

**NATIONAL
HERITAGE
MEMORIAL
FUND**



2011 Business Plan

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1 INTRODUCTION

1.1 This Plan focuses on our use of resources in 2011-12 to achieve the aims set out in the Heritage Lottery Fund's Strategic Plan 2008-13. This Plan covers the fourth year of our five-year Strategic Plan.

1.2 The Plan covers both the Heritage Lottery Fund (HLF) and the National Heritage Memorial Fund (NHMF).

2 AIMS, VALUES AND CORPORATE GOALS

Aims

2.1 NHMF was established by Parliament in 1980. In 1993, NHMF was appointed as the distributor of the share of the Lottery proceeds devoted to the heritage. This Plan sets out the way in which we will use Government grant in aid and National Lottery resources to meet the aims of the two Funds, which are set out below.

National Heritage Memorial Fund

2.2 As a memorial to those who have died for the United Kingdom, the aim of the National Heritage Memorial Fund is to defend the most outstanding parts of our national heritage which are at risk.

Heritage Lottery Fund

2.3 HLF is the UK's leading advocate for the value of heritage to modern life. The Fund sustains and transforms our heritage through innovative investment in projects with a lasting impact on people and places.

2.4 Our focus is on conserving, sustaining and sharing heritage. Through our grant making we aim to:

- conserve the UK's diverse heritage for present and future generations to experience and enjoy;
- help more people, and a wider range of people, to take an active part in and make decisions about their heritage;
- help people to learn about their own and other people's heritage.

2.5 We want to protect and hand on what people value most, open up more of our heritage for everyone to enjoy, and regenerate and enrich our historic cities, towns and countryside.

Our organisation

2.6 We have four departments: Communications, Finance & Corporate Services, Operations and Strategy and Business Development. Scotland, Wales, Northern Ireland and each of the nine English regions has a dedicated team within Operations providing advice and support to applicants, assessment and monitoring services and local accountability.

Values

2.7 As an organisation we strive to achieve economy, efficiency and effectiveness in all that we do. In addition clarity, prioritisation, judgement, responsible authority and accountability are core principles for us as an organisation. They inform our approach to funding, and how we work with customers and colleagues. We aim to be recognisable wherever we work through consistent practice and presentation while retaining the flexibility to respond to differences and needs through our local teams across the UK.

Key Challenges

2.8 Set out below are the key challenges that we face in 2011-12. Most are externally driven, but all require us to focus our organisational skills, knowledge and resources to deliver the best possible outcomes against our strategic aims.

- The continuing impact of the recession, and in particular reductions in public expenditure and other sources of funding which may
 - reduce the number, variety and diversity of applications for Lottery funding
 - threaten the delivery of projects underway but not yet completed
 - put projects completed in earlier years at risk of closure
 - lead to increased sectoral, media and opinion-former scrutiny of our funding decisions.
- To develop our future strategy in a way that maintains and builds the confidence of stakeholders through effective partnership working and by taking a realistic approach to risks whilst being open to new opportunities for the heritage.
- To provide clear leadership throughout the organisation, to help maintain staff morale in difficult times for the public sector.
- To cope with an increase in work while having to meet caps on 'administration' and total operating costs.
- To make sure that NHMF and grantees respond to the impact of climate change.

Corporate Goals

2.9 The way in which we meet these challenges will become clearer with time as we understand better the impact of the global recession. Subject to refinement in the light of experience our corporate goals, in no order of priority, are to

1. Promote access to Lottery funding, which will be more important than ever as other sources of funding are reduced, and deliver agreed outreach and development work.
2. Deliver our grant programmes in accordance with the aims set out in our Strategic Plan, whilst retaining the flexibility to respond quickly and effectively to changing demands from applicants, potential applicants and grantees; being ready to rapidly advise and help those projects and potential projects facing difficulty.
3. Continue to build awareness of the value of heritage to modern life, and understanding of the role of heritage Lottery funding.
4. Measure and evaluate the benefits heritage Lottery funding has secured.
5. Investigate and develop grant-making policy and initiatives in response to external challenges and opportunities.
6. Conclude consultation on, and develop, our fourth Strategic Plan
7. Continue to develop effective internal communications.
8. Make progress against agreed targets for increasing diversity in grant giving, governance and the workforce.
9. Maintain provision of efficient and reliable IT and knowledge management systems, appropriate accommodation, high quality relevant training and a fair rewards package.
10. Continue to improve HLF's efficiency and economy so as to deliver the 5% and 8% caps on 'administration' and total operating costs.

3 RESOURCE ALLOCATION

3.1 This section describes the resources likely to be available to us in 2011-12 to award to heritage projects and the way in which we propose to allocate them:

- between the four countries of the United Kingdom;
- between the English Regions; and
- between major, large and smaller grants.

National Heritage Memorial Fund

3.2 In the 2010 Comprehensive Spending Review the Government announced that the grant in aid to NHMF would be £20m over the four years 2011-15.

3.3 The demand for our help to defend the most outstanding parts of our national heritage at risk remains extremely high. We will be ready to commit around £5m to new awards in 2011-12.

Heritage Lottery Fund

3.4 Capital projects, particularly larger ones, draw down funds over a considerable period: when we agree to support a larger project we are committing ourselves to expenditure over many years to come. Because of this long lead time to the draw down of our funds, and the flow of cash from the National Lottery Distribution Fund over a period of years, we have committed substantially more to new grants than we have received in income: we have been able to commit income that we have yet to receive because we have a guarantee of Lottery funding until the end of the third licence in 2019. By the end of 2010-11 we expect to have committed to heritage projects around £530m more than we had available in the National Lottery Distribution Fund.

3.5 The Department for Culture, Media and Sport project that our share of Lottery ticket sales and investment income over the next five years will be:

£m	2011-12	2012-13	2013-14	2014-15	2015-16
Income	£265.1	£306.0	£316.8	£318.6	£319.0

3.6 In 2011-12 we will be ready to commit £255m on new heritage projects. That is less than we expect to receive in income because the costs of administering the Fund have to be met out of income and we are also paying for more than £530m of over commitments that we have made in previous years.

3.7 By 31 March 2012 we expect to have committed to heritage projects £570m more than we have available in the National Lottery Distribution Fund (NLDF). By that date our balance in the NLDF should have fallen to £360m. These projections are the targets for HLF's NLDF balance reduction.

3.8 We will review regularly the amount available for new commitments in the light of actual income and spending patterns, making any necessary changes in Business Plans for future years.

National and regional budgets

Grants over £1,000,000

3.9 Of the total commitment of £255m in 2011-12, £127m will go to grants of £1m and over.

Grants under £1,000,000

3.10 Of the total commitment of £255m in 2011-12, £128m will go to grants under £1m. The allocations to the nine English Regions, Northern Ireland, Scotland and Wales are set out below. The allocations exclude the allocation for the Townscape Heritage Initiative (£11m) which is a UK-wide strategic programme. In England the allocations exclude the allocation to the Repair Grants for Places of Worship programme (£25m).

Northern Ireland	£3.075m	North East	£3.808m
Scotland	£9.237m	North West	£10.188m
Wales	£5.297m	South East	£12.112m
East Midlands	£6.316m	South West	£7.461m
East of England	£8.157m	West Midlands	£7.974m
London	£10.858m	Yorkshire & Humber	£7.516m

Programme Allocations

3.11 The grant programmes listed below form HLF's portfolio for 2011-12. We offer a combination of open generic grant programmes, through which we expect to make the majority of our awards, and initiatives targeted at particular areas of heritage or themes.

Generic Programmes

Heritage Grants

3.12 The Heritage Grants Programme offers grants of more than £50,000 to organisations seeking to look after and enhance the UK's heritage, to increase participation in heritage activities, and to enable people to learn about heritage. It caters for a wide range of projects, including the very largest and most complex. We expect to receive applications relating to:

- people's memories and experiences (often recorded as 'oral history');
- histories of people, communities, places and events;
- languages and dialects;
- cultural traditions;
- historic buildings and townscapes;
- archaeological sites;
- collections of items, archives or other materials;
- natural and designed landscapes;
- habitats and species; and
- sites and collections linked to our industrial, maritime and transport history.

3.13 To receive a grant a project must:

- Help people to learn about their own and other people's heritage.

A project must also do either or both of:

- Conserve the UK's diverse heritage for present and future generations to experience and enjoy.
- Help more people, and a wider range of people, to take an active part in and make decisions about heritage.

3.14 We expect to make Heritage Grants totalling around £155m in 2011-12.

Your Heritage

3.15 The Your Heritage programme offers grants between £3,000 and £50,000 and welcomes applications for original and exciting projects that help people to learn about, look after and celebrate heritage. Projects can also open up heritage for more people to enjoy. The programme is the principal vehicle through which we will increase our support for a broader range of heritage, and the application form is significantly simpler than that for the Heritage Grants Programme. To receive a grant a project must meet the same priorities outlined above.

3.16 We expect to make Your Heritage grants totalling £21-22m in 2011-12.

Targeted initiatives

Townscape Heritage Initiative

3.17 The Townscape Heritage Initiative offers grants between £500,000 and £2,000,000 for projects aimed at the regeneration of the historic environment in towns and cities led by partnerships of local, regional and national interests. It seeks to repair the buildings that make up the special architectural character of historic urban areas, with a view to bringing derelict and under-used historic buildings back into viable use. Projects should involve and benefit the wider community as well as those directly concerned with grant-aided properties. We will continue to prioritise applications for townscapes in areas of social and economic deprivation. The initiative primarily helps us to promote heritage conservation as an integral part of urban and rural regeneration.

3.18 We expect to make THI grants totalling £11m in 2011-12.

Parks for People

3.19 Parks for People offers grants between £250,000 and £5,000,000 and supports the regeneration of existing public parks, garden squares, walks and promenades across the UK. The scheme focuses on increasing the range of audiences, conserving and improving heritage value, increasing the range of volunteers involved, improving skills and knowledge through training and improving management and maintenance.

3.20 We expect to make Parks for People grants totalling around £20m in 2011-12.

Repair Grants for Places of Worship Scheme

3.21 The Repair Grants for Places of Worship Scheme offers grants for urgent repairs of £10,000 to £250,000 in England and Scotland and £10,000 to £100,000 in Northern Ireland and Wales. We deliver the scheme with the help of English Heritage, Historic Scotland, Cadw and the Environment and Heritage Service in Northern Ireland. The initiative primarily helps us to help conserve and sustain heritage at risk.

3.22 We expect to make repair grants totalling around £28m in 2011-12.

Landscape Partnerships

3.23 This initiative offers grants between £250,000 and £2,000,000 and enables partnerships representing a range of heritage and community interests to address the needs of landscapes whose elements may be in different ownership. It caters for applications based around a portfolio of projects that combine to provide a varied package of benefits to an area, its communities and its visitors. Areas must have a strong landscape identity recognised by the communities that live, work and visit there. The initiative primarily helps us to promote heritage conservation as an integral part of urban and rural regeneration.

3.24 We expect to make LPS grants totalling £17m in 2011-12.

Young Roots

3.25 The Young Roots grant programme is for young people aged 13–25 years old who want to explore their heritage and develop skills. Grants of between £3,000 and £25,000 are available for organisations working with young people, for example youth and community groups, to develop projects which are led by young people and enable them to become actively involved in the heritage. All projects must either offer new opportunities for young people from a range of backgrounds to volunteer in heritage, or new opportunities for young people to gain skills in identifying, recording, interpreting or caring for heritage. They must be delivered in partnership between youth and heritage organisations.

3.26 We expect to make Young Roots grants totalling £2-3m In 2011-12.

SERVICE DELIVERY

4 This section sets out the resources we expect to use in delivering our objectives and programmes in the period of the plan focussing on operational delivery of grant programmes.

Assessment workload

4.1 In 2010-11 we received an average of 140 applications each month. To encourage applications we made the process of applying easier and less costly for our applicants and have added further flexibility to reflect the difficult public expenditure situation. And our Development Teams continue to help organisations in those parts of the UK and in those communities that have received little funding from us to make applications and to give those who apply to the Fund assistance where they need it. So far, demand for our funding remains high.

Monitoring projects in progress

4.2 In addition to assessing new applications a large proportion of staff time is spent on monitoring around 2,900 projects that are underway but have not yet been completed. We ensure that public funds are being spent in the way we expected and ensure that projects deliver the benefits from our funding which grantees have set out to achieve.

Contract compliance and evaluation

4.3 We also monitor what is happening after a project has been completed to ensure that the contractual terms of our grant are being met and the benefits continue. And we continue to systematically evaluate the impact of our support and the outcomes that projects have achieved. Samples of projects funded through the programmes we directly manage are evaluated against our strategic aims. Key findings are fed back to inform future decision making and best practice. We commission evaluation of targeted programmes in order to assess the impact and benefits of our funding and to inform policy and improve the decision making processes. This is a task which is growing in significance as the number of projects steadily increases.

Learning and Development

4.4 As an accredited Investor in People we recognise that effective training and the continuous development of our staff are integral to achieving the goals of NHMF. We build into our annual planning cycle a corporate requirement that training needs are identified and pursued. This leads to the central planning and provision of a range of development activities, whilst each department/team also identifies development activity as part of its own annual operating plan. Managers are required to review and evaluate the benefits of development activity at team and department level, and provide feedback on costs and effectiveness to senior management.

4.5 For 2011-12, our learning and development strategies will address the corporate goals set out in section 2.9 above, by supporting staff in the following critical areas of performance:

- enhancing our communications with applicants, grantees and other stakeholders;
- maintaining/improving customer service and satisfaction;
- building up and applying relevant skills, knowledge and expertise of staff in all teams/departments; and
- operating to high standards of public administration and accountability.

4.6 All learning and development activity will be assessable against at least one of the above critical measures.

Risk Management

4.7 The Fund's well established risk management strategy is designed to make more explicit the need for management to consider risk (including the risk of failing to make the most of opportunities) as part of their daily managerial responsibilities. We will continue to build upon our experience in order to better understand and manage the risks the organisation faces. The 2011 Risk Register can be found as annex 2.

Staffing

4.8 The allocation of permanent staff (full time equivalent) by department is set out below.

Operations	Finance & Corporate Services	Strategy & Business Development	Communications
155.3	33	23.3	17

Administrative expenditure

4.9 NHMF keeps its running costs under constant downward pressure and has implemented a successful efficiency programme which has reduced running costs seven years in a row in real terms. Since 2003-04 NHMF has made a real terms reduction in its running costs of 37 per cent.

4.10 The Secretary of State has set a target that total Lottery operating costs may not exceed 8% of expected Lottery income (see 3.5 above). The financial resources required by NHMF to meet its priorities in 2011-12 are set out below and are well within the target.

Operating costs	Budget 2010-11 £000	Budget 2011-12 £000
Employment	10,083	9,593
Accommodation	2,279	2,291
Travel & subsistence	454	408
General expenses	2,413	2,231
Depreciation	692	760
Office equipment	515	282
Professional fees	2,740	2,571
Total operating costs	19,176	18,136
Lottery operating costs*	18,926	17,931
% of expected income	7.57%	6.77%

* ie excluding Exchequer funded activities

4.11 The Secretary of State has also set a target to reduce Lottery 'administration' costs to no more than 5% of expected Lottery income. A definition of 'administration' has been agreed which will be used by all Lottery distribution bodies to measure their costs against the 5% target. Lottery 'administration' costs are expected to be 4.85% of income in 2011-12.

2011-12 'administration' costs	£000
Total Lottery operating costs	17,931
Recovered from other bodies	-625
Outreach work	-2,743
Information and advice	-973
Research and evaluation	-728
Total Lottery 'administration' costs	12,862
% of income	4.85%

SERVICE DELIVERY STANDARDS 2011-12

We will publish in our Annual Report a wide range of measures of our performance. We have also set ourselves targets to deliver timely and satisfactory services to our customers, as follows.

Heritage Lottery Fund

The decision on an application will normally be taken:

Heritage Grants first round	next available meeting 3 months after application
Heritage Grants second round	next available meeting 3 months after application
Parks for People first round	within 4 calendar months
Parks for People second round	within 4 calendar months
LPS first round	within 5 calendar months
LPS second round	next available meeting 4 months after application
RPOW	
First round	within 5.5 calendar months
Second round	next available meeting 3 months after application
THI first round	within 5 calendar months
THI second round	next available meeting 3 months after application
Your Heritage & Young Roots	within 10 weeks

Grant payments will be made to the grantee within 10 working days from receipt by HLF of the payment request

We will undertake a survey of successful and unsuccessful applicants and aim to maintain customer satisfaction with our assessment processes at no less than 80%.

We will undertake a similar survey of those to whom we have awarded grants and aim to maintain customer satisfaction with our monitoring and post-award processes at no less than 85%.

We will evaluate the user experience of our new website.

National Heritage Memorial Fund

The decision on an application will normally be taken:

Urgent acquisitions	next available meeting 3 months after application
Other projects	within 6 calendar months

Grant payments will be made to the grantee within 15 working days from receipt by NHMF of the payment request.

Risk Register 2011

Risk	What are we already doing to mitigate the risk? (Risk control strategy)	Likelihood of risk*	What more do we need to do?	Ownership
<p>Memorial Fund Growing demand in worsening economic climate, which is leading to disposal of assets, puts pressure on the endowment fund and/or loss of heritage resulting in negative publicity and reduction of stakeholder confidence in the Fund.</p>	<ol style="list-style-type: none"> 1. Careful financial management and planning 2. Encouraging pre-application contact 3. Taking high quality advice 4. Monitoring the external environment 5. Working with partners to influence relevant policy to safeguard heritage 6. Promoting the distinctive nature of the Fund as fund of last resort 7. Encouraging more lottery applications for acquisitions and consulting on our lottery policy on acquisitions 	High	<ol style="list-style-type: none"> 1. Introduce formal pre application procedure 2. Review role and operation of Panel 3. Review NHMF requirements for access 4. Ensure DCMS Ministers are aware of the risk that NHMF will not be able to rescue all items at risk of loss 	Carole Souter
<p>Grant delivery: Applications and projects fail to meet our strategic objectives. Demand [pre-app, live, post-completion] exceeds funding and operational capacity to respond</p>	<ol style="list-style-type: none"> 1. Targeting development work for all grants programmes, ensuring quality applications and/or managing demand. 2. Ensure grant applications are assessed against our strategic objectives. 3. Moderation of assessments to ensure quality and consistency. 4. Deploy mentoring and monitoring resources in proportion to the level of project risk and to maximise effectiveness. 5. Ensure grants reflect broad heritage interest and sectors. 6. Monitor external environment and impact on applications, projects in delivery and completed projects through Projects Operations Report. 7. Full operational engagement in strategic planning, leading consultations with England and countries internal and external stakeholders 8. Delivering relevant and targeted training programme for staff 9. Ensure Committee decisions reflect strategic objectives, and within designated grants budget. 10. Workload Report to inform effective use of operational resources 	Medium/ High	<ol style="list-style-type: none"> 1. Develop and embed culture which ensures staff have skills and confidence to manage and deliver projects in a rapidly changing environment 2. Delivery of new initiatives and programmes 3. Further development of Workload Report to inform effective deployment of operational resources. 4. Keep Management Board, Trustees and Committees informed of practical impact of a changing environment on grant delivery 	Bob Bewley

Risk Register 2011

Risk	What are we already doing to mitigate the risk? (Risk control strategy)	Likelihood of risk *	What more do we need to do?	Ownership
<p>Strategic: That our strategy fails to keep pace with the needs of the heritage and changes in the external environment and therefore is not supported by our stakeholders.</p>	<p>1. We are carrying out a consultation into our new strategic framework from 2013, and plan to take a new draft strategy to the Board in October 2011.</p>	<p>Medium</p>	<p>Continue to monitor the need for additional measures and flexibility within our current strategy to respond to external circumstances whilst we consult and develop our new strategy. The timetable for implementation of the new strategy may be put at risk by unforeseen issues arising from the consultation or other external developments, such as new Policy Directions, so we will need to retain sufficient flexibility in the programme.</p>	<p>Judy Cligman</p>
<p>Procedural: Failure to set and follow efficient procedures thereby giving rise to the risk of inefficiency, fraud or of making decisions open to challenge.</p>	<p>1. Ensuring that each area of business has a manual of procedures. 2. Checking that procedure manuals are followed (e.g. through internal audit; memoranda of representation). 3. Regularly reviewing and updating procedure to ensure efficiency of process. 4. Sharing best practice and coordinating approaches. 5. Ensuring that Internal Audit review changes in procedure as appropriate</p>	<p>Low/ Medium</p>	<p>1. Consider the need for changes to procedure as a result of the response to the consultation on Strategic Plan 4 and plan their development and implementation accordingly. 2. Consider the results of the National Fraud Authority pilot scheme designed to reduce the threat of fraud. 3. Consider the outcome of the records management exercise.</p>	<p>Steve Willis</p>
<p>Staffing: Failure to recruit and retain appropriately skilled staff.</p>	<p>1. Maintaining a recruitment and retention policy that meets NHMF's needs. 2. Maintaining a learning and development programme that enables staff to meet NHMF's objectives and to improve NHMF's performance. 3. Managing carefully any changes in staffing levels and roles needed to stay within the administration and operating costs' caps of 5% and 8%.</p>	<p>Low/ Medium</p>	<p>1. Finish implementing the Investors in People action plan. 2. Implement internal communications strategy. 3. Further work on assessing workload pressures such as those caused by:</p> <ul style="list-style-type: none"> • bringing RPOW in-house; • increased Lottery income. 	<p>Steve Willis</p>

Risk Register 2011

Risk	What are we already doing to mitigate the risk? (Risk control strategy)	Likelihood of risk *	What more do we need to do?	Ownership
<p>Communications: acknowledgement Risk that HLF is not well known and understood by stakeholders and effectively acknowledged by grantees.</p> <p>Communications: reputation Risk of increased sectoral, media and opinion-former scrutiny of our funding decisions in current economic conditions with potential for adverse response.</p>	<ol style="list-style-type: none"> 1. Actively promoting our work – and the value of heritage - to stakeholders and the wider public 2. Developing our understanding of acknowledgement take-up and use at point of delivery 3. Regular monitoring of press comment. 	<p>Medium</p>	<ol style="list-style-type: none"> 1. Prepare to communicate effectively in the Nations, post 2011 elections 2. Continue to explain heritage and HLF to elected representatives and opinion formers. 3. Support key policy and development initiatives and themes with targeted communications. 4. Reviewing themes, messages and language for 2011, including that around small grants 5. Reviewing publicity guidance provided for grantees 	<p>Louise Lane</p>

* Likelihood of risk – there is a “high”, “medium” or “low” likelihood that the risk will occur following the imposition of the risk control strategy. A “high” likelihood means that in the short term (which is at least one year) the risk, as designated in the first column of the register, is expected to occur. Conversely, “low” likelihood means that the risk is not expected to occur in the short term.