

**NATIONAL
HERITAGE
MEMORIAL
FUND**



2012 Business Plan

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1 INTRODUCTION

1.1 This Plan focuses on our use of resources in 2012-13 to achieve the aims set out in the Heritage Lottery Fund's Strategic Plan 2008-13. This Plan covers the final 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 2012-13. 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 impact of the continuing economic crisis, and in particular reductions in public expenditure and other sources of funding which may
 - threaten the delivery of projects;
 - put at risk projects completed in earlier years;

- lead to the loss of skills, expertise and leadership resulting in risks to the heritage;
 - lead to increased sectoral, media and opinion-former scrutiny of our funding decisions.
- To develop our future strategy in a way that meets the needs of the heritage throughout the UK and 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 share our experience and knowledge in ways appropriate to stakeholder needs.
 - To provide clear leadership throughout the organisation, to help maintain staff morale in difficult times for the public sector and ensure that staff are properly equipped to deliver our new Strategic Framework.
 - To manage the increasing and changing workload while having to meet caps on Lottery processing¹ and total operating costs.

Corporate Goals

2.9 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 is more important than ever as other sources of funding have been 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. Champion the value of heritage to modern life, and build awareness 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. Launch and implement our new Strategic Framework.
7. Deliver effective internal communications.
8. Make progress against agreed targets for increasing diversity in grant giving, governance and the workforce.
9. Continue to deliver the 5% and 8% caps on Lottery processing¹ and total operating costs whilst maintaining provision of efficient and reliable IT and knowledge management systems, appropriate accommodation, high quality relevant training and a fair rewards package.

¹ formally referred to as Lottery 'administration' costs.

3 RESOURCE ALLOCATION

3.1 This section describes the resources likely to be available to us in 2012-13 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 2012-13.

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 the heritage has a guarantee of Lottery funding. By the end of 2011-12 we expect to have committed to heritage projects around £295m 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	2012-13	2013-14	2014-15	2015-16	2016-17
Income	£367	£370.4	£370.0	£369.6	£369.4

3.6 In 2012-13 we will be ready to commit £375m on new heritage projects.

3.7 We are committing more than we expect to receive because our income is rising, thanks to the increase in the share of good cause funding going to the heritage and to record Lottery ticket sales. As the NAO said in its report of 2004, it is inevitable that there will be a time lag between the receipt of more income than expected and the draw down of funds by projects to which we make new awards: that means that in the short term the balance HLF holds in the NLDF will rise. Committing more to new projects is the proven way to reduce the balance in the NLDF or, in the present circumstances, to limit the increase in the NLDF balance that will inevitably be caused by the unexpected increase in our income.

3.8 By 31 March 2013 we expect to have committed to heritage projects £336m more than we have available in the National Lottery Distribution Fund (NLDF). By that date our balance in the NLDF should be around £538m.

3.9 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 £2,000,000

3.10 Of the total commitment of £375m in 2012-13, £204m will go to grants of £2m and over.

Grants under £2,000,000

3.11 Of the total commitment of £375m in 2012-13, £171m will go to grants under £2m. 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 (£14m) 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	£4.501m	North East	£5.434m
Scotland	£13.518m	North West	£14.538m
Wales	£7.753m	South East	£17.283m
East Midlands	£9.013m	South West	£10.647m
East of England	£11.640m	West Midlands	£11.379m
London	£15.493m	Yorkshire & Humber	£10.725m

Programme Allocations

3.12 The grant programmes listed below form HLF's portfolio for 2012-13. 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

3.13 The Heritage Grants Programme offers grants of £100,000 and above 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.

3.14 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.

3.15 We expect to make Heritage Grants totalling around £255m in 2012-13, including Catalyst Endowments and Skills for the Future.

Your Heritage

3.16 The Your Heritage programme offers grants between £3,000 and £100,000 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.

3.17 We expect to make Your Heritage grants totalling £26m in 2012-13. That includes £1m for All our Stories, a trial piloting a very simple application process developed in support of the BBC's *The Great British Story – A People's History*, airing on BBC2 in Spring 2012.

Targeted initiatives

Townscape Heritage Initiative

3.18 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.

3.19 We expect to make THI grants totalling £14m in 2012-13.

Parks for People

3.20 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.

3.21 We expect to make Parks for People grants totalling around £24m in 2012-13.

Repair Grants for Places of Worship Scheme

3.22 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.

3.23 We expect to make repair grants totalling around £30m in 2012-13.

Landscape Partnerships

3.24 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.

3.25 We expect to make Landscape Partnerships grants totalling £20m in 2012-13.

Young Roots

3.26 The Young Roots grant programme is for young people aged 11–25 years old who want to explore their heritage and develop skills. Grants of between £3,000 and £50,000 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.

3.27 We expect to make Young Roots grants totalling £4m in 2012-13.

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 2011-12 we received an average of 186 applications each month, an increase of 33% over the previous year. 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. As the largest funder of the heritage in the UK, with increasing rather than reducing funds, it is hardly surprising that demand for our funding has increased substantially.

Monitoring projects in progress

4.2 In addition to assessing new applications a large proportion of staff time is spent on monitoring around 3,000 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 completed projects increases every year.

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 2012-13, 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 2012 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
155.8	34	24	18

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 36.2 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 2012-13 are set out below and are well within the target.

Operating costs	Budget 2011-12 £000	Budget 2012-13 £000
Employment	9,593	9,704
Accommodation	2,291	2,094
Travel & subsistence	408	420
General expenses	2,231	2,711
Depreciation	760	757
Office equipment	282	255
Professional fees	2,571	3,051
Total operating costs	18,136	18,992
Lottery operating costs*	17,931	18,899
% of expected income	6.77%	5.39%

* ie excluding Exchequer funded activities

4.11 The Secretary of State has also set a target to reduce Lottery processing costs to no more than 5% of expected Lottery income. A definition of processing costs has been agreed which will be used by all Lottery distribution bodies to measure their costs against the 5% target. Lottery processing costs are expected to be 3.89% of income in 2012-13.

2012-13 Lottery processing costs	£000
Total Lottery operating costs	18,899
Recovered from other bodies	613
Outreach work	2,829
Information and advice	822
Research and evaluation	925
Total Lottery processing costs	13,710
% of income	3.89%

SERVICE DELIVERY STANDARDS 2012-13

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 2012

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 	Medium	<ol style="list-style-type: none"> 1. Take account of the triennial review of the Reviewing Committee on the Export of Works of Art 2. Complete improvements to NHMF website 3. Promote the success of the policy change for acquisitions through HLF 	Carole Souter
<p>Grant delivery: Applications and projects fail to meet our strategic objectives.</p> <p>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 and respond to the external environment in order to manage the impact on applications, projects in delivery and completed projects through Projects Operations Report 7. Delivering relevant and targeted training programme for staff 8. Ensure Committee decisions reflect strategic objectives, and within designated grants budget. <p>Monitor workload to inform effective use of operational resources</p>	Medium	<ol style="list-style-type: none"> 1. Develop and embed culture which ensures staff have skills and confidence to manage and deliver grant funding in a rapidly changing environment 2. Deliver new initiatives and programmes 3. Keep Management Board, Trustees and Committees informed of practical impact of a changing environment on grant delivery 4. Manage expectations and ensure applicants understand the reasons for rejection 	Bob Bewley

Risk Register 2012

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>	<ol style="list-style-type: none"> 1. Responding flexibly to emerging need e.g. with new programmes / amended processes where necessary 2. Keeping in touch with stakeholders across UK 3. Monitoring press and public affairs developments 4. Preparing our strategy for 2013-19 taking account of the stakeholder consultation and further internal and external discussions in developing our proposals 	Medium	<ol style="list-style-type: none"> 1. Develop closer dialogue with sponsor team in DCMS and relevant colleagues in devolved administrations 2. Build on knowledge and contacts of Trustees, Committee members and staff 3. Finalise proposals for Board discussion in February and seek agreement on plans for launch and further communications around the new Strategic Framework. 4. Draft Strategic Framework for publication on web and in print in May 5. Deliver implementation plan to agreed schedule 	Judy Cligman
<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>	<ol style="list-style-type: none"> 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 	Low/ Medium	<ol style="list-style-type: none"> 1. Consider the need for changes to procedure as a result of the response to the consultation on our new Strategic Framework and plan their development and implementation accordingly 2. Implement the outcome of the records management exercise 3. Improve oversight of delegated decision making 	Steve Willis

Risk Register 2012

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>Staffing: Failure to recruit, retain and motivate appropriately skilled staff.</p>	<ol style="list-style-type: none"> 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% 	Medium	<ol style="list-style-type: none"> 1. Further work on assessing workload pressures such as those caused by: <ul style="list-style-type: none"> • bringing RPOW in-house; • increased Lottery income. 2. Communicate to staff the benefits of working for NHMF 	Steve Willis
<p>Communications: Risk that that the benefits of heritage investment are not understood and valued by stakeholders across the UK</p> <p>Risk of increased sectoral, media and opinion-former scrutiny of our awards in current economic and political conditions, with potential for adverse response</p>	<ol style="list-style-type: none"> 1. Actively promote the breadth of heritage, the benefits of investing in it and the opportunities it presents for society 2. Promote HLF's role in sectoral progress and resilience 3. Encourage grantee acknowledgement by effective joint working 4. Ensure Ministers and elected representatives across the UK are kept informed of HLF investment and the difference it makes <ol style="list-style-type: none"> 1. Ensure careful handling planning around announcements and other developments 2. Ensure we continue to develop our intelligence of local and UK context for all our work 	Medium	<p>Consider some stakeholder opinion research</p> <p>Develop advocacy plan to based on HLF's unique facilitating and cross sectoral role</p> <p>Improve joint working across the UK on handling issues</p>	Louise Lane

* 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.