

# **English Heritage Quinquennial Review**

## **Stage One Report**

# English Heritage Quinquennial Review

## Stage One Report

### Contents

A. Summary of Recommendations .....	2
B. Context .....	4
1. Introduction.....	4
2. Strategic purpose.....	6
C. Functional Effectiveness .....	10
3. Conservation .....	10
4. Properties .....	14
5. Education and learning .....	17
7. Conclusion to functional effectiveness .....	22
D. Organisational Effectiveness.....	24
8. Context.....	24
9. Relations with government .....	25
10. Managing other External Relationships.....	27
11. Governance .....	29
12. Resource allocation.....	30
13. Staffing.....	32
14. Structure.....	33
15. Regional approach .....	34
16. Conclusion to organizational effectiveness .....	36
E. Summary Of Conclusions And Recommendations.....	38
Appendix A.....	41
Analysis of EH performance against Funding Agreement targets for 2000/01.....	41
Appendix B.....	43
1. Project to review EH's national, regional and local roles.....	43
2. The management of research within English Heritage.....	44
3. The management of English Heritage's historic properties.....	46

## **A. Summary of Recommendations**

1. Government as a whole needs to offer EH clear strategic advice about what is expected of it. A clearer framework of accountability needs to be developed. (2.4 and 2.6);
2. EH needs to invest time and capacity in developing a series of cross-departmental relationships at all levels. The relationship between the different departmental objectives and EH's statutory purpose and corporate objectives needs to be more clearly articulated (9.2);
3. EH should retain its strategic, regulatory and investment functions and should continue to be classified to the public sector as an NDPB (7.2);
4. EH's statutory powers should be reviewed in the light of the conclusions of the review of EH and Government objectives. The findings of that review should inform the drafting of EH's new Financial Statement (9.2);
5. The legislation which perpetuates the duplication of activity between DCMS and EH in the listing process should be reviewed and a study should be commissioned to examine how DCMS and EH can make the existing system more efficient (3.3);
6. The different roles and requirements of a national lead body, a regional influencing capability, and a local provision of services need to be articulated, with EH focussing on the first of these two areas, while seeking to develop local or third party capacity to undertake the latter. Stage 2 should examine a range of options for delivery and resources of EH functions at all levels (3.3 and 7.1);
7. In the context of this study the following regional outcomes should be sought:
  - a. greater investment in regional leadership;
  - b. further delegation of authority and financial control to enable regional managers real opportunity to respond to regional needs;
  - c. clearer distinction between functions and accountabilities for leadership, local case work and advice, and property management (15.2);
8. English Heritage should consider the question of charging for conservation advice (3.3);
9. EH needs to undertake a major programme of transformation to develop its organisational effectiveness (16);
10. There should be a distinction between EH's property management role and its lead body and regulatory role, enabling management and delivery capabilities to be developed. A review of EH's property portfolio should be undertaken by

EH as part of Stage 2 (4.3 and 7.1);

11. EH's research, information and education functions should be brought together under one directorate with a seat at the Executive Board and a significant direct budgetary allocation (5.4);
12. EH should review its education and learning strategy, looking to develop programmes of activity that match strategic intent. A strategic review of EH's approach to research should be undertaken in Stage 2 (5.4);
13. A review of EH's grants programme should be undertaken once the Stage 2 reviews are completed (6.3);
14. EH needs to raise the value and purpose of external affairs within the organisation and build a strong national and regional profile for the historic environment drawing on policy and research, learning and education work (10.2);
15. It may be helpful for EH's Commissioners to include among their number individuals who can provide guidance on how government operates at a senior level and also experience of managing a £100 million plus turnover organisation (11.2);
16. EH must urgently review its approach to financial management (12.3) so that there are more transparent links between levels, the systems are more streamlined and the resources can more flexibly follow organisational imperative.
17. Following the completion of Stage 2, EH will need to develop and implement a comprehensive Human Resources strategy to meet its changing needs (13.2);
18. The new Chief Executive, with his senior team, should adopt a clearer and simpler line management structure that enables more straightforward accountabilities (14.2).

## **B. Context**

### **1. Introduction**

- 1.1 The Quinquennial Review of English Heritage was announced by the Minister for the Arts, Baroness Blackstone, on 16 October 2001.
- 1.2 The Review was led by an independent Reviewer, Dawn Austwick OBE and supported by the Review Management Team of the Museums, Galleries, Libraries and Heritage Directorate.
- 1.3 A Steering Group guided the review. Alex Stewart, Director of Museums, Galleries, Libraries and Heritage chaired the Steering Group. Other Members were: Dawn Austwick; Carole Souter, Acting Chief Executive of English Heritage; Rowan Whimster, English Heritage; Russell Walters, English Heritage; Stephen Cane, DEFRA; Richard Neville-Carle, DTLR; Daniell Phillips, DfES; Tim Suter, Chief Executive of the Quality, Efficiency and Standards Team (QUEST); Michael Contaldo, HM Treasury; Clare Pillman, Head of Architecture and Historic Environment Division, DCMS; Graham Lyndsell, Architecture and Historic Environment Division, DCMS; Alan Sutherland, Finance Division, DCMS; Roger Stratton-Smith, Head of the Review Management Team, DCMS; Stephen Bristow, Policy Adviser, Review Management Team, DCMS; and Tania Jacobs, Policy Officer, Review Management Team, DCMS.
- 1.4 A comprehensive consultation exercise was carried out as part of the review. On 22 October 2001, a consultation document was posted on the DCMS website and sent to over 800 individuals and organisations. Responses were requested by 11 January 2002 (thus allowing 12 weeks) and a total of 136 were received. These made valuable and helpful comments on the performance of English Heritage and suggestions to consider. In addition, Dawn Austwick undertook interviews with over 20 individuals both within the historic environment sector and with interests in it. DCMS is grateful to all those who responded and were interviewed for their time and the comments they made.
- 1.5 The aim and terms of reference of the first stage were:

#### **Overall aim**

To review the continuing need for the functions carried out by English Heritage and whether those functions are best carried out by an NDPB; and to review the efficiency and effectiveness of the way in which English Heritage delivers its services.

#### **First Stage: Getting the organisation right**

- To examine whether the functions performed by English Heritage are still necessary, whether their status as an NDPB governed by Commissioners, at arm's length from Government, is the best option for delivering their services and how delivery of their services might be improved in the future.

- In the course of the review the following strategic issues will be considered:
  - whether the strategic purposes of English Heritage remain valid, how they contribute to the delivery of DCMS and wider Government objectives, how they relate to the purposes of other bodies, and whether the legislative basis of English Heritage remains fit for purpose;
  - how English Heritage's functions contribute to its strategic purposes, and how its services can best be delivered in the future. Options to be considered will include (as well as the status quo) discontinuing, contracting-out, market testing, merging or rationalising, privatising, or restructuring internally, some or all of English Heritage's functions;
  - how English Heritage's role as a lead body for the historic environment should be performed;
  - the relationship between English Heritage's regional offices and the headquarters;
  - how English Heritage's investment programme supports its strategic objectives.
  
- In addition the review will consider:
  - the adequacy of the evidence base of the condition of the historic environment used by English Heritage to underpin its activities and decision-making;
  - how English Heritage has performed in the past;
  - what English Heritage's customers and stakeholders think about its role and performance;
  - the nature of the relationship with Government, both financial and non-financial, and with other organisations and how this bears on service delivery.

1.6 The Terms of Reference for Stage Two can be found in Appendix B.

## **2. Strategic purpose**

### **2.1 Introduction**

English Heritage's purposes and principal powers are defined by the National Heritage Act 1983. These are in turn underpinned by the 1979 Ancient Monuments and Archaeological Areas Act, the Historic Buildings and Ancient Monuments Act (1953 revised 1983) and other legislation relating to the statutory protection of historic buildings and sites.

In the broadest terms, the 1983 Act requires EH on the one hand to secure the preservation and enhancement of the built heritage of England for the benefit of future generations, and on the other to encourage its popular understanding and enjoyment. During discussion and consultation all parties recognized these aims as of continuing relevance and value to society. This view is endorsed by the Review Team. There was however some debate about *how* these aims should be achieved and through what vehicle(s).

EH is empowered (but only in the case of education required) to achieve these ends by:

- Advising Government on buildings, sites and other places meriting preservation.
- Giving grants for the repair of listed buildings and ancient monuments
- Providing advice on historic buildings and sites to anyone who requires it
- Maintaining buildings and monuments in the care of the State.
- Providing educational services
- Carrying out and commissioning research
- Making and keeping records of historic sites and buildings
- Charging, as it sees fit, for access to its properties and services

In section B we look at how EH has utilized these functions in seeking to achieve its strategic purposes. In the rest of this section we consider the objectives EH has set to realize its aims.

### **2.2 Objectives**

EH's strategic plan (2002/07) sets out four key objectives:

- Increasing understanding of the past
- Conserving and enhancing the historic environment
- Broadening appreciation of the heritage
- Supporting our operations

These objectives are described as *cross-cutting*, reflecting the fact that they are delivered through more than one of the functional areas reviewed subsequently. EH's structure, systems, lines of accountability and performance indicators do not reflect these objectives, thus making it difficult to evaluate progress towards them.

Additionally, EH has identified five fundamental *Power of Place* priorities that its Commissioners have agreed should form the foundation of its new Strategic Plan for the years 2002/3 – 2006/7.

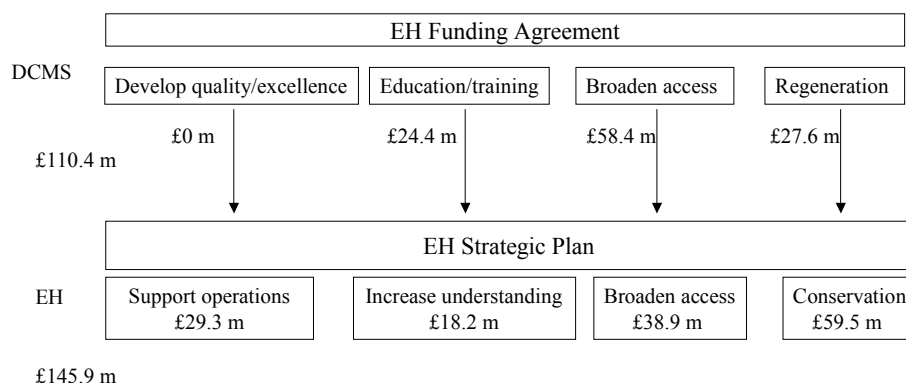
- Providing stronger policy and professional leadership for the sector both nationally and in the regions.
- Broadening public understanding of the historic environment, leading to greater practical involvement in its conservation and enhancement.
- Shifting the emphasis of conservation from costly emergency repair to preventive maintenance, through advice, grant-aid and fiscal incentives.
- Developing the capacity of the whole sector through professional training and the fostering of public – private – voluntary sector partnerships.
- Ensuring that Government and the sector are supported by robust evidence about the character, condition and socio-economic value of the historic environment.

Again it is unclear what the locus of these priorities are and how they mesh with both corporate objectives and performance.

### **2.3 Links to government objectives**

The DCMS' Funding Agreement with EH has 5 main objectives with corresponding expenditure blocks. These are set out below. The DCMS objectives do not exactly match those in EH's Strategic Plan, despite being for the same 3 years. This is not untypical given the department's diverse range of NDPBs.

## Funding of Objectives 2001



These are headline figures and as such need to be treated carefully. However it is of concern that EH appears to be allocating nearly £30 million to funding its supporting operations. We understand that these costs include central administration, office accommodation and some running costs.

A detailed analysis of EH's performance against the Funding Agreement targets for 2000/01 is at Appendix A.

### 2.4 Cross-departmental purposes

EH's statutory objectives as set out in the National Heritage Act 1983 encompass a wider purpose than that covered by the DCMS agenda and which again do not match with those in the Funding Agreement. These bring them into the arena of other Departments (e.g. DTLR, DEFRA) whose objectives may be different from those set by DCMS.

These three sets of objectives can then be overlaid with broader Government objectives (e.g. urban regeneration, social exclusion) or ad hoc Secretary of State initiatives (e.g. to encourage rural tourism after the Foot & Mouth Disease outbreak).

Given this complex relationship between statutory purpose and departmental agendas it is clear that government as a whole needs to offer EH clear strategic guidance about what is expected of it. A clearer framework of accountability between EH activity and expenditure and all government agenda needs to be developed. This issue is considered further in chapter 9 Relations with Government.

## 2.5 Linkage to functional areas

As stated in 2.2 above EH's objectives are not directly mirrored in its' organisation structure, systems and processes. These issues are explored further in section C (Organisational effectiveness), but it is worth highlighting here that this lack of transparency and consistency undermines EH's external reputation and creates confusion for those responsible for delivery, leaving individual members of staff without clear corporate objectives to guide them in setting priorities and taking decisions. Both these internal and external consequences weaken EH's capacity to deliver against its objectives.

## 2.6 Conclusions and recommendations

**The Review Team recognizes and endorses the continuing validity of EH's statutory purposes.** However we are concerned that EH's own approach to objectives, functions and services is overly complex. This issue is further considered in Section C. Organisational Effectiveness.

We acknowledge that the fit between EH's aims and objectives and those of government is a complex one which requires careful management and ownership by all parties. **We recommend that this interplay between statutory purpose, government objectives, departmental objectives and EH's own objectives and delivery is examined further both at the level of principle and practice.**

### **C. Functional Effectiveness**

The list of functions EH is empowered to undertake is set out in the previous section. In practice, EH's functions break down into three broad groupings:

- Conservation
- Properties
- Education and learning

These in turn are supported by EH's grants function whose main focus is currently conservation.

In this section we consider each of these four in turn before setting out conclusions and recommendations.

### **3. Conservation**

EH's first statutory duty is to secure the preservation of buildings, sites and landscapes of historical importance for the benefit of future generations. It uses three main levers to protect and enhance the historic environment: statutory controls, the provision of technical advice and guidance, and the offer of financial assistance. This latter mechanism is dealt with in section 6 Grants.

#### **3.1 Statutory protection**

With regard to statutory advice, EH has two main roles. The first is to *advise the Secretary of State for Culture Media and Sport about ancient monuments and historic buildings meriting statutory protection*. The use of listing as a protective device has increased over the last twenty years although the rate of increase has slowed more recently. Patterns and volumes of listing are not consistent across the country, perhaps reflecting a lack of clear national standards and guidelines, regional variations, or indeed changing perceptions and attitudes over time.

Although efforts have been made in recent years to minimise double handling, the separation of the *advisory* and *executive* components of listing and scheduling between EH and the DCMS involves bureaucratic overlap and inefficiency. Some of this duplication is required by statute and would require primary legislation to amend, other parts may be the result of practice built up over a number of years.

EH has also recently begun to make use of new non-statutory ways to secure the protection of historic sites and landscapes. It envisages this advisory capacity as one of its key challenges following Power of Place.

The strategic direction of Power of Place, coupled with Force for Our Future and the Green Paper on the planning process provide two potential drivers for the review of EH's own front-line service delivery.

EH's second role is *to advise Government and planning authorities about requests for permission to demolish or alter protected sites and buildings*. Exceptionally, EH will itself contest unacceptable proposals at public inquiry, with the approval of its Commissioners and on the basis of advice from its own expert advisory Committees.

Permission to alter scheduled monuments remains a duty of EH and the Secretary of State, but could potentially be handled more efficiently by local authorities who already have delegated authority to grant Grade II listed building consent.

### **Consultation feedback**

During the review process the view was expressed by some of those consulted that the statutory protection process has become too vigorous, and that EH has become increasingly interventionist. A further comment was that EH is slow to respond and can be inflexible in its views on individual cases, yet inconsistent in advice across cases (ie. lacking an overall corporate framework for decisions).

However these comments need to be balanced by the many positive experiences of expert advice, and can-do approach and service delivery cited by other consultees. In particular there was some evidence that EH have begun to improve their speeds of response.

### **3.2 Advice and guidance**

Statutory protection is only one of the means of protecting the historic environment. Of equal (and in future of even greater) importance is the use of specialist advice and persuasion to secure voluntary support for the conservation of the historic environment. Following the regionalisation of English Heritage, these functions are carried out in a number of different ways, each targeted at specific audience:

- national leadership on behalf of the historic environment through policy formulation, campaigning and strategic advice to Government;
- regional leadership and capacity-building through Historic Environment Forums, Regional Development Agencies, Cultural Consortia, local development partnerships and other forums.
- promotion and monitoring of national standards for the conservation of the historic environment and its associated documentation;
- commissioning of technical conservation research and publication of specialist advice and guidance for the benefit of owners and developers;
- provision of specialist advice and guidance to individual owners and developers delivered through EH's network of regional offices

Following the publication of *Power of Place*, EH has signalled its intention to strengthen its central policy role, and build up its capacity to advise and support the sector at a regional and local level. In anticipation of its being granted new statutory powers to operate overseas EH also proposes to adopt a more influential role in Europe and on the wider international stage.

## Consultation feedback

The findings of the consultation process suggest that EH's performance in this area is mixed. For example, whilst its technical research and conservation advice is recognized as being of a very high professional standard, there were also comments that EH does not have the breadth of skills to address complex issues of development or regeneration. Finally it is thought to punch below its weight as champion of the historic environment (we understand that senior regional staff currently estimate that only 20% of their time is spent on these activities), and it was suggested that service delivery and the nature of advice can vary between regions, functions, and experts. Whilst it is inevitable that such professional and qualitative opinions will sometimes vary from case to case and officer to officer, clearly defined and articulated national standards and frameworks (and their consistent application) should minimize inconsistencies.

The key to successful delivery will be:

- capacity building
- investment in the academic base
- continued development for staff and enhanced training

### 3.3 Conclusions and Recommendations

The Review Team **endorses EH's strategy to move towards achieving protection of the historic environment through leadership** rather than regulation wherever possible, whilst recognizing that this is a long-term aim. This will be a considerable shift in approach and to achieve it **EH will have to make far-reaching adjustments to the way in which it works.**

For example, whilst the expert capacity that it presently devotes to listing, scheduling and conservation advice will still be required within the system as a whole, these skills will need to be combined with greater leadership and influencing capacity. Where this professional expertise resides (local, regional, in-house/out of house), who pays for it, and how performance is managed will all need further exploration. As will the balance of roles between EH and local authorities and agencies.

The Review recognises that in recent years pressure on local authority budgets may have led to reductions in in-house expertise. This, combined with an increased focus on economic regeneration through development, have led to greater demands being made on EH by local authorities and other agencies on both statutory and advisory matters.

The Planning Green Paper and proposed review of the regimes for protection provide an opportunity for changing the operational approach to statutory protection. **The Review Team would endorse an approach that saw further transfer of operational responsibilities to local or regional authorities with EH retaining responsibility for setting national standards and frameworks and for regulating**

**enforcement.** At present EH provides its advisory services to local authorities and other partners free of charge. Given resource constraints and the reduction in local authority conservation capacity **it may be appropriate for English Heritage to consider charging for its conservation advice.**

**Furthermore we recommend that changes to legislation on statutory protection should provide the opportunity to revise legislation which perpetuates the duplication of activity between DCMS and EH in the listing process. We additionally recommend that DCMS and EH commission a study to examine how they can make the existing system more efficient and effective.**

These are areas where fundamental change will need to be effected over the course of the next five years. Such change will only benefit the historic environment if the new model is effectively resourced and operated by all those involved and will require EH to engage positively over a sustained period of time with central, regional and local government. The support of DCMS and the involvement of both DEFRA and DTLR will be crucial in this process.

**We recommend that in Stage 2 the Review Team in partnership with EH and relevant stakeholders sets out appropriate local, regional and national roles and examines a range of options for the delivery and resources of EH's functions at these levels.** This review should also consider how EH can best develop its international profile and activity. The terms of reference for this review are set out in appendix B1.

## **4. Properties**

### **4.1 Background**

EH's second core function is to curate and provide access to historic properties and associated museum collections in its ownership or care. They are taken on by EH when it judges no alternative provision can be made and when the object is of sufficient importance to warrant action.

EH is responsible for 409 historic properties in the ownership or guardianship of the State. These range from iconic national monuments like Stonehenge, Osborne House, Kenwood and Wellington Arch to a host of more modest medieval ruins and prehistoric burial mounds. Over the last decade the operational management of 149 of these properties has been successfully delegated to a variety of partners through Management Agreements

In 2001/2 EH expects to spend some £17m on maintaining its properties and collections. The operation and capital development of its interpretation and visitor facilities is estimated to cost £29m against an estimated income of around £25m.

Almost all EH properties are open to the public, making it one of the country's largest operators of heritage attractions. In 2001/2 some 11.5 million people visited its staffed and open-access sites. As well as providing a wide range of retail and contracted-out catering facilities, EH also mounts extensive annual programmes of exhibitions, concerts and special events as a means of encouraging new and broader audiences to its properties.

In the context of the public sector EH's property-management functions are most closely matched by those of Historic Royal Palaces (HRP) and The Royal Parks Agency. In the context of the voluntary sector its closest opposite number is the National Trust.

### **4.2 Issues**

During consultation it became clear that for some of EH's stakeholders, its property portfolio is problematic. Key issues to emerge were:

- There is a perceived conflict of interest in holding properties when EH is in the business of being a grant-giver to competitors
- The properties compromise EH's role as lead body for the whole sector and as a regulator
- The properties are not particularly well-run as public attractions and again this undermines EH's leadership position
- The properties drain resources and dilute management focus.

EH's own approach to the properties reflects the complexity of functions that they fulfill. They are:

- Held in trust for the nation in posterity
- An educational and access tool
- Visitor attractions
- Conservation 'studios'

However the balance between them, how they can be fulfilled and which properties play which roles is not clearly expressed by EH.

This ambiguity is reflected in the management arrangements and financial reporting for the properties. A substantial number (149) are run by 'third parties' under Local Management Agreements (LMAs). The remainder are operated as a split responsibility between each region (with an area manager) and the central Business team. There is no separate accounting for the properties, no clear framework for ensuring that all aspects of their complex roles are considered in investment decisions (for example recent extensive re-furbishment work at Osborne House did not include up-grading visitor facilities), nor for streamlining reporting and reward systems.

A number of those consulted suggested that the EH property portfolio could be separated out from the rest of EH either within the EH group or as a separate entity. However the properties cannot be characterized as a single portfolio: as well as differences in scale and scope, ownerships, rights and responsibilities vary. EH would also argue that the property portfolio gives EH practitioners a first hand experience of conservation and presentation that benefits them in fulfilling their other duties. Whilst recognizing this argument on a theoretical basis, the Review Team has not been able to identify any evidence to support it in practice.

Historic Royal Palaces (HRP) and the Royal Parks Agency (RPA) have curatorial and public access responsibilities analogous to those of EH. At the time of their establishment serious consideration was given to the amalgamation of their property portfolios with those of EH. Twenty years on, the arguments for potential synergies and savings in terms of shared marketing, professional curatorial and technical support services remain strong. However each of these bodies operates under a different constitution, with separate management and structures and indeed the three are at varying stages of development

### **4.3 Conclusions and recommendations**

**EH's approach to the management of its properties needs to change**, not least in order to restore confidence in its capacity and impartiality.

We do not believe that structural change along the lines of merger with either HRP or RPA is appropriate or any transfer of properties to an independent body such as the National Trust is realistic given the complexities of ownership and management, the need for investment in the properties, and the current demands on all these bodies. We also believe that there is value in retaining some competition and variety in the marketplace.

**We recommend that a review of its property portfolio is undertaken by EH as part of Stage 2 of this Quinquennial Review.** This exercise should address the concerns of stakeholders set out previously and also the managerial and operational difficulties identified in subsequent sections. This review should draw on the Business Group's plan to undertake a 'site prioritisation' exercise. A development strategy should be identified for each category.

As part of this exercise the following options should be considered:

- re-activating the trading company into which some or all properties could be placed
- drawing up a programme of investment and development, possibly utilizing the trading company vehicle
- using some properties as pilots for the development of best practice or innovation, reflecting EH's lead body role
- identifying further candidates for transfer to local management with suitable frameworks or franchise agreements to ensure both quality of care and access to the EH 'visitor attraction' brand
- developing a strategy for properties of regional significance in the light of forthcoming proposals for regional government.

To achieve greater delegation, EH will need to invest in a strategy of local partnership with interested parties or landowners to develop the capacity for local management. The models that are developed will need to ensure appropriate levels of curatorial and conservation intervention are included.

Greater distinction between the properties and the lead body and regulatory functions should enable EH to distinguish between corporate promotion and image development, and the property branding and marketing. It should also focus management responsibilities, develop greater property expertise, and clarify the financial contribution of the properties to EH.

This review process will need to be undertaken alongside the reviews of EH's local and regional relationships set out previously. Terms of Reference for this exercise are set out in Appendix B3.

## **5. Education and learning**

EH's third core function is to support research into the origins and significance of the historic environment, maintenance of the national information base the heritage, and dissemination of that knowledge and information through education.

In 2000/01 EH spent some £19m on its research and survey work (including £4.6m awarded in grants and contracts to third parties), £4m on maintaining and providing access to the National Monuments Record archive functions transferred to it from the RCHME in 1999, and c. £2.5m on school education and skills training for the sector.

Educational activity is the one functional activity EH is required to undertake. It is also one of DCMS's core objectives

### **5.1 Research and Survey**

EH is *empowered* but not statutorily obliged to sponsor scientific, technical and academic research. It does so because it believes that conservation of the historic environment and its enjoyment by the public both depend on a constant supply of authoritative and up-to-date information and knowledge about the origins, significance and condition of the historic environment. Prior to their merger in 1999 EH and the RCHME each maintained their own specialist teams of surveyors, archaeological scientists and architectural historians.

One of the key purposes of merger was to allow the integration of those teams and the development of a coherent national centre of scientific and technical excellence for the historic environment sector. This has now happened and EH is currently in the process of reviewing the entire range of its research activities to ensure that they are focused on the key priorities identified through Power of Place and Force for Our Future.

In addition to its in-house research EH sponsors archaeological and technical research carried out by others. Unlike its natural environment counterpart, the historic environment sector has no dedicated research council with responsibility split between the Natural Environment Research Council (NERC) (for science-based archaeology), the Arts and Humanities Research Board (for certain fields of historical research) and EH (as a major commissioner of archaeological and technical research from the university sector).

EH's *Power of Place* commitment to coordinate the development of a robust framework of evidence about the character, condition and socio-economic contribution of the historic environment will require close working relationships with the statistical and data-holding divisions of the DTLR and DEFRA and their environmental NDPBs.

### **Consultation feedback**

During consultation much praise was offered for the quality of EH's research work, although a limited number of respondents suggested that the research agenda was shaped internally rather than being driven by strategic need.

## **5.2 Archives and Information**

The National Monuments Record (NMR) is the central archive and database for the historic environment of England. Previously curated by the RCHME, it comprises 12 million photographs, drawings and written reports and a computerised record of more than a million historic buildings and archaeological sites.

As well as serving as a primary source of information for official and professional conservation purposes, the NMR is a major but under-exploited educational resource that can open the door to the history of every street, village and neighbourhood in the country. Its contents are freely available through its London and Swindon search rooms and in recent years the NMR has been developing a range of remote-access services to increase its public accessibility.

Since merger, significant progress has been made with integration of the separate sets of heritage records previously maintained by EH and RCHME. Substantial investment in Geographical Information System (GIS) software has also begun to allow much more powerful spatially-based retrieval of information about the location and significance of the sites and buildings that make up the historic environment.

### **Consultation feedback**

The Review Team found some suggestions that this resource is under-utilised by EH and the wider sector, and that the research and data collection functions of EH and the RCHME have not been integrated fully.

## **5.3 Education**

EH fulfils its educational brief by:

- providing free access to its properties for school parties,
- publishing resource material for schools,
- and promoting the curriculum-related teaching of heritage-related subjects in schools and to the life-long learning community.

Over the past ten years EH's Education Department has earned an international reputation for the quality of its publications and support for schools. EH has recently begun to provide its educational services to the heritage sector as a whole, and in line with Government policy and in the spirit of Power of Place proposes to extend its general educational activity beyond the classroom and into the heart of the community provided that sufficient resources are available.

In parallel with its work with children, EH provides and sponsors professional training for the historic environment sector. Drawing upon its own expertise and that

of its partners, its outreach activities range from the promotion of traditional craft skills to the continuing development of architects, archaeologists, planners and other groups of conservation professionals.

In terms of technical education, EH recognises that as lead body for the sector it will need to make a greater investment in the coordination and development of craft skill and Continuing Professional Development programmes for the sector.

EH has indicated that it wishes to place greater priority on its educational activity. EH's actual levels of expenditure in this field are not clear. It has not been possible during the course of this first stage review to establish accurate numbers (one analysis suggests that it spends approximately 4% of turnover on education, although it is not clear what educational activity this refers to). This issue of financial information is raised subsequently in section 12.

#### **5.4 Conclusions and recommendations**

It is encouraging to see EH declare its intention to invest further in research, information and education. It has a strong asset base to support it in so doing. **The Review Team believes that there is a strong argument for bringing all these areas together under one directorate (as proposed by EH). To be effective this directorate must have a seat at the Executive Board and be supported by a significant direct budgetary allocation.**

Within this overall area **we also recommend that EH reviews its education and learning strategy, looking to develop programmes of activity (and thus expenditure) that match strategic intent.** The review should consider the range of need from expert research to professional development to life-long learning and schools activity on the 'lay' side. This may then lead to adjustments in the balance of resources between these areas as activity flows from the identification of corporate priorities.

On the narrower issue of research **we recommend that a strategic review of EH's approach to research is undertaken in stage 2 and terms of reference for this review are set out in Appendix B2.**

## **6. Grants**

### **6.1 Grant activity**

EH provides grants to assist with the repair and enhancement of historic buildings and Conservation Areas. The value of grant expenditure has been more or less static over the last five years (from £31.1m in 1997/8 to £29.6m in 2000/01).

Grant aid is awarded through a number of parallel schemes, each targeted towards a particular category of building or area recognised to be at risk (eg secular buildings, places of worship, conservation areas). Grants of lesser value are allocated through EH 's regions, while larger awards, including those to cathedrals are allocated on the basis of national priority.

As a follow-up to *Power of Place* EH has been considering the effectiveness and value for money of its grant schemes compared with other methods of securing the future of the historic environment. In the light of this review EH is planning to shift a proportion of its current grant budget from direct repairs to projects that will encourage the better ongoing maintenance of historic properties.

EH recognises that its level of grant-giving has decreased in real terms, and that alongside the growth of other sources of funding (see below) this has resulted in a diminution of its influence on the ground. There is however no external control on how much or how little of its funds should be spent on grants to third parties (in this respect grants are no different to investment in third party research).

### **6.2 The wider grant picture**

EH's grant-giving functions sit alongside those of the Heritage Lottery Fund (HLF, administered on behalf of the DCMS through the National Heritage Memorial Fund) and the Architectural Heritage Fund (AHF, previously sponsored by DCMS and by EH through its Heritage Grant Fund).

In 2000/01 the value of HLF grants to the historic environment awarded in England was around £70m. EH and the Heritage Lottery Fund (HLF) each provide grants for the repair of historic buildings and landscapes. Since the establishment of the HLF, EH has been its main source of expert advice on conservation grant applications. In addition the HLF and EH have each contributed around £10m a year to a joint scheme focused on places of worship. The HLF has also invested £24m in EH's Conservation Area Partnership scheme.

More recently the New Opportunities Fund has also been given the authority to fund the enhancement of the environment through its 'green spaces' programme. Lottery funding is now the largest single source of subsidy for the conservation of historic buildings and landscapes and is thus of crucial importance to EH as the Government's lead body for the sector.

The overlap between all these funding roles requires careful management to avoid duplication and to ensure effective strategic targeting of the available resources.

### **6.3 Conclusions and recommendations**

The relationship between EH's investment programme and its strategic objectives is not explicit. It is not clear whether EH has developed a robust framework against which to devise its grants framework or to review or change historic patterns of expenditure.

Furthermore, as EH has attempted to spread its influence (for example into the regeneration arena) so its shrinking grant pot has had to be spread more thinly. In some cases, small levels of grant are being used to ensure that EH has a seat at the table. Given its role as lead body and expert in the field, and also regulator of the historic environment, it is questionable whether it is really necessary for EH to have to do this.

The Review Team **recommends that a review of EH's grants programme be undertaken once the Stage 2 reviews are completed.** This should consider these amongst other topics:

- How can grant funding best support corporate objectives
- How should a balance be set between short term project needs and longer-term sector development
- How can the grants programme be best delivered (in-house, out of house, through partnerships)
- What frameworks and criteria should EH set and develop in its grant strategy
- How EH should work with other funders to ensure that resources, expertise and operations continue to be used to best effect to meet need and that EH's investment strategy adds value to the sector

## **7. Conclusion to functional effectiveness**

The Review Team recognizes that EH wishes to move towards **playing a fuller role as government's lead body on the historic environment and to rise to the challenges set out in A Force for Our Future**. In so doing it wishes **to increase its policy capability, to develop greater sectoral expertise through professional development and to invest further in its learning and education activity**.

**We believe that this is the right strategic direction for EH and for increasing the capacity of the sector as a whole**. However, we also recognize that realizing this strategy is a serious challenge for EH and will require significant and real change in the way in which it operates. To have any impact **EH will need to deliver changes to its structure, skills, staffing, and service delivery**. Some of these issues will be picked up in the subsequent section – organizational effectiveness.

**We consider that the different roles and requirements of a national lead body, a regional influencing capability, and local provision of services needs to be articulated, with EH focusing on the first of these two areas whilst seeking to develop local or third party capacity to undertake the latter**.

**Furthermore we recommend that there should be a distinction between EH's property management role and its lead body and regulatory role, enabling management and delivery capabilities to be developed**.

**Specifically, in Stage 2 of this review we would like to develop with EH and key stakeholders, options for different delivery models for delivering services and activities at local, regional and national levels**. We recognize that these are changes that will need to be effected over a period of time with the involvement of those who operate at all these levels. Furthermore it is encouraging that these issues are recognized by the Commission themselves who have contributed to the diagnosis and to the identification of a way forward.

### **7.2 Structure**

Having concluded that all of EH's functions remain necessary, we have considered whether they belong together in the same body. The existing broad span of responsibilities makes it difficult to manage and focus the organisation and it could be argued that a narrower remit would be more effective. However, having considered the relationship between the various functions in some depth, we conclude that the strategic, regulatory and investment functions are indeed complementary. Without a basis in regulatory practice EH's strategic work would be weakened and would lack authority. And, if divorced from EH's research and investment functions, EH's strategies would be ineffective. EH should therefore continue to be responsible for these functions. However, it does not follow that all of the functions need to be performed in-house.

It seems to us that the synergy between these core functions and the management of the historic properties is less strong and that the latter could in theory be managed by

other organisations. The case for and against this option turns on practical considerations rather than on principle. This issue will be considered further in stage two.

It follows from our conclusion that strategy, regulation and investment should remain within EH's remit and that the organisation needs to be classified to the public sector. It would be inappropriate for the responsibility (as distinct from the delivery) of regulation to be outsourced. And we believe that a private sector organisation could not be expected to comply with the requirements of public accountability for public funds since they would have their own corporate or charitable objectives, which might well conflict with the requirements of Government. Within the public sector EH should continue to operate as an NDPB since, unlike an Executive Agency (which is subject to direction by Ministers on the outcomes to be delivered), it needs to exercise a substantial degree of discretion over the way in which it performs its functions.

## **D. Organisational Effectiveness**

### **8. Context**

EH has gone through and is facing considerable change: it has a relatively new Chairman, a new Chief Executive, the top team is being re-shaped, and legislative changes that could have far-reaching consequences are on the horizon.

At a corporate level EH has also spent quite some time in recent years seeking to change the way in which it works. It is the view of the Review Team that this process of change has been of only limited success and has led to an organization with too great a focus on its own internal dynamics and insufficiently responsive to external change.

Nonetheless, the new team at EH recognizes that change must now be driven through the organization and is determined so to do. The quinquennial review reflects in part that EH is in some ways an organization in transit and our findings and observations should be seen in that light.

Finally in facing and delivering change EH is fortunate to have a dedicated and highly professional staff with much expertise and many ideas to offer. It also has a strong asset base (knowledge and information) and has government recognition as lead body. **These are essential building blocks, which place it in a strong position to be able to implement its vision.**

Thus whilst the rest of this section highlights some areas where further work is required, all comments and observations should be seen in the context of EH's strengths as well as its weaknesses.

## **9. Relations with government**

### **9.1 Background**

EH was originally sponsored through the Department of the Environment, but was transferred in 1992 to the new Department of National Heritage (DNH, subsequently the DCMS). Within DCMS, EH sits alongside other NDPBs with responsibilities for different aspects of the built environment and portable cultural heritage:

- Historic Royal Palaces
- The Royal Parks Agency
- The Heritage Lottery Fund & New Opportunities Fund
- CABE (The Commission for the Architecture and the Built Environment)
- Re:Source (The Museums, Archives and Libraries Commission)
- English Tourism Council & Sport England

The initial statements of DNH/DCMS purpose made almost no reference to the built heritage, focusing instead almost exclusively on sport, tourism and the creative arts. As a result, EH found it difficult to fit its own statutory conservation duties into the DCMS agenda of contemporary cultural and sporting priorities.

In 1999 the Culture Select Committee noted this shortcoming and recommended that the DCMS should provide stronger strategic direction for the heritage sector. In response, the DCMS and DETR (now DTLR and DEFRA) jointly commissioned EH to coordinate a major review of policies for the historic environment, whose results were published in November 2000 under the title *Power of Place*.

*A Force for our Future*, the Government's response to the recommendations of *Power of Place*, was published on December 2001 and provides the first comprehensive statement of Ministerial priorities for the historic environment. It endorses much of EH's own strategy and demonstrates how government envisages EH contributing to this.

As *Power of Place* has made plain, EH's curatorial, and access functions sit comfortably alongside the DCMS's other cultural and tourism interests, but its planning, conservation and regeneration functions relate much more closely to the work of the DTLR and DEFRA. EH has established effective *operational relationships* with both departments, but the lack of any formal constitutional relationship and of a high-level influencing capacity has hampered it from developing the level of integrated joint-working and leadership that is needed.

Additionally, EH's Education Department maintains working relations with the DCMS's Education Division and with appropriate specialist teams within the Department for Education and Skills. At a strategic and operational level it also works in close cooperation with the Curriculum Development Agency and other bodies responsible for the coordination and development of educational resources in and beyond the school classroom.

## 9.2 Conclusion and recommendations

**EH needs to invest time and capacity in developing a series of cross-departmental relationships at all levels**, ensuring that in all relevant areas its message, role, and views are understood and respected.

**The relationship between the different departmental objectives and EH's statutory purpose and corporate objectives needs to be more clearly articulated**, as recommended in Section 2.

Whilst EH currently has good every day working relationships with departments the Review Team is concerned that it is not sufficiently effective at getting its policy agenda across at a senior level with both politicians and officials across both spending and central departments. **The creation of a policy directorate will help towards this, as would the appointment at Commissioner level of a senior 'Whitehall' insider, and the development of a comprehensive strategy for influencing Whitehall.**

At this stage in EH's development **we do not believe that co-sponsorship between DCMS/DTLR/DEFRA would be advantageous, but recommend that this position is reviewed once this period of change is complete**, and it has developed more effective 'Whitehall' antennae. In the short term both EH and DCMS will need to work in strategic partnership with other departments as EH explores different operating models at local and regional levels, and as the results of the forthcoming Planning Green Paper are published.

**In all these areas DCMS will need to take a more pro-active role in supporting and strengthening EH's position.**

On the matter of legislation, we are satisfied that the 1983 Heritage Act and subsequent legislation, including the National Heritage Bill (2002) currently before Parliament, provide EH with the basic powers and authority that it needs to fulfill its core purposes. However, **we recommend that those powers be looked at again in the light of the conclusions of the review of EH and government objectives. We similarly recommend that the findings of the review should inform the drafting of EH's new Financial Statement**, which needs to ensure that the organization has the necessary freedom and flexibility to manage its business while remaining properly accountable to government and ministers.

## **10. Managing other External Relationships**

### **10.1 Background**

English Heritage (EH), as the Government's lead body for the historic environment, has a wider range of statutory, advisory and executive functions than most other DCMS NDPBs. Because its sphere of interest is so broad, spanning both the urban and rural environments and encompassing public, private and voluntary sector interests, it also needs an unusually extensive set of working relationships.

At a national level these range from central Government departments and their NDPBs to key non-governmental conservation agencies and private-sector professional associations. Across the country they include Regional Development Agencies and Cultural Forums, local authorities, amenity societies and community partnerships. EH also has important functional links with the Government's other key environmental protection and regeneration agencies, including most notably the Countryside Agency, English Nature and the Environment Agency.

The historic environment is one of the most important contributors to economic tourism. EH, as sector lead body and as one of the largest operators of heritage attractions in the country, works in close partnership with the English Tourism Council (ETC) and British Tourism Authority, the National Trust, the Historic Houses Association, the Churches Conservation Trust, the Civic Trust and other voluntary and private sector associations involved with the presentation of historic buildings to the public.

The Commission on Architecture and the Built Environment (CABE), as the successor to the Royal Fine Arts Commission, has advisory duties that naturally overlap with those of EH. EH is concerned primarily with extant buildings and CABE with new development to the historic built environment in which it is set.

Since 1999 CABE and EH have sought to define their areas of shared interest and those in which they may defend different positions in their roles as independent advisors to Government. In recent months this has led on the one hand to the publication of joint guidance on the design of tall buildings, and on the other to their appearing on opposite sides in the current Heron Bishopsgate planning inquiry.

Beyond these institutional relationships, EH has one-to-one relationships with the 11 million people who visit its properties each year, its 400,000 members, and the tens of thousands of members of the public who make use of its grant-aid, advisory, educational and information services

## 10.2 Conclusions and recommendations

The Review Team felt that the management of these crucial and extensive external networks and alliances was one of EH's greatest challenges for the future: if it is to fulfil the role of lead body to government it must have effective relationships with its peers and its stakeholders.

At present performance is mixed.

In some areas EH suffers from some perceptions of being unresponsive, controlling, erratic in performance, and opaque in decision-making. The grant-making and property management functions contribute to a sense of unease about EH's role and intentions, whilst EH's policy formulation function and influencing capacity are viewed as weak

On the other hand its expertise, experience and commitment to the historic environment are recognised and lauded. Furthermore, EH is coordinating the cross-sectoral Steering Group that will drive forward the Power of Place agenda whilst the regional teams are proactively setting up cross-sectoral Historic Environment Fora. Both these approaches are evidence of EH implementing its strategy of working in partnership with other players to the benefit of the sector as a whole.

EH is punching below its weight in various arenas at national, regional and local level. **It needs to raise the value and purpose of external affairs within the organisation and build a strong national and regional profile for the historic environment drawing on policy and research, learning and education work.** This should target opinion-formers, stakeholders, and peer groups.

## **11. Governance**

### **11.1 Background**

English Heritage's governing body is the Commission, made up of 18 Commissioners appointed by the Secretary of State. There are currently a number of vacancies. A commissioner is given special responsibility for each of the English regions, but is not appointed as its 'representative'. EH does not formally appoint representative Commissioners although it does try to ensure that those with experience and expertise pertaining to its core functions are present on the Commission.

EH also has an extensive network of advisory groups and committees to support its professional work. Technically at least these groups do not form part of the corporate governance structure of the organisation (although two, Historic Area and Buildings and Historic Settlements and Landscapes, are required by statute). A review of these groups took place in 2000/01 which resulted in some re-structuring.

### **11.2 Conclusions and Recommendations**

The Commissioners have a key role to play in ensuring EH's future success. The current Chairman has been leading the process to modernise EH and alongside the Chief Executive he will have a critical role to play in demonstrating to the stakeholder community how EH will operate in future. This role has already been ably demonstrated through the role taken by the Chairman in the leading the Power of Place Steering Group.

The Commission as a whole will also help to shape EH's future. In order to do so, it will need to ensure that it reflects the right mix of skills, sectoral experience and influencing capacity amongst its members, that it develops a shared understanding with government of what EH is trying to achieve, that it is effectively briefed by and can provide appropriate direction to the executive, and that individually Commissioners are able to act as advocates for EH. In so doing it will be important that Commissioners continue to be selected on the basis of what they can contribute to EH, rather than representing particular interest groups.

Given the thrust of EH's strategy and the findings of this review, it may be helpful for the Commission to ensure that it has amongst its members, **individuals who can provide guidance on how government operates at a senior level (the 'Whitehall insider')** and also experience of managing a £100 million plus turnover organisation.

## **12. Resource allocation**

### **12.1 Objectives and resources**

As stated in section 2.2, EH sets out four key objectives in its strategic plan:

- Increasing understanding (£18.2million)
- Broadening access (£38.9 million)
- Conservation (£59.5 million)
- Supporting operations (£29.3 million)

Each objective is then sub-divided with resources allocated against them. This strategic mapping is not then reflected in the structure of EH's financial reporting or accounting, creating a dis-juncture between what the organisation declares as its intent and how it subsequently captures information and reports on activity.

Thus financial information is summarised into 5 headings (which broadly reflect EH's current structure):

- Conservation
- Regions
- Business Group
- Corporate Services
- Finance and Central

Furthermore there is disparity between planned and actual expenditure, and between internal management accounts and strategic financial reporting, as has been found in the case of education.

This lack of clarity is partly the result of EH's decision to adopt a 'cross-cutting' approach to its objectives, overlaid by a management approach that is partially vertical and partially matrix. It would appear that financial and other reporting systems have not kept pace with these developments.

### **12.2 The Budgeting process**

EH do not undertake zero-based budgeting exercises and only about £10 million of the annual budget of some £144 million is regarded as being discretionary spend. Thus although spending plans are reviewed each year, in practice the allocation of spend remains broadly the same. (Source Anite PS)

Evidence from interviews is that Directors (including Regional Directors) contribute to this process by submitting their plans, which are then assessed on the basis of how much they were given last year and adjusted by +/-5%, depending on whether there is a particular programme deemed worthy of support (e.g. Year of Crafts and Skills).

EH's budgeting process is not aided by its complex accounting system, which has 20,000 cost centres but no Profit & Loss system. Hence a property may earn revenue from the sale of guidebooks but does not bear the true cost of those publications. This does not aid managers in understanding performance.

### **12.3 Conclusions and recommendations**

**EH must urgently review its approach to financial management**, so that:

- financial and management information systems are streamlined so they support the delivery of corporate objectives
- There are transparent links between different reporting levels and consistent use of performance measures and indicators.
- The number and nature of cost centres is radically overhauled.
- A greater degree of financial literacy is achieved within the organisation
- Greater flexibility in the allocation of resources between areas is achieved such that money can swiftly follow organisational imperative

This process would be supported by a simplified approach to setting objectives, organisation structure and operational processes (see below).

The Review Team would expect EH to be able to demonstrate significant progress in this area during the period of Stage 2 of the review.

## **13. Staffing**

### **13.1 Background**

EH has a permanent staff of 1650 rising to 1850 during the peak summer season. In addition to its operational staff, EH carries a central support team of 180 based in Savile Row and within each region a finance and planning manager, some shared HR staff, and a marketing post. It spends in the region of 2.5% of core salary costs on training and development.

A key theme to emerge from all aspects of consultation was the dedication and commitment of staff to conservation of the historic environment. Furthermore there is explicit recognition of the professionalism and expertise found across all parts of the organisation.

However, the view was also expressed that EH needed to have a broader mix of skills if it is to have effective influence in areas such as regeneration and tourism: notably more commercial and development skills, strategic management and communication skills.

Many of EH's staff enter the organisation with a related professional qualification: they are attracted to and valuable to the organisation because of their expertise. However as the organisation develops and staff are promoted internally the skills required of them may change.

### **13.2 Conclusions and recommendations**

EH recognises **that it needs to develop and implement a comprehensive HR strategy to meet its changing needs.** This should include:

- A review of training and development needs for existing staff (and particularly those entering or moving through management) to meet the challenges of the future
- Identification of core competency needs
- Recruiting a broader range of skills,
- Developing performance management and reward schemes to support the corporate agenda.

The strategy will need to be developed after Stage 2 is completed and will feature in continuing discussions between EH and DCMS.

## 14. Structure

### 14.1 Background

EH's organisation structure is in a state of flux: new posts are proposed but not yet appointed (Directors of Resources, Policy, Education and Learning) and the new Chief Executive is newly arrived.

The 'outgoing' structure does not reflect corporate objectives. This is not entirely unusual, but in a complex organization with a range of key stakeholders a transparent and simple system can support the corporate agenda rather than confuse it. However EH's structure makes it difficult for priorities to be determined and then transformed into action throughout England. Again this is not unusual or surprising in an organisation which has recently established 9 Regional Offices with a national centre managed by a team of Directors all reporting to a Chief Executive, topped by a Chairman and up to 17 Commissioners, with a range of advisory committees to support it.

Lines of responsibility are fragmented. For example, each Regional Office has a Regional Education Officer who reports to the Regional Director but who also sets national education policy centrally in a team with the Education Director. However, since the regional budget for education is determined by the Regional Director, the regional execution of the national education plan is dependent on the Regional Director having the same priorities and allocating cash accordingly.

### 14.2 Conclusions and recommendations

EH is in the process of changing its senior management structure with the creation of new directorates in resources, education and learning, and policy. The creation of the Business team has been another step in the right direction, although the use of matrix management with regard to the properties, alongside the creation of regional offices, has not helped to develop clarity of purpose or operations with regard to the properties.

This creation of a matrix structure to manage the development of a stronger regional presence has resulted in a confused set of accountabilities and relationships. **We recommend that the new Chief Executive, with his senior team, adopts a clearer and simpler line management structure that enables more straightforward accountabilities.** Alongside this, the organisation then needs to develop the capacity to form teams from across disciplines and regions to tackle specific issues or projects.

## **15. Regional approach**

### **15.1 Background**

EH has 9 regional offices set up in 1999. As suggested previously EH has attempted to introduce a matrix management approach to the regions with quite limited delegation and financial freedom. In practice each 'centre' at EH (eg conservation) sets priorities and budgets and the regions manage these multiple strands rather than a single regional budget. In some ways this is not a matrix system at all but a series of controlled delegations.

Levels of staffing at regional offices vary. In total there are 400 staff in regional offices (this excludes site custodians), ranging from 77 in London to 60 in the South West to 25 in the North West. Regional staff have a range of responsibilities reflecting the functions set out in section 4, but it is clear many staff spend much time on casework across a wide geographical area.

Whilst one of the purposes of setting up regional offices was to develop a stronger leadership capacity at a regional level, even senior regional staff suggest that only 20% of their time is spent on this activity. This opens up a very real concern that the involvement of officers on case work at a local level is preventing EH corporately from fulfilling its objectives in the longer term.

Finally given that EH needs to set national standards and frameworks, there remains the thorny issue of how to ensure that knowledge and ideas flow through all parts of the organization. Those working in the regions will have much to contribute, yet common frameworks need to be developed centrally.

To coincide with the Quinquennial Review, Quest have undertaken a pilot study of EH's regional approach. Its key findings are reflected in the following conclusions and recommendations.

### **15.2 Conclusions and recommendations**

EH's decision to set up regional offices has been recognized amongst stakeholders as a step in the right direction. However it is questionable just how much difference the regional presence has made: possibly some regions have benefited more than others from a more 'local' presence. However the current regional operations are characterized by:

- Lack of devolved control and financial delegation
- Confused reporting lines between 'central/national' functions and regional operations
- Heavy demand for case advice, over-stretching regional teams on local matters
- Limited capacity to operate effectively as advocates regionally through resource constraints and casework priorities

As set out in Section 3 we recommend that EH's national, regional and local roles and delivery of functions are explored further in stage 2. In this context we recommend that the following regional outcomes should be sought:

- **Greater investment in regional leadership and standard setting**
- **Further delegation of authority and financial control to enable regional managers real opportunity to respond to regional needs**
- **Clearer distinction between functions and accountabilities for policy development, local case work and advice, and property management (see section 4).**

## **16. Conclusion to organizational effectiveness**

A consistent message is emerging: on the one hand EH has an ‘unrivalled pool of professional staff’ and is recognised as having the expertise and experience to address issues of conservation, on the other hand it punches below its weight in a number of key areas relating to the historic environment.

Why is this? There are a number of factors at work:

- Quality control: there seems to be either an absence of agreed corporate standards, or a lack of enforcement of them. This enables individuals to exercise considerable autonomy within their ‘patches’. The balance needs to be re-set towards the institution’s needs rather than the individual’s.
- Culture: the organisation gives the impression of being inward-facing, yet without a clear sense of direction. This leads to a lack of understanding of how to play an effective leadership role, poor networking, agenda-setting and influencing skills.
- Management: EH seems to operate an administrative system rather than a management system. This prevents it from exercising strategic corporate control, tapping information, improving operations, and providing direction internally.
- Misalignment between activity and intent: because EH’s management capacity is under-developed it lacks some of the basic tools to align strategy with operations (management information systems, performance and reward structures, lines of accountability and structure, budgeting and reporting structures)
- Resources: in the external market there is an almost universal belief that EH is under-resourced. However, the absence of effective management information makes it almost impossible to judge how effectively EH is allocating its *existing resources* against objectives. There is some evidence that at a minimum EH’s central support services could benefit from streamlining.
- Focus: the passion and commitment of EH’s staff to the conservation cause has led it to provide considerable on the ground support on individual cases, often in the absence of any other local expertise or resource. This approach is time-consuming for a resource-constrained organisation and it is questionable whether it leads to victory in the war as well as in the battle. Furthermore EH has tried to develop its involvement locally beyond the scope of individual buildings into area development, for example through ‘heritage regeneration’ (where the marketplace questions whether it always has all the necessary skills). This in effect causes a double whammy – stretching it ever more thinly in different directions.

Some of the recommendations relating to EH’s functional effectiveness in section 4 will address some of these issues. However, **EH also needs to undertake a major programme of transformation to develop its organisational effectiveness.**

Without significant change to internal operations, systems, processes, and expertise, improvements in EH’s external capacity will not flourish. This need for modernisation is recognised by the Commission.

In essence we believe that EH needs to develop a major change programme spearheaded by a powerful senior team supporting the Chief Executive.

## **E. Summary Of Conclusions And Recommendations**

### **Background**

The last five years have been a period of change for English Heritage – as will the next five. This change is manifested on a number of fronts including:

- the historic environment ‘marketplace’
- national and local government policies and provision
- public expectation
- and internal changes at both Commission and executive level

EH has attempted to address these changes in recent years (for example through the development of its regional offices) but with mixed success.

The new Chairman and management team at EH recognise the issues and problems that the organisation faces and are preparing to address them. In this context their contribution to the quinquennial review process has been invaluable in helping to analyse the current situation and to identify recommendations for the future.

### **Functions**

The Review Team recognises that EH’s functions remain **valid** and **valuable** to society and that by their nature responsibility for them should remain within the public sector, although the mode of delivery for particular areas will need further evaluation in Stage 2 (see recommendations below).

The Review Team recognizes that EH wishes to move towards playing a fuller role as government’s lead body on the historic environment and to rise to the challenges set out in A Force for the Future. In so doing it wishes to increase its policy capability, to develop greater sectoral expertise through professional development and to invest further in its learning and education activity.

**We believe that this is the right strategic direction for EH and for increasing the capacity of the sector as a whole.** However, we also recognize that realizing this strategy is a serious challenge for EH and will require significant and real change in the way in which it operates. To have the desired impact EH will need to deliver changes to its structure, skills, staffing, and service delivery.

Specifically, there isn’t a sharp enough distinction between the activities and roles of a **national, regional, and local nature**, and between the management of the **historic properties** and EH’s other strategic and regulatory functions. This lack of clarity in delivery prevents EH from being as effective as it could be in each of these areas.

### **Historic environment conservation**

In particular, EH has suffered from the erosion of conservation and heritage expertise and experience in other agencies (particularly at the local authority level). In these circumstances EH has stepped in to address the gap through providing guidance and advice itself. Concurrently EH has broadened its engagement with historic

environment issues, for example in the area of regeneration, when it has not always had the breadth of skills needed to do so. The impact of these developments has been a drain on resources and a loss of strategic focus.

### **Education and Learning**

The Review Team is encouraged by EH's commitment to develop further its education and learning function (both at the professional and the public level) and recognises its strong knowledge and information base. EH's expert knowledge and quality of research were widely acknowledged during the consultation process.

### **Grants**

It was less clear how effective EH's **grant programme** is in meeting strategic objectives, nor whether the current operation of the grant programme and its relationship to other grant makers in this field is operating to maximum effect.

### **Property Management**

Similarly the Review Team is concerned that the current property management arrangements dilutes management focus, is perceived as a conflict of interest externally, and prevents EH from realising the educational, interpretive and attraction potential of the properties.

### **Organisational Effectiveness**

At a corporate level EH has also spent quite some time in recent years seeking to change the way in which it works. It is the view of the Review Team that this process of change has been of only limited success and has led to an organization with too great a focus on its own internal dynamics and insufficiently responsive to external change.

Nonetheless, the new team at EH recognizes that change must now be driven through the organisation and is determined so to do.

In facing and delivering change EH is fortunate to have a dedicated and highly professional staff with much expertise and many ideas to offer. It also has a strong asset base (knowledge and information) and has government recognition as lead body. **These are essential building blocks and places it in a strong position to be able to implement its vision.**

However, there are a number of management and operational weaknesses that must be addressed urgently. In particular objectives, strategic priorities, resource allocations and organizational structure are not aligned so that some key areas for development (for example education, or policy development) have not been given sufficient authority or resourcing to match the declared corporate intent.

## **Financial Management**

Similarly EH's financial management, budgeting and management information does not reflect or support corporate objectives. All these areas require urgent remedial surgery. EH's human resource management will also need to adapt to changing circumstances over the coming months.

## **Structure**

Finally EH's organization structure has become over-complex, in particular with the development of a regional structure and the integration of property management. The use of cross-cutting themes and matrix management has clouded responsibilities and accountabilities, both weakening the corporate capacity to deliver strategy yet also leaving individual teams and members of staff without clarity of purpose and function, and in the case of the regional offices, insufficient capacity and freedom to respond effectively at a regional level.

## **Relations with Government**

EH's statutory purposes and its functions contribute to and have impact upon government objectives beyond those of DCMS alone. However these relationships are not well developed either at the level of policy formulation or objective setting. The publication of A Force for our Future is a welcome step in creating greater clarity about government policy for the historic environment, but there remains the need for greater engagement between EH and non-sponsor departments such as DEFRA, DTLR, and DfES. DCMS will have a leadership role in effecting these developments.

Until these matters are resolved and EH's cross-departmental relationships are strengthened we do not think that co-sponsorship should be considered.

## **Recommendations**

A list of the recommendations is included at the beginning of this report.

## **Appendix A**

### **Analysis of EH performance against Funding Agreement targets for 2000/01**

This note provides a brief analysis of English Heritage's performance against its Funding Agreement with DCMS for 2000/01.

#### **Funding Agreements**

All Government Departments must produce a Public Service Agreement (PSA) showing how their spending will deliver Government objectives alongside increased efficiency and improved effectiveness. DCMS's PSA sets out the Department's aims and objectives and describes the detailed performance targets which the Department has set itself with the Treasury's agreement. Most of the Department's expenditure is in the form of grants to Non-Departmental Public Bodies and these will play an important role in achieving the PSA targets. The Department has agreed three-year Funding Agreements with all of the bodies it sponsors, setting out shared objectives and clearly stating what outcomes are to be expected from the public funds involved.

#### **Delivering objectives**

EH met 12 out of 18 targets in its 2000/01 Funding Agreement.

Conservation targets were an area of high success. EH exceeded the targets for the number of properties removed from its Buildings at Risk register and the number of properties where backlog repairs had been completed, while targets for improving casework turnaround and increasing the proportion of grants allocated to regeneration schemes were met.

In the important area of access, targets relating to visitor numbers were not met. There were 11.2m visitors to EH's Historic Properties, which was 0.6m below the target, and 5.1% down on 1999/2000. However, the target for visitor satisfaction was met. There were 515,000 educational visits, which was the same number as in 1999/2000, but 20,000 below the target. The number of members increased by 17,000 to 459,000, but this was 10,000 below the target. Targets in this area were affected by exceptionally wet weather throughout the year, a fuel crisis in September and the impact of foot-and-mouth disease in February and March. However, other access targets were met, including increasing the number of items in the National Monuments Record made available to the public by 150,000, and publishing on their website a list of access arrangements for properties in receipt of grant.

Regarding increasing archaeological understanding, EH met 2 out of 3 targets. EH recommended 3,053 items for scheduling as ancient monuments, exceeding the target by 153, and the target for the publication of archaeological surveys was met. However, EH only surveyed 6,193 archaeological sites (88% of the target) because severe weather reduced the number of flying hours available for aerial survey, and foot-and-mouth restrictions prevented fieldwork for six weeks.

EH met 2 out of 5 targets relating to maximising resources. EH earned £25.7m from membership, admissions, sales, sponsorship and other sources, but this was 6.9% below the target of £27.6m and 1.8% below 1999/2000, as a direct result of the reduced visitor numbers mentioned above.

## **Appendix B**

### **1. Project to review EH's national, regional and local roles**

#### Background

- Stage 1 of the quinquennial review identified as a concern EH's increased role in local casework and advice (not least because of pressure on resources at local authority level) and the lack of consistently applied national standards, frameworks and delegations. Together these have prevented EH from playing an effective strategic role at regional level. In addition, Stage 1 highlighted some confusion in the relationship between central/national functions and regional operations within EH

#### Aims

- To determine appropriate national, regional and local activities for EH, based on the recommendations set out in Stage 1 of the quinquennial.
- To develop options for the delivery of EH and other agencies' services and activities. These should include an analysis of how:
  - Statutory and advisory roles can best be delivered at a local level;
  - National standards can be set;
  - Local expertise/capacity can be developed; and
  - Advice is paid for, and by whom.
- To ensure that EH can deliver the changes arising from the review of the Planning processes and the Regional White Paper.
- To clarify the relationship between EH's regional and central offices and make recommendations on how these might be streamlined to ensure maximum efficiency.

#### Approach

- The programme will be overseen by a project Steering Group drawn from the Review Team, EH (Commissioners and officers), and key stakeholders.
- Initial consultation (both with EH staff/managers and with external stakeholders), plus review of models in other sectors, will lead to a shortlist of options
- Options to be tested in a series of 'workshops/seminars'
- Presentation/recommendations to be made to Quinquennial Steering Group
- Further work on feasibility of selected option(s) to be taken forward by EH

#### Outcome

- An agreed blueprint for EH's future national, regional and local role (and consequent service delivery), including for standard setting and local capacity building.

#### Timeline

May	Project team in place
September	Recommendations to Steering Group and EH Commissioners

## **2. The management of research within English Heritage**

### **Aims**

- To identify the kinds of research that EH and its sector need in order to deliver their wider conservation, educational and socio-economic objectives.
- To establish the areas of greatest strength and weakness in EH and the sector's current academic, technical and social/economic knowledge and research capacity.
- To examine how EH balances the use of its in-house research capacity with that provided by external partners and/or funded contractors.
- To use external best practice to identify how EH should in future develop its research frameworks and monitor their outcomes.

### **Methodology**

- EH carry out a preliminary analysis of current research, priorities and levels of investment.
- An independent external reviewer consults the wider historic environment community on research priorities and EH's role as a conductor, coordinator and funder of research.
- Independent external assessor compares EH research methodologies with peer-group best practice in Britain and, if appropriate, elsewhere.
- In parallel with the QQR study, EH develops new research policy to meet the needs of PoP, FFOF and its statutory duties, and to act as a cross-disciplinary umbrella for a portfolio of separate specialist research strategies.
- Independent assessor submits comments on current approaches to the QQR Steering Group and recommends methodological best-practice for the future.

### **Outcomes**

- Adoption of a new EH research policy, supported by robust systems of peer review
- Clarification of EH's role in the coordination and funding of external research, taking into account the wider information needs of the sector (FfOF Recommendation 8).
- Clearer view of the resources required to achieve the new research objectives

### **Timetable**

- May 2002                      Appointment of external assessor
- July 2002                      EH Commission discuss draft research policy

- August 2002 Completion of report by external assessor
- September 2002 Draft QQR report reviewed by Commission and Project Team
- October 2002 Finalised QQR study approved by Steering Group
- March 2003 Agreed framework reflected in 2003/4 Strategic Plan

### **3. The management of English Heritage's historic properties**

#### **Aims**

- To recommend how EH historic properties should be managed so that their commercial and educational potential can be more fully achieved while at the same time ensuring their sustainable conservation for the benefit of future generations. This element of the study will include:
  - identifying the untapped potential of EH's properties
  - identifying any statutory or conservation constraints to their better utilisation
  - establishing where current management arrangements are inhibiting the maximum exploitation of that potential
  - reviewing alternative options for the management of EH properties
- To review the regional and thematic balance of EH's property portfolio and to consider the effectiveness of its policies for acquisition and disposal.

#### **Methodology**

- EH completes an analysis of its portfolio of staffed and unstaffed properties in terms of their revenue, educational, access and conservation potential and priority.
- EH reviews its current collecting policy, confirms the options for delegating further of its properties to 3<sup>rd</sup> parties, and evaluates the potential benefits of marketing or managing other 3<sup>rd</sup> party properties alongside its own, as well as further acquisitions or disposals.
- EH considers whether any fundamental conflicts of interest arise between its property holding, advisory and grant-giving functions, and how these might be resolved.
- EH commissions independent expert comment on the current management of its properties, on its analysis of their future potential and management needs and on the relationship of its property management functions to its other statutory functions.
- EH, with external support, completes a revised strategy for the appropriate conservation, commercial exploitation and educational presentation of its properties.
- EH, with external support, evaluates a comprehensive range of options for the future management of its in-house and delegated property portfolios, including:
  - transfer of all or parts of the portfolio to an EH trading company
  - further delegation of properties to 3<sup>rd</sup> party managers
  - further contracting out of property-related functions currently carried out in-house

- greater use of third party investment in the development of facilities at properties
- a revolving or associated portfolio of sites
- EH, in the light of its conclusions about the future management of its own properties, considers the appropriateness of the FfOF proposal (Recommendation 51) that it should establish a Historic Attractions Advisory Unit on behalf of the wider sector.
- EH’s conclusions and recommended action plan submitted to the QQR Project Team and Steering Group for comment and adoption.

### **Outcomes**

- A new and more clearly focused structure for the management of EH’s properties.
- A new strategy for the conservation and operation of EH’s properties, leading to:
  - Increased profit from EH’s most commercially-viable properties
  - Improved visitor experience measured through increased satisfaction ratings
  - Better and more consistent standards of interpretation and educational outreach
  - Maintenance of EH properties to at least the standards expected of others
  - Increased 3<sup>rd</sup> party investment and/or sponsorship of visitor facilities at key sites
  - Greater transparency in the subsidy of EH’s revenue-generating properties
  - More efficient operation of EH’s 2<sup>nd</sup> and 3<sup>rd</sup> order properties

### **Timetable**

- July 2002            Scope of report and initial proposals discussed by Commission
- September 2002    Draft QQR report reviewed by Commission and Project Team
- October 2002       Finalised QQR study approved by Steering Group
- March 2003         Agreed action plan in place and implementation started