

## SHORT REPORT

# Safely into the Unknown? A review of the proposals for the future of English Heritage

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### Introduction

On the 26<sup>th</sup> June 2013, plans were announced to split English Heritage—the non-departmental public body charged with the protection of England's historic environment—into two separate organisations. The proposed changes will mean that the statutory duties toward heritage the organisation currently fulfils will remain under government auspices, while the management of its 400+ properties will be spun off into a self-funded charitable company by 2023 (EH 2013a).

The motivation behind these changes is centred squarely around economic considerations. The current government is attempting to reduce the national deficit, and aims to generate substantial savings by removing the costs of opening and operating the organisation's properties from its accounts. Equally, English Heritage's attitude was recently laid bare by Chief Executive Simon Thurley's criticism of the government as a historically 'unreliable', 'short termist', and 'self-interested' partner in heritage protection (AHRC 2013). Such changes, it is suggested, would allow English Heritage to generate more revenue from commercial and philanthropic sources and enable longer-term planning and investment.

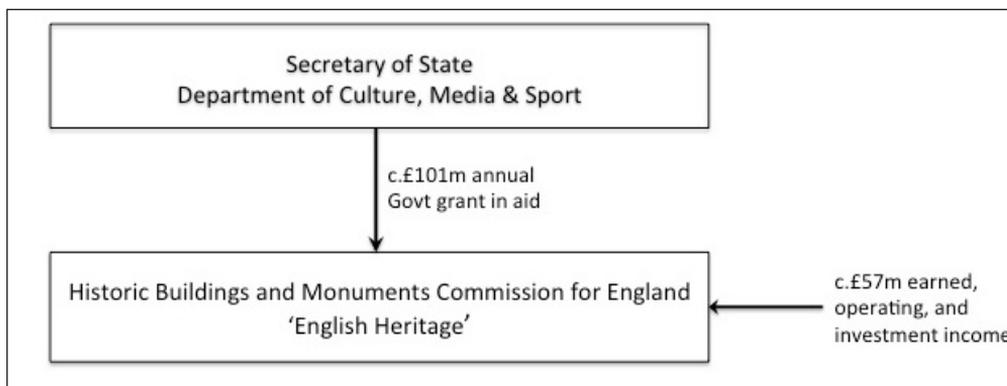
Yet, despite the significance of these prospective changes there has been scant detail

on how, and whether, they can actually work. Indeed, the headline announcing the proposed split was itself wilfully misleading: '£80m Boost for Heritage' (EH 2013a). Similarly, while the recently released Department of Culture, Media and Sport (DCMS) consultation document<sup>1</sup> provides more detailed description on how English Heritage will be divided, it offers little substantive evidence as to the feasibility of the proposals, while important issues that it may raise for both the organisation and the wider sector are generally elided (DCMS 2013).

The changes proposed in this consultation document amount to the most fundamental realignment, both practically and conceptually, of the relationship between the State and its heritage assets for the past hundred years. Beginning with the 1913 Ancient Monuments Act—the first to guarantee statutory protection to historic monuments—and strengthened through subsequent amendments<sup>2</sup>, a system of (primarily) government funded heritage protection and management has been incrementally developed in England that is generally robust and ensures public accessibility. The 400+ properties under State guardianship (termed the 'National Heritage Collection' by English Heritage in 2011), span prehistoric burial chambers to Cold War sites and are among the most significant historical structures in England; they help narrate the country's history and provide a crucial adjunct in the construction of national identity. Without proper scrutiny, these proposed changes have the potential to both undermine

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**Figure 1:** Illustration of the current funding model of English Heritage (figures supplied are from English Heritage's most recent annual report, 2012/13).

the current system of heritage protection and to inaugurate an unreliable future for English Heritage and the sector at large.

I would like to state at the outset that I do not necessarily disagree with the ideas outlined by the consultation document in principle. Yet, both the speed with which these significant changes have been proposed and the lack of substantive detail on which important decisions will be made, raises concerns that they are prompted more by ideological agendas hastily pushed through a short-term political window of opportunity, than in the best interests of the national heritage.

The purpose of what follows, therefore, is to lay out the proposed changes as clearly as possible, to consider their feasibility (with the limited amount of information available), and to speculate on the effects they could have for English Heritage, the public it serves, and the wider heritage sector, both in England and the UK.

### What are the proposed changes?

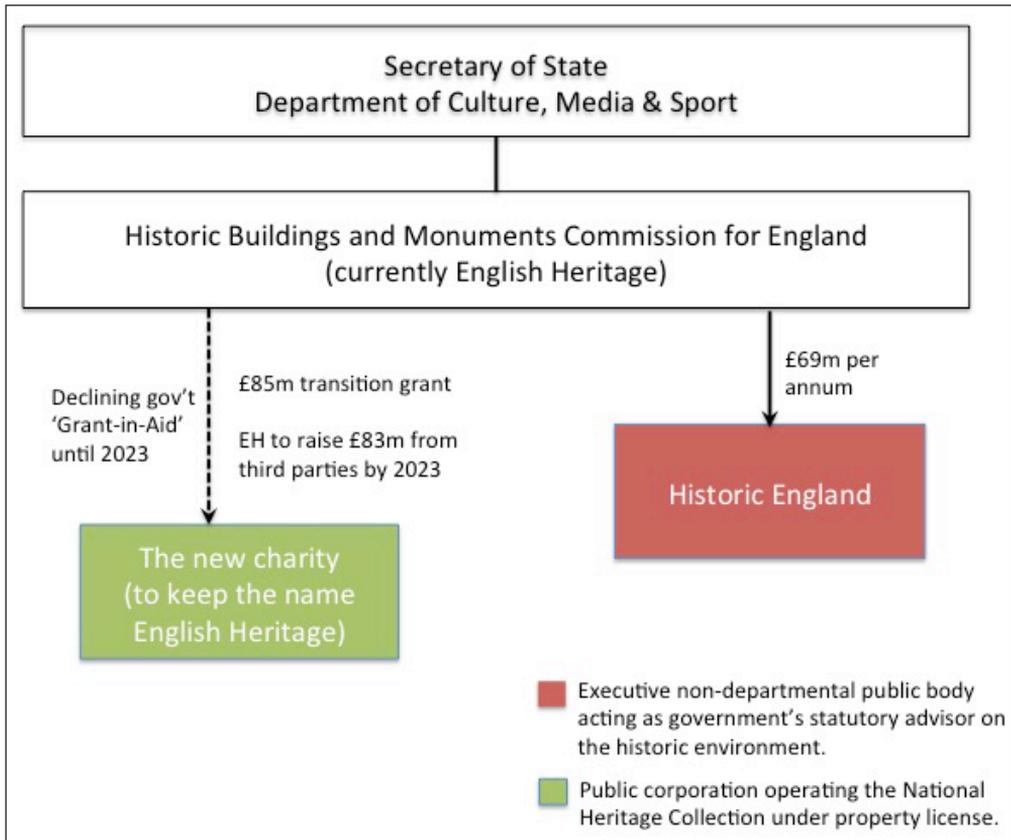
In 1983, the National Heritage Act removed responsibility for ancient monuments and historic buildings from direct ministerial and civil service control and placed it in an arm's length public body with an independent board. Named the Historic Buildings and Monuments Commission for England, the body assumed responsibility for the protection and promotion of the national heritage and has been known, since 1984, by its

brand name English Heritage. The organisation relies primarily on government funding ('Grant-In-Aid'), to cover its operating costs, which is augmented by the income it earns itself (see Figure 1).

English Heritage has had a particular commercial focus from its outset, and the tensions between the revenue it receives from government and the limitations placed on it by being a government funded body have a long lineage, as is clearly outlined below by the organisation's first chairman, Lord Montagu of Beaulieu:

We concluded our first Annual Report by saying that however hard we strive to increase our earnings, the progress we can make is governed more than anything by the importance which the Government attaches to conservation and the funds which it is prepared to make available. Nevertheless we are committed to contributing further funds for our work by producing more income, where appropriate, in partnership with others, particularly the private sector. We hope that Government will likewise recognise the need and continue to play its part (EH 1987: 5).

Because of the primacy of government 'Grant-In-Aid' in this current funding model, revenue can fluctuate dramatically depending



**Figure 2:** Illustration of how the current organisation will be split over the period 2015–2023.

on particular government approaches and the wider economic climate. This was clearly demonstrated in the 2010 comprehensive spending review in which the government, responding to the global economic crisis, reduced English Heritage's budget by 32% over its subsequent four-year funding cycle (Gov.uk 2011). In this context, earned income (revenue from admissions, membership, retail, and catering, etc.) has assumed an increasingly important role, allowing the organisation both resilience and flexibility amidst budget variations. The earned income that English Heritage generates has been rising rapidly as a proportion of its overall revenue for over a decade (from £29m in 2002/3 to £57m in 2012/13), and the scale and pace of this growth (around 7% per annum) has led to the belief that the organisation can grow its commercial operations to the point

whereby the National Heritage Collection can become self-funding and cease to receive financial support from government (DCMS 2013: 2.5).

Under the new proposals, English Heritage will be divided into two organisations (see Figure 2). The statutory duties it currently fulfils as the government's advisor on the historic environment (e.g. advising on planning applications, scheduling etc.) will be retained as an executive non-departmental public body renamed Historic England and be funded to the tune of £69m per annum. In contrast, the current operational side of the organisation (which runs the National Heritage Collection) will become a charitable company and apparently, by 2023, be entirely self-funding. This new charity will be a wholly owned subsidiary of the Historic Buildings and Monuments Commission for

England and will initially operate the properties under a licence from the Commission. The new charity will ultimately retain the name English Heritage, but for the sake of clarity I will refer to it here as the 'charity' (as is done in the consultation document), to avoid confusion when referring to the *current* English Heritage organisation.

Over the period 2015–2023, English Heritage will undergo a transitional phase as the new charity and Historic England are cleaved from it. Historic England will immediately receive its £69m per annum government 'Grant-In-Aid', while the charity will continue to receive 'Grant-In-Aid' on a diminishing basis until 2023, to enable it to build the capacity it needs to survive commercially. In order to support the transition, the government will provide the charity with a grant of £85m across eight years from 2015–2023. This sum will be used as follows:

- £52m will be used to address the most significant portion of English Heritage's priority conservation backlog. The organisation currently spends around £29m per annum on maintenance work. The government is projecting that this cash injection will leave the new charity with annual maintenance costs of £16m per annum by 2023. (DCMS 2013: 3.1)
- £28m will be used to help fund the transitional phase of the charity, in terms of procurement and personnel and to 'fund capital investment in new and renewed visitor exhibitions and other projects' (DCMS 2013a: 3.5).
- £5m of this sum was announced with the release of the DCMS consultation document on the 6th December 2013. No reason given for why the extra money was granted, nor was an explanation provided as to how it will be used (Gov.uk 2013).

In addition to this £85m government investment, the charity is expected to raise a further £83m through third party funding (e.g. grants and sponsorship) over this timeframe.

Ultimately, the aim of the proposals is to allow both the government and the charity to exploit new economic realities. Under the proposals, by 2023 the charity will have benefitted from a £100m capital investment programme (£83m of third party funding plus £27m of the government supplied transition grant). The benefits of the new governance arrangements from its change in status from a non-departmental public body to a public corporation (see page 12) means it will no longer be subject to some government restrictions (such as funding cycles or procurement rules) and can engage in longer term financial planning and pursue a wider range of funding streams. The government will continue its statutory heritage responsibilities to the historic environment through Historic England, but will benefit from the new arrangements by saving around £30m per annum that would otherwise have funded the National Heritage Collection had it remained under their auspices.<sup>3</sup>

The proposals in the consultation document are presented as the only feasible model that secures the future for the historic environment and provides significant benefits for all parties. Yet, a more critical look at the issues presented raises a number of questions on which the document either fails to convince or neglects to comment. These may be broken down into three principal areas of concern—the viability of the economic case, the legal and practical implications such changes may have, and the potential effects the proposed changes may have for the public and the wider heritage sector. These issues are explored in the remainder of this paper.

### **Are the proposals economically viable?**

The following section will consider the economic viability of the proposals for both the new charity and Historic England. It should be noted at the outset that the principal difficulty when attempting to assess the economic viability of the proposals is the lack of substantive data provided in the consultation

Operational costs (£m)		Earned Income (£m)	
Running the properties	£43,823,000	Admissions	£14,946,000
Caring for our collections	£29,816,000	Retail & Catering	£12,834,000
Development and fundraising costs	£577,000	Membership income	£21,207,000
		Other earned income	£4,418,000
		Other operating income (Donations & Grants)	£3,504,000
Total	£74,216,000	Total	£56,909,000

**Table 1:** Basic revenues for English Heritage, 2012/13 (this accounts sheet is modelled on those found in the organisation’s annual reports, see, for example, EH 2013b: 45–46)

document. While a business plan is alluded to, it is neither publically released, nor discussed in a detailed way. Many of the financial projections given are also for the years 2026/27 (3 years after the charity is set to become financially independent), yet no reason is given for this extended timeframe.

**The charity**

While some figures for the projected economic performance of the new charity are provided, they are often vague and the reasoning (as highlighted below) is not supported with hard evidence. Consequently, it is impossible to clearly ascertain what the operational costs and necessary income for the new charity will be. However, based on information gleaned from English Heritage’s recent annual reports and the limited projections set out in the consultation document, it is possible to speculate about the estimated expenses, and consequently the feasibility of the proposals.

English Heritage’s current income and expenditure accounts for the National Heritage Collection (the arm that would become the new charity) for the most recent year reported (2012/13), shows that operational costs exceeded revenue from earned income by £17m. Considering these accounts, we can begin to determine how the proposals may affect these levels of income and expenditure.

As is clearly demonstrated in Table 1, a significant annual expenditure for the organisation is its maintenance and conservation bill, termed here ‘caring for our collections’. The organisation has an estimated outstanding conservation backlog of £64m for priority conservation works (EH 2013b: 5), which produces annual maintenance costs of around £29m per annum. The government contribution of £52m across the transitional period will address this outstanding backlog<sup>4</sup> and leave the charity with an annual conservation bill of £16m. In this case, assuming all other incomes and outgoings increased at broadly the same rate over the period 2015–2023, this investment would leave the charity around £3m away from solvency: operational costs, seeing an annual £13m fall in the cost of conservation would be £60m, compared to income of £57m.

In addition to reducing expenditure, the consultation document notes the ways in which the proposals will enable the charity to generate additional revenue. Firstly, it is predicted that visitor admissions will increase (as will their secondary spend) as a result of the new exhibitions and upgraded facilities resulting from capital investment during the transitional period. Secondly, free from the operational confines of government oversight that currently binds the organisation (due to its status as a non-departmental

Operational costs (£m)		Earned Income (£m)	
Opening the properties	£56,097,144 <sup>†</sup>	Admissions	£24,345,459 <sup>§</sup>
Caring for our collections	£16,000,000 <sup>†</sup>	Retail & Catering	£16,428,605 <sup>§</sup>
Development and fundraising costs	£760,000 <sup>§</sup>	Membership income	£34,543,968 <sup>§</sup>
Corporate and support services	unknown <sup>§</sup>	Other earned income	£4,400,000 <sup>†</sup>
		Other operating income (Donations & Grants)	£7,600,000 <sup>†</sup>
Total	£72,857,144	Total	£87,318,032

<sup>†</sup> Figure extrapolated from 2012/13 figures with inflation applied

<sup>†</sup> Figure directly stated in consultation document

<sup>§</sup> Figure extrapolated from data in consultation document

**Table 2:** Speculative estimates for revenue and expenditure of the new charity, 2022/23.

public body), the scale and scope of the charity's commercial and fundraising activity could be expanded. Yet despite providing a general description of how the charity can develop and areas of potential growth it may exploit, the document supplies very little quantitative data, either in terms of supporting these claims or projecting estimates for what its accounts and expenditures may be in 2022/23 – the reader is left to assume that the sums will add up and that these arrangements will produce a reliable operational surplus.

For the purpose of this review it is important to have a general idea of what the charity's accounts might look like at the point it is set to become financially independent from government. This is to arrive at a clearer idea of how criticisms of the proposals in the consultation document might ultimately affect the economic case for the charity. Therefore, a rough projection, based both on the information provided in the consultation document and informed speculation, results in a healthy business, with an annual surplus of around £14m (see Table 2; see endnote<sup>5</sup> for methodology).

Considering the principal factors for generating more income, the consultation document outlines projected increases in visitor numbers, membership, fundraising,

and volunteering. The growth projections for each of these areas are as follows:

#### **Visitor numbers**

The baseline visitor number is currently 5.2m per annum to staffed sites. The consultation document assumes an increase to 6.4m per annum by 2022/23 and 6.8m per annum by 2026/7 (DCMS 2013: 3.8).

#### **Increasing membership**

In 2012/13, English Heritage had 700,000 individual/family memberships. The consultation document projects this will grow to 1.3m by 2026/7 (an 86% increase) (DCMS 2013: 3.6).

#### **Increasing fundraising**

English Heritage's rate of fundraising is currently £5.6m per annum, which the consultation document projects to rise to £7.6m per annum. Similarly, sponsorship revenue is expected to rise from £0.1m to £1m per annum by 2026/27, while retail and catering etc., are predicted to rise in line with inflation (DCMS 2013: 3.13).

#### **Increased volunteering**

In 2012/13, around 1026 people regularly volunteered for English Heritage, which was an increase of 24% on the previous year.

2002/ 03	2003/ 04	2004/ 05	2005/ 06	2006/ 07	2007/ 08	2008/ 09	2009/ 10	2010/ 11	2011/ 12	2012/ 13
5.5m	5.3m	5.3m	4.7m	5.3m	5.2m	5m	5.6m	5.5m	5.5m	5.1m
£29.4m	£31.1m	£33.5m	£34.6m	£38.1m	£40.7m	£42.9m	£48.6m	£49.8m	£52.1m	£57m

**Note:** The consultation document notes that Corporate services and office costs have been apportioned to the individual services.

**Table 3:** Annual visitor numbers to staffed English Heritage sites (middle row) and earned income (bottom row), 2002/3–2012/13.<sup>8</sup>

The document notes that the organisation will look at ways to increase this number, but does not state how this will be achieved (DCMS 2013: 3.15).

From these summaries, it is clear that the viability of the business model alluded to in the consultation document is based on a substantial increase in visitor attendance from 5.2m (2012/13) to 6.4m (2022/23) to 6.8m (2026/7). Visitor numbers are crucial for generating revenue through admission fees and membership sales, but also secondary spend such as retailing and catering. Yet these projected increases appear to be based more on assumption than substantive evidence. A glance at English Heritage’s visitor numbers historically demonstrates the ambitious nature of this projection. For the past 10 years visitor numbers at English Heritage staffed properties have been more or less stable, between the 5m and 5.5m figure (see Table 3)<sup>7</sup>.

The consultation document’s main justification for these visitor growth projections is the ‘rolling programme of major projects which the Government’s investment and third party funding will finance’ (DCMS 2013: 3.9). Offering support for this policy the document notes that English Heritage sites that received an investment in visitor exhibitions and facilities between 2003/4 and 2011/12 saw visitor numbers to those sites increase by 12.8% in this period (DCMS 2013: 3.5). Yet, as demonstrated in Table 3, this is not reflected in a sustained *overall* increase in visitor numbers, suggesting that improving sites through capital investment projects in this way may not necessarily lead to a net gain of visitors for English Heritage,

but rather spread the organisation’s established visitors across its sites.

Contrasting these visitor figures with year on year rises in earned income (see Table 3), implies that English Heritage is not making more money from more visitors but maximising revenue from a stable visitor base. While this sophisticated monetisation of its heritage assets bodes well if visitor numbers do increase, there are no obvious trends in this data to suggest they necessarily will.

A broader point to raise regarding these proposals concerns the practical implications posed to the sites themselves. While the beneficial effects of the capital projects and conservation works are mooted, there is no mention of the fact that such activities are inevitably disruptive. For example, Kenwood House was recently closed for a year while restoration work was carried out (EH 2010). To what extent such work at a significant number of sites will affect visitor numbers and the money they spend, is not articulated.

A related point to consider here is the ability of the new charity to fundraise effectively. The consultation document suggests that the organisation’s general fundraising in the period 2015–2023 will rise from £5.6m to £7.6m per annum. This seems like a reasonable increase. What is less clear is how, on top of this, the charity is going to generate the additional £83m (equivalent to £10.375m per annum) from third parties to meet the capital investment budget that the government requires it to have by the end of the eight-year transitional timeframe. To justify its fundraising credentials, English Heritage notes that they managed to raise £16.7m for Stonehenge and £5m for Kenwood House

	2010/11	2011/12	2012/13
Heritage protection and planning	£36.7m	£35.3m	£32.6m
Grants	£34.8m	£31.4m	£19.5m
Corporate and support services <sup>9</sup>	(£30.5m) £15.2m	(£26.7m) £13.3m	(£26.4m) £13.2m

**Table 4:** Estimated English Heritage spending on heritage protection services, 2010–2013.

between 2010 and 2013. This point, however, works to undermine its own argument. The two examples provided are ‘prestige’ properties. Sponsors understand the importance of these places and are eager to be associated with these iconic sites and the substantial number of visitors they attract. These examples are presumably some of the easiest sites (and projects) for which to fundraise. How feasible it will be to get trusts, foundations, and businesses, to fund projects at lesser-known properties or to contribute to a general fund is to be seen.

An important test case for these proposals will be Stonehenge. The organisation has recently spent £27m on improvements to the site including a new visitor centre (opened on 18th December 2013) and a radical overhaul of accessibility and interpretation. As English Heritage’s most popular tourist draw (attracting a fifth of the organisation’s annual visitors), it is important for this site in particular to function well economically - the predicted 11% increase in visitor numbers as a result of the recent improvements is cited as a key assumption behind the organisation’s overall projected visitor growth rates (DCMS 2013: 3.9). Such growth is particularly important as these visitors will be paying entrance fees that have increased from £8 to £14.90 (Kennedy 2013) to help pay for the centre.

Yet, it is unclear how feasible this visitor number increase is in practice. New ticketing arrangements mean that the average visit is expected to increase from 30 minutes to at least two hours, which could make the site less desirable to the substantial number of visitors who arrive on packaged coach trips from London with multiple itineraries. It appears that ‘negotiations are continuing to

persuade the tour bus operators who bring thousands of tourists to the site to rearrange their schedules’ (Kennedy 2013). Further, the new visitor centre has gotten off to an inauspicious start; the media have reported visitors’ complaints of long queues, inadequate transport to the stones, and the increased price (Western Daily Press 2014). While it is unlikely that visitor numbers and revenue will drop as a result of the changes, it is perhaps unsettling that a clear picture of the attractiveness of the new arrangements to visitors and their resultant economic impact will not be known until after a decision on the splitting of the organisation has been made.

### *Historic England*

Under the proposals outlined in the consultation document, the statutory elements of English Heritage will remain under government auspices as a non-departmental public body. The choice of name itself is particularly interesting as it is clearly marketable (after Historic Scotland), and an increased marketization of this new heritage protection ‘brand’ is alluded to in the consultation document (DCMS 2013: 4.8). However, the main issue of economic viability is whether or not Historic England is funded adequately to fulfil its statutory functions.

In 2010, the comprehensive spending review reduced English Heritage’s ‘Grant-In-Aid’ allocation by 32% in response to extraordinary economic circumstances. The amount that English Heritage apportioned to heritage protection and statutory services in the three years since this funding settlement can be seen in Table 4.

Entering the final year of the comprehensive spending review settlement, the

2009/10	2010/11	2011/12	2012/13	2013/14
£32.3m	£34.8m	£31.4m	£19.5m	£13m <sup>11</sup>

**Table 5:** English Heritage grants budget 2009/10–2013/14

2013/14 budget for heritage protection stands at £69.3m, consisting of:

- Heritage Protection: £24.4m
- Supporting Sustainable Development and Addressing Risk: £29.4m
- Archives: £2.5m
- Grants: £13m

(DCMS 2013: Table 3)

Crucially, it is this figure, £69.3m that the DCMS has used to calculate the budget that Historic England needs as its on-going ‘Grant-In-Aid’ allocation to fulfil its duties. Essentially, after making drastic reductions in spending due to exceptional economic circumstances, the government has now treated this state of affairs as the norm. The problem with the figures presented for 2013/14 is that the categorisation of the funding allocation has been altered, so it is very difficult to assess what the effects on the provision of heritage protection will be. While at the outset it seems as though core heritage protection services have not suffered disproportionately, when we consider that corporate services and office costs are included in these figures, the amount apportioned directly to heritage protection is certainly lower than is presented.

The proposals have led to voices of caution over the future of government heritage protection from both commentators (see Clark 2013; Wilding 2013) and organisations in the sector, such as the National Trust and the Heritage Alliance. Indeed, there is allusion to further slimming of services in the consultation document:

The provision of heritage services has changed significantly over time. The introduction of Planning Policy Guidance 16 in 1990 led to a growth of an active private sector in archaeology.

More recently there have been reductions in local authority services of over 25% since 2006. In some places there have been creative responses, for example the sharing of services. Government and the Commission believe there is a role for Historic England, working in partnership with others, to review the landscape for heritage services... (DCMS 2013: 4.13)

Such a funding settlement leads to concerns that Historic England may be vulnerable to further budget cuts. At present, as something of a holistic organisation, English Heritage can attempt to mitigate cuts to government funding by earning income, redirecting resources and ring-fencing crucial services.<sup>10</sup> Historic England will not have this buffer and consequently any reduction to its funding (or if its funding settlement does not increase with inflation), may lead to more direct cuts to fundamental heritage protection services.

A particular point of concern highlighted by the figures above is the continuing diminution of the grants budget (see Table 5) currently administered by English Heritage (which would continue to be so under Historic England). These grants allow the organisation to contribute to its core remit of mitigating risk to the historic environment, as this funding stream prioritises:

- Significant elements of the historic environment at risk; and/or
- Activities that strengthen the ability of the sector to reduce or avoid risk to the historic environment by understanding, managing and conserving (EH n.d)

The most recent grant prediction (for 2013/14) must be seen as what the sector can expect from Historic England going forward.

The wider implications of the diminution of this budget must be seen in the context of English Heritage's role as England's 'custodian of last resort'. This role means it has an obligation to care for historically significant properties for which no other buyer can be found. Unlike the National Trust, who decide whether to take a property on after calculating the capital endowment necessary for its maintenance (using what is termed the 'Chorley formula'<sup>12</sup>), English Heritage is expected to step in and offer assistance to significant historic buildings at risk, whether this means taking the property into custodianship or providing grant-aid to owners of such properties. Either way, significant sums of money may be needed to deal with such eventualities.

A stark example of both the importance and the costs of this function is the case of Grade I listed Apethorpe Hall in Northamptonshire. Compulsorily purchased in 2004 for £3m, English Heritage has since spent £5.9m on conservation work with a further £3.5m projected (Thurley n.d.). Attempts to return the property to private ownership have so far failed and the property's annual conservation bill (estimated at £100,000) currently falls to English Heritage (Hall 2012). While such an extensive intervention is rare, the involvement of English Heritage was crucial to the survival of this unique building. As Simon Thurley notes, it would be 'a total catastrophe' if this function was undermined in the new arrangements (quoted in Clark 2013). The approach outlined in the consultation document is noted below:

...as a last resort taking into ownership the most important vulnerable sites for which there is no other solution. In those cases Historic England will take on responsibility for putting the property into good order, funded through its grant programme. It will then seek an owner prepared to take on its long-term management. If none can be found the charity will be obliged under the terms of the license,

subject to certain terms and conditions, to take on the management of the property which will become part of the National Heritage Collection. (DCMS 2013: 4.12).

In this context it is vital that Historic England is properly resourced to meet such a need. Yet it is not clear whether the grants budget will retain the capacity to intervene in such cases, in addition to providing grants to the wider sector. Under the 2013/14 projections for the grants budget, if a property on the same scale as Apethorpe needed to be taken into guardianship, and 'put in good order' by Historic England, this would have the potential to significantly undermine their grants programme for other 'heritage at risk' for a number of years.

The criticisms of the economic positions of both the new charity and Historic England laid out above do not fatally undermine the proposals in the consultation document, but they do raise concerns over the optimism of the commercial outlook presented for the charity and whether Historic England is as well resourced as it needs to be. As clear substantive evidence has not been provided to support the proposals, and with the changes to Stonehenge unclear in terms of economic return, it does call into question the likelihood of the charity being financially independent by 2023 (we may speculate that the predications given in the consultation document, to 2026/7, accounts for this uncertainty). In addition to the concern over the economic viability of these proposals, a more comprehensive plan outlining how the provision of 'custodian of last resort' will be met in a practical manner needs to be a key priority and outcome of the consultation process.

### **What are the legal and practical implications of the proposed changes?**

In addition to the economic implications of the proposed changes, there are important issues to consider regarding both the governance of the charity and Historic England

and the core functions that both organisations will fulfil.

### ***Legal issues***

The consultation document notes that under the new arrangements, the charity will operate the National Heritage Collection under a 'property licence' from the Historic Buildings and Monuments Commission for England for the duration of the transitional period (2015–2023), with subsequent arrangements to be made at a later date. An important concern with this arrangement is whether there is a legal basis for the Commission to manage the properties in such a way. The National Heritage Act (1983) formed the Commission and stipulates its powers in directly managing the properties, but it is unclear whether the Act provides the Commission with the authority to effectively sub-contract the properties in this manner (even to an organisation that, it seems, it will own – see page 3). The government seems to believe that no problems will be caused by the use of a 'property licence' as the document notes that no amendments to the Act need be made (DCMS 2013: 2.10). However, there is no indication as to which clause of the Act would be used to justify this move, how strong this case would be, and whether such a move could be open to legal challenge.

### ***Move from non-departmental public body to public corporation***

A corollary issue here regarding the formation of the charity is exactly what its relationship with government will be. One of the principal motivations of the change to charitable status is to free the organisation from the oversight of government accounts, funding cycles, and procurement rules that it currently operates under as a non-departmental public body, and which will enable a greater flexibility in its general management and income generation activities over the longer term (DCMS 2013: 3.28). Under the present proposals, the Historic Buildings and Monuments Commission for England will

'licence' the properties to the new charity. However, while the charity will be a separate organisation from the Commission, it appears it will be a wholly owned subsidiary of it. Therefore, as the Commission will still retain some control over the charity, such as having recourse to cancelling the 'licence' if certain operating criteria are not met, this element of government control means that ultimately, the charity is likely to be classified as a public body, most likely a public corporation. While such a classification will result in less scrutiny, it is unclear as to what oversight and commercial restrictions the charity may still be subject to from government.

A further issue to consider is how this relationship may change at the end of this transitional period. The consultation document notes the following:

Towards the end of the programme term, when the charity has reached financial sustainability, appropriate controls and arrangements beyond the eight year period will be considered, in order to enable the properties to be managed with greater autonomy from Government (DCMS 2013: Annex 2)

What is significant here is the desire to consider 'greater autonomy from Government', even after the proposed move is effected. In practical terms, it would seem that the only way to further increase this autonomy would be for government to relinquish ownership of the National Heritage Collection entirely. Here, it is instructive to note the recent case of British Waterways, which has often been used as a paradigm for those advocating for the changes occurring at English Heritage. In 2012, this public corporation was transitioned to an independent charity, called the Canal and Rivers Trust; a move effected by the government transferring the assets of British Waterways to the new trust in their entirety (BBC 2012). In this context, it is not difficult to imagine the current changes as a staging post, and a scenario whereby in 2023, with the charity approaching financial independence, a case

is made by the Government that a slight tweak in the ownership of the National Heritage Collection could allow the charity even greater economic freedoms, and ensuring an 'even brighter' future for the nation's heritage.

### ***The 'additionality principle'***

A final point to make in this section concerns how the new revenue secured by the charity will relate to other forms of government revenue. The 'additionality principle' is a term that was introduced in a 1992 White Paper dealing with proposals for a national lottery (see Home Office 1992: 8). The conservative Prime Minister at the time, John Major, assured the public that lottery funds distributed to good causes would not replace government expenditure, but would be additional to it. Despite its importance, the principle was only written into legislation in the second amendment of the National Lottery Act in 2006 (Stramash Arts 2013; see also National Lottery Act 2006: section 12):

In section 34 of the National Lottery etc. Act 1993 (annual reports) after subsection (2) insert—

(2A) The report shall set out the body's policy and practice in relation to the principle that proceeds of the National Lottery should be used to fund projects, or aspects of projects, for which funds would be unlikely to be made available by—

(a) a Government department...

Since that time, the Heritage Lottery Fund (HLF)—a non-departmental government body that distributes proceeds from the national lottery to heritage causes—has become by far the largest funder for the historic environment in the UK, investing around £375m per annum in archaeology, museums, galleries, nature, and cultural traditions (HLF 2013a). HLF supplies grant aid to specific projects; it can (and does) provide funds for English Heritage projects. However, HLF cannot fund ongoing revenue costs - its

grants have to be awarded to projects which will deliver specific 'outcomes' for the heritage, people and communities as outlined in the organisation's strategic framework (see HLF 2013b).

Under the proposals, in order for the charity to raise the £83m in new sources of revenue from third parties for capital investment projects at the 400+ English Heritage sites, it will clearly have to submit regular and high quality bids to (among others) HLF. As such HLF grants will seemingly be replacing some of the revenue currently provided by government. Whether such works (for example, maintenance and interpretation projects) would have nominally fallen under 'core funding' that would have been provided for by government 'Grant-In-Aid', and whether such works may be repackaged into 'projects' to fall within HLF's remit is unclear. In a sense this may amount to additionality through the back door.

Wider issues relating to the 'additionality principle' are increasingly coming into focus given the contraction of State funds for cultural organisations, and there are concerns that the principle is effectively being eroded and redefined, both by funded organisations and with the tacit approval of government. A recent example of potential infringement is evident at Arts Council England, which has reportedly mitigated a 17% reduction in government cuts by replacing it with revenue from the HLF (Smith, 2014). There is, it seems, no real clarity in the sector at large as to what the limits of the 'additionality principle' are and what implications breaching it would have. As noted by ACE chief executive Alan Davey:

There has been an on-going debate since the Lottery came into being as to what the additionality principle is and how to test whether any proposed funding might breach the principle. (Smith, 2014: ¶9)

Yet, given that issues surrounding the principle and its limitations are increasingly being

raised, it would be seem to be imperative to seek clarification of just what additionality does amount to before any split of English Heritage takes place. There is no mention of the principle in the consultation document at all, let alone discussion of how the new charity may navigate potential issues relating to this. This lack of consideration may be deemed an oversight, given the likely dependence on the HLF as a significant funder, as if debates (or a legal challenge) leads to a more stringent interpretation of the principle, it could potentially detrimentally affect income for the new charity.

### **The proposals, the public, and the sector at large**

Having considered the proposals and the prospective challenges to their economic viability, I would now like to consider the effects that such changes, in their current form might have, both for the public and for the sector more broadly.

#### ***How may these proposals affect the public?***

It appears that the creation of Historic England will work as a further branding exercise for the government, as the consultation document notes that the newly formed organisation offers an 'opportunity to develop a stronger public facing role...to deepen people's desire and ability to care for England's heritage' (DCMS 2013: 4.8). It seems that this organisation will be anything but reticent, which can be seen as a good thing in terms of promoting heritage preservationism. However, one of the key rationales for splitting the current English Heritage laid out in the consultation document is to avoid confusion in the public's mind over the grant-giving/planning and advice arm and the grant-receiving/operational arm of the present organisation (DCMS 2013: 2.6). It could be considered that this solution does nothing to alleviate such confusion, and if anything, given its similarity to Historic Scotland, which fulfils broadly the same roles the current English Heritage does, may increase it.

The charity, having a more natural interface with visitors through its properties, is liable to have more of an impact on the public. In day-to-day operational terms the charity will likely function on broadly the same lines as it currently does. Its commercial offer may be increased, resulting in more floor space given to gift shops, cafes, venue rentals, or alternative commercial activities that occur onsite. There will also likely be an increase in marketing and publicity, so the English Heritage brand (that the charity will retain), will become more of an established fixture. There may be further visibility of corporate partners and brand sponsorship affiliated with the English Heritage name, which may be manifest both at heritage sites themselves and in the media. In addition, with the government's transition grant and projected Capital Investment revenue, we should see the many of the organisation's exhibition spaces refreshed and sites reinterpreted.

Along commercial lines, a broader challenge here might come from the range of the property portfolio of the charity. Only around 100 of National Heritage Collections' 400+ properties charge admission fees, and of these, only a small handful may be surmised to make a substantial profit for the organisation (e.g. Stonehenge, Dover Castle etc.). Entering into an overtly commercial context with such a setup poses a risk that resources may be increasingly focused on popular and profitable sites while resources are siphoned away from those which are free to enter, creating a two-tiered heritage system, in terms of both education, interpretation, and conservation.

#### ***The sector more broadly***

Perhaps those who should be most concerned by the spilt of English Heritage are those in the wider heritage sector, when considering the impact the new charity will have on existing funding resources.

Within the consultation document, the projection is given that delivering the business plan for the new charity will ultimately result in £35.9m GVA (Gross Value Added)

for the sector. This figure seems to be drawn from anticipated additional visits, secondary spend, and new investment (such as sponsorship etc.), but like much else in the document, this figure is not adduced in any way. Yet considering the wider implications of the proposals it is important to be aware of what is elided here.

As noted above, the current English Heritage grants budget has been gradually reduced from nearly £35m in 2010/11 to a projected £13m in 2013/14. Accounting for the net reduction to this budget for each of the three years from 2010/11 (see Table 5) means a loss of around £40m of grant funding alone from the sector, without considering cuts to broader English Heritage budgets in this period. Further, the new charity is set to become increasingly reliant on securing grants from third parties, and thus competing for a greater share of the available funds against other organisations within the heritage sector. While 'new' money may be sourced by commercial agreements with companies from outside the sector, much of this is likely to come from grants and foundations within it, subsidising revenue that the government previously supplied to English Heritage. It is likely that such a context will cause increased competition in this area for grants and it will be smaller heritage organisations that suffer, with a smaller pot of money to apply for and having to compete against the experienced grant-writing personnel and greater resources of the new charity. At a time of huge competition for funds, dropping a big fish into a small pond may prove to be one of the major risk factors to be considered, for all involved.

## Conclusion

In this paper I have attempted to demonstrate that the current proposals in the new model consultation document for English Heritage contain a number of, for want of a better phrase, 'unknown unknowns'. Until these issues are clarified a decision on the future of the way the government deals with the

national heritage and the wider historic environment cannot be reasoned or informed. The intention of this piece is to be informative, but also provocative. The proposals set forth in the consultation document offer a radical new model for the future of heritage protection and operation in England; in the long run the proposed changes could revitalise the sector and offer it some much-needed stability. Conversely, they could leave state heritage protection effectively hamstrung with both the new charitable organisation and many invaluable smaller ones struggling to survive in a commercial market that cannot support such critical mass.

I hope that the questions raised here are taken up and asked more forcefully of both English Heritage and the DCMS, but perhaps more importantly I hope this paper sparks discussion of a more fundamental nature about the protection and promotion of heritage assets in England, and particularly the significance of the government's role in this. In his foreword to the DCMS consultation, Minister for Culture, Communications and Creative Industries Ed Vaizey remarks that in the 100th anniversary of the 1913 Ancient Monuments Act, the Government is looking to 'innovative ways to manage, protect, and promote our historic environment'. Let's hope that the 110th anniversary of this legislation will be marked by a thoroughly considered and secure outcome for our heritage, in whatever form that may be.

## Notes

- <sup>1</sup> The consultation document was released on the 7<sup>th</sup> December 2013 and the consultation period runs until the 7<sup>th</sup> February 2014. The proposals and how to comment on them can be found here: <https://www.gov.uk/government/consultations/english-heritage-new-model-consultation>
- <sup>2</sup> The most significant pieces of heritage legislation in this context are the 1979 Ancient Monuments and Archaeological Areas Act (which codified statutory pro-

tection and enabled the shift from taking monuments into State care to grant support as the primary means of preserving historic sites), and the 1983 National Heritage Act (discussed on page 2).

- <sup>3</sup> Saving based on the 2012/13 'Grant-In-Aid' arrangements. The government 'Grant-in-Aid' totalled £101.4m, so minus the £69.3m that will go to Historic England, the saving of not funding the National Heritage Collection is in the region of around £30m per annum.
- <sup>4</sup> It is interesting to note that the DCMS consultation document estimates that £52m will remedy English Heritage's backlog of category 0, 1 and 2 priority conservation works (DCMS 2013: 3.1- 3.2). Conversely, English Heritage estimates that the backlog to remedy category 1 and 2 priority conservation works will cost £64m (EH 2013: 5).
- <sup>5</sup> All figures in Table 2 are based on those presented in Table 1 (for the year 2012/13) and have been extrapolated from this point to year 2022/23, when the charity is set to be free from government funds. The extrapolations are based on information presented in the consultation document and informed speculation.

**Operational costs:** No projected figure for 'opening the properties' was given in the consultation document so a generalised rate of inflation of 2.5% per annum was applied; the 'Annual conservation budget' is predicted to be £16m in the consultation document; the 'Funding/administrative cost' reflects 10% of the total of 'Donations and Grants' (as noted in the consultation document).

**Earned income:** 'Admissions' and 'Membership income' has been increased by 5% per annum, as per predictions in the consultation document; 'Retail and catering' has risen by inflation as also noted in the document (the same inflation measure was used as applied to 'opening the properties': 2.5%). 'Donations and grants' are predicted to rise to

£7.6m by the consultation document, while 'other earned income' is too difficult to accurately anticipate, so has remained at its current level.

- <sup>6</sup> Ultimately the cost for operating the National Heritage Collection as a charity will be more than is stated, as overheads such as new office space, HR, Finance and Information systems all have to be taken into account (currently accounted for in the present English Heritage annual reports as 'Corporate and Support Services' – it is very difficult to anticipate what these figures may be so no attempt has been made to do so.
- <sup>7</sup> The only time English Heritage has achieved an annual visitor figure of 6m was 1999/2000.
- <sup>8</sup> Information regarding visitor numbers is taken from the annual reports for English Heritage spanning this period. Yet even within these reports figures for particular years are difficult to state accurately as the organisation often restates its figures in subsequent years. It is made even more difficult when subsequent annual reports provide conflicting data. For example, visitor numbers for 2005/06 were stated in the report of that year to be 4.7m. In 2007/08 they were restated to 5.0m (p.14). In 2008/09 (p.14), they then reverted back to 4.7m. For the purpose of this report, I have used the most recently stated figure that I could find for the year in question, assuming this to be the most accurate estimation. The reports from 2006/7 to 2012/13 are available here: [<http://www.english-heritage.org.uk/about/who-we-are/corporate-information/annual-reports-and-accounts/>].
- <sup>9</sup> The level of expenditure for Corporate services that would be apportioned to the heritage protection budget is difficult to assess. This category consists of: *National Advice and Information; Governance and Legal Services; Finance; Information Systems; Human Resources; Office Costs* (see EH 2013b: 46). While some of

these categories seem to apply directly to heritage protection (e.g. *National Advice and Information*), the others, while applicable, are much more difficult to calculate. An estimate of 50% of the overall cost has been used here, but it should be acknowledged that this is only a speculative estimate.

<sup>10</sup> Since the 2010 spending review, English Heritage has reduced its winter opening hours, which has helped to facilitate its budgetary surplus in operating the National Heritage Collection (DCMS, 2012: 2.5).

<sup>11</sup> The figure is the projected grant allocation in 2013/14 (DCMS, 2013: Table 3).

<sup>12</sup> The 'Chorley Formula' was developed by Roger Chorley and formally adopted by the National Trust in 1968 as a means of assessing the endowment that is required for the maintenance of a property before it is acquired. The formula assesses a broad range of criteria, such as necessary maintenance and repairs, revenues etc., to determine the level of capital endowment needed for every property that it takes on (see *The Country Seat*, 2010: ¶5).

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