



National Audit Office

Heritage Lottery Fund

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LONDON: The Stationery Office
£13.50

Ordered by the
House of Commons
to be printed on 13 March 2007

This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act; and presented to the Scottish Parliament in accordance with Section 88 of the Scotland Act 1998.

John Bourn
Comptroller and Auditor General
National Audit Office

9 March 2007

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Photographs courtesy of: The Second Portmeirion Foundation (Front cover, pages 4, 5 and 7); Donald Insall Associates Ltd. (Pages 6 and 10); The National Trust (Page 7); Combined Military Services Museum, Maldon (Page 8); Bury Metropolitan Borough Council (Page 10); Fitzwilliam Museum, Cambridge (Page 10); Essex Wildlife Trust (Page 10); National Library of Wales (Page 10); William Edwards School and Sports College, Grays (Page 10); and British Waterways (Page 14).



SUMMARY

Since it was set up in 1994, the Heritage Lottery Fund (the Fund) has awarded £3.8 billion of lottery funding to some 24,000^a heritage projects. This report looks at how the money has been spent, what has been achieved and the responsiveness and effectiveness of the Fund's grant-making processes. We carried out a detailed review of 30 funded projects by interviewing applicants, visiting the project and examining the Fund's case files. We also surveyed 8,000 applicants of whom 2,372 responded, interviewed staff in three of the Fund's 12 regions and conducted a focus group of external consultants used by the Fund. Our methods are described in more detail in Appendix 1.

Our main findings are:

- The Fund has three primary aims: to conserve the UK's diverse heritage, to encourage people to be involved in their heritage and to widen access and learning. Although the overall impact of the Fund

is difficult to measure, there are good indications that the projects it has funded are delivering against these aims and that the benefits achieved are being sustained.

- The Fund aims to achieve a spread of grants across the United Kingdom by allocating around 60 per cent of the available funding to regions on a per capita basis and targeting local authority areas which have received little of the Fund's grant. There are, however, wide differences between regions in the total amount of grant awarded, reflecting the volume and type of applications received. London has received the most funding on both an absolute and per capita basis. Northern Ireland has received the least funding on an absolute basis, whilst the South East of England has received the least on a per capita basis. The Fund has been successful in boosting applications in targeted local authority areas.

^a Including 15,000 grants, totalling £125 million, made through programmes funded by the Heritage Lottery Fund but administered by other bodies (see Endnote 4).

- The availability of lottery funding has been a critical factor in the achievement of project benefits; 55 per cent of applicants surveyed said their project would not have gone ahead without the Fund's grant whilst a further 42 per cent would have tried to find alternative funding or reduced their project scope. If offered less grant, 25 per cent of applicants surveyed said their projects would not have gone ahead whilst a further 70 per cent would have tried to find alternative funding or reduced their project scope.
- Most projects have been delivered to cost; some 17 per cent of completed projects have gone over budget and 6 per cent of all projects have received additional grant, averaging £176,000, to help meet cost increases.
- Most projects have been delivered on time; 26 per cent have been delivered late, half of these taking an additional six months or longer. The average time from application to completion is two and a half years for projects awarded less than £50,000 and over four years for larger projects.
- Overruns were mainly due to unanticipated events during construction and poor planning. Inflation was a significant cause of cost overruns. Some applicants lack project management skills and many applicants would welcome more support from the Fund and more opportunities to learn from one another.
- The Fund's grant-making processes are robust and practical and its staff knowledgeable and helpful. Since the 1990s, it has greatly improved the swiftness with which it assesses applications and gets projects started, however, the majority of applicants continue to find the process of getting grant burdensome. The Fund is developing plans to simplify its grant-making processes which it intends to implement during 2008.

Conclusion on value for money

Our overall conclusion is that the Fund has been successful in supporting projects which are helping to preserve the heritage of the United Kingdom and make it more accessible. Its robust processes and thorough approach to assessing applications have led to better, more sustainable projects. It should do more, however, to reduce the burden on applicants, promote swifter delivery of projects and provide better support to those who need it.



Recommendations

The recommendations below focus on the key areas for improvement identified in this report, taking into account work already under way within the Fund to improve its procedures and to manage the effects of the expected reduction in income as a consequence of National Lottery funding of the Olympic and Paralympic Games.

- a **In redesigning and simplifying its application procedures the Fund should:**
 - **keep its approach to risk under review so as to ensure that it does not impose unnecessary burdens on applicants.** In particular, in moving to a new two stage process, it must adopt with confidence the principle of taking decisions at the early hurdle stage based on limited information.
 - **make it a priority to clearly identify and communicate to applicants the information the Fund needs to make a decision.** The Fund recognises that it could be more specific in its application forms and guidance about the information it needs and that some applicants find the Fund's requirements confusing. Reducing the need to seek clarification and supplementary information from applicants would reduce the burden on them and help speed the process up.
- b **The Fund should ensure that the assessment of applications starts promptly.** The Fund has succeeded in reducing average assessment times, but there is scope to assess some applications more quickly. Delays in assessment are associated with failing to get the process under way when an application is received.

- c Whilst responsibility for project delivery rests primarily with applicants, the Fund has a vested interest in seeing that project benefits are delivered within budget and as quickly as possible. **To reduce time and cost overruns, the Fund should:**
- monitor delays in project delivery at an aggregate level so that it can identify the extent of delays within each grant programme and region and have a basis for assessing its progress in reducing time overruns;
 - develop and extend the support and training it offers applicants in aspects of grant and project management, for example the Fund could alert projects to delivery risks and encourage them to assess their own competence and address weaknesses;
 - set in place a system to promote the sharing of the knowledge and experience between applicants so that all applicants have the opportunity to learn from the experience of other projects; and
 - review, within two years, the way in which recent changes to its project monitoring system are impacting on applicants and project delivery.
- d **The Fund should review its approach to partnership funding to ensure that it is getting the most from the lottery funding available.** The ease with which applicants can raise partnership funding varies from project to project depending upon a number of factors including the applicant's own resources, their fundraising expertise, the external funding climate and the appeal of the project to potential funders. As part of its plans to manage the anticipated downturn in funding leading up to the Olympic and Paralympic Games, the Fund should consider whether the funding ceiling for individual projects is set at the right level.
- e **The Fund should continue to develop its framework for capturing the benefits arising out of its funding so that it can measure and report on the impact it is having, and seek to complete this work by March 2008.**



Lower Duke Street and Henry Street Townscape Heritage Initiative, Liverpool.

Castell Deudraeth,
Portmeirion, Restoration.



Llanerchaeron Conservation and Regeneration.



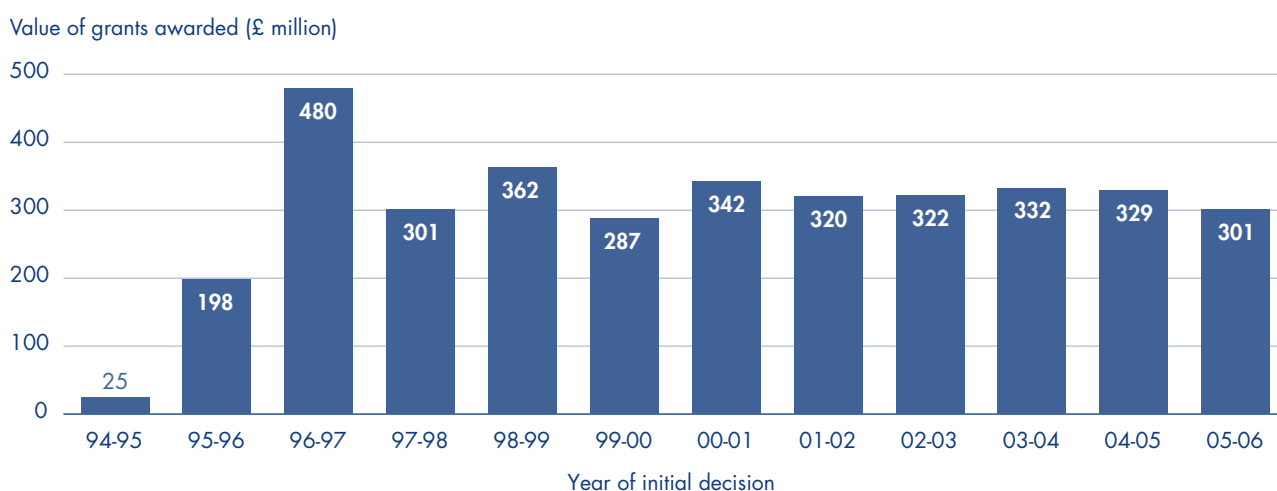
MAIN REPORT

The Heritage Lottery Fund makes grants of around £325 million a year to heritage projects but expects this to decline

1 The Heritage Lottery Fund (the Fund) was established in 1994 to give grants to projects involving the local, regional and national heritage of the United Kingdom. It distributes 16.67 per cent¹ of the money raised by the National Lottery for good causes. The Fund is administered by the Trustees of the National Heritage Memorial Fund² and operates within a framework of policy and financial directions issued by the Secretary of State for Culture, Media and Sport.³ In 2005-06, its running costs were £23 million (8.5 per cent of its income from lottery receipts) and it employed 266 staff located in 11 offices in the nine English regions, Northern Ireland, Scotland, and Wales.

2 Since 1994, the Fund has awarded grants, ranging in size from £500 to £31 million, to some 9,000 projects. It has also provided funding for a further 15,000 grants totalling £125 million through programmes administered by other bodies.⁴ By December 2006, the Fund had awarded £3.8 billion towards a wide variety of heritage projects whose total value including funding from other sources will be around £6.5 billion when completed. The annual value of grants made by the Fund is around £325 million (**Figure 1**) although, largely as a consequence of National Lottery funding of the Olympic and Paralympic Games in 2012, this is likely to fall to under £200 million from April 2009.

1 Value of grants awarded by Heritage Lottery Fund from 1994-95 to 2005-06



Source: National Audit Office analysis of Heritage Lottery Fund grant management database

NOTES

- 1 Includes awards made on the Fund's behalf by other organisations and excludes commitments made by the Fund for projects which did not finally go ahead.
- 2 Awards made between 1 April 2006 and 31 December 2006 were £175 million.

3 Due to the length of time that heritage projects can take to complete, there may be several years between the date of award and when a recipient spends the entire grant. In common with some other lottery distributors, this time lag has led to a build up of the Fund's balance held in the National Lottery Distribution Fund (NLDF)⁵, rising to a peak of £1,028 million in January 2003 – 30 per cent of the total held by all distributors. Although the future level of income is uncertain, to reduce the balance the Fund awards more grants each year than the income it receives. In July 2005, the Committee of Public Accounts in its report on *Managing National Lottery Distribution Fund balances*⁶ concluded that to reduce the balances in the NLDF, distributors, including the Heritage Lottery Fund, needed to be less risk averse in committing funds to projects. By March 2006 the Fund had outstanding grant commitments worth 145 per cent of its NLDF balance compared to 119 per cent in March 2004.⁷ In December 2006 the Fund's balance was £702 million, 37 per cent of the total held by all distributors and 32 per cent lower than at its peak.

4 The Fund supports all types of heritage (**Figure 2**) through a range of programmes both general and targeted. The Fund's main general grant programme is its Heritage Grants programme through which it has made awards of over £2.5 billion, 67 per cent by value of all awards. The largest targeted programme is the Parks programme (included below in Land and biodiversity) through which over £450 million of grants have been made, 12 per cent by value of all awards.

5 Appendix 2 provides further information about the Fund's main programmes and their expenditure whilst **Figure 3 overleaf** describes some of the projects we visited, illustrating the range of projects supported by the Fund.

The Fund has broadened its approach to try to ensure that all communities benefit from lottery funding

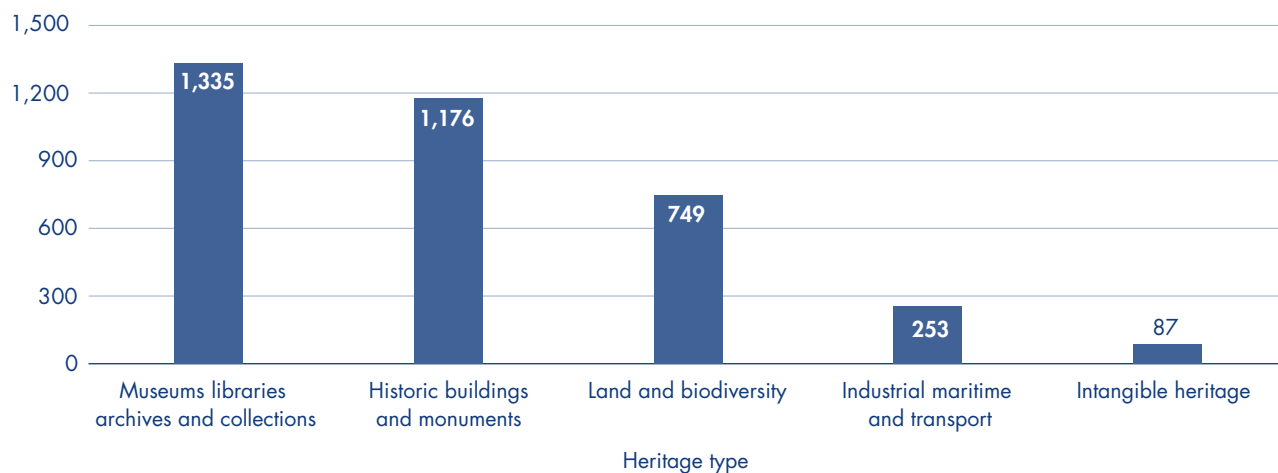
6 In its early days the Fund concentrated on making major capital investment in heritage assets such as those managed by wildlife trusts and museums. It has since extended and changed the nature of the programmes offered with, since 1999, a greater commitment to local heritage and community-based projects. In 2002, after a wide consultation exercise, it formally adopted new aims:

- to conserve and enhance the UK's diverse heritage;
- to ensure that everyone can learn about, have access to, and enjoy their heritage; and
- to encourage more people to be involved in and make decisions about their heritage.

To be awarded grant, applicants must meet the access and learning aim and one or both of the other aims.

2 Value of grants awarded by heritage type, 1994 – 2006

Value of grants awarded to 31 March 2006 (£ million)



Source: National Audit Office analysis of Heritage Lottery Fund grant management database

NOTE

Intangible heritage refers to projects which are not based around a physical asset, for example: language, culture and social history projects.

3 Some of the projects we visited, illustrating the range of projects supported by the Fund



Outwood viaduct, Bury – a £1 million project to restore a 19th century railway viaduct as part of a country park trail within the National Cycle Network.



Archives Network Wales – a £500,000 project to allow greater public access to Welsh archive collections through a bi-lingual database.



Ancient Egypt, Fitzwilliam Museum, Cambridge – a £1.45 million project to restore and redisplay the museum's Egyptian collection and provide an outreach education programme.



Getting to the Roots of our Stifford Clays, Essex – a £21,000 project for pupils to create a timeline garden demonstrating the archaeology of their school site and to construct a Saxon dwelling.



Protecting the Wildlife Heritage of Essex – a £2.3 million project to maintain the biodiversity of 53 nature reserves.



Lower Duke St and Henry St, Liverpool – a £16 million project to conserve key Georgian merchant buildings and regenerate the area.

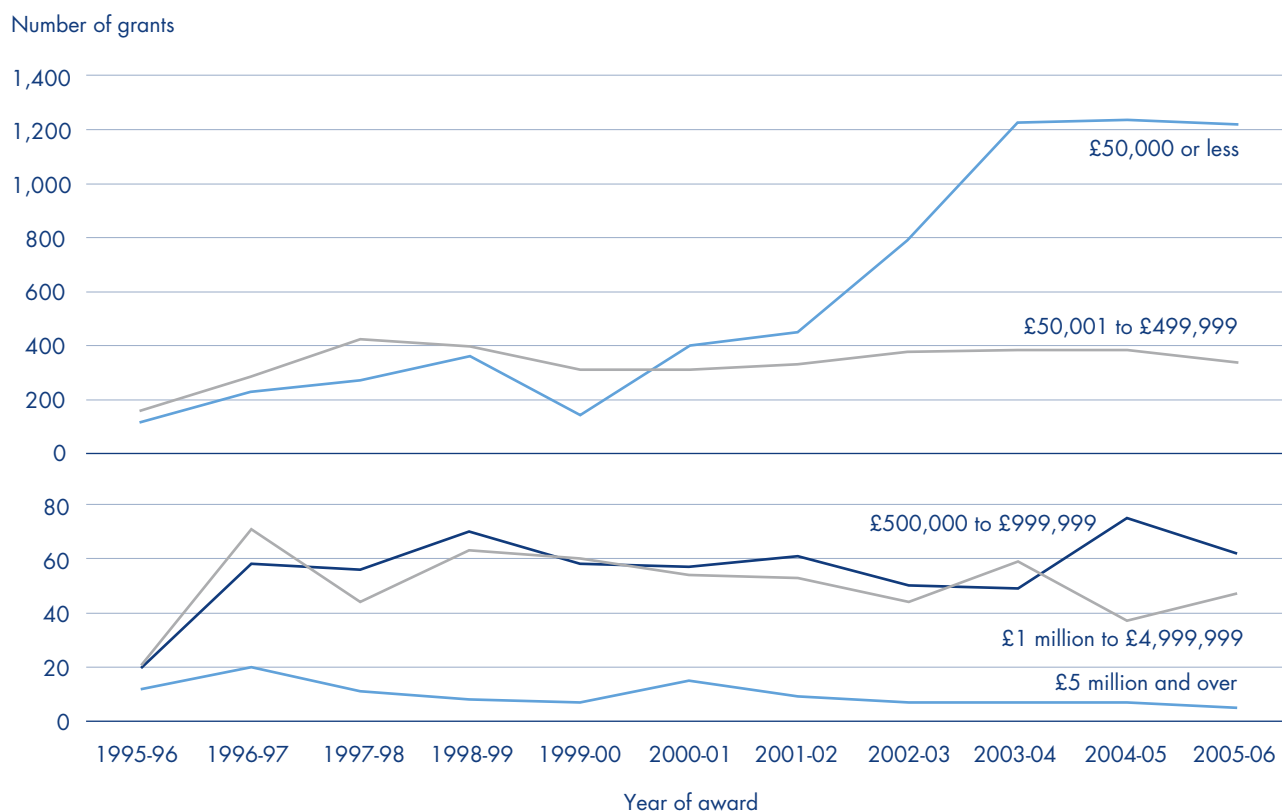
7 To complement this new approach the Fund decided to make more small grants. It set a target that, over the period April 2002 to March 2007 (now extended to March 2008), at least half the total value of awards go to grants of under £1 million and no more than 25 per cent of the total value of awards go to grants of £5 million and over. The Fund appears unlikely to achieve these targets: by 31 March 2006, grants under £1 million accounted for 40 per cent of the total amount awarded and grants over £5 million accounted for 29 per cent. There was, however, a steep rise in the number of grants of £50,000 or less between April 2002 and March 2004 (**Figure 4**). The Fund says that it has not received sufficient good quality applications for projects under £1 million to meet its target and has, therefore, committed its unspent funds to large projects because of their, often, national importance.

8 The Fund tested heritage organisations' acceptance of its three aims in a consultation carried out in 2005.⁸ It found that the large majority of respondents endorsed these aims, although around one fifth thought that

conserving, regenerating and sustaining heritage should be the primary driver in the Fund's decision-making and some questioned the Fund's emphasis on access and public involvement. In practice we found that the Fund's priorities mesh well with most applicants' key objectives: 95 per cent of successful applicants and 81 per cent of unsuccessful applicants said that the Fund's priorities and the main objectives of their project coincided.

9 The Fund, in its policy directions from the Secretary of State (Appendix 3), is required to take account of the need to ensure that all parts of the United Kingdom have access to funding. The Fund's policy is to take decisions on large awards on a UK-wide basis but, in April 1999, it delegated decision-making for grants up to £1 million to committees in England, Northern Ireland, Scotland and Wales and allocated funding to them at the beginning of each year on the basis of population.⁹ In April 2002, it replaced the committee for England with nine committees, one for each region and, in April 2003, raised the delegated limit for all of its committees to £2 million.

4 Number of grants of different values awarded each year 1995-96 to 2005-06



Source: National Audit Office analysis of Heritage Lottery Fund grant management database

NOTE

Includes grants made on the Fund's behalf by other organisations except 9,500 grants of less than £50,000 made through the Awards for All programme.

10 The Fund has not sought to define the 'right' level of funding for each country and region however and the allocations are not spending targets. In any given year, depending upon applications received, some regions commit less for new grant awards than their per capita allocation and the Fund redirects the unallocated portion towards grants over £2 million. Since April 2003 around 58 per cent of total funding has been allocated to the country and regional committees and some two per cent of this has been reallocated to large projects. **Figure 5 overleaf** shows that there are wide differences in the total and per capita funding that each region and country has received. The Fund believes that differences in the regional distribution of grant are mainly due to unevenness in the distribution of heritage assets across the United Kingdom. For all grant awards:

- the London region has received the most funding in both absolute terms and per head of population, followed by Scotland.
- Northern Ireland has received the least funding in absolute terms followed by Wales, and the South East and Eastern regions have done least well on a per capita basis.

For grant awards made under regions and countries' delegated powers (awards under £2 million) since April 2003:

- Wales and Scotland have received the highest funding per capita; and
- the East Midlands and Eastern regions have received the least funding per capita.

5 Grant awarded by the Fund by region

Country or Region ¹	Value of all grant awards ² : 1 April 1994 to 31 March 2006		Population ³ millions	Total grant per capita £	Value of grants <£2m awarded ² : 1 April 2003 to 31 March 2006		Awards <£2m grant per capita £
	£m	%			£m	£	
London	744	20.7	7.4	100.13	55	7.35	
Scotland	429	11.9	5.1	84.55	54	10.62	
North West	392	10.9	6.8	57.42	51	7.53	
South West	376	10.5	5.0	74.68	42	8.41	
South East	315	8.7	8.1	38.79	53	6.50	
Yorkshire and The Humber	273	7.6	5.0	54.12	37	7.33	
West Midlands	238	6.6	5.3	44.58	46	8.63	
Eastern	226	6.3	5.5	41.13	34	6.16	
East Midlands	183	5.1	4.3	42.75	26	6.15	
North East	164	4.6	2.5	64.48	21	8.09	
Wales	157	4.4	3.0	53.18	33	11.28	
Northern Ireland	103	2.9	1.7	60.08	17	9.84	
UK	3,559	100.0	59.8	60.15	469	7.84	
England	2,910	80.9	50.1	58.09	365	7.28	

Source: National Audit Office analysis of Heritage Lottery Fund grant management database

NOTES

- Regions shown in order of total grant awarded.
- Commitments made by the Fund for projects which did not finally go ahead are excluded. The value of all grants awarded includes awards made on the Fund's behalf by other organisations. The value of grants awarded under £2 million only includes programmes where the majority of awards are made at regional and country level.
- Population figures are mid-2004 estimates taken from Office of National Statistics: Focus on People & Migration, December 2005, Table 2.1.
- A more detailed breakdown of grants awarded by region and area using 'live' data can be found on the Department for Culture, Media and Sport website at www.lottery.culture.gov.uk/search.asp.

11 The Fund's policy directions also require it to take account of the scope for reducing economic and social deprivation. In 2002, each country and regional committee identified between five and eight geographically-based priority areas (72 in total), associated with historically low investment from the Fund and often suffering from economic and social deprivation, to be targeted for particular attention (see **Figure 6, for example**). By mid-2002, the Fund had appointed two or three development officers in each country and region to encourage local and community groups in priority areas to apply and to provide advice to help them make successful applications.

12 The Fund aims, by 31 March 2008, for priority areas to reach their regional average in terms of the number of applications made and to be at least averagely successful in converting applications into grant awards. By 31 December 2006, the number of applications had reached the per capita regional average in 29 of the 72 areas (40 per cent) and 42 areas (58 per cent) had achieved average or better success rates, indicating that the Fund is finding meeting the targets challenging. However, the work of the development officers is making a difference: in 2001-02 the average number of applications per priority area was 2.2 and the success rate was 61 per cent. By 2005-06, these figures were 6.9 and 71 per cent respectively. Thus the absolute number of applications coming from priority areas has trebled and these are 16 per cent more likely to be awarded grant.

13 In addition to their work in priority areas, the Fund’s development officers work to regionally-defined plans and goals for encouraging applications from under-represented social and ethnic groups. Nationally, however, the Fund has found it difficult to define and measure its success in ensuring equal access to funding by all parts of society and is currently considering whether it should give more guidance to its regional offices on what constitutes under-representation.

14 The Fund also aims to build partnerships with others to make the most of the available funding and to identify where they might share common goals. The Fund’s Townscape Heritage Initiative, for example, involves the Fund working with local authorities and others to conserve and regenerate town centres with significant heritage value. The Fund’s managers in the countries and regions are seeking to develop their influence with other agencies, such as local authorities, regional development agencies and other heritage bodies, with the aim of encouraging their support for heritage assets and projects in the region. The Fund, for example, is a member of the regional cultural consortia which work to embed culture within regional growth and regeneration strategies.

6 The Fund’s selected priority areas in the Eastern region

	Successful applications	
	2001-02	2005-06
<p>■ Thurrock, Basildon and Castle Point – all located within the Thames Gateway area of Essex – are respectively the seventh, fourteenth and eighteenth most deprived of the 48 local authority areas in the Eastern region. The three areas share similar issues including: low skills and educational attainment and poor voluntary sector infrastructure.</p>	0	2
<p>■ King’s Lynn and West Norfolk – the tenth most deprived local authority area in the region. Issues include: rural deprivation; low skills attainment; and a growing migrant workforce to service the agricultural economy.</p>	2	3
<p>■ Luton – in Bedfordshire – the ninth most deprived local authority area in the region – is an urban conurbation on the fringes of London with the most diverse population in the region.</p>	0	4
<p>■ Waveney – in Suffolk – is the fourth most deprived area in the region and part of a European Objective 2 area. Issues include low skills and relatively high unemployment.</p>	2	4

Source: Heritage Lottery Fund

Although it is difficult to encapsulate the overall impact of the funding, much has been achieved through the Fund

15 Measuring the impact of heritage projects is complex: assessing indirect economic impacts, such as the effect on tourism, is difficult and many benefits, such as education outcomes, are not readily quantifiable or comparable. In addition, the scale and nature of projects vary widely (as exemplified by the 30 projects we examined shown in Appendix 4). It is therefore difficult to encapsulate the Fund’s achievements in a simple set of measures. Nevertheless, the Fund has recently developed a framework against which to plan its evaluation work and assess the effects of its funding. Work is under way to capture data on project outputs, such as visitor numbers and activities and the Fund is evaluating the economic and social impacts from its main generic grant programmes.¹⁰ It is also able to draw on research by others, such as English Heritage and grant recipients themselves. There is not yet, however, a sufficiently large body of evidence to draw general conclusions about the economic impact of the Fund’s investment in heritage, although the evaluation of individual projects has identified economic benefits from visitor spending and increased employment (**Figure 7 overleaf**).

7 Example of evaluating the economic and wider impacts of heritage lottery funding: Anderton Boatlift, Northwich, Cheshire

Built in 1875, the Anderton Boatlift uses a revolutionary system of hydraulics to lift boats between the Weaver Navigation and the Trent & Mersey Canal. British Waterways restored the lift, which had closed in 1983, in a £7 million programme, part-funded by Heritage Lottery Fund grant of £3.3 million, which also included an operations centre for controlling the lift and managing visitors, and landscaping to allow comprehensive public access.

The evaluators estimated that the development programme provided 65 person years of employment within Cheshire. The lift employs 24 full-time equivalent staff with the majority living within 10 minutes travel time of the site.

Of the more than 100,000 visitors a year, over 40 per cent are day visitors from outside the area who spend an average of £12 a head contributing up to £0.5 million a year to the local economy and almost £0.4 million to Cheshire. A smaller number of staying visitors spend an average £59 per visitor night, annually contributing up to £160,000 locally and £1 million in Cheshire. Direct and indirect expenditure by visitors and by the lift (through contractors and suppliers) is estimated to sustain an additional 11–26 jobs locally and 24–58 jobs in Cheshire.

The site has shown a steady increase in educational visits from primary schools through to university engineering groups. There are plans to further develop the provision of educational visits.



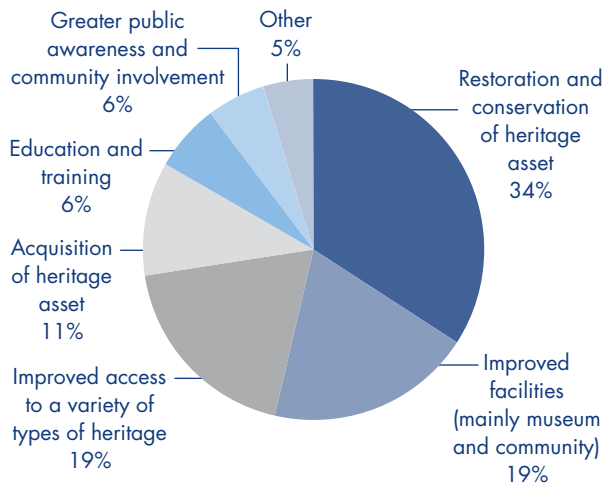
Source: The Economic Impacts of Funding Heritage ECOTEC Research and Consulting for Heritage Lottery Fund, June 2006

16 To gain an overview of the direct benefits achieved by the Fund, we analysed the responses from 344 completed projects about their most important outcomes or outputs.

Figure 8 shows that for one third of projects, the key outcome was the restoration or conservation of a heritage asset, whether that was a building, industrial artefact, landscape or artwork. However, the Fund's other aims of access and learning and public involvement are also being met; for example 19 per cent of projects' key outcomes are about improving access to heritage.

17 We also analysed what surveyed projects said about unexpected benefits: 20 per cent of respondents identified unexpected benefits including increased public and professional interest; greater enthusiasm and community spirit; greater recognition; further extensions to access, activities and facilities; greater collaboration and learning; additional income-generating opportunities and inspiring young people. In addition, many of the completed projects we visited had achieved additional outcomes, including more visitors, outreach and community involvement than planned.

8 Survey of most important outcomes of projects



Source: National Audit Office survey

18 The results of our work suggest that the majority of projects achieve their key goals. 59 per cent of respondents strongly agreed (and a further 39 per cent tended to agree) that they had achieved all of their goals on completion. Whilst one would expect grant recipients to take a positive view of their achievements, this is broadly consistent with the findings from our detailed examination of 16 completed projects: 14 had achieved their goals but two had failed to complete some elements of their project due to lack of resources. The Satellite, Wrexham, a £400,000 museum extension project (opened in 1998) to build environmentally sound and secure collection storage, a conservation area and a study room, had yet to complete its online, interactive, collection catalogue although it plans to have done so by 2008. And the Royal Gunpowder Mills, Waltham Abbey, a £7.4 million project to restore an ex-Ministry of Defence site as a park and museum telling the story of gunpowder (completed in 2001), suffered financial problems. Currently, a lack of staff means that the site opens less often than originally planned and the use of some restored buildings is limited because the electricity and water supplies (removed during decontamination of the site) were not fully reinstated.

19 Our findings also suggest that benefits are being sustained. The sustainability of project benefits is one of the Fund's key criteria when deciding whether to award grant. Completed projects can face difficulties in securing funding for running costs and maintenance, keeping staff and volunteers motivated and attracting users and visitors. However, as part of its assessment, the Fund requires applicants to produce plans demonstrating sustainability, for example conservation plans, maintenance plans, audience development plans or business plans. 96 per cent of survey respondents whose projects had been completed at least two years reported that their project had continued to deliver the intended benefits since completion and none of the six projects we visited which had been completed at least two years had closed or failed since completion. In 24 of the 27 projects in our sample intended to have sustainable outcomes, project staff were confident that, despite the need to secure funding for future maintenance needs, their project and its benefits would be sustained into the long term.

20 On the whole, respondents were clear that the availability of lottery funding was a critical factor in the achievement of project benefits. It is hard to say what might have happened without lottery funding, however the overwhelming majority of all respondents (97 per cent) said they needed the Fund's grant to be certain of achieving their project goals. Without the Fund's grant:

- 55 per cent said that their project would not have gone ahead at all;
- 21 per cent would have delayed their project whilst they tried to find alternative funding;
- 21 per cent would have reduced the scope of their project because of the reduction in funding; and
- three per cent of applicants said that they would have been able to go ahead immediately with alternative funding.

21 There may, however, be scope to press some applicants to meet more of the project costs from other sources. For all grants over £5,000, the Fund requires applicants to make a contribution towards the project cost (partnership funding) which increases with the size of the project, thus the Fund will provide up to 75 per cent of a £1 million project but 90 per cent of a £100,000 project. Partnership funding can come from within the applicant organisation's own resources or from external sources such as charities or local, regional, national or European grant-making bodies. The Fund does not generally test whether applicants could raise more from other sources although it views evidence of the commitment of other funders positively in its assessment of applications, particularly with larger projects. The Fund challenged applicants' assessment of the partnership funding they could raise in six of the 30 cases we looked at.

22 We asked interviewees and survey respondents what the impact would have been if the Fund had required greater partnership funding. 18 of the 30 interviewees thought their project would still have gone ahead, although eight of these said they would have struggled to raise the additional funding and the project would have been delayed or reduced in scope. Most survey respondents would also have tried to make good the shortfall in funding, although some benefits might have been lost. With less grant:

- 25 per cent of survey respondents said that their project would not have gone ahead at all;
- 40 per cent would have delayed their project whilst they tried to find alternative funding;
- 30 per cent would have reduced the scope of their project because of the reduction in funding; and
- five per cent of applicants said that they would have been able to go ahead immediately with alternative funding.

However, one in four projects is delivered late and one in six costs more than expected

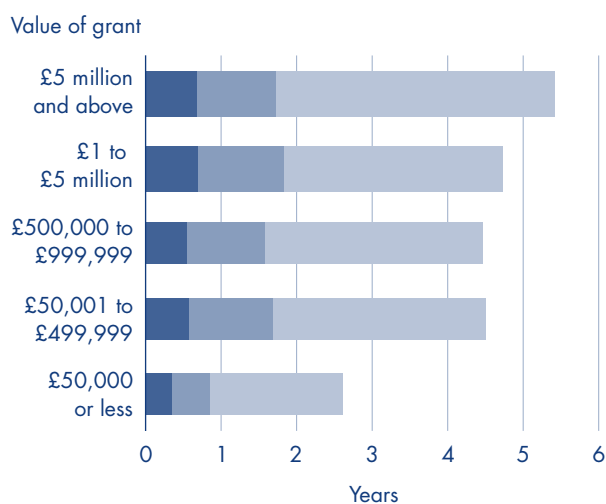
23 Since the Fund started making grant awards in 1995 the average length of time for successful delivery of a Heritage Lottery Fund project – from application to completion – has been over four years for projects awarded grants of over £50,000 and over two years for projects receiving grants of under £50,000 (Figure 9). Typically around a third of total elapsed time is spent on developing the project plan from application to being ready to start work and two thirds on physical delivery of the project. The Fund does not record and monitor the incidence of time overruns. However, a quarter (26 per cent) of the completed projects we surveyed had overrun their original agreed delivery date, most taking an additional six months or more to complete with 10 months the average overrun. Of the 30 projects we reviewed in detail, the Fund extended the completion deadline for 12 (40 per cent) by between two months and four years. Although project delivery is primarily the grant recipient’s responsibility, the extent to which the Fund

can and does help varies. We found cases where the Fund was proactive, persistent and effective in resolving issues as well as cases where it could have done more. In some cases there appeared to be little it could have done.

24 The Fund’s case officers, whose role is to oversee the progress of individual applications, examine the cost make up of projects with a view to assessing the reasonableness and completeness of costs and the overall value for money offered (see box). They can also seek advice on costs from experts and do this routinely for larger, more complex projects. The Fund’s approach is to try to ensure that cost estimates are accurate before it decides on an award and to discourage grant recipients from returning for more money, although it will award additional grant, particularly with large projects, where there have been substantial cost increases. We found:

- 17 per cent of completed projects we surveyed (158 respondents) reported cost increases during delivery ranging from £1,000 to £4,000,000 and averaging £293,000, representing 19 per cent of project costs.
- The likelihood of cost increases rose with grant size: nine per cent of applicants awarded £50,000 or less reported cost increases against 39 per cent of applicants awarded over £2 million.
- seven per cent of survey respondents (40 per cent of those reporting cost increases) applied successfully for additional grant.
- six per cent of grants recorded on the Fund’s grant management system were awarded a grant increase; the average increase was £176,000. The Fund, however, has steadily reduced the number of grant increases awarded each year from a peak of 158 in 1997-98 to 36 in 2005-06.
- The Fund agreed to grant increases, totalling £305,000, in three of the 30 cases we looked at in detail. In each case preparation of the detailed specification of works had identified additional costs and the Fund accepted that more grant was needed to complete the project.

9 Time from application to completion by size of grant award



■ Average years from Application to Award Decision (Assessment)
 ■ Average years from Award Decision to Permission to Start
 ■ Average years from Permission to Start to Completion

Source: National Audit Office analysis of Heritage Lottery Fund grant management database

NOTE

This figure is based on analysis of the 5,101 completed projects for which all relevant dates were recorded.

Comments from case officers on assessing project costs

“Cost is the one area where we can say ‘this is too much; you need more in for this, you need to speak to this person about putting something in here’, because it’s the concrete thing you can manipulate to make sure they’ve got what they need in the project because often we do know”.

“And we’ll also ask a lot of questions, so we will say ‘how did you arrive at this cost? ... what’s that based on? ... is that based on an estimate, is that based on a similar project or have you not got a quote for that?’, so we do ask those questions for all of the costs”.

25 Overruns were primarily ascribed by respondents to the occurrence of unanticipated events: for example conditions on site were more difficult than expected, the work required was more complex and problems occurred with contractors, such as their appointment and the scheduling or quality of work (Figure 10). Grantees also suffered delay or additional costs because of their own staffing, recruitment and retention issues. Many had underestimated the time and cost involved in undertaking the project. Inflation was frequently a cause of cost overruns whilst difficulty in securing partnership funding was a cause of delay and additional cost for some.

Some projects need better project management skills to help them avoid time and cost overruns

26 Many applicants seem unprepared for the demands of delivering a successful project, despite the Fund’s assessment process which requires them to consider a wide variety of issues and potential issues. The Fund monitors higher risk projects by commissioning an external project monitor to report on progress and check grant claims whilst low risk projects report directly to their case officer. Our interviewees and survey respondents were generally complimentary about the whole monitoring process and appreciative of the assistance

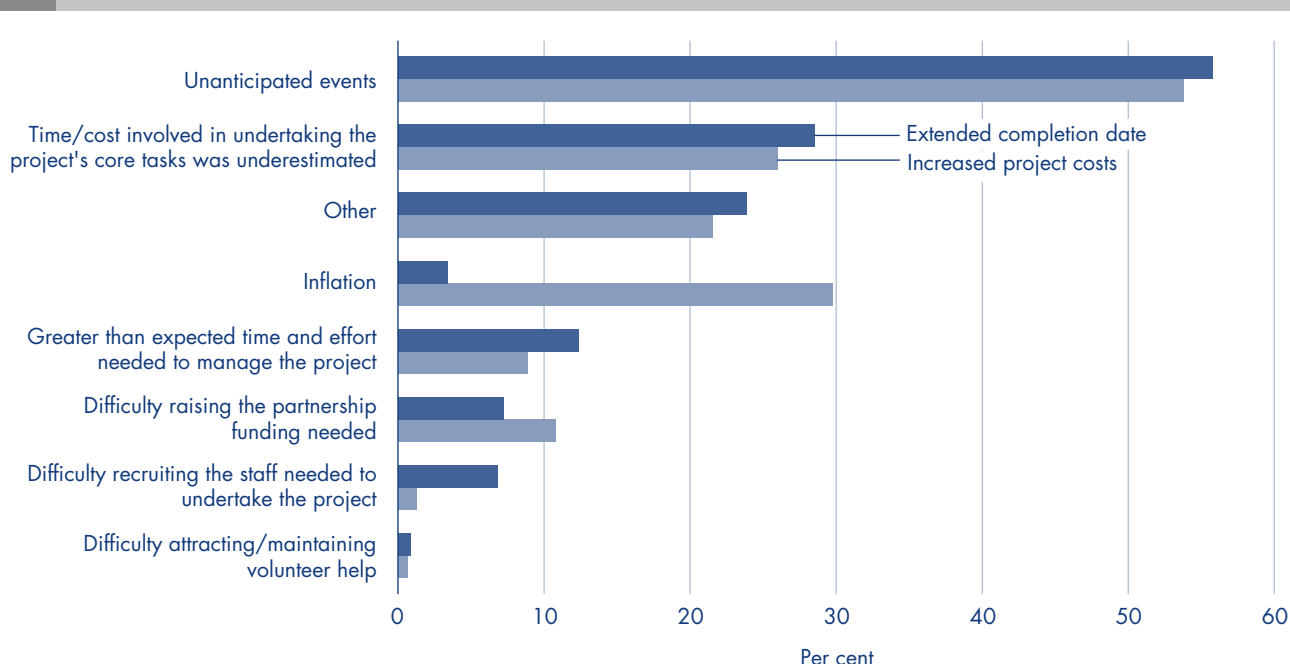
provided by case officers and external monitors. The Fund has recently reduced the amount of monitoring carried out by external project monitors, a move which project monitors themselves and some case officers regard as risky because they believe it reduces the ability of monitors to help applicants keep their project on track. Project monitors said that since the change they only have time to check the project payments and cannot visit projects as before, although they could not say that projects have got into trouble as a result. It is too early to say what the impact of the change will be on the incidence of overruns but a reduction in expert inspection and visiting could also affect the Fund’s capacity to monitor the quality of work achieved by projects and to support inexperienced applicants (see comments below).

Comments from grant recipients on project monitoring

“... the monitoring officer ... was always ready either for a friendly chat about concerns and she did come at all key points to monitor documents, talk through any concerns and problems we were having. ...she was a nationally known expert in that field.”

“... it is actually very, very helpful to a project to have the monitor actually turn up on site every six weeks or so, to be able to talk through problems. I mean .. you can chat on the phone but its not the same as sitting across the table andhaving a look at what you’re doing.”

10 Causes of time and cost overruns reported by applicants



Source: National Audit Office survey

27 Most applicants we surveyed were satisfied with the extent of support the Fund offers to promote delivery to time and cost, although 17 per cent would have liked greater contact and help from the Fund. And whilst grantees on the whole think they have access to the skills needed to develop a successful project, they cited the need to be realistic about the time, work and costs involved, the importance of sound management and the need for careful planning as common lessons learned. Case officers and external project monitors were critical of the project management skills of some projects (see comments box below) but felt that there was little they could do, once the project was under way, to intervene. This suggests that to help projects deliver to time and cost, project management may need to be made a higher priority in the Fund's assessment process linked to more support for inexperienced applicants.

Comments on project management

"To be frank I think the spending of the money once you've secured the grant is as difficult (if not more difficult) than securing it in the first place ... The next stage really should be the HLF then saying 'right, now you've got the money, this is how we require you to spend it' because if you haven't got someone who is used to it, it's a minefield and the capacity in voluntary organisations to deal with that I don't think is there."
A grant recipient

"I think it's a lack of good project management skills on the part of the applicant. I think [it would be good] if we delivered more training to people once they'd been given a grant in, you know, how to deal with all this money that we've just given them."
A case officer

"Most of the problems that I've seen on the projects that I've monitored have stemmed from the recipient not having sufficient capability either on the operational side or project management side."
A project monitor

"I think you'd be surprised at the lack of knowledge that's demonstrated by grantees when you have the first start-up meeting; their lack of knowledge of the requirements of procurement and cash flows, and all the other things that we've mentioned, it's an education process right from the beginning."
A project monitor

The Fund is not using its own or applicants' knowledge and experience as fully as it could

28 The Fund does not have a formal process for helping applicants share experience although case officers and development officers do frequently facilitate contact between new applicants and similar projects they know of locally and the Fund has helped set up networking groups for some of its targeted programmes. Almost half the projects

surveyed (46 per cent) had spoken to people involved in similar heritage lottery funded projects to their own at some stage during their project, making contact mainly through professional and local networks and personal contacts. Nine per cent of applicants had been put in touch with other projects by the Fund itself. Applicants said that the benefits they gained from talking to others were:

- shared experience and mutual support;
- technical advice;
- better understanding of the Fund's assessment criteria, process and timescales;
- help in putting their bid together; and
- avoiding the same mistakes.

Of those who did not speak to others, 29 per cent think they would have benefited from doing so, 25 per cent do not think they would have benefited from doing so and 46 per cent did not offer an opinion.

Comments from grant recipients on learning from other projects

"I would have liked, when we were going through this, to have been put in touch with some other project that had been completed...to have spoken to them to find out what the pitfalls are, where we should have gone and where we shouldn't have gone, I think really that would have been very helpful".

"In fact, we've been on the receiving end of it more than anything; they've put other projects in contact with us. We've seen several people who've visited us. So, I mean, having seen the importance, seeing some of the issues and problems they were faced with, that was actually very useful."

29 Along with a desire for more opportunities to learn from others, many are very willing to offer their experience to those seeking help. Just over half of respondents would be willing to help other projects by acting as a mentor (51 per cent) if the Fund developed such a system, whilst just under half said they would be likely to use the system as a mentee (47 per cent). One way the Fund could facilitate contact would be through the grants database on its website.

30 The Fund could also offer more from its own store of knowledge and expertise to help applicants. The Fund provides information about its programmes, application process, assessment criteria and other advice through: its development and case officers; occasional workshops; application packs; cd-roms and other publications; and its website. Case officers have suggested that making some of their own training available to applicants could improve the quality of applications, reduce the time required to assess them and improve project delivery (see box).

Comments from case officers on providing training to applicants

"I think as grant staff we get quite a lot of internal training in specialised things, like Training Plans or Conservation Management Plans and I think it would be quite a good idea for some of that training [to be made available to applicants/projects] ... or groups regionally to just be able to access something like that".

"... the development team do an awful lot of training and 'workshopping' for small applicants but I think there's a gap for the bigger applicants, who still don't know all that stuff and don't have that ability that they should do".

[Training for applicants] "... would make the quality of the applications better and it would mean that we wouldn't have to help and hand-hold as much as we do during the assessment process, which would make assessments quicker and it would make us able to do more".

The Fund's approach to the assessment of applications has helped deliver successful projects

31 The assessment of applications is where the Fund makes its main contribution to the success of projects although it also offers pre-application advice to any potential applicant on whether their proposed project meets the Fund's criteria and how to present it in their application. Applicants to the Fund's main generic grant programme, the Heritage Grants programme, can opt for a single stage or two stage assessment process (**Figure 11 overleaf**). The advantage of the two stage process (which is compulsory for applications over £1 million) is that it allows applicants to apply for a development grant to cover the cost of developing the project to the final decision stage. Whichever route the applicant follows, the Fund requires detailed plans which establish the exact methods to be employed in carrying out the project and a firm budget before it will make a grant award. Most applications are decided upon, at meetings held quarterly, by country and regional committees appointed by the Fund's trustees. However, for applications for £50,000 or less, the Fund's country and regional managers make decisions on awards based on a simplified one stage application process.

32 To allow its Board of Trustees and Committees to make judgements about the heritage value, risk and sustainability of projects, the Fund asks applicants to submit information covering a wide range of aspects of the project before it will award a grant. The submission of an application form and supporting material is just the start of the process, the Fund's case officers sift the information provided and frequently go back to applicants with queries or requests for further detail. They also usually commission advice from one or more experts, particularly on the heritage value of the project and acceptability of proposed restoration works, but also on other matters such as architectural drawings or marketing and business plans. Case officers also visit larger and more complex projects to gain a better understanding of the project and assess the organisational strengths of the applicant. Not until the case officer is satisfied that he or she has gained sufficient information to allow the decision makers to assess whether the project is both worthwhile and deliverable for a given cost is the application put to a committee meeting.

33 Applicants respect the expertise shown by the Fund's case officers and many find the application and assessment process has value, for example over half (56 per cent) said that the changes they had made to their project to access Heritage Lottery Fund funding had improved it overall. Even rejected applicants often get something out of the process: 42 per cent thought that even though their project did not take place, preparing the application was of value to their organisation. Our interviewees also praised the Fund's case officers for their support for the vision of the project, flexibility over the scope of the project and advice on applications and project development (see box).

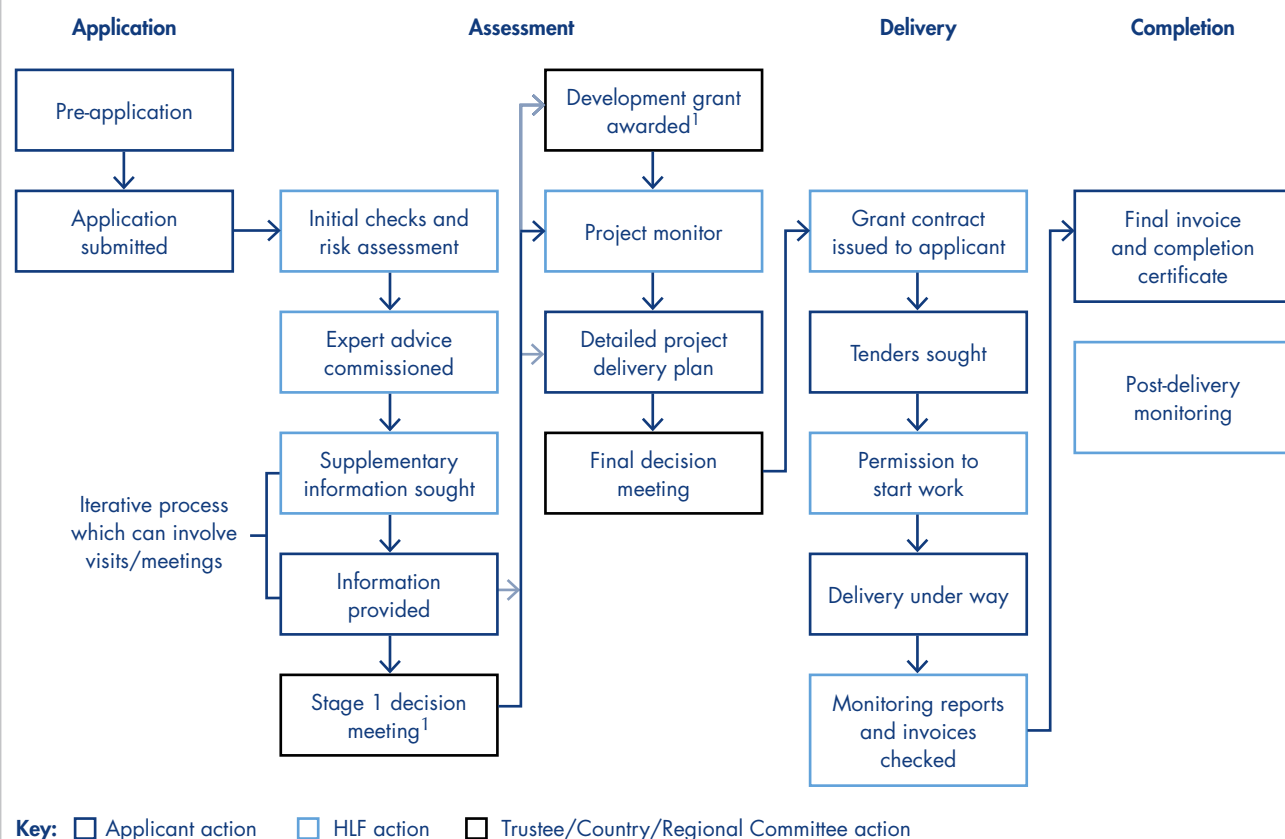
Comments from grant recipients on the helpfulness of the Fund

"They also offer support when you're considering making an application, you can go and have a meeting with one of their project officers who will suggest 'right, if you're going to ... put an application in, you need to consider x, y and z and the Lottery, at the moment, are really looking at projects that deliver in certain ways, so make sure that it is included in your application'; so they're very good at supporting you in the application process (pre-application process really)."

"Thinking about the process, I think that HLF has been as flexible as it can be in the way that they've dealt with us, which is really something quite surprising – because I think that you'd have a perception that they're quite fixed and rigid ..."

"We spent, I think it was nearly £30,000 on the application process and the conservation plan process (which was unfunded so there was a risk from our point of view) but also HLF were putting the hours in to help us come up with the product that they wanted to see as well ... I use our conservation plan every time there's a decision to be made ..."

11 Schematic Heritage Grants process for grants over £50,000



Source: National Audit Office

NOTE

¹ Two stage process only.

Many applicants find the application and assessment process burdensome

34 Despite applicants’ acknowledgement that the application and assessment process can benefit their project, around one quarter (22 per cent) were dissatisfied with the amount and usefulness of information they were asked to provide in their application and subsequently. In addition, over half of all respondents (53 per cent) felt that, overall, the Fund had imposed unnecessary burdens on their organisation. Recent applicants were more negative than earlier applicants, perhaps because the process was fresher in their minds, and local authorities and other public sector organisations were more negative than voluntary organisations. Unsurprisingly, unsuccessful applicants were also more negative than successful ones with 39 per cent regarding the Fund’s information requirements as disproportionate compared to only 16 per cent of successful applicants.

35 Many respondents thought that much of what the Fund requires is reasonable and that to a certain extent burdens are inevitable and accepted; the main causes for complaint were duplicated requests for the same information, being asked for information the applicant regarded as irrelevant or disproportionate to the size of grant and being expected to provide information very quickly without notice. There was a lot in common in the comments made but also some differences between organisations of different sizes and types:

- voluntary organisations, especially small ones, were more likely to complain about the confusing and time-consuming nature of the process and receiving conflicting advice; whilst
- local authorities were more likely to think that the Fund should give them credit for having acceptable governance procedures and not ask for information about, for example, their procurement, cash handling and equal opportunities policies and procedures.

Comments from grant recipients on what makes the process burdensome

"... for people who are starting this process for the first time it can be very difficult to sort of get their heads around how much information they need to provide and for an organisation like ours, a lot of it is relatively straightforward because we've got policies on everything ... if you've got to **write** all of those things from scratch, that can be quite nerve-racking. Having said that, I can't see a way round it because at least most of the things that HLF ask for are common sense things; things you really, if you're going to do a reasonable size project you should have thought of them anyway."

"Well, if you disaggregate all their requirements, I think every single requirement is eminently reasonable but they're produced in a way that it's like horse jumping; each fence comes after the other and you don't know what the next one is".

"... for a local authority to put together a bid and for it to be knocked back and to start again, we've got the capacity to do that, or to have the goalposts moved or requirements for more information ... your roll your sleeves up and just do it again. One of the **big** issues with HLF, I think is their understanding of the capacity of voluntary organisations ... to deal with the application [which, I don't care what they say, is onerous]..."

The view from our interviewees was consistent with the survey, with concern focusing on the way the Fund asks for information, rather than what it asks for, and the effect of the process on applicants, particularly voluntary organisations (see box). The Fund agrees that it could communicate what it needs more precisely and, as part of a larger streamlining project (see paragraph 42), is working on developing new approaches and application forms which will provide greater clarity to applicants.

36 Applicants' main priorities for improving the application and assessment process are simpler, clearer forms and procedures; greater help and support from the Fund and its advisors; greater trust placed in applicants and the information they provide (particularly those who have received grant before); and early decisions taken on whether to approve an award in principle.

The assessment process often takes longer than it should

37 The Fund makes applicants aware of its assessment timetable in its application materials but delay in the process can be of concern to applicants, for example if they need to meet other funders' timescales or get a project started early in the school year. Delay can also lead to inflation cost increases (see box).

Comments from grant recipients on timescales

"... its not just the work that has to go in in putting them [applications] together... it's the timescales in getting decisions ... In the meantime, you know, the building may be still unprotected, open to the elements."

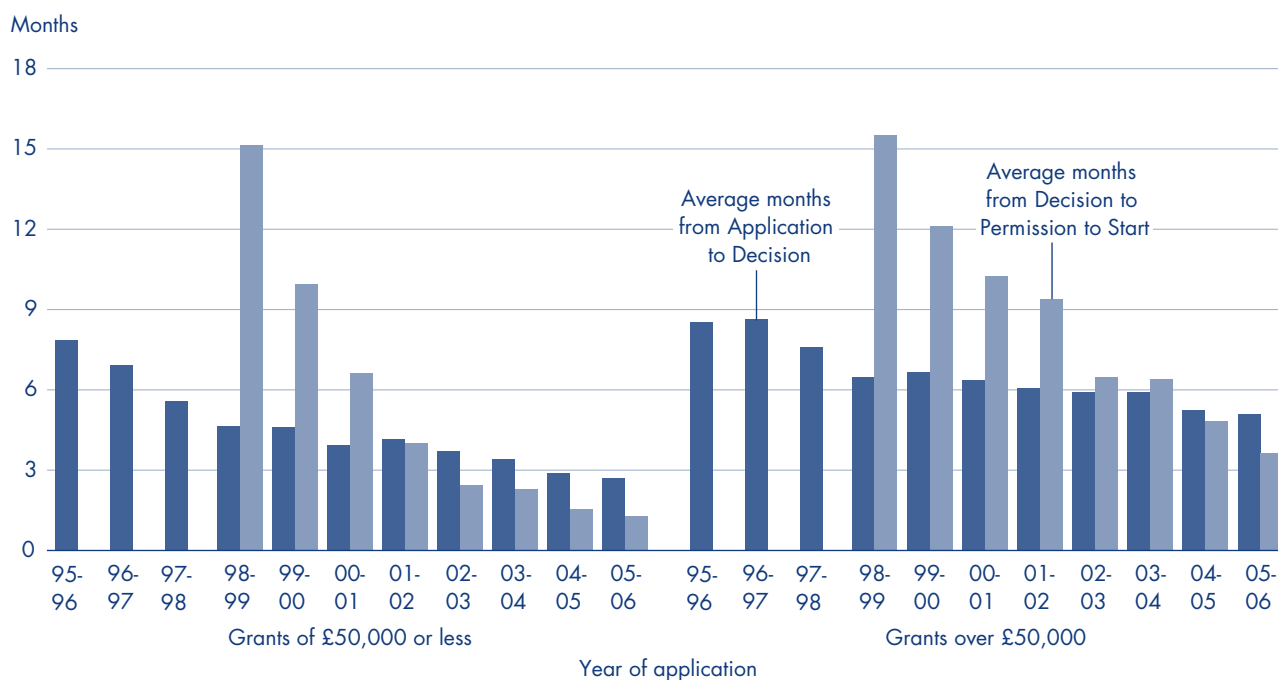
"You obviously make an assumption that you're going to be starting in spring 2008 and, of course, if it turns out to be spring 2009, the way inflation is impacting (particularly on the historic construction sector) you could be looking for another ten per cent for that".

"The only time where it took a long time to get anything was actually after it'd gone to the Committee and we got notification that we'd been successful. It then seemed to take an awful long time to get the go-ahead to start."

"The main issue was that it took so long, that needs to be tightened up really".

38 **Figure 12 overleaf** shows that the Fund has reduced the time taken to assess applications and give permission to start work. In recent years, the Fund has made it a priority to assess applications more quickly. In 1999, it set a target to bring average assessment times for most of its programmes down to six months. Figure 12 shows that the Fund has reduced the average time it takes to assess applications for less than £50,000 from eight months to just under three months and for applications for £50,000 or more from 8.5 months to five months. In 2005-06 the Fund achieved its targeted average assessment times for nine of the eleven targets it set. However, a significant minority of applications do not reach a decision within the target time. For example, in 2005-06, 28 per cent of Your Heritage grants and 39 per cent of Heritage Grants (Appendix 2) took longer than the target times, typically by one to two months.

12 Trend in average time taken to assess grant applications and give permission to start work by size of grant



Source: National Audit Office analysis of Heritage Lottery Fund grant management database

NOTES

Prior to 1998-99 a permission to start date was not systematically entered onto the grant management database, rendering analysis of the average time taken from decision to permission to start unreliable for earlier years.

39 Whilst some respondents and interviewees praised the Fund’s case officers for fast-tracking their application to meet external deadlines, twelve per cent of survey respondents thought there had been avoidable delays in the assessment of their applications, which they mainly attributed to slowness and inefficiency by the Fund in assessing the information provided. We examined the Fund’s case files to see how its assessment processes had been applied and identify where time was being lost. We found that there was avoidable delay, of between one and nine months and averaging two months, in the assessment of 15 of the 30 projects we looked at. Longer delays were associated with older projects. However delays of one to two months occurred in half the 18 applications received since 1 April 2002 due to a lack of prompt action to begin the assessment, such as to appoint a case officer, complete the initial risk assessment and commission reports from expert advisors. Five of the nine applications which were not immediately actioned nevertheless met their target time for assessment, which suggests that there is scope for the Fund to tighten its targets and assess some applications more quickly.

40 Before the Fund will give successful applicants permission to start work and spend their grant, it sets conditions. The applicant must sign a contract with the Fund and, for example, follow the Fund’s tendering procedures. Figure 12 shows that there has been a significant reduction in the average time between the award decision and giving projects permission to start work, from just over 15 months in 1998-99 to less than four months in 2005-06. In 1999, the Fund set a target to issue contracts to grant recipients within seven weeks of grant award. Since then it has reduced the average time to issue contracts from 15 weeks to 2.5 weeks which has helped reduce overall delays at this stage. Other causes of delay at this stage such as disagreements between the Fund and applicants over contract terms, and time taken by applicants to acquire or transfer property and obtain planning permission or listed building consent, also appear to be occurring less frequently.

The Fund is considering how it can make the assessment process simpler and more attractive to applicants

41 The Fund is aware of applicants' views of its processes from its customer surveys and has sought to make its grant-making processes simpler, clearer and more streamlined whilst still providing the control it needs. The move to a regional structure and the setting up of country and regional committees increased its decision-making capacity and allowed a greater degree of contact between the Fund and applicants, including the provision of pre-application advice. It also introduced a simplified application form, payment regime and decision-making process for grants under £50,000 in 2003. It has, however, maintained a largely consistent view on the degree of uncertainty it will accept about the final outcome and the nature and extent of planning it requires from applicants in support of their applications before it will take a decision.

42 The Fund set up a streamlining project in 2005 to consider the effectiveness of its application and assessment processes, in part to address the concerns of applicants about the burdens placed on them. With the expectation of reduced income over several years during the run up to the Olympic Games, it thinks that increased competition for funds may lead to a collapse in applications. In recent years, the success rate for applicants for a Heritage Grant has been around 50 per cent, with 30 per cent of applications being formally rejected and a further 20 per cent withdrawn voluntarily by the applicant. The evidence from our survey and interviews with project staff suggests that expectations of a reduced chance of success are likely to deter some potential applicants because of the work involved in putting an application together (see comments below).

43 The Fund is, therefore, currently considering how it can reduce the effort needed from applicants by making its assessment criteria more explicit, changing the way it asks for information and taking decisions at an earlier point in a project's development. It is looking at extending and adapting its two stage process (Figure 11) but redefining the work needed for each stage. Under the current system, Stage 1 is the important hurdle, once over this the applicant is almost guaranteed success. Under the proposed new system, currently being tested by the Fund, the bar at Stage 1 would be lowered, more applicants would go through but with a reduced chance of success at Stage 2.

Comments from interviewees on the cost of applying to the Fund

"... the messages that are coming out from the HLF is '... yes, we're giving a lot of money out but we're getting squeezed and struggling as well' and, therefore, the bar for the quality of presentations and submissions of applications is going up all the time and, you know, I think that's going to kill a lot of projects. The clients can't afford to get to that bar on all projects and there's a lot of work going in for relatively few awards."

*"Internally, there's no way we could have put, I don't think, a successful Stage 1 application in because we don't have the expertise in-house. Therefore you've got to **buy** it in and so I think we need to be really clear, or we needed a really good steer, you know, pre-application, in terms of whether it was worth us submitting or not and I think we got that, which was good."*

"With our other project, we've given up looking for a grant ... we're doing that anyway on a limited scale because we just haven't got the confidence to put the time and effort in (over a lot of time) without any – not guarantee but, say, like an indication of success if you like."

44 The work that successful applicants would need to put in to their project plans overall would change little but the information required for an initial decision would be reduced and more tightly focused on the essential aspects of the project. This would principally benefit applicants rejected at Stage 1 as they would have expended less effort than under the current system. It would not reduce the work put in by those applicants rejected at Stage 2.

45 If the Fund is successful in maintaining the volume of applications at or near current levels then the increased competition for funding will lead to a greater proportion being rejected. Rejection can be very difficult for applicants, especially those who have put a great deal of work into their application. Many rejected applicants responding to our survey were critical of the Fund's decision, but those most likely to accept the decision as reasonable were those who had received a clear explanation for their rejection. Two thirds of rejected applicants (66 per cent) considered that the Fund had provided a clear explanation for their lack of success.

APPENDIX ONE

Methodology

The main methods we used on the study were:

- a detailed examination of 30 projects, comprising a review of Heritage Lottery Fund case files and visits to each project where we interviewed the principal people involved;
- a survey of successful and failed grant applicants;
- interviews and focus groups with Fund staff at three regional offices;
- a focus group of project monitors;
- quantitative analysis of data from the Fund's grant management system; and
- a review of Fund documents relating to strategic issues and grant programmes.

We did not examine programmes administered on the Fund's behalf by other organisations (see Endnote 4 for details) or survey their applicants.

Casework and project visits

We randomly selected a sample of 30 case files within the following parameters to provide a varied range of projects:

- Geographical coverage: we selected 10 projects from each of the Eastern and North West regions, and from Wales;
- Range of sizes: we selected 8 projects awarded grants of between £5,000 and £50,000, 14 projects awarded grants of between £50,000 and £1,000,000 and 8 projects with grants of over £1,000,000; and
- Range of application dates: 12 applications date from before 31 March 2002, the remaining 18 from after 1 April 2002.

We reviewed the sample to ensure that it reflected the range of projects that the Fund supports and was not biased towards any particular programmes or types of applicant.

We reviewed each file to assess:

- how proactive the Fund was in helping applicants overcome barriers to a successful application;
- how effectively the Fund works with other agencies to support projects;
- whether the Fund looks critically at project costs and risk;
- how well the Fund ensures that projects are delivered to time and cost;
- whether the Fund considers the sustainability of projects; and
- how effectively the Fund monitors that projects deliver their intended benefits.

We also visited each project and interviewed the principal people involved to:

- identify the benefits of the project and whether all the intended outputs have been achieved and sustained;
- obtain their views about the Fund's processes, including the burden on applicants, its timeliness and helpfulness of Fund staff and project monitors;
- learn what went well with the project, what went less well and the Fund's engagement in this;
- explore the likely impact on the project if the Fund's proportion of funding had been lower.

Survey

We commissioned Ove Arup and Partners to survey:

- projects completed by 31 March 2004 that had received a grant of £5,000 or more; and
- applications for grants of £5,000 or more submitted after 1 April 2002.

Ove Arup surveyed 8,000 projects and received 2,372 completed questionnaires, a 30 per cent response rate providing precision of ± 2 per cent at the 95 per cent confidence level. We found no non-response bias when we compared survey responses to the population as a whole by project status, size of grant requested, type of organisation and heritage area.

By application status, the responses received were:

- applications since 1 April 2002 that were approved: 792 completed questionnaires were received out of 2,620 surveyed projects (30 per cent response rate);
- applications since 1 April 2002 that were withdrawn: 315 completed questionnaires were received out of 1,153 surveyed projects (27 per cent response rate);
- applications since 1 April 2002 that were rejected: 327 completed questionnaires were received out of 1,170 surveyed projects (28 per cent response rate);
- projects completed by 31 March 2004: 921 completed questionnaires were received out of 3,057 surveyed projects (30 per cent response rate); and
- not specified: 17 questionnaires.

The survey asked:

- all applicants for their views on the Fund's application and assessment process, what effect reduced lottery funding would have had and whether mentoring from similar projects would have been useful;
- successful applicants about project delivery, including details of any time and cost overruns and the performance of the Fund during this stage;

- completed projects about what they had achieved, the projects' durability and what lessons they had learned;
- rejected and withdrawn projects about how the Fund dealt with their cases.

Unless otherwise stated, we have excluded from our analysis respondents that did not answer or gave no opinion on a particular question.

Focus groups and interviews at the Fund's regional offices

We visited the Fund's offices in the Eastern region, the North West and Wales to:

- interview the Regional or Country manager about the area's priorities, relationships with other bodies and whether there were any particular issues concerning partnership funding locally;
- interview Development Managers about how they encourage applications, the barriers to successful applications and partnership working in the area;
- interview Casework Managers about applicants and the types of problems they have, the assessment of projects including costs and partnership funding, the use of expert advisers and the promotion of project delivery to time and cost; and
- hold focus groups of case officers to discuss how they work with projects to address problems and minimise delays, how well the Fund uses learning from previous projects to promote efficient and effective projects in the future and how it seeks to minimise project costs whilst maintaining quality.

Project monitors' focus group

We held a focus group in London attended by ten project monitors with recent experience of working with the Fund. The group discussed whether they saw the monitor's relationship with projects as being a 'critical friend' or 'independent adjudicator', whether they were able to fulfil their commission effectively within the terms set by the Fund, and whether the monitoring system was effective at promoting the delivery of projects to time and cost.

Quantitative analysis

We extracted raw data from the Fund's grant management database about applicants, projects and the application process, including information about type of organisation, its location, the heritage area that the project addressed, project costs and key dates relating to the assessment and completion of projects.

We undertook preliminary analysis of the data to identify key themes and issues which we investigated further through our casework and project visits, survey of grant applicants, focus groups and interviews.

We also conducted further detailed analysis of the data, concentrating in particular on trends in project delivery times, costs and the geographical distribution of funding.

Document review

We examined:

- the Fund's strategic planning documents, including the results of recent consultations;
- papers relating to the Fund's current project on streamlining its grant processes;
- feedback forms from projects, monitoring data, and evaluations;
- submissions from stakeholders to the Culture, Media and Sport Select Committee for its current review of heritage; and
- evaluation reports on the Fund's programmes.

We also discussed the Fund's overall strategy and management with senior staff.

APPENDIX TWO

Heritage Lottery Fund main grants programmes

Grant Programme	Programme criteria	Size of grants	Value to 31 December 2006 £ million
Your Heritage	Provides grants to support community-focused projects that conserve and enhance heritage or encourage communities to identify, look after and celebrate their heritage or both. Projects should also ensure that everyone can learn about, have access to, and enjoy their heritage. Projects include caring for the natural landscape, conserving historic buildings, places and objects, involving people in exploring local cultures, traditions, languages and ways of life.	£5,000 – £50,000	104
Heritage Grants	Provides grants to conserve and enhance heritage or encourage more people to be involved in their heritage or both. Projects should also ensure that everyone can learn about, have access to and enjoy their heritage. Projects include nature conservation, historic buildings, museum collections, archive collections, spoken history records, cultural traditions, and objects and sites relating to the UK's industrial, transport and maritime history. Projects applying for a grant of £5 million or more must be able to produce regional or national benefits.	£50,000 or more	2,558
Repair Grants for Places of Worship	Provides grants to help conserve and sustain heritage at risk, through urgent repairs to places of worship. The UK-wide scheme is delivered through four programmes in England, Northern Ireland, Scotland and Wales.	Normally in the range: England: £10,000 – £200,000; Scotland: £10,000 – £250,000 Northern Ireland and Wales: £10,000 to £100,000	130
Townscape Heritage Initiative	Provides grants that help communities to regenerate the historic parts of their towns and cities. The programme is designed to address problems in areas of particular social and economic need throughout the United Kingdom. It encourages partnerships to carry out repairs and other works to a number of historic properties within those areas, and improve the quality of life for all those who live, work or visit there.	£250,000 – £2 million	187

Grant Programme	Programme criteria	Size of grants	Value to 31 December 2006 £ million
Public Parks Initiative Closed March 2006	Provides grants to assist the restoration and regeneration of historic parks and gardens wherever they are, including urban squares and cemeteries. Projects should also enhance public access and may involve improving facilities. Priority is given to applications that serve communities that are socially and economically deprived.		445
Parks for People Opened January 2006	This three-year joint initiative between Heritage Lottery Fund and the Big Lottery Fund provides grants for the restoration and regeneration of public parks and gardens, including squares, walks and promenades in England. In Northern Ireland, Scotland and Wales the programme is managed solely by Heritage Lottery Fund but provides the same opportunities and uses the same assessment processes as in England.	£250,000 – £5 million	31
Landscape Partnerships	This initiative allows partnerships representing a range of heritage and community interests to tackle the needs of landscapes, whose various elements may be in different ownership. It caters for applications based round a portfolio of projects, which combine to provide a varied package of benefits to an area and those who live, work and visit there. The initiative seeks to promote heritage conservation as an integral part of rural regeneration.	£250,000 – £2 million	21
Young Roots	The scheme aims to involve 13–20 year-olds (up to 25 for those with special needs) in finding out about their heritage, developing skills, building confidence and promoting community involvement.	£5,000 – £25,000	14
Project Planning Grants	Provides grants to assist the development of future Heritage Grant applications by funding specific specialist planning work, such as access plans, conservation management plans, audience development plans or education plans.	£5,000 – £50,000	18

APPENDIX THREE

Policy Directions issued to the Trustees of the National Heritage Memorial Fund

Under Section 26(1) and (2) of the National Lottery etc. Act 1993

The Secretary of State for Culture, Media and Sport, in exercise of the powers conferred on him by section 26(1) and (2) of the National Lottery etc. Act 1993, hereby gives the following Directions to the Trustees of the National Heritage Memorial Fund:

1 In these Directions any reference to a section is a reference to a section of the National Lottery etc. Act 1993 [as amended by the National Lottery Act 1998].

2 The Trustees of the National Heritage Memorial Fund shall take into account the following matters in determining the persons to whom, the purposes for which and the conditions subject to which they distribute money under section 25(1) or the purposes for which and the conditions subject to which they apply money under section 25(4):

- a** the need to ensure that money is distributed under section 25(1) or applied under section 25(4) for projects which promote the public good or charitable purposes and which are not intended primarily for private gain;
- b** the need to ensure that they consider applications which relate to the complete range of activities falling within section 22(3)(c) as defined in section 44(1) and in respect of which they have the power to distribute or apply money, taking into account:
 - i** their assessment of the needs of the national heritage and their priorities for the time being for addressing them;
 - ii** the need to ensure that all parts of the United Kingdom have access to funding; and
 - iii** the scope for reducing economic and social deprivation at the same time as creating heritage benefits.
- c** the need to promote access, for people from all sections of society, to heritage objects and collections, to the built and natural heritage and to projects which relate to the history, natural history, and landscape of the United Kingdom;
- d** the need to promote knowledge of and interest in the heritage by children and young people;
- e** the need to further the objectives of sustainable development;
- f** the need for money distributed under section 25(1) or applied under section 25(4) to be distributed or applied to projects only where they are for a specific, time-limited, purpose;
- g** the need:
 - i** in all cases, for applicants to demonstrate the financial viability of the project for the period of the grant;
 - ii** where capital funding or setting up costs are sought, for a clear business plan beyond the period of the grant incorporating provision for associated running and maintenance costs; and
 - iii** in other cases, for consideration to be given to the likely availability of other funding to meet any continuing costs for a reasonable period after completion of the period of the Lottery award, taking into account the size and nature of the project, and for Lottery funding to be used to assist progress towards viability beyond the period of the grant wherever possible;
- h** the need to require an element of partnership funding and/or contributions in kind from other sources, commensurate with the reasonable ability of different kinds of applicants, or applicants in particular areas to obtain such support;
- i** the desirability of working with other organisations, including other distributors, where this is an effective means of delivering elements of their strategy;
- j** the need to ensure that its powers to solicit applications under section 25(2A) are used in connection with the pursuit of strategic objectives; and
- k** such information as it considers necessary to make decisions on each application, including independent expert advice when required.

APPENDIX FOUR

Projects visited

Project title	Location	Recipient	Grant awarded and total project cost
Waltham Abbey Royal Gunpowder Mills	Waltham Abbey, Essex	Waltham Abbey Royal Gunpowder Mills Charitable Foundation	£6,500,000 £7,410,212
Thornham Walled Garden Restoration	Thornham Magna, Suffolk	Thornham Field Centre Trust	£300,500 £456,009
The Satellite, Wrexham Museum	Wrexham, Clwyd	Wrexham County Borough Council	£299,375 £398,500
Outwood Viaduct, Bury Restoration	Bury	Metropolitan Borough of Bury	£701,000 £1,040,582
Llanerchaeron Conservation and Regeneration	Llanerchaeron Lampeter, Ceredigion	National Trust	£2,000,000 £3,653,450
Ancient House	Clare, Suffolk	Landmark Trust	£82,200 £143,450
Protecting the Wildlife Heritage of Essex	Essex	Essex Wildlife Trust	£1,688,500 £2,264,605
Glamorgan Wildlife Trust	Glamorgan	Wildlife Trust of South and West Wales	£608,963 £926,141
Lower Duke St and Henry St. THI, Liverpool	Liverpool	Liverpool City Council	£1,500,000 £15,521,317
Anderton Boat Lift Restoration	Northwich, Cheshire	British Waterways	£3,300,000 £7,028,209
Castell Deudraeth, Portmeirion Restoration	Portmeirion, Gwynedd	Second Portmeirion Foundation	£1,835,000 £3,258,719
Archives Network Wales	Aberystwyth, Dyfed	National Library of Wales	£365,500 £495,989
Restoration of Christchurch Park Ipswich	Ipswich	Ipswich Borough Council	£130,500 ¹ £4,424,314
Stanley Park	Blackpool	Blackpool Borough Council	£3,871,700 £5,040,000
Warner Archive to Braintree	Braintree, Essex	Braintree District Museum	£1,908,500 £2,625,939
Quatrocentenary of Edward de Vere	Hedingham, Essex	Hedingham Heritage Society	£45,700 £47,278
Nenthead Mines Education Project	Nenthead, Cumbria	North Pennines Heritage Trust	£304,000 £443,359
The Lowlands Renewal Project	West Derby, Liverpool	West Derby Community Association	£35,600 £49,303

Year of application and completion	Purpose	Programme
1995-2001	Restoration of ex-MOD complex to provide an interpretative centre for the technological, social and natural history aspects of the site.	Heritage Grant
1996-2001	To restore an 18th C glasshouse within a garden providing training for young adults with special needs.	Heritage Grant
1996-2001	New museum storage and archive facility with provision for public access to records and artefacts.	Heritage Grant
1996-2001	Restoration of a 19th C viaduct, providing a connection to the Outwood Trail and Irwell Valley Way, part of the National Cycle Network.	Heritage Grant
1996-	Restoration of Grade I Georgian House and garden. Using local businesses and crafts people.	Heritage Grant
1996-99	Restoration of 14th C Grade I listed house for local museum and holiday accommodation.	Heritage Grant
1997-2005	Over 400 projects to maintain and conserve the biodiversity of 53 nature reserves.	Heritage Grant
1997-	Improve the management of 35 nature reserves and involve local people in conservation.	Heritage Grant
1998-	Regeneration of area and conservation of key Georgian merchant buildings associated with the maritime trade.	Townscape Heritage Initiative
1998-2004	Restoration of a unique canal boatlift including a visitor centre to provide interpretation.	Heritage Grant
1998-05	Restoration of house and gardens to secure its long-term future and provide local jobs by running as a hotel.	Heritage Grant
2001-2006	To allow greater public access to Welsh collections by providing a bi-lingual database.	Heritage Grant
2002-2004	Development of plan to restore the premier historic park in Ipswich to enhance its appeal to visitors.	Parks
2002-	Restoration of city centre inter-war park, part of wider regeneration of the area.	Parks
2003-2005	Purchase of textile archive and restoration of mill building to display and conserve archive.	Heritage Grant
2003-2005	Community activities and an exhibition celebrating the 400th anniversary of Edward de Vere.	Your Heritage
2003-	Providing a five year education programme explaining local mining activity aimed at key educational establishments.	Heritage Grant
2003-2005	Develop a plan to improve access to and repair a Grade II listed house for community use.	Heritage Grant

Project title	Location	Recipient	Grant awarded and total project cost
Wild About Halton	Halton, Cheshire	Halton Borough Council	£464,000 £616,283
12 Locals and a South African	Widnes, Cheshire	Halton Rugby League Service Area	£20,000 £25,000
Brynmill Park, Swansea	Swansea	City and County of Swansea	£39,000 ¹ £1,733,200
Caroline Mathilde, British Princess, Danish Queen	Welshpool, Powys	Powysland Museum	£45,000 £50,000
Ancient Egypt	Cambridge	Fitzwilliam Museum	£586,500 £1,453,610
Education Development Project	Maldon, Essex	Combined Military Services Museum	£50,000 £55,000
Past on Your Doorstep, The Future in Your Hands	Wrexham, Clwyd	Groundwork, Wrexham and Flintshire	£42,000 £48,731
Getting to the Roots of our Stifford Clays	Grays, Essex	William Edwards School and Sports College	£21,100 £21,900
Access to Archaeology: The Historic Environment of the Lake District National Park		Lake District National Park Authority	£171,000 £236,725
Clitheroe Castle Museum	Clitheroe	Ribble Valley Borough Council	£159,500 ¹ £3,283,362
Refit of Abertillery & District Museum	Abertillery, Gwent	Abertillery and District Museum Society	£224,000 £261,233
Heather and Hillforts Landscape	Ruthin, Clwyd	Denbighshire County Council	£102,500 ¹ £2,240,528

NOTE

¹ Development grant.

Year of application and completion	Purpose	Programme
2003-	Providing better public access and understanding for eight urban nature reserves.	Heritage Grant
2003-2005	Education project to research and produce a book celebrating the 75 years of Widnes Rugby League Club.	Young Roots
2003-	Developing plans to restore a Victorian Park, including a new education facility.	Parks
2003-2004	Temporary exhibition to bring the life of Princess Caroline Mathilde to a wider audience.	Your Heritage
2004-	Restoration and re-display of Egyptian collection. Includes a conservation and outreach education programme.	Heritage Grant
2004-	A two year education project, to employ an education officer to produce material for Year 8 and 9 school children.	Your Heritage
2004-2006	Education project involving local school children developing educational material exploring their local mining heritage.	Your Heritage
2005-	For pupils to create a timeline garden demonstrating the archaeology of their school site from the Iron Age to WWII, including the construction of a Saxon dwelling.	Young Roots
2005-	Providing access to and interpretation of the archaeological records of the Lake District.	Heritage Grant
2005-	Developing a plan to restore the museum to include improved access and visitor facilities.	Heritage Grant
2005-	Re-fit of small voluntarily run community museum. Provision of up-to-date display cases and up-to-date exhibition areas.	Heritage Grant
2005-	Develop plans to improve the management of a 60kmsq area of historical and ecological significance.	Landscape Partnerships

ENDNOTES

1 Initially the Fund received 20 per cent of the funds paid into the National Lottery Distribution Fund, representing the proportion allocated to the heritage good cause. In October 1997, on the creation of the New Opportunities Fund, the proportion was reduced to 16.67 per cent in parallel with those benefiting arts, charities and sport.

2 The National Heritage Memorial Fund (NHMF), a non-departmental public body of the Department of Culture, Media and Sport, was established in 1980 as a memorial to those who have given their lives for the United Kingdom. It receives an annual grant-in-aid of £5 million which will double to £10 million from 2007. NHMF acts as a fund of last resort to save United Kingdom heritage at risk.

3 The policy directions issued to the Heritage Lottery Fund by the Secretary of State for Culture, Media and Sport are at Appendix 3. They describe the matters that the Fund should consider when deciding to whom, for what purposes, and under what conditions it awards grants. Financial directions are concerned with financial propriety and efficiency and the proper management and control by the Fund of the Lottery funds available to it.

4 The main programmes funded by the Heritage Lottery Fund but administered by other organisations are Repair Grants for Places of Worship (England), 1,300 grants totalling £66 million, administered by English Heritage; Awards for All, 9,500 grants totalling £35 million, administered by the Big Lottery Fund; and the Local Heritage Initiative, 1,500 grants totalling £23 million, administered by the Countryside Agency (now part of Natural England). We did not examine the

administration of these programmes although they are included in Figures based on the overall number and value of grants (Figures 1, 2, 4 and 5).

5 The National Lottery Distribution Fund receives monies generated by the National Lottery for good causes and holds these until such time as they are drawn down by distributors for payment of grants and to meet expenses.

6 First Report, Session 2005-06 HC 408
18 October 2005.

7 See Figure 13, page 20 of *Managing National Lottery Distribution Fund Balances*, National Audit Office, Session 2003-04 HC875 21 July 2004.

8 The recent Culture, Media and Sport Select Committee inquiry into protecting and preserving our heritage added its own support for the Heritage Lottery Fund's stress on encouraging access for all to heritage assets (paragraph 67, *Protecting and Preserving our Heritage*, Third Report 2005-06 HC912 20 July 2006).

9 Funding allocated to countries and regions does not include some UK-wide schemes, such as the Townscape Heritage Initiative.

10 *The Economic Impacts of Funding Heritage – Case studies for 2005*, ECOTEC Research and Consulting, 2006; *The Social Impact of Heritage Lottery Funded projects – Evaluation report 2004/05*, Applejuice, 2006; *Evaluation of the impact of HLF funding – Visitor and Neighbourhood surveys 2005 (Technical Report)*, BDRC, 2006.