strategic control, and has a formal structure of procedural and financial regulations in place. The Finance, Staffing and Resource Committee acts as the Remuneration

Committee, and information on senior staff salaries are published in the Annual Reports. Good feedback was received about the Chair and Trustees and there are no concerns about performance; however as per Cabinet Office guidance, annual evaluations should be conducted for all Board and Committee members.

5.16 HLF Board members are currently appointed for a three year term, which Board members felt - and the review team agreed - was inefficient and risked the early loss of important and well honed skills and experience. The review recommends a move to a four year term for Board members, which would bring HLF into line with other public bodies. However, this change will require primary legislation and implementation of this recommendation depends on when the opportunity to legislate arises.

### Performance management

5.17 HLF agrees with DCMS through its management agreement a range of public KPIs which are reported against in its Annual Report.<sup>49</sup> These KPIs are essentially service standards relating to customer satisfaction, the length of time for grant decisions to be made and published and the timescales for grant payments to be made. Against these service standards, HLF performs very well - for example, in 2015 HLF met its target of an 80% customer satisfaction rating in its annual survey of grant applicants. For the Memorial Fund, the organisation sets itself similar KPIs for application processing times, publicising decisions and making grant payments and, again, successfully meets these targets.<sup>50</sup> Given HLF's strong performance against its KPIs to date, HLF should review, with support

<sup>&</sup>lt;sup>49</sup>HLF annual report 2016-2017; https://www.hlf.org.uk/hlf-annual-report-2016-2017 <sup>50</sup>NHMF Annual Reports; http://www.nhmf.org.uk/about-nhmf/annualreports

from DCMS, whether those KPIs are ambitious and challenging enough to ensure that the organisation continues to strive to improve.

5.18 Internally, HLF's performance management is delivered by the operational teams, with oversight from the Heads of Country and Region. The Executive Board receives detailed quarterly reports outlining HLF's performance and position against many different measures including grant budgets, caseload, application processing times, complaints and enquiries, communications, IT, HR, and facilities, as well as research and evaluation. Whilst this is useful information and is important for monitoring HLF's corporate performance, HLF must also set itself more strategic KPIs based around what it wants to deliver as an organisation, the impact of its funding, and the priorities outlined in its Policy Directions - particularly as HLF will need to invest its funding far more strategically in the future.

5.19 As previously discussed, there is a need to improve HLF's collection and use of data about the projects it funds. This strengthened data management should be used to support the Board to monitor the implementation of its Strategic Framework as well as its risk assessment and performance management. HLF needs to be able to demonstrate with more certainty how it delivers against its Policy Directions and Strategic Framework - and this aspect of its performance management needs to be prioritised as much as its corporate reporting.

5.20 Performance Management is an important part of the relationship between DCMS and HLF, which has been more broadly discussed in Chapter Two. The management agreement between HLF and DCMS sets out some additional KPIs for HLF:

- that NHMF continues to support essential roof repairs to local churches and cathedrals along with other places of worship under the Listed Places of Worship (LPOW) scheme
- that all Lottery distributors work together to promote National Lottery Good Causes
- that NHMF and HLF support the policy objectives of the Culture White Paper including the Great Place initiative and cultural diplomacy agendas, including furthering international engagement for heritage<sup>51</sup>

5.21 DCMS is content that HLF is working towards all of its current KPIs, with specific recommendations about how to strengthen its performance made in Chapter Three:

- the Roof Repair Fund for Listed Places of Worship is due to be completed in 2017-18, with HLF having distributed £44.5 million of grants since 2015
- HLF is working closely with other Lottery distributors as part of the UK Lottery Forum to promote Good Causes, and further recommendations are made in Chapter Three
- HLF is a key partner in the delivery of the Culture White Paper, which set out some specific expectations of HLF in the context of the UK government's priorities for culture.<sup>52</sup> Through the Great Place Scheme, HLF has invested £10 million (with Arts Council England investing another £10 million) to support communities in

<sup>51</sup>Culture White Paper;

https://www.gov.uk/government/publications/culturewhite-paper <sup>52</sup>/bid

England to realise their local cultural vision, embedding culture in their local agencies' plans and boosting jobs, economic growth, education, health and wellbeing. HLF also expect to award £5m to Great Place Schemes in Scotland, Wales and Northern Ireland during 2017-18. HLF is keen to strengthen its role in international engagement and relevant recommendations are made in Chapter Three. Additionally, HLF has contributed towards the delivery of Culture White Paper priorities in other ways such as investing £3 million in Hull City of Culture 2017, contributing £125,000 to a crowd funding pilot developed by NESTA, and developing a new targeted programme for youth engagement, Kick the Dust, to build on Young Roots

5.22 As discussed in Chapter Two, the reporting structure between HLF and the governments of the UK should be reviewed to ensure it allows HLF to demonstrate how it is meeting KPIs, taking account of Policy Directions and implementing the recommendations of this review. As part of this, DCMS should ensure that the management agreement reflects the government's priorities for heritage and the renewed Policy Directions as relevant, and that KPIs are reported against by HLF in a formal, structured way.

### Recommendations

- 32. HLF should review the role of the Board to achieve a better balance between decision making and the need to provide robust oversight of and challenge to the organisation.
  - a. In order to allow its Board more time for strategic

oversight, HLF should review its scheme of Financial Delegation, and examine whether an alternative or simplified system could be designed.

- b. HLF should ensure that its Board is sufficiently skilled to carry out this role, particularly in areas such as financial management, commercial, and digital.
- 33. The HLF Board should monitor the organisations' performance against more challenging strategic KPIs and against its implementation of the Strategic Framework, using the strengthened data management that HLF will develop to do this robustly.
- 34. HLF should extend annual performance appraisals to its Country and regional Committees, as well as the Board of Trustees.
- 35. In future recruitment for Board positions, HLF and DCMS should aim to improve the diversity of Trustees. In future recruitment for Committee positions, HLF should ensure it follows the same standards for the diversity of its Committee members.
- 36. When Parliamentary time allows, DCMS should raise the period of time for which Trustees are appointed from three to four years.

Tailored Review of Heritage Lottery Fund/National Heritage Memorial Fund

Department for Digital, Culture, Media and Sport

### **Effective Financial Management**

5.23 The review found that HLF met all except one of the requirements in this area. HLF should strengthen its counter fraud measures in partnership with Cabinet Office and DCMS; the review team therefore felt an amber rating would better reflect the opportunities to improve here, and HLF should consider devoting further specialist resource to this area.

5.24 HLF has established a range of internal policies and frameworks with which staff are required to comply. These include an effective system of risk management including corporate and department-level risk registers, a transparent expenses policy and a clear whistleblowing policy. The Board is confident about the organisation's risk and financial management, and an Audit and Risk Committee meets quarterly. HLF also agrees an annual programme of internal audits reviews delivered by Moore Stephens according to government Internal Audit Standards.<sup>53</sup> External audit is carried out by the National Audit Office for the Comptroller and Auditor General.

5.25 HLF recognises the risk that fraud poses to the organisation and the funds it administers, and has experience in counter-fraud at a senior level. It should look to build on its good existing awareness training for all staff in this area, and make its counter fraud efforts more sustainable by ensuring that knowledge is recorded, disseminated and embedded in the organisation through improved knowledge management.

5.26 HLF recognises that there is always more that can be done to improve its approach to countering

fraud, given the ever evolving threat of fraud and best practice in countering it. It will consider this as part of its wider Business Process Review.

5.27 HLF should focus initially on strengthening its fraud risk assessment, with support from the Cabinet Office Counter Fraud Centre of Expertise. It should then work with Cabinet Office to identify what additional steps are required to meet all of the government Counter Fraud Functional Standards. In light of the recognised risk of fraud, it should also set up a clearly advertised route for members of the public to report potential fraud.

5.28 HLF should strongly consider what further internal resource is needed to support the team currently working on counter-fraud, to ensure HLF has the specialist, technical skill to help strengthen its approach to fraud. HLF's Audit and Risk Committee plays a crucial role in providing independent challenge and scrutiny to HLF's approach to countering fraud; HLF should continue to build on recent appointments to the Committee, which have gone some way to strengthening its skills in this area.

5.29 DCMS also has a key role to play in supporting HLF by using future Trustee appointments to strengthen the counter-fraud expertise on the Board, and ensuring that regular conversations between HLF, DCMS and Cabinet Office about counter-fraud take place.

### Recommendation

37. HLF should strengthen its approach to countering fraud, taking steps to meet the government Counter Fraud Functional Standards with support from DCMS and the Cabinet Office Fraud and Error Centre of Expertise.

<sup>&</sup>lt;sup>53</sup>Public Sector Internal Audit Standards;

https://www.gov.uk/government/uploads/system/uploa ds/attachment\_data/file/617846/public\_sector\_internal \_audit\_standards\_december2012.pdf

5.30 Cyber security is an increasingly important area on which HLF - and all public bodies - should focus. HLF meets all the requirements of "Cyber Essentials", the government-backed cyber security certification scheme, and is working towards "Cyber Security Plus" certification to supplement this.<sup>54</sup> HLF also provides staff with training in cyber security and should continue working with DCMS to identify and opportunities to strengthen this area further.

### Recommendation

38. HLF should look to achieve 'Cyber Security Plus' certification by the end of 2017, and fully adopt the standards of good practice identified by GCHQ's National Cyber Security Centre (NCSC).

### Communications

5.31 The review found HLF to be partially compliant with the requirements in this area, and makes recommendations for strengthening HLF's communication with the sector and taking steps towards improving transparency.

5.32 HLF has established good channels of communication with the sector, including through its websites, its Online Community and in the consultation it does in advance of developing its strategic frameworks, about all of which stakeholders spoke highly. However, the review team heard significant concerns from the sector about HLF's recent decision to remove ring-fenced funding for the Grants for Places of Worship (GPOW) scheme. Although HLF does not expect this change to negatively affect funding for places of worship in practice, many stakeholders and survey respondents questioned HLF's understanding of its stakeholders and its ability to communicate effectively with the sector. This was the second rating in HLF's self-assessment with which DCMS disagreed. Although feedback was positive about HLF's consultation with the sector on its strategic frameworks, the effect of removing GPOW without consultation has had a real impact on the sector, with some stakeholders noting an "erosion of trust" and only 53% of survey respondents viewing HLF as a transparent organisation. Given the current mood in the sector and the potential risk it poses to HLF's relationship with a key group of its stakeholders, the review team felt this warranted an amber, rather than green, rating at this point in time. HLF should review its stakeholder engagement strategy carefully to ensure that this situation does not arise again.

5.33 Notwithstanding this, HLF does show a real commitment to transparency. It publishes details of senior staff and Board members, agendas and minutes of Board meetings, performance data in its Annual Report and has a detailed complaints procedure. It also adheres to service standards for handling public correspondence, and complies with all relevant marketing and PR rules.

5.34 However, there are further steps HLF could take to strengthen its approach to transparency, including by considering how it can best provide a forum for HLF to hold itself publicly accountable (for example with an open annual general meeting), publishing its spend data over £500 rather than £25,000, as per Cabinet Office transparency requirements.

<sup>&</sup>lt;sup>54</sup>*Cyber Essentials Scheme;* https://www.gov.uk/government/publications/cyberessentials-scheme-overview#history

### **Recommendations**

- 39. In order to show its commitment to openness and transparency, HLF should:
  - a. consider how it can best provide a forum to hold itself accountable to stakeholders, for example with an open annual general meeting
  - b. adopt the government transparency threshold of £500
- 40. HLF should develop a detailed stakeholder engagement plan to ensure clear communications and consultation on any significant changes to HLF or its funding streams.

### **Conduct and Behaviour**

5.35 The review found HLF to be partially compliant with this principle. HLF has adopted a Code of Conduct for board members, which forms part of the terms and conditions of appointment. It also has a Conduct Policy for staff, however the review recommends that this becomes part of staff terms and conditions of appointment. HLF actively publishes a register of interests for Board members, which the review recommends be extended to cover executive staff.

### Recommendations

(Recommendation 39 continued) In order to show its commitment to openness and transparency, HLF should:

- c. proactively publish and update the register of executive staff interests in so much as they relate to heritage and the wider role of HLF
- 41. HLF should strengthen the enforcement of the staff Code of Conduct by including this within its employment Terms and Conditions.