



House of Commons  
Committee of Public Accounts

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# Making grants efficiently in the culture, media and sport sector

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**Forty-ninth Report of Session  
2007–08**

*Report, together with formal minutes, oral and  
written evidence*

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## Summary

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In 2006-07, the nine principal grant-makers sponsored by the Department for Culture, Media and Sport (the Department) awarded grants of some £1.8 billion, and spent some £200 million on administering the grants and related activities. The grants supported a range of projects from the work of individual artists, such as choreographers and novelists, to the repair of places of worships and the building of new sports facilities. The grants ranged in size from £200 to many millions of pounds. Although grant-making is a key function for many of these bodies, they held little information on the costs of their individual grant programmes and how these costs compare with others.

The average cost of awarding £1 of grant across a sample of open application programmes in the sector ranged from three pence to 35 pence. Much of the variance in cost can be explained by the different objectives of the programmes and the needs of applicants. For example, the Arts Council offers significant support to artists to help them develop their potential and English Heritage provides specialist support to congregations repairing places of worship. Most of the grant programmes, however, have similar administrative processes.

Grant applicants can spend significant time on preparing grant applications, and grant-makers often receive applications which are incomplete or inaccurate. One way grant-makers could reduce the burden on grant applicants would be through inviting applications on-line. This would also help reduce the costs to grant-makers by reducing the amount of paper applications they have to process and the number of incomplete and ineligible applications.

Grant-makers are seeking to improve their processes in different ways, such as through centralising regional processes or by introducing new technology. However, they are doing so individually and have done little to work together to share back office functions. In the past, we recommended that the Department should take the lead in identifying the scope for savings by encouraging the organisations it funds to share accommodation and services. Little progress appears to be have made in this area. The Department has also done little to encourage benchmarking and the sharing of good practice across the sector.

On the basis of a Report by the Comptroller and Auditor General,<sup>1</sup> we took evidence from the Department, Arts Council England, Big Lottery Fund, English Heritage and Sport England on assessing the cost-efficiency of making grants; on supporting grant applicants; on sharing services and information; and on making applications on-line.

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1 C&AG's Report, *Making grants efficiently in the culture, media and sport sector*, HC (2007-08) 339



## Conclusions and recommendations

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1. **The Department does not require grant-makers to report their costs against a common set of measures and has done little to encourage grant-makers to compare the costs of their grant programmes.** The Department should take the lead in agreeing with grant-makers ways to measure and report the cost of making grants on a like-for-like basis. Where there is evidence of inefficiency, it should challenge them to identify the main drivers of cost and to find ways to make savings.
2. **In 2006–07, the Arts Council England spent 35 pence to award a pound of grant to individual artists on its *Grants for the Arts* programme, compared to a cost of between 3 and 8 pence for the other grant programmes we examined.** The Arts Council commits significant resources to supporting the work of individual artists, but does not know exactly how much this work costs. It should:
  - identify separately the cost of the development work it carries out with applicants, and evaluate whether the cost of such work is proportionate to the outcomes delivered; and
  - assess whether the purely administrative cost of making these grants is in line with that of other programmes and, if it is not, seek to learn from other grant-makers to see how its processes might be streamlined.
3. **On average, English Heritage spent nearly £10,000 to award a grant under its *Repair Grants for Places of Worship* scheme, and estimates that providing technical support, such as from surveyors and architects, to grant applicants, represents over half of the cost incurred.** English Heritage should keep under review the cost of awarding these grants and should identify separately the cost of providing specialist technical support. It should seek ways to reduce this cost, such as by introducing a risk-based approach which ensures that the level of specialist support, in particular the input of architects, is commensurate with the demands of each project.
4. **Applying for a grant can be a complex and time-consuming process but grant-makers do not seek to understand what costs their processes are imposing on applicants.** For Big Lottery Fund's *Reaching Communities* programme, applicants took on average 21 days to prepare an application, although the application had a one in five chance of being successful. Grant-makers should routinely monitor how much it costs applicants to complete the forms and provide the information necessary to apply for funding. Wherever possible they should make it easier to apply for grants by simplifying application forms, by improving guidance and access to advice, and by requesting only the information they need to make funding decisions.
5. **The Big Lottery Fund has increased the spread of successful applications across the United Kingdom and from different social groups, but more could be done by other grant-makers to raise potential grant applicants' awareness of available funding and to stimulate higher quality applications.** Grant-makers should seek to learn from Big Lottery Fund's approach, including its regional outreach operations.

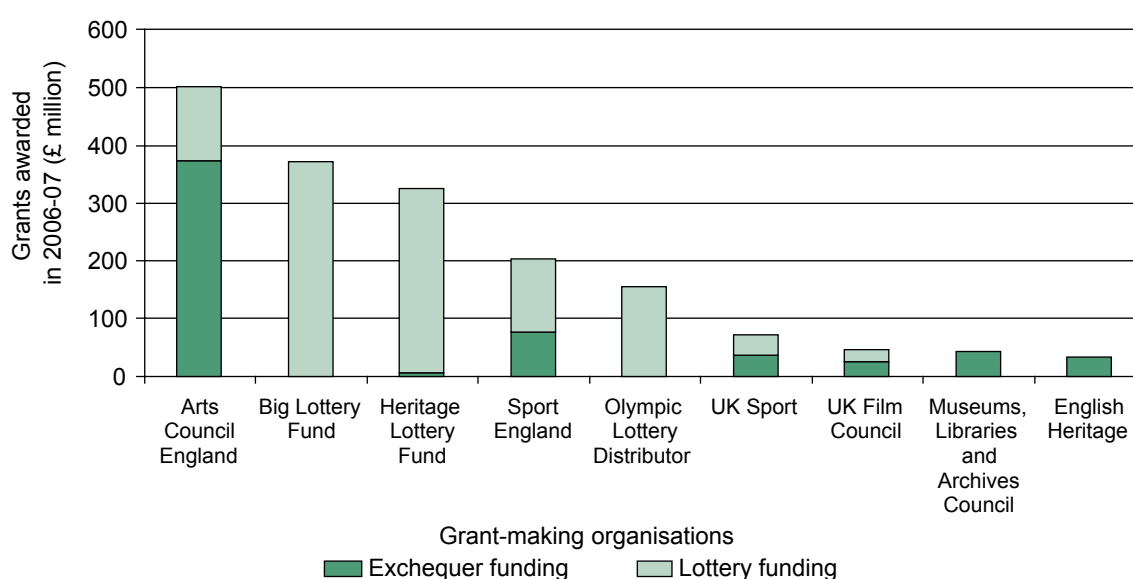
They should work together in the regions, and with other partners such as local authorities, to establish one-stop shops and run events to promote grant programmes and offer advice.

6. **There is little effective sharing of information on the costs and processes of grant-making.** The Department should facilitate an initiative across the sector to share information about the administrative costs of grant programmes. It should:
  - work with the Lottery Forum to develop its role in sharing good practice and compare the costs and effectiveness of the grant-making process; and
  - promote the exchange of information and learning about good practice, both within and beyond the sector, for example, by helping grant-makers set up a benchmarking club.
7. **Despite recommendations made by this Committee that they should work together, grant-makers have worked independently to rationalise office accommodation and identify efficiency savings.** The sector has made little progress in sharing services, systems or accommodation and the Department should be more pro-active in encouraging sharing and co-operation between bodies in the sector in areas such as office accommodation. It should require those grant-makers with a regional presence to evaluate the costs and benefits of sharing office accommodation and facilities.
8. **Grant-makers have procured and developed independently their own IT systems to manage grants and have done little to share information about each system's strengths and weaknesses.** This approach is symptomatic of an apparent unwillingness to work together. The Department should promote closer working between the grant-makers in researching, testing, procuring and developing new systems. Before approving funding for new IT systems, it should require an evaluation of the scope to share or adapt systems already in use by other grant-makers.
9. **Only Sport England of the four grant-makers has the ability to process applications online, even though such an approach can reduce the costs of their processes, simplify the grant application process and improve the grant applicants' experience of the process.** Grant-makers should work together to explore how to increase the use of online applications in their processes. As a starting point, the development work being carried out by the Big Lottery Fund to introduce online applications should be shared with others.
10. **The lottery distributors have established a common website which refers applicants to the distributor most relevant to their circumstances, but grant-makers have yet to establish a one stop shop for grant applications, as exists in the United States.** In the United States, a common website, which is shared by 26 Federal grant-making organisations, lets applicants know about grant opportunities and enables them to submit applications on-line. The Department should encourage grant-makers to work together to make better use of technology, such as by developing a shared grant application system similar to that in the USA.

# 1 Assessing the cost-efficiency of making grants

1. In 2006–07, the nine principal grant-makers sponsored by the Department for Culture, Media and Sport (the Department) received some £2 billion in funding from the Exchequer and the National Lottery, and awarded grants totalling £1.8 billion (**Figure 1**). The administrative cost of making these grants and carrying out related activities was in the region of £200 million.<sup>2</sup>

**Figure 1: Value of grants awarded by the nine principal grant-makers in the culture, media and sport sector in 2006–07**



Source: C&AG's Report, Figure 3

2. Grant-makers held little information by which to judge whether their grant-making was cost-efficient. They had not routinely undertaken an analysis of the costs of their processes, and the Department and the grant-makers had not agreed common measures to assess and compare costs or efficiency across the sector. Without some means of comparison, it is hard to see how the Department could perform an important aspect of its role as sponsor by ensuring that the grant-makers were operating efficiently in carrying out their core activities.<sup>3</sup>

3. The Department's approach to achieving savings in the sector had been to put pressure on grant-makers' total operating costs, although how and where savings were made was a decision for each body. The Department had not insisted on all grant-makers comparing costs with each other as it considered they were intrinsically different. However, it agreed that for them to achieve savings it was in the bodies' interests to compare costs with one another. The Department required grant-makers distributing lottery funds to report their total administration costs on a consistent basis, as they all distributed large volumes of

<sup>2</sup> C&AG's Report, paras 1.5–1.6

<sup>3</sup> Qq 1–2; C&AG's Report, para 1.6

grants, but it had no such requirements for those bodies funded by the exchequer. This was because, at these bodies, grant-making was often only a small part of their business. The Department and grant-makers had attempted to compare costs several years ago, but had not learned enough from the exercise to continue it on a regular basis.<sup>4</sup>

4. The C&AG's Report focused on the costs of making grants at Arts Council England, Big Lottery Fund, English Heritage and Sport England. Between them these organisations had accounted for over 60% of grants made in the sector in 2006–07. The National Audit Office looked at a sample of eight of their grant programmes, through which £647 million of grants had been awarded in that year. The grants ranged in size from a few hundred to many millions of pounds. They funded a wide variety of activities from educational schemes for children and theatre performances, to the restoration of places of worship and the building of new sports facilities.<sup>5</sup>

5. The cost of making a grant across the programmes varied, although most had the same basic administrative processes in common. For example, 'open application' programmes, those to which anyone can apply, typically involve promoting and providing information on grant programmes, setting up and maintaining an applications process, receiving and logging applications, notifying applicants of decisions, and monitoring outcomes. For the six open application programmes covered by the Comptroller and Auditor General's Report, the average cost of awarding one pound of grant ranged from 3 pence on the Big Lottery Fund's *Reaching Communities* programme to 35 pence on the Arts Council's *Grants for the Arts for Individuals* programme.<sup>6</sup>

6. The Arts Council's *Grants for the Arts for Individuals* was its main programme for developing individual artists. In 2006–07, it made 1,666 awards with a combined value of £9.8 million to all types of artists, including choreographers, poets, novelists, photographers, sculptors and painters. It cost the Arts Council £3.9 million in that year to administer the programme, of which the direct staff cost was £1.8 million. We asked why the average cost of awarding £1 of grant was 35 pence, whereas the cost to the Arts Council of making a grant to an organisation under its *Grants for the Arts* programme was just 7 pence. The Arts Council said that a large part of the cost was spent on supporting individual artists to develop their proposals and so increase their potential to be awarded funding. One of its duties as an arts development organisation, under its Royal Charter, was to increase opportunities for artists to practise their art. Although emerging artists often had a general idea of what they wanted to do, specialist Arts Council officers had to work with them to develop credible proposals so that funding went to projects that would attract an audience.<sup>7</sup>

7. The Arts Council gave the example of the Hull novelist, Steven Wells. He had received support from the Arts Council's literary department in his regional office to develop his ideas and, because he had no other source of income, had been awarded a grant of £4,000 to allow him time to write his novel. We were surprised that novelists were receiving such

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4 Qq 1–3, 43–44

5 C&AG's Report, Figure 2; paras 1.11, 1.13

6 C&AG's Report, para 1.9; Figures 11, 13

7 Qq 100, 108; C&AG's Report, Figures 5, 11

public support and funding, and questioned how the Arts Council's staff could substitute for commercial literary agents. The Arts Council explained that it gave the would-be writer, who may not be able to afford to take the time off, the opportunity to write a book. It did not, however, second-guess the commercial publishing sector's decision on whether the book was published or not.<sup>8</sup>

8. In 2006–07, 80% of the grants made under the Arts Council's *Grants for the Arts for Individuals* programme were for £5,000 or less, and it cost £2,000 on average to administer each grant. We questioned whether the cost of making grants to individual artists was proportionate to the value of the grants made. The Arts Council told us that it planned to look at where its costs lay in the grant-making process to see whether it could reduce both its development work and other costs. It could then consider whether such costs were proportionate to the outcomes delivered.<sup>9</sup>

9. The average cost of awarding a grant through an open application programme ranged from £380 on Big Lottery Fund's *Awards for All* programme to £9,700 on English Heritage's *Repair Grants for places of Worship* programme. In 2006–07, English Heritage awarded £24 million to 225 grant applicants to repair places of worship. English Heritage said that the high costs of awarding these grants reflected the high risk nature of the programme. It involved complex repairs to buildings up to 700 years old, with sums of up to £200,000 awarded to congregations who were normally inexperienced in building projects. It cited as an example a grant given to St Clements in Manchester to fund the repairs necessary to stop water pouring through the church roof. Neither the new vicar nor her churchwardens had ever owned property or had any building experience, but had been faced with managing a £250,000 project to repair an historic building.<sup>10</sup>

10. English Heritage estimated that almost half the £9,700 cost of awarding a grant covered the cost of architects to advise the congregation and the architects they employed. We questioned why English Heritage was paying its architects to support other architects. English Heritage explained that its own architects had unique experience of very old and complex buildings, and their expertise and knowledge in conservation issues made them well placed to estimate repair costs. The cost also included the services of specialist quantity surveyors, as the average surveyor would not be able to advise, for example, on the cost of putting shingles on the spire of a mediaeval church. When questioned on whether the most cost-efficient materials were used to repair such buildings, English Heritage said that, while it always considered the cost of materials, it was often not appropriate to use the cheapest option. For example, alternatives to lead were rarely used for the repair of church roofs for reasons of performance and authenticity.<sup>11</sup>

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8 Qq 15, 114, 120

9 Qq 15, 45

10 Qq 20, 82; C&AG's Report, Figures 7, 13

11 Qq 20, 82, 97, 139

## 2 Supporting grant applicants

11. Grant applicants incurred significant costs in the grant-making process. In many cases, the application process was complex and burdensome, and applicants spent considerable time and effort submitting applications even though they might not have a high chance of being successful. The estimated average number of days spent preparing an application to the programmes covered by the Comptroller and Auditor General's Report ranged from five days to 21 days (Figure 2). None of the grant-makers themselves had measured the time applicants spent on the process.<sup>12</sup>

Figure 2: Estimated time spent by grant applicants preparing applications in 2006–07

GRANT PROGRAMME	MEDIAN NUMBER OF DAYS PREPARING APPLICATIONS	NUMBER OF APPLICATIONS IN 2006–07	ESTIMATE OF EQUIVALENT NUMBER OF FULL TIME EMPLOYEES
<b>Arts Council England</b> Grants for the Arts – Individuals	12	3,712	202
<b>Arts Council England</b> Grants for the Arts – Organisations	7	4,412	140
<b>Big Lottery Fund</b> Awards for All England	5	18,528	421
<b>Big Lottery Fund</b> Reaching Communities	21	6,421 outline proposals	613
<b>Sport England</b> Community Investment Fund	6	899	25
<b>English Heritage</b> Repair Grants for Places of Worship	5	489 new applications	11
<b>Total</b>			1,412

Source: C&AG's Report, Figure 15

12. The largest amount of time was spent preparing applications to the Big Lottery Fund's *Reaching Communities* programme. At an estimated 21 days per application, this was equivalent to about 613 staff working full time to prepare applications during 2006–07. When asked why this process was so onerous, the Department said that (for successful applicants) it considered the rate of return on these resources was high given that the average grant value was £221,000.<sup>13</sup>

13. For most of the open application programmes covered by the Comptroller and Auditor General's Report, around 40 to 50% of applications were successful. On the *Reaching*

12 Q 21; C&AG's Report, paras 3.4, 3.6, 4.2

13 Qq 33, 35, 37

*Communities* programme, however, only one in five applications was successful in 2006–07, with just 452 awards made. This suggested to us that few communities were being reached. The Big Lottery Fund explained that it referred unsuccessful applicants to *Reaching Communities* to its other programmes which also funded community projects. Since the C&AG’s Report, the Big Lottery Fund had sought to reduce costs to applicants by introducing a much tighter outline proposal stage for *Reaching Communities* applicants. This had allowed them to guide people as to whether they had any realistic chance of being awarded a grant at an earlier stage of the process, and on the basis of a much shorter application form. In 2007–08, over 60% of potential applicants had been advised not to proceed with their grant application at this early stage, thus preventing them having to commit the considerable time needed to make a full application. This had also helped the Big Lottery Fund reduce its own costs as, whilst it took two and a half hours to process an outline proposal, it could remove the need to spend 15 and a half hours processing a full application.<sup>14</sup>

14. *Reaching Communities* was the Big Lottery Fund’s most open programme and funded a wide range of projects in the voluntary and community sector, including those with an environmental, health and education focus. Consultations with the sector had shown that applicants valued the opportunity to “have a go” at the money on the *Reaching Communities* programme, even though there was a high failure rate. The Big Lottery Fund was planning to consult further on its post-2009 programmes, including on its open programmes for larger sums of money.<sup>15</sup>

15. Time in the grant-making process is also spent, by both the grant-maker and the grant applicant, in submitting and processing incomplete or inaccurate applications. In 2006–07, 62% of initial applications to the Big Lottery Fund’s *Awards for All* programme were incomplete or were missing information such as bank statements and references. Many of the applications were from people applying for Lottery money for the first time. At the time of our hearing, the level of incomplete applications had fallen to around 50% following the introduction of improved guidance for applicants. However the Big Lottery Fund conceded that this was still not good enough. The Arts Council had also recently simplified its application form following user testing.<sup>16</sup>

16. Successful grant applicants reported high satisfaction with the grant-makers’ processes (**Figure 3**), while, as one would expect, satisfaction was much lower among failed applicants. Sport England’s *Community Investment Fund* received the lowest satisfaction rating of the eight programmes covered by the Comptroller and Auditor General’s Report. Sport England explained that, based on anecdotal evidence, applicants had found parts of its process quite onerous, especially where they had had to work with Sport England to improve the quality of their sport’s development plan. Sport England was looking to replace the *Community Investment Fund* and wanted to learn from its current process to offer a better experience for applicants in the future.<sup>17</sup>

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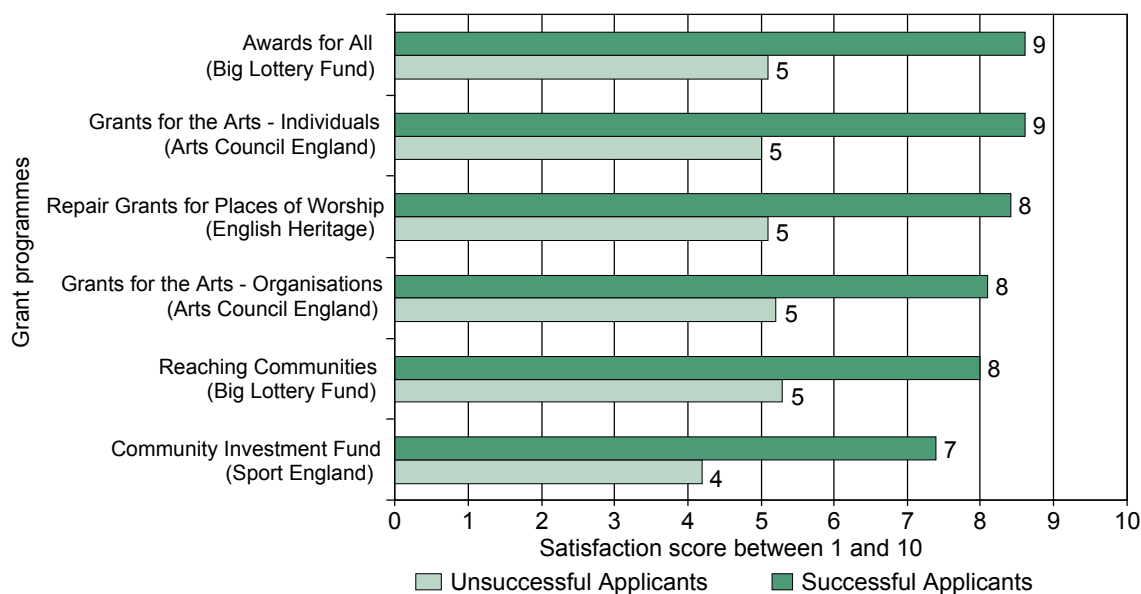
14 Qq 65–66, 86; C&AG’s Report, para 4.2

15 Qq 59–60

16 Qq 28, 30–31, 40

17 Qq 109–111; C&AG’s Report, para 3.9

**Figure 3: Applicants satisfaction with grant-making programmes**



Source: C&AG's Report, Figure 17

17. Grant-makers told us that they provided support to grant applicants in various ways, such as through telephone helplines and websites. The Big Lottery Fund provided outreach support through its regional offices. It had invested much effort and time through its outreach operations, as well as through partners such as voluntary sector organisations and local authorities, to support applicants in the grant-making process to improve their chances of success. But successful outcomes also depended on the extent to which local authorities helped the voluntary sector with grant applications, as there was a limit to how much outreach activity the Big Lottery Fund could undertake.<sup>18</sup>

18. We were also concerned that the burden placed on grant applicants may have created a role for consultants to help them with applications. Grant-makers could not tell us to what extent consultants were advising grant applicants, or if such activity was distorting the application process by making it more likely that applicants employing consultants would receive funding.<sup>19</sup>

19. The Department does not direct grant-makers to channel funding into particular areas. It told us that decisions on which projects to fund were solely for grant-makers, who were the experts on such matters. The Department did, however, issue 'policy directions' to lottery distributors on matters which they must take into account when making decisions on lottery funding, including ensuring equal access to funding and seeking to reduce deprivation. The Department recognised that there was a cost to achieving a geographical spread of applications, including those from different backgrounds or traditions which might not naturally look for public funding. For lottery funded bodies, it placed reliance on the chairs and trustees of the bodies, who were in a sense the representatives of the would-

<sup>18</sup> Qq 51, 58, 127

<sup>19</sup> Q 64

be applicant, to make sure that the highest proportion of lottery money went on grants, and that the minimum went on their administration.<sup>20</sup>

20. We asked English Heritage about a grant awarded in 2007, of £127,000, to the Losang Dragpa Buddhist Centre to fix a leaking roof and preserve the intricate stone-work and tower on a Grade II listed building in West Yorkshire. We understood that the Losang Dragpa Buddhists had since moved to France and the building was now up for sale. We were assured that the majority of the grant had not been taken up in this case. Of the £127,000 awarded, English Heritage had paid out £7,500 before it became aware of the building's sale and had halted further payments. English Heritage planned to seek repayment of the £7,500 once the sale of the building had been completed.<sup>21</sup>

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20 Qq 121–124; Ev 18

21 Qq 78–79; Ev 23

### 3 Sharing services and information

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21. We were concerned that the Department was not taking a lead role on achieving value for money through the sharing of offices and other back office services. The Department acknowledged there was little sharing across grant-makers in practice. Although the grant-makers in the sector had different objectives and awarded grants to different types of individuals and organisations, all or part of their grant-making processes were similar. The processes were, however, carried out at the grant-makers individual offices across the country, using different IT systems. The Arts Council and Sport England, for example, were independently implementing central service centres in different locations and had not appraised the costs and benefits of sharing facilities, or of combining any elements of their respective systems. Similarly, grant-makers had all separately developed and implemented different IT systems.<sup>22</sup>

22. The Arts Council explained that its IT system supported procurement and financial management, as well as grant-making. The system would also support on-line applications in the future. Arts Council had looked at a number of different IT systems, but had chosen ARENA to allow it to consolidate ten IT systems into one and to make a series of other changes to its structure over the past five years, including merging ten organisations into one and over 100 grant schemes into five. Implementing all these initiatives had saved the Arts Council £10.3 million.<sup>23</sup>

23. In the past we had expressed disappointment about the lack of arrangements to share offices and back office facilities among organisations in order to help drive down costs. We asked about progress in this area. The Department assured us that both in response to our previous Report on office accommodation in the culture, media and sport sector and in response to the Office of Government Commerce's high performing property initiative, bodies in the sector were trying to economise on their property holdings. The Big Lottery Fund, for example, had made £3.5 million savings by centralising its operations.<sup>24</sup>

24. We found no evidence, however, that the issue of whether the grant-makers' offices could be better organised, or indeed in some cases rationalised, was being taken forward. A first step towards this according to the Department would be for the different grant-makers to compare their costs, on a like-for-like basis, before looking at opportunities to develop common systems or to share services.<sup>25</sup>

25. We asked about grant-makers sharing of knowledge and good practice. In particular we asked what they had learnt from other grant makers in the UK, such as BBC Children in Need and Lloyds TSB Foundation for England and Wales, as well as from international grant-makers. The Big Lottery Fund told us it looked to develop and share its work to measure the performance and cost of its processes with other grant-makers, liaising with

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22 Qq 3–4

23 Q 11

24 Q 54; C&AG's Report, *The office accommodation of the Department for Culture, Media and Sport and its sponsored bodies*, HC (2005–06) 942; Office of Government Commerce, *High Performing Property—Routemap to asset management excellence*, 2006

25 Qq 55–56

them, for example, through the Association of Charitable Foundations and the Intelligent Funders' Forum. English Heritage meanwhile shared good practice with comparator organisations internationally, such as in Germany where each *Land* had its own heritage conservation organisation. English Heritage had also worked with DEFRA to understand the costs of its *Repair Grants for Places of Worship* scheme.<sup>26</sup>

26. Within the sector respected experts already work together to share good practice on capital projects and making capital investments through the capital centre of excellence. The Department agreed that grant-makers could do more to learn about grant-making processes from one another. The Lottery Forum, comprising the Chief Executives and Finance Directors of the lottery distributors, provided opportunities for sharing good practice. The grant-makers agreed that the Forum could play a more significant role in sharing good practice and that Chief Executives and Finance Directors could exchange information on a more regular basis. The Department also saw the Forum as having a relatively light touch process at present, but had the potential to have a “more heavy duty” role in the future.<sup>27</sup>

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26 Qq 5, 9, 88–89

27 Qq 90–91

## 4 Making applications on-line

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27. Making grant applications on-line can improve the cost-efficiency of a grant process, the quality of applications received and the experience of the grant applicant. In the culture, media and sport sector, development of an on-line application process was at an early stage and we questioned why grant-makers had not made more progress. We were surprised to see that out of the four grant-makers, only one, Sport England, had the ability to process applications online. All applicants to Sport England's *Community Investment Fund* programme could apply online, and Sport England was planning to introduce a single on-line application form for all of its grant programmes from September 2008. For other grant programmes, grant-makers continued to receive large numbers of paper-based applications.<sup>28</sup>

28. The Big Lottery Fund told us that it hoped to have on-line applications in 2010 across all of its programmes. Based on earlier trials and research, it considered that online applications could significantly improve the cost-effectiveness of its grant programmes. The Big Lottery Fund had looked at the systems of other organisations including the Arts Council and the Heritage Lottery Fund and, outside the sector, Esme Fairburn, the Wellcome Trust and the Gates Foundation. It had also looked at the retail banking sector to help establish the best possible online processes. Big Lottery Fund told us that it was looking to develop a system which could be applied at other grant-makers. The Arts Council was also looking to move towards an on-line process during the current spending period, although it considered that some of its applicants would still want the opportunity to make paper-based applications.<sup>29</sup>

29. Grant-makers saw the introduction of an on-line application facility as going some way towards reducing the time taken to process applications and of improving the accuracy of the applications they received. The Big Lottery Fund had found from its *People's Millions* programme that by accepting on-line applications it had almost 'obliterated' incomplete applications as applicants could only move to the next stage of the process by attaching the right information.<sup>30</sup>

30. In the United States, 26 Federal grant-making organisations share a common website. The website lets applicants know about grant-making opportunities and enables them to submit applications on-line. Lottery distributors in the UK currently run a website together called [www.lotteryfunding.com](http://www.lotteryfunding.com), which directs anyone seeking grants on the internet to relevant opportunities, although excludes exchequer funded opportunities. Once an applicant has identified a suitable grant programme they can print out an application form and the rules and process for applying for the grant, but they could not yet make applications on-line as happens in the USA on the grants-gov website.<sup>31</sup>

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28 Qq 12, 40

29 Qq 12, 14, 39, 52

30 Q 38

31 Qq 13-14

31. The Department was cautious about the merits of a one-size fits all system, given the diversity of the sector and the applicants for grants. In the case of the arts, for example a choreographer, painter or writer was likely to approach only the Arts Council for funding, so a central website may not offer any advantages to such an applicant. Nevertheless, the Arts Council conceded that if there was an opportunity to attach an online applications facility to the existing lottery website that would be a great improvement.<sup>32</sup>

# Formal Minutes

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**Monday 15 July 2008**

Members present:

Mr Edward Leigh, in the Chair.

Mr Richard Bacon

Mr Paul Burstow

Mr Philip Dunne

Nigel Griffiths

Keith Hill

Mr Alan Williams

Phil Wilson

Draft Report (*Making grants efficiently in the culture, media and sport sector*), proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 31 read and agreed to.

Summary read and agreed to.

*Resolved*, That the Report be the Forty-ninth Report of the Committee to the House.

*Ordered*, That the Chairman make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 8 October at 3.30 pm.]

## Witnesses

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**Monday 2 June 2008**

*Page*

**Mr Nicholas Holgate**, Chief Operating Officer, Department for Culture, Media and Sport; **Ms Jennie Price**, Chief Executive, Sport England; **Dr Simon Thurley**, Chief Executive, English Heritage; **Mr Alan Davey**, Chief Executive, Arts Council; **and Mr Peter Wanless**, Big Lottery Fund

Ev 1

## List of written evidence

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Department for Culture, Media and Sport

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## List of Reports from the Committee of Public Accounts 2007–08

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First Report	Department for International Development: Tackling rural poverty in developing countries	HC 172 (Cm 7323)
Second Report	Department of Health: Prescribing costs in primary care	HC 173 (Cm 7323)
Third Report	Building for the future: Sustainable construction and refurbishment on the government estate	HC 174 (Cm 7323)
Fourth Report	Environment Agency: Building and maintaining river and coastal flood defences in England	HC 175 (Cm 7323)
Fifth Report	Evasion of Vehicle Excise Duty	HC 227 (Cm 7323)
Sixth Report	Department of Health: Improving Services and Support for People with Dementia	HC 228 (Cm 7323)
Seventh Report	Excess Votes 2006–07	HC 299
Eighth Report	Tax Credits and PAYE	HC 300 (Cm 7365)
Ninth Report	Helping people from workless households into work	HC 301 (Cm 7364)
Tenth Report	Staying the course: the retention of students on higher education courses	HC 322 (Cm 7364)
Eleventh Report	The compensation scheme for former Icelandic water trawlermen	HC 71 (Cm 7364)
Twelfth Report	Coal Health Compensation Schemes	HC 305 (Cm 7364)
Thirteenth Report	Sustainable employment: supporting people to stay in work and advance	HC 131 (Cm 7364)
Fourteenth Report	The budget for the London 2012 Olympic and Paralympic Games	HC 85 (Cm 7365)
Fifteenth Report	The Pensions Regulator: Progress in establishing its new regulatory arrangements	HC 122 (Cm 7365)
Sixteenth Report	Government on the Internet: Progress in delivering information and services online	HC 143 (Cm 7366)
Seventeenth Report	Foreign and Commonwealth Office: Managing Risk in the Overseas Territories	HC 176 (Cm 7366)
Eighteenth Report	Improving corporate functions using shared services	HC 190 (Cm 7366)
Nineteenth Report	BBC Procurement	HC 221 (Cm 7366)
Twentieth Report	HM Revenue & Customs: Helping individuals understand and complete their tax forms	HC 47 (Cm 7366)
Twenty-first Report	The Carbon Trust: Accelerating the move to a low carbon economy	HC 157 (Cm 7366)
Twenty-second Report	Improving the efficiency of central government's use of office property	HC 229 (Cm 7366)
Twenty-third Report	Report on the NHS Summarised Accounts, 2006–07: Achieving financial balance	HC 267 (Cm 7453)
Twenty-fourth Report	The privatisation of QinetiQ	HC 151 (Cm 7453)
Twenty-fifth Report	The cancellation of Bicester Accommodation Centre	HC 316 (Cm 7453)
Twenty-sixth Report	Caring for Vulnerable Babies: The reorganisation of neonatal services in England	HC 390 (Cm 7453)
Twenty-seventh Report	DFID: Providing budget support to developing countries	HC 395 (Cm 7453)
Twenty-eighth Report	Government preparations for digital switchover	HC 416 (Cm 7453)
Twenty-ninth Report	A progress update in resolving the difficulties in administering the single payment scheme in England	HC 285 (Cm 7453)
Thirtieth Report	Management of large business Corporation Tax	HC 302
Thirty-first Report	Progress in Tackling Benefit Fraud	HC 323 (Cm 7453)
Thirty-second Report	Reducing the cost of complying with regulations: The delivery of the Administrative Burdens Reduction Programme, 2007	HC 363 (Cm 7453)
Thirty-third Report	Ministry of Defence: Major Projects Report 2007	HC 433 (Cm 7453)
Thirty-fourth Report	Increasing employment rates for ethnic minorities	HC 472 (Cm 7453)
Thirty-fifth Report	Housing Market Renewal: Pathfinders	HC 106 (Cm 7453)
Thirty-sixth Report	HM Treasury: Making Changes in Operational Projects	HC 332
Thirty-seventh Report	Ministry of Defence: Leaving the Services	HC 351 (Cm 7453)
Thirty-eighth Report	Nuclear Decommissioning Authority—Taking forward decommissioning	HC 370 (Cm 7453)

Thirty-ninth Report	Preparing to deliver the 14–19 education reforms in England	HC 413
Fortieth Report	Department of Environment, Food and Rural Affairs: Management of Expenditure	HC 447
Forty-first Report	Department of Health: NHS Pay Modernisation: New contracts for General Practice services in England	HC 463
Forty-second Report	Preparing for sporting success at the London 2012 Olympic and Paralympic Games and beyond	HC 477 (Cm 7453)
Forty-third Report	Managing financial resources to deliver better public services	HC 519
Forty-fourth Report	The roll-out of the Jobcentre Plus office network	HC 532
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Forty-sixth Report	The procurement of the National Roads Telecommunications Services	HC 558
Forty-seventh Report	Meeting needs? The Offenders' Learning and Skills Service	HC 584
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Forty-ninth Report	Making grants efficiently in the culture, media and sport sector	HC 641
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First Special Report	The BBC's management of risk	HC 518 (Cm 7366)
Second Special Report	Evasion of Vehicle Excise Duty	HC 557 (Cm 7366)
Third Special Report	BBC Procurement: The BBC Trust's response to the Nineteenth Report from the Committee of Public Accounts	HC 1118

# Oral evidence

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## Taken before the Committee of Public Accounts

on Monday 2 June 2008

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon  
Mr Paul Burstow  
Mr Philip Dunne  
Nigel Griffiths

Mr Austin Mitchell  
Mr Don Touhig  
Phil Wilson

**Mr Tim Burr**, Comptroller and Auditor General, National Audit Office, gave evidence.

**Ms Paula Diggle**, Treasurer of Accounts, HM Treasury, gave evidence.

### REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

#### MAKING GRANTS EFFICIENTLY

#### IN THE CULTURE, MEDIA AND SPORT SECTOR (HC 339)

*Witnesses:* **Mr Nicholas Holgate**, Chief Operating Officer, Department for Culture, Media and Sport; **Ms Jennie Price**, Chief Executive, Sport England; **Dr Simon Thurley**, Chief Executive, English Heritage; **Mr Alan Davey**, Chief Executive, Arts Council; and **Mr Peter Wanless**, Chief Executive, Big Lottery Fund, gave evidence.

**Q1 Chairman:** Good afternoon. Welcome to the Committee of Public Accounts where today we are looking into the Comptroller and Auditor General's Report into *Making Grants Efficiently in the Culture, Media and Sport Sector*. We welcome to our Committee Nicholas Holgate, who is the Chief Operating Officer from the Department for Culture, Media and Sport; Alan Davey, who is the Chief Executive of Arts Council England; Peter Wanless, who is the Chief Executive of The Big Lottery Fund; Dr Simon Thurley, who is Chief Executive of English Heritage; and Jennie Price, the Chief Executive of Sport England. Perhaps I will start with you, Mr Holgate, and if anyone else wants to chip in they can do. If you look at paragraph 2.2 of the Report, which you will find on page 18, you will see: "The Department considers that as the grant-makers are different types of bodies working in different sectors, the costs of their grant programmes are not comparable. It does not therefore require grant-makers to report against a common set of measures." But if you are not comparing the efficiency of these various grant-makers, how can you ensure that they are doing their jobs properly and, for instance, are not wasting money on bureaucracy? Surely it makes eminent good sense to compare how they are performing in this regard, does it not?

**Mr Holgate:** Thank you, Chairman. What the Department does is place general pressures on the totality of the operating costs of these bodies by one means or another and we delegate to the managements of those bodies exactly the locations of the savings, and in most cases it is year-on-year savings comparing like-with-like. We do not insist

on them comparing across each of the bodies who are engaged in intrinsically different roles.

**Q2 Chairman:** Why not? It rather calls into question what is the point of your Department. If these are independent bodies doing much what they want to do and you are not comparing their efficiencies, which I would have thought you could do, because although they are different, they are making grants in very different enterprises, they all have offices, they all have IT systems, they all have forms and applications for these grants, I would have thought this is a prime role for you to compare what they are doing and ensure that they are efficient, that they learn best practice.

**Mr Holgate:** Yes. Can I give two complementary answers to that question? The first is that although there are processes that are plainly common to nearly every form of grant regime you can imagine, if they are interspersed or, as it were, alternating bits of a process which are quite different and quite unique to the grant-giver in question, then it is not actually that easy to compare meaningfully and draw useful management conclusions from what proportion of a small number of pence per pound goes on a particular function which happens to be the same one compared with another. The second part of my answer is that because of the pressures that we put on all these bodies to save costs year-on-year it is actually entirely in their interests to compare costs with one another. We are putting absolutely no hindrance in their way, and we have made attempts to do that and they have made attempts to do that in the past. The sad fact is that we have not learned enough from that process in

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 Department for Culture, Media and Sport, Sport England, English Heritage, Arts Council and Big Lottery Fund
 

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the past to make a regular job of it. What they have had to do instead is find other ways of making the efficiency savings.

**Q3 Chairman:** Reading on in the report on a similar sort of theme, paragraph 4.19, page 38: “However, the grant-makers had not taken the opportunity to work together to identify potential cost savings or efficiency gains. For example, the Arts Council and Sport England were independently implementing shared service centres in different locations, but had not appraised the costs and benefits of sharing facilities . . . ” This seems to me fairly basic. This should be the prime role of your Department, to ensure that we are getting value for money, should it not?

**Mr Holgate:** Again, we did try to make such comparisons several years ago and it did not yield insights of sufficient value that that should become the driving force to determining the scale of costs to be expended on—

**Q4 Chairman:** You say that but, frankly, I do not buy that. If you read 4.20, it says: “Similarly, the grant-makers had all separately developed and implemented their own grants management IT systems and there was little evidence that they had shared knowledge of effectiveness or lessons learned.” Are you still going to stick to your mantra that they cannot learn from each other?

**Mr Holgate:** Well, I think they can learn from one another.

**Q5 Chairman:** That is all I am saying to you.

**Mr Holgate:** I also think they can learn from other bodies. There are examples. For example, English Heritage looks to Defra for some steer on what you would expect grants with characteristics not wholly dissimilar to the Repair Grants to have. They can and do learn, the question is how much effort you put into that compared to other ways of bearing down on costs. That is the essential—

**Q6 Chairman:** Perhaps I can ask Mr Wanless, would you describe yourself as the voice of this sector?

**Mr Wanless:** The voice of the grant-making sector?

**Q7 Chairman:** Yes.

**Mr Wanless:** We are probably the biggest—

**Q8 Chairman:** Exactly. Why do you not try and answer this question that I put to Mr Holgate. Let us look again at paragraph 2.2.

**Mr Wanless:** Yes.

**Q9 Chairman:** Before this Report was published, did you compare the costs of making these grants between different bodies?

**Mr Wanless:** Up to a point, yes. We have looked to both develop performance measures, key performance indicators, to test our effectiveness and the costs of our processes and looked at sharing those not just across Lottery distributors but grant-makers as well. We have a lot of conversations through the Association of Charitable Foundations

and also the Intelligent Funders’ Forum, which we describe. I would reinforce what Mr Holgate has been saying about the elements of the grant-making process which are common to different grant-making schemes but a portion of the total operation, so even across the Big Lottery Fund there is a range of different programmes which we would support which would have different cost-drivers depending on the policy objectives we were seeking to achieve from that programme.

**Q10 Chairman:** Perhaps, Mr Davey, I could ask you about this IT point that I put to Mr Holgate. This is mentioned in paragraph 1.16. You had a new IT system in 2006, did you not?

**Mr Davey:** Yes.

**Q11 Chairman:** Why are you all using separate IT systems? When you brought in a new IT system why did you not go round the other grant-making bodies and see if you could share IT?

**Mr Davey:** We did look quite widely at a number of examples of different systems. The one we chose, which is called Arena, is more than a grants management programme, it is also around procurement and wider finance management. If I can put that in context for the Committee, that is part of a series of quite large structural changes we have been making over the last five years which began with combining 10 organisations into one, which continued with combining over 100 grant schemes into five, and has continued with 10 IT systems into one. We concluded after extensive study that the Arena system we chose was the most cost-effective for what we required from it. Taken together, all of those initiatives that I have outlined there have saved us £10.3 million. That is before we start our further work in coming years.

**Q12 Chairman:** If I could ask about Sport England’s IT system, for instance, we read in paragraph 4.13: “All applicants to Sport England’s Community Investment Fund programme can now apply online”, that is fine, “We found that for the other grant programmes we looked at, however, the grant-makers continued to receive large numbers of paper-based applications.” Surely we should be making more progress there, should we not?

**Mr Davey:** If I could comment on the online application issue. That is something we want to make progress with in this spending period, although we do find that some of our clients prefer paper-based applications. When we are dealing, for example, with individual artists they might not have the IT requirements that a totally online process would require. However, we do want to move to an online process and we think that might bring benefits.

**Q13 Chairman:** Perhaps I could ask Mr Wanless then further on this IT point. In the USA, this is dealt with on page 37, if you look at figure 22: “Grant-makers in the US have developed automated shared services”. Have you seen this?

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**Mr Wanless:** Yes.

**Q14 Chairman:** This seems to be quite an interesting idea. Why have you not got something more along these lines in this country?

**Mr Wanless:** We actually do have something rather similar to this up to a point already. The Lottery distributors together run a website called [www.lotteryfunding.com](http://www.lotteryfunding.com) and there anyone can go in, answer very simple questions about, “How much money are you seeking to access? Where do the people live that you are seeking to help? What is the subject you are seeking to support?” One click and it will tell you the Lottery programmes that are open for distribution. From there you can print out the application form, the rules, procedures and all the rest of it. We are not yet at the stage where applications can be made online right the way across the piece and, like Mr Davey, I am really keen the Big Lottery Fund should get more of its application processes online. We can see based on experiments we have done on online applications previously that that very significantly improves the cost-effectiveness of the programme.

**Q15 Chairman:** Perhaps I can ask Mr Davey again, would you like to look at figure 11. Right at the top there: “Direct staff cost for each £ of grant awarded: Grants for the Arts for Individuals: 18 pence. Grants for the Arts for Organisations: 4 pence.” Why is it so much more for an individual?

**Mr Davey:** Because a large part of that cost is around the development work we undertake with individual applicants. The Grants for the Arts for Individuals scheme is one of the main development schemes we have for developing individual artists, individual artists such as the Hull novelist, Stephen Wells, who got a small grant of around £4,000 to allow him time to write his novel, which he did and it became successful. That is an individual artist who has been helped by us and who was helped with a lot of development work from the Arts Council. That kind of work is included within the cost. However, clearly I want to look to see how those costs lie and to see if we cannot get process costs down and development costs down as well as other costs, such as assessment costs.

**Q16 Chairman:** Could I ask another question of the Big Lottery Fund. This is dealt with in figures 11 and 15. We read that it takes on average about five days’ work to do a grant but you only spend about £200 on each grant. What is going on here? Is there not a mismatch between the two?

**Mr Wanless:** This is the Awards for All programme?

**Q17 Chairman:** Yes.

**Mr Wanless:** We do not prescribe how much time applicants should choose to put into applying for—

**Q18 Chairman:** It only costs you about £200 for processing each application but you need applicants to spend about five days putting the application together.

**Mr Wanless:** I would not say we needed them to spend five days. If they choose to spend five days it is probably time well-spent because they are going to put together a good application which is going to help with the planning and delivery of their proposal. The application form, and I have got one here, is pretty simple. You answer 20 questions and you have got about a 50% chance of securing an award. We administer it, as you can see from the figures, pretty cost-efficiently, not to say we could not do it better as we move online into the future.

**Q19 Chairman:** Dr Thurley, can I ask you, at figure 13 we read that the average administration cost for each grant awarded was £9,700. That seems a lot of money to me.

**Dr Thurley:** Our grants are quite big grants and, as the NAO pointed out, it works out as about 7.6% of the cost, which is a significant reduction. In 2003–04 we did an exercise which calculated the cost of undertaking our grant programme and it was 9.15%, so what the NAO are showing is our percentage has actually dropped quite a bit over the last three years.

**Q20 Chairman:** What value are you actually adding to the £10,000 you make on each grant? What value is your organisation actually adding?

**Dr Thurley:** Our grant programme is a very high risk programme because we are giving quite large sums of money to very poor congregation groups who own buildings that are often up to 700 years old, very often the incumbent would never have been involved in a building project before, his PCC and his church wardens equally may have absolutely no experience of building whatsoever, and yet we are proposing to give them maybe £200,000 worth of public money. What our grant programme is intended to do is help guide these people and support them, and often support their architects as well because very often their architects do not have the necessary expertise and knowledge to deal with the repair costs. The added benefit that we bring is the ability to bring the project in on time, on budget and actually achieve its aims.

**Chairman:** Thank you.

**Q21 Mr Touhig:** Mr Holgate, if there is one message that comes through from the C&AG’s Report it is that applying for grants in the DCMS sector is too complex, too difficult. Would you agree with that?

**Mr Holgate:** I do not think I would agree, I am afraid. That is not to say for one moment that we cannot improve, and colleagues have already given examples in response to the Chairman’s questions about online application. I am sure we can improve year-on-year.

**Q22 Mr Touhig:** So you do not agree with that conclusion?

**Mr Holgate:** I do not think I do agree, no. The satisfaction rating for the—

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**Q23 Mr Touhig:** Well, let us look at the satisfaction rating on page 30, paragraph 3.9. It says it is rather poor and those applying only rate you six out of 10. That is not very good, is it?

**Mr Holgate:** Well, I do not think you can tell whether six out of 10 is very good or not very good because it is not normalised against some other measure of quality.

**Q24 Mr Touhig:** It is clearly an indication of the dissatisfaction of people having to go through the process of applying for grants.

**Mr Holgate:** Well, I am looking at figure 17 and I see a marked disparity. I see it is perfectly reasonable between the people who were successful in their grant applications and those who were not.

**Q25 Mr Touhig:** So you are fairly complacent about it then?

**Mr Holgate:** No, I would not claim complacency at all. As I said, I am sure we can do better and these bodies all have plans—

**Q26 Mr Touhig:** What do you specifically have in mind to make it better?

**Mr Holgate:** The online applications could be one improvement if we could get it to work.

**Q27 Mr Touhig:** If you could get it work, yes, but you do not have any other improvements in mind at the moment?

**Mr Holgate:** Well, it depends on the policy objectives. As Peter said, it depends a bit on the policy objectives of the scheme as to whether you think it has succeeded or not. I suspect Alan's example is an example of a successful grant if the book he was referring to went on to win prizes or enabled him to make a living as an author.

**Q28 Mr Touhig:** I am sure we will come back to that in due course. Mr Wanless, it is pretty clear that your organisation's applications process is complicated too, 62% of applications you receive you have to send back because they are incomplete.

**Mr Wanless:** Yes. This is the Awards for All programme again which, as I said, earlier, if you look at the application form is not at all difficult. There are pieces of information that you need to complete, like bank statement details and a reference and so on. We have found that many applications that are received for this scheme, often from people who are applying for Lottery money for the first time, do not attach key pieces of information.

**Q29 Mr Touhig:** Except that six out of 10 you have to send back.

**Mr Wanless:** Yes.

**Q30 Mr Touhig:** Are you suggesting people who complete these application forms should have a business administration degree in order to get it right?

**Mr Wanless:** Absolutely not. I would say if you look at the application form it is pretty straightforward. We have tried to improve the guidance notes since

this Report was produced to make it even clearer. It actually says, "How to apply. Paragraph 1: Read the guidance notes. Over three-quarters of the applications we receive are sent back or rejected altogether because they contained basic errors, were missing information or asked for a grant for something that Awards for All does not fund". For example, we would not fund profit-making organisations of one kind or another. Through improving our guidance and simplifying processes we have reduced this figure, but it is still unacceptably high.

**Q31 Mr Touhig:** It is high, it is six out of 10.

**Mr Wanless:** It is now down to more like five out of 10, but I would agree with you that is not good enough.

**Q32 Mr Touhig:** The Chairman referred to figure 15 on page 29.

**Mr Wanless:** Yes.

**Q33 Mr Touhig:** Why on earth did it take the time equivalent of 613 full-time employees to prepare an application for the Lottery Fund Reaching Communities programme in 2006–07?

**Mr Wanless:** This is a scheme which is enabling people to access larger sums of money than the Awards for All, so there are a set of planning procedures and checks to ensure—

**Q34 Mr Touhig:** You are supposed to be helping people, not burying them under paperwork, are you not?

**Mr Wanless:** Absolutely, and I would say that our processes are designed to encourage and help people through that process to make the best case they can for Lottery money.

**Q35 Mr Touhig:** The Report says that 613 full-time employees would be required to complete the applications in 2006–07 for your Reaching Communities programme.

**Mr Holgate:** Could I make a point at this stage? I think I am right in saying the mean award is £221,000 from this scheme, so at 21 days' average application time, plus two days for evaluation, the person is in a sense "earning" £9,600 per day that he or she is compiling their application, which I think is quite a high rate of return for filling out the form correctly and meeting the objectives of the scheme.

**Q36 Mr Touhig:** A large number of people have been suggested by the NAO Report, 613 people would be required.

**Mr Holgate:** There are two things there. There are unsuccessful applications and there are successful applications. I am saying if you succeed an average award under this scheme is £221,000—

**Q37 Mr Touhig:** If you succeed.

**Mr Holgate:** If you succeed, yes, and it is 23 days in total both applying and evaluating to achieve that, and that is quite a high rate of return.

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**Q38 Mr Touhig:** As the Chairman pointed out earlier, your costs seem to vary and you do not seem to be learning lessons one from the other. Is it not true with all your staff that the application process is so complex, so long, you are sending some of them back because they are incomplete, that your staff are not coping with these applications in an efficient way. You are making it too complex for people to access the money.

**Mr Wanless:** On the incomplete applications, we have evidence now from the People's Millions programme, for example, which was an online applications programme, that that almost obliterated incomplete applications because you could only move to the next stage by attaching the right information. That was a hugely beneficial change.

**Q39 Mr Touhig:** How far have you got with the online? It seems from what Mr Holgate said that it is at an early stage, you do not even know if it works yet.

**Mr Wanless:** We do not. We would hope to have that coming on-stream in 2010 across all our programmes.

**Q40 Mr Touhig:** In any of your organisations, do you have any other proposals for radically simplifying the application process other than going online?

**Mr Davey:** We have recently simplified the application form and subjected it to extensive user testing. What I want to do in the next year or so is to look at how we can reduce our Lottery administration costs by 15%. We will be looking at our application schemes to see how we can simplify them.

**Ms Price:** We are also introducing a single online application form for all of our grant programmes in September, so that will reduce the burden.

**Q41 Mr Touhig:** Is it possible that we could have a note before we complete our report on what each department is doing?<sup>1</sup>

**Mr Holgate:** Certainly, Mr Touhig.

**Q42 Mr Touhig:** That would be helpful. One of the cancer charities had a mission statement, it might be a mission statement, or it might be a slogan, "Get it spent where it's meant", very simple but it gets the message across. Perhaps that is something all of you could be looking at.

**Mr Holgate:** These schemes all have quite specific objectives. The only problem with having specific objectives is that sometimes people apply who do not fit into that projection so solving one thing can lead to one of the other issues that you have mentioned.

**Q43 Mr Touhig:** Why is it that you require the Lottery Forum to publish its admin costs when you do not require the same information from the

Exchequer funded grant-makers? All taxpayers want to know they are getting value for money, not just Lottery payers.

**Mr Holgate:** I think the answer to that is wherever there is a major Lottery distributor, it has a large volume of business, unlike English Heritage where its grant-making is only a small proportion of its business. There is a case for accountability of a relatively crude nature for the Lottery distributors which I do not think there is across the generality of our bodies where grant-making may not be the principal source of engagement.

**Q44 Mr Touhig:** You do not think perhaps knowing the admin costs of all the others would be helpful?

**Mr Holgate:** I think that brings us back to the point where the Chairman began which is the problem of not quite comparing like-with-like. The NAO did a valiant job getting figures which do appear broadly comparable, but they are only comparable to the extent that they are pence per pound of grant, they are not pence per pound of effective grant. As the NAO rightly point out, they have not been able to investigate the relative effectiveness, so the true ratio is missing a really compelling denominator.

**Q45 Mr Touhig:** Mr Davey, in 2006–07 80% of the grants made under the Arts Council's individual programme were for £5,000 or less and it cost you £2,000 on average to administer. That is about 40% of the grant value going on costs in eight out of 10 cases. That is not really value for money, is it?

**Mr Davey:** If I refer to my previous answer, much of the work around Grants for the Arts for Individuals is working with the applicant to work up the application and work up what the scope of the application would be. For example, with a choreographer, the Arts Council officer might work up with them what kind of application would be likely to succeed and work with them as to what their artistic—

**Q46 Mr Touhig:** Forgive me, I am short of time, but you did explain that in answer to the Chairman. The point I am making is if you have a particular project that gives grants on average of about £5,000 and it is costing you £2,000 to administer then you ought to be looking at the project as a whole as to whether it is value for money at all.

**Mr Davey:** The clients who are successful regard the development work as being valuable. Yes, I do agree that we need to look at it to see if we can get those costs down.

**Q47 Mr Touhig:** A final question for Mr Wanless. What is happening with applications for Lottery funding now that the 2012 Olympics have taken so much of your money? The Friends of the Newbridge Memo, in my constituency, built by miners in memory of those who died in the First World War, need £4.9 million to rejuvenate and use the building. Are they going to get the money?

<sup>1</sup> Ev 18

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 Department for Culture, Media and Sport, Sport England, English Heritage, Arts Council and Big Lottery Fund
 

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**Mr Wanless:** To some extent it depends on the quality of their application! Seriously, we are going to enter into a tighter budget in the period ahead now because there will be less money available per year for the next period.

**Q48 Mr Touhig:** I asked Mr Stephens when he came before us, the Permanent Secretary of the Department, about what the Lottery Fund was doing to find extra money as a result of the £2.1 billion that has now been transferred to Olympic Costs. What are you doing to raise extra funds?

**Mr Wanless:** It is not my job, I am afraid.

**Q49 Mr Touhig:** I appreciate that, you administer it in terms of the distribution but surely you have an input in terms of passing back information to those who do raise the necessary funds.

**Mr Wanless:** Our role is simply to administer as best we can whatever money is given to us.

**Q50 Mr Touhig:** So you do not have any view or have not put forward any suggestions about how more money could be raised?

**Mr Wanless:** That is for others to determine. We are obviously keen to administer as much as we possibly can.

**Mr Touhig:** Heads in the clouds, is it not?

**Q51 Mr Burstow:** I want to come back to the issue of forms and a simple way of how to fill them in and the answer that Mr Wanless has given already. You say that the form has been simplified now the new guidance has been issued, but do you really think that is enough given that, certainly before you did that, 50% of people were not filling in your forms completely? What are the steps you have taken to try and address that huge number of objections?

**Mr Wanless:** I do not think it is enough. Every opportunity we can take to ram home to people the basic pieces of information that are required to enable an application to be successful we should take. We have a dedicated telephone helpline number available. We have a dedicated website. As I say, we have sharpened up the guidance. It makes it absolutely clear, point one and point two, "Read the guidance notes, make sure you attach the documents. These are things which are required for basic propriety/fraud purposes". Beyond that I think the real answer is this online application change which, as we have seen from other programmes where we have run that kind of approach, will make a very big difference.

**Q52 Mr Burstow:** Taking that online portal for applications for fraud, is that simply going to be something that will be available in one place for lottery applications or is that something that you and others across the grant-making sector have been discussing to see whether or not there can be a single portal as there is in the States?

**Mr Wanless:** When we researched our online capability, which is referred to in the report as the Business Process Re-engineering Project, we went out and we looked at the Arts Council system, the

Heritage Lottery Fund, Esme Fairburn, Wellcome Trust, the Gates Foundation. We also looked at retail banking sector parallels to try and establish what were the very best possible online processes. We are looking to develop a modular system and it could very well be that modules from what we are seeking to develop would be of application and interest to other distributors, lottery and non-lottery, and we are very happy to explore that further in those conversations.

**Q53 Mr Burstow:** Is this something where it would make more sense and would be more readily understandable for members of the public and those who want to make applications to the various grants that are represented here for them to have one place they knew they could to make that point of entry to the system? I can see Mr Davey nodding in some support for your comments.

**Mr Davey:** We already have the common lottery website which directs people to the right place. In the case of the arts, if you are a choreographer, a painter or a writer you fairly clearly want to come to the Arts Council programme and it is about which grant is the right avenue for you to be exploring and you need to have conversations with someone at the Arts Council to help you navigate through that, so I am not quite clear what the total advantage to a potential applicant might be, but if we can attach online applications to the National Lottery website that would be a very great improvement. To return to the US website that you cited, it is quite a portmanteau affair with many thousands of grants and if you type in "theatre", for example, you get lots and lots of military procurement programmes which I think would possibly perplex artists if we were to have such a scheme in this country. I think there is an advantage to it but I am not sure it is an overwhelming advantage.

**Q54 Mr Burstow:** Let us move on to Mr Holgate and ask a question about something which some of the Committee have expressed disappointment about in the past, which is this lack of back office facilities sharing among various organisations to help drive down costs. Is that something where, as in this NAO report, there looks likely to be any further progress? Why has there not been any progress since the last time the Committee drew attention to this obvious opportunity to save taxpayers' money?

**Mr Holgate:** If by "the last time" you meant the report on DCMS accommodation when I came before the Committee about 18 months ago, I can assure you that both in response to that and in response to the OGC's high performing property initiative, all of what is represented here and several others are trying to economise on their property holdings. The Big Lottery Fund, for example, is making £3.5 million savings.

**Q55 Mr Burstow:** But in terms of taking the idea that was inherent in that and applying it to this issue of how the offices that run the grant systems within all

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of these organisations can be better organised, and indeed in some cases rationalised, is that something that is being done?

**Mr Holgate:** No, it is not something that is being done. It is a possibility.

**Q56 Mr Burstow:** It is. It has been suggested in this report and has been canvassed. Why is it still only a possibility?

**Mr Holgate:** The problem is that we need to learn to walk before we can run. The first recommendation in the report is to compare on a segmented like-for-like basis—I paraphrase—the costs incurred by the different grant givers. If we can do that compellingly I think that builds the platform for the next step, and it could be a step along the lines that you are suggesting, but I do not think we can leap to a common online platform or something like that on which everyone depends. It is a different thing having an option of a site, which is what Peter has described, from something on which the organisations depend for the processing of their applications.

**Q57 Mr Burstow:** One other thing before my time is up which I would suggest you reflect on is that it is not just about the online presence and how that is organised in a more unified way. It is the back office administrative aspects as well.

**Mr Holgate:** Yes, I understand that.

**Q58 Mr Burstow:** I hope that is being looked at as well. I am, though, curious at the fact that there does not seem to be—this is back to Mr Wanless again—any real feeling for the amount of time that many people spend filling in the grant application forms, the extraordinary amount of person hours that are being invested in getting absolutely nowhere in terms of getting grants that are successful. In response to Mr Touhig you seemed to be really rather dismissive in the sense that it is not the Big Lottery's fault that people are spending so much time. Just what research are you doing to understand why people are investing so much hope and energy and time on this without the payback and what are you doing to try and change it so that people understand that perhaps they should invest less time and less hope in getting these grants in the first place?

**Mr Wanless:** I am sorry if I gave the impression I was at all dismissive about the needs of applicants coming forward for money because that absolutely was not my intention. We put a lot of effort and time, particularly through our regional outreach operations and a range of award partners, who can be all sorts of people from voluntary sector organisations to functions within local government, into getting out and about to help potential applicants and applicants understand the process and what it means to apply for our programmes and to maximise the likelihood of their being successful. There is a major programme of outreach workers, particularly—

**Q59 Mr Burstow:** But four out of five are rejected.

**Mr Wanless:** We run across the UK 80 programmes in Reaching Communities, which is our most open, large-scale programme. It is the most highly competitive as a result of that because so many things can come out of that heading that it is the one with the greatest failure rate, and that is an issue—

**Q60 Mr Burstow:** And the greatest investment of time.

**Mr Wanless:** Absolutely, but our consultations with the voluntary community sector have said time and time again that they value an open programme and the opportunity to have a go at the money. We will be consulting on our post-2009 programmes later this year and I think it is a really important question for us to address with all interested parties about the pros and cons of these more open programmes for larger sums of money because they do have higher potential failure rates. The flip side of that is that we prescribe more tightly the sorts of projects that are likely to be eligible and also to fail at an early stage of the process.

**Q61 Mr Mitchell:** Why can you not develop an automated standard service as they have for grant applications in America? I see in paragraph 4.15 that “the Cabinet Office estimate that by sharing corporate services, such as human resources and finance functions, more effectively, central and local government could make savings of £1.4 billion”. In figure 22 above that it says that the USA have an efficient system for sharing some basic services and referring grants off in the right direction but a common website. Why can we not have that?

**Mr Holgate:** Like others, I have been navigating Grants.gov with interest over the past few weeks and I am grateful to the NAO for unearthing this example. As someone else said, it is something of a portmanteau system. It is not really a unified or particularly user-friendly system as it happens. It is mostly, to my limited experiment, a way that the federal government liaises with all the other bits of government in the United States, and although there are grants there—

**Q62 Mr Mitchell:** Yes, but you preside over them all, do you not?

**Mr Holgate:** Yes, over the lottery instruments.

**Q63 Mr Mitchell:** You could provide or insist on a common system.

**Mr Holgate:** That depends on how homogeneous you can make the grant schemes which these bodies run which have quite different customers and sometimes for quite different purposes. The core issue here is the interaction of the obvious attraction of common processes against the fact that it might militate against, for example, the outreach that these non-departmental public bodies undertake to bring forward applications that would not come anywhere near more of a one-size-fits-all website. There is a trade-off. You could try and do both but that would add to cost and Committee members have rightly emphasised their interest in cost.

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**Q64 Mr Mitchell:** I think applicants might find it more confusing. I see from the report that a lot of people are milling around huge of crowds of people applying for grants, often not accurately, not filling in the forms correctly, many of them inexperienced, not knowing what the hell to do. On Reaching Communities, for example, I see that over 600 people a year are spending time putting together grant applications rather than actively helping their communities. You are imposing a small industry on people. This must be an area into which consultants are going to move, saying, “We can advise how to get grants and we will do so for a small cut of the grant”, or something like that, and, “All our applications are guaranteed successful”. Is there any sign of that happening?

**Mr Holgate:** I am afraid I do not know the answer to that. Does anyone know?

**Mr Davey:** I am not aware of it.

**Mr Holgate:** We are not aware of it.

**Q65 Mr Mitchell:** How do you know? Have you considered the issue?

**Mr Wanless:** We are back to the Reaching Communities programme again, which, as I said, is our most open grant scheme because we were responding to voices in the sector who said they wanted an open programme and were willing to pay the price, if you like. We have certainly sought to reduce the costs subsequent to this report which was in 2006–07 by having a much tighter outline proposal form stage so that we can guide people at a much earlier stage of the process on the basis of the form, which is very much shorter, as to whether they have any chance at all of accessing the money. In 2007–08 over 60% of potential applicants were advised at that simple stage, well before the man hours you are describing, not to proceed with their grant application.

**Q66 Mr Mitchell:** That is a welcome development. That imposes costs on you presumably.

**Mr Wanless:** It does but it is a cost benefit because for us that process takes on average two and a half hours and if we choke off the application it saves us a process which takes 15 and a half hours, so it is well worth doing. Whether there are more people disappointed at the news that their—

**Q67 Mr Mitchell:** I was asking whether there is now a breed of consultants arising, which is happening in so many other fields of government, and I know in north-east Lincolnshire we had an adviser attached to the council who advised groups who to apply to and what channels to use. When, of course, in its usual round of economies, that job went out, I had lots of applications come to me and I had not the foggiest idea, but there must be a situation where advice locally or from consultants helps people. How do you know that is not happening?

**Mr Holgate:** Sometimes it may not be a bad thing—sometimes. The question is whether it is introducing—

**Q68 Mr Mitchell:** It would be a bad thing if it were done for money.

**Mr Holgate:** Absolutely, and it would be a bad thing if it distorted the application and misrepresented the application on the basis of being more likely to get the money; we entirely accept that, but I do not think we are conscious of such examples.

**Mr Wanless:** Our regional outreach operations are looking systematically across the areas of England at the pattern and availability of decent advice to help people apply for awards and we will look to support and pay attention to the areas where that kind of advice is not available.

**Q69 Mr Mitchell:** I cannot see why it costs so much in terms of the number of full-time staff, for instance, in the arts compared to the amount of money disbursed. We have got one estimate that for £1.8 billion in grants there is £647 million in costs, and we are only dealing with a proportion of that.

**Mr Holgate:** Exactly.

**Q70 Mr Mitchell:** But why is the ratio of costs to grants so high?

**Mr Holgate:** I think the £647 million is the total of the grants given under these eight schemes.

**Q71 Mr Mitchell:** Exactly, and we are dealing with about a third of it but if the ratio is the same it is huge.

**Mr Holgate:** You are dealing with a third of the grants that the department oversees in total and the costs in administering those grants vary from 1p or 2p for the arts regularly funded organisations through to, I think, 4p for Awards for All, through to 7.6p for the repair grants for places of worship up to the 35p that Alan was discussing earlier on the Grants for the Arts to Individuals. The percentages differ. Actually, seven of the eight schemes and all the seven biggest schemes cost in the range of 2p to about 8p and it is a modest crumb of comfort—only a modest crumb—that in paragraph 2.17 the NAO kindly give us two rough benchmarks from other sectors where it is 9p and 10p for the other two organisations.

**Q72 Mr Mitchell:** Let me turn to the Arts Council. Paragraph 1.16 says, “In 2006–07, the Arts Council employed around 870 staff and its total operating costs were £51.67 million”. It is a huge number to give out the grants you are giving. That is imposing a burden on the arts community, is it not?

**Mr Davey:** Would it help if I clarified that figure?

**Q73 Mr Mitchell:** Yes, it would.

**Mr Davey:** Two hundred people of that figure are responsible for delivering the Creative Partnerships programme, which is a programme that works between arts organisations and schools. If you take the totality of the money we give out and our administration, that is working out at 8% at the moment overall and that is down from 10% three years ago. The report here is examining only some of our grant-making activities, the main ones. If you take the three grant-making activities that are

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considered in the report, they are giving out £399 million and the administration cost directly attached to them is something like £14.9 million. That works out at about 5.6% on average. However, the Grants for the Arts for Individuals programme is very expensive at 35p in the pound.

**Q74 Mr Mitchell:** Why does it cost so much to give very small sums? Why do you not raise the limit? You have raised it from £200 to £1,000, which seems sensible. Why not raise it to £5,000? £200 to an artist is peanuts, is it not?

**Mr Davey:** But often £1,000 could be quite valuable. I quoted an example of a novelist and he required something like £4,000 to give him the time to write his book because he had no other source of income and also he needed the encouragement of our literary department in his regional office to develop his project.

**Q75 Mr Mitchell:** I am a photographer. If you give me £5,000 it is peanuts. It would buy two cameras.

**Mr Davey:** It might well buy two cameras but they are cameras that you can use to take excellent photographs with, or it might buy some time.

**Q76 Mr Mitchell:** I notice that your costs for regularly funded organisations are much lower. That is as it should be, but then you did not have a big take-up last year and you decided not to fund regularly some of the regularly funded bodies. That must have cost a lot in staff time.

**Mr Davey:** It was a fairly intensive activity but that is at the core of what the Arts Council should be about.

**Q77 Mr Mitchell:** Have you now pulled back on this?

**Mr Davey:** Every three years we get our money from government and we allocate the money to regional regularly funded organisations. We took the money away from around 180 organisations, we brought 80 new organisations into the funding mechanism who were not funded before and we gave 264 organisations an increase of more than inflation, so we were investing in quality and depth of the arts experience, and that was a legitimate part of—

**Q78 Mr Mitchell:** I will stop you there; I am at the end of my time and tether, but I just wanted to refer you to one point, which is English Heritage, and I am not sure why this is in but there it is on page 5, “In 2007, a grant of £127,000 was awarded to the Losang Dragpa Buddhist Centre at Dobroyd Castle in Todmorden, West Yorkshire”. This sounds like *Daily Mail* stuff, does it not? “The grant was used to fix a leaking roof and preserve the intricate stonework and tower”. It is a beautiful folly. It was built by the Fieldens who started the cotton industry in Todmorden in the 19<sup>th</sup> century. It is a Grade II\* listed building. One can make fun of that and say, “How many Buddhists are there in Todmorden?”, and I think the answer would be, “Not many”, but that was in 2007 that you gave them £127,000. Would it surprise you to know that the Losang Dragpa Buddhists have all gone to live in the south

of France and the building is now up for sale? This sounds extraordinary. English Heritage has contributed £127,000 to Buddhists who have now left the country and put the building to which you have contributed the money—public money—up for sale. Are you going to claim it back?

**Dr Thurley:** I have no idea why the NAO chose this particular grant as an example. It is to my knowledge the only time that we have ever funded a Buddhist place of worship because our scheme is not only for Christian places of worship; it is for all places of worship. I am quite certain that the reason that we gave them a grant was because they fulfilled the criteria in that at the time they were a viable place of worship, it was a listed building and they had repair needs that they could not cope with. I am afraid I am unable to comment about—

**Mr Mitchell:** Perhaps you could give us some more information on that matter because it sounds extraordinary that you gave them such a big grant in 2007 and at the end of that year they went to the south of France. I would probably do the same.

**Q79 Nigel Griffiths:** But the Lord works in mysterious ways.

**Dr Thurley:** I have just been informed by my assistant here that the grant was not actually taken up in the end because the building was put on the market. A lucky escape, Chairman!

**Mr Mitchell:** So the roof is still leaking!

**Mr Bacon:** What are you going to do about the roof?

**Q80 Chairman:** Mr Davey, I see in that same figure that you gave £7,500 to David Fine, the poet in residence for the 2006 Ashes cricket test, where he wrote 25 poems, one for each day of play. Were the poems any good?

**Mr Davey:** I believe they were, yes. I heard some of them on the radio, fine poems celebrating a fine game.

**Q81 Chairman:** Have we heard them ever again?

**Mr Davey:** I am not sure, to be honest.

**Q82 Phil Wilson:** My question is to Simon Thurley and it is about repair grants for places of worship where it costs you nearly £10,000 for each grant and the vast majority of that money you say goes on architects and surveyors. What are you doing to ensure that such experts are being employed efficiently?

**Dr Thurley:** Our grants typically go to places of worship where there is very little expertise in the business of conservation. Last year we gave a grant to a church in Manchester called St Clements, Ordsall, where the incumbent had just arrived. It was the first church that she was vicar of. Neither of her churchwardens had ever had a bank account and neither of them had ever owned property. She had no architectural training. She is a very enthusiastic, dynamic, evangelical vicar. She was faced with a £250,000 bill to stop water pouring into the roof, so what we feel is very important to do in that circumstance, when neither the incumbent nor the parochial church council or the churchwardens have

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any experience in this, is to make sure that they have the appropriate advice, they have an appropriate scheme, they have a scheme that is tendered to the right costs; it is not over the top, and then eventually a scheme that brings public benefit too. We need to make sure that there is adequate public access afterwards because public money comes with public access as far as buildings are concerned, and also that there is an adequate maintenance plan put in place so that when the works that the taxpayer after all is funding are finished the church will continue maintaining the building so that that work was not just put to waste and we found that they needed repairs again in another few years' time. That figure that you refer to really relates to the works of our architectural team of very experienced architects, many of whom have 10, 15, 20 or even more years' experience of dealing with these very old and complex buildings. They go in and advise the congregation and the incumbents and also the architects.

**Q83 Phil Wilson:** Mr Wanless, in the Reaching Communities programme, first of all can you explain what that is and what it is supposed to do? I have looked at the figures and it seems to me that four out of five grants are rejected, which points out to me that apparently not very many communities are being reached. It is in paragraph 4.2.

**Mr Wanless:** As I mentioned earlier, Reaching Communities is our most open grant programme of all the programmes which the Big Lottery Fund runs across England basically to help communities develop issues that are important to them pretty much across the Big Lottery Fund's portfolio, and this was responding to a desire in the voluntary community sector to have a programme which gave them plenty of space to develop and deliver the things which really matter to them in their communities, so we could be supporting under this programme all sorts of activities from environmental developments of one kind or another to health promotion, education community development, you name it. As I say, because it is open it attracts a large number of applicants and we will need to consider when we review our programmes later this year the balance between open programmes and failure rates, if you like. As I described earlier, we have tried to reduce very considerably the costs to which potential applicants are being put through this programme by introducing a much tougher outline proposal stage which makes clearer to people the likelihood of succeeding and what they would need to do to succeed so that people who are proceeding through the full application are doing so very clearly in the knowledge that they have only got a one in five chance of being successful under this particular programme.

**Q84 Phil Wilson:** Is there any common reason for why four out of five are being rejected?

**Mr Wanless:** It could be a variety of issues but sometimes it is simply that we have not got enough money to go round. There are a lot of excellent projects that with more money are clearly fundable and we would like to be able to support.

**Q85 Phil Wilson:** So are we going to see an increase in the funding for this particular initiative?

**Mr Wanless:** We will have to consider its position in the portfolio programmes which the Big Lottery Fund runs. As I say, it is popular but what people do not like about it is the failure rate that you have described.

**Q86 Phil Wilson:** It is just that when I read that and I looked at the headline I thought that you are not reaching very many communities if four out of five of the applications that you receive are being rejected.

**Mr Wanless:** We are reaching the one in five which in absolute numbers is 452 awards in 2006–07 and it was always going to be round about that number, however many actually apply, because that was the amount of money that we had available, and there will be communities being reached through all sorts of other programmes that we run. One of the things that we have sought to do over the last 12 months or so in that outline proposal stage is refer people very much more carefully to other funding opportunities that are available, not just from the Big Lottery Fund but from our Young People's Fund grants, for example, where the success rate would be considerably higher, up to programmes being run by other funders.

**Q87 Phil Wilson:** We saw the budget for this particular programme was increased. Does that mean each individual application will receive more money or does it mean that more applicants would receive a share of the pot?

**Mr Wanless:** It would depend on the rules we chose to apply to the programme, I suppose, as to whether we wanted to hand out larger or smaller awards.

**Q88 Phil Wilson:** Mr Holgate, can I make two points on international comparators? What do you do to learn from experiences from other countries? I know in the USA apparently they have one common website to promote grants, which was mentioned in questioning earlier on. What other countries do you look at to try and find out best practice? Is there anything we can learn from other countries that run lotteries, et cetera, or award grants?

**Mr Holgate:** Consistent with the department's view that there is a great deal of particularity about the recipients and the fields of endeavour that we support through each of these bodies, the main contact will be done through the NDPBs. Simon will forgive me for mentioning that he was in Copenhagen last week meeting several dozen of his opposite numbers from across Europe, and there are lots of them because each land in Germany has its own heritage conservation organisation, so there is such learning but it is done mainly on the basis of the NDPB in question.

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**Q89 Phil Wilson:** Do you liaise with the Lloyds TSB Foundation or even the Northern Rock Foundation in the north east which does a lot of good work in the area where I am from? Do you talk to them? What do you learn from each other?

**Mr Holgate:** Indeed. Peter mentioned earlier the Association of Charitable Foundations and the fact that the Big Lottery Fund are in contact with them.

**Q90 Phil Wilson:** Paragraphs 4.18 through to 2.0 are about “Grant-makers in the sector could do more to share information about grant-making”. We have heard a lot today about what we can learn from each of the programmes about the best way of awarding grants, et cetera. There is a body you refer to here called the Lottery Forum. Can someone explain to me what that is and whether you share best practice on that? What role does the Lottery Forum play? Is that a way in which you could migrate best practice?

**Mr Holgate:** It is a potential vehicle for precisely that. I think it involves not just the three lottery bodies represented here but also the Heritage Lottery Fund on which the Committee had a hearing not long ago and other bodies that are lottery distributors. I think precisely what they do is to compare notes of the things that they are doing. The issue is how much time should we put into a process like that compared to alternative ways of getting better value for lottery programmes. I do not know whether I am traducing it but I think it is a relatively light touch process at the moment and even to come up to scratch on the first recommendation that the NAO make it will have to become a little bit more heavy duty.

**Mr Wanless:** I agree with that. There are some specific illustrations of activities where as lottery distributors we have sought to get our act together and work out common processes and be more efficient and effective, and one would be a capital centre of excellence where we have been looking across the distributors at best practice for preparing yourself for making capital investments of one kind or another where our respective experts got together with one another and worked out common ideas and a common approach, so there is something to work on.

**Q91 Phil Wilson:** Do you see a bigger role for the Lottery Forum going forward?

**Mr Wanless:** Potentially, yes.

**Ms Price:** Just to add to that, as well as the chief executives meeting within the Forum the finance directors meet separately, and I think there is a significant opportunity for us to encourage them to exchange information on a more regular basis.

**Q92 Mr Bacon:** Dr Thurley, I would like to ask you about the work you are doing to restore buildings where you say that sometimes you even provide support to the architects and you give the example of the evangelical vicar who had no experience of building contracting. I have a project in my constituency which I am pleased to say has just been given a very large grant of £900,000 to restore a 14<sup>th</sup> century chapel at the back of a school, which was

part of the BBC Restoration Village competition and got to the semi-final. I should say for the record that I live in the village where the building is although that is a complete coincidence; I had nothing to do with their success, but the reason why I can see why they were successful when they came to see me was because of the detail that they had gone into. They had got very clear records. They knew which grant-making bodies other than public sector ones and the lottery had criteria that they could meet and which did not. Is not part of your job in distinguishing between the many applications you get to use as a criterion the capacity of somebody to meet these needs that you have described before you make the grant? I am quite surprised that you are supporting architects. In fact, the one in Norfolk made me think of this because they chose the architects specifically because they thought they were highly suitable for that particular project. Why are you supporting architects? Surely they should either be able to run with this or you should not be funding them?

**Dr Thurley:** Quite right. Our Places of Worship scheme has two phases to it. Each year we get about 500 applicants and we find that about half of them are eliminated in the first six weeks and we have a very close look at the applications. It is a relatively simple application process and we try and work out which places of worship are capable of taking such a project forward in exactly the same way as you are suggesting. That is the very first step.

**Q93 Mr Bacon:** How much money do you spend in that programme for which you have 500 applicants?

**Dr Thurley:** The total, because we do it jointly with the Heritage Lottery Fund, is £24 million.

**Q94 Mr Bacon:** Each year?

**Dr Thurley:** Each year.

**Q95 Mr Bacon:** For those 500 applicants?

**Dr Thurley:** Yes, and of the 500 it is about 240 who will get through. A big chunk of them are eliminated at the first fence and they are told very quickly, because our architects will look at it and because most of these places we know of, quite honestly.

**Q96 Mr Bacon:** Is it just for the church roof quite often?

**Dr Thurley:** Our scheme is confined to high level repairs, so it is roof and it is masonry, no improvements, and it is really for places that are desperate where literally there are buckets up the aisle or, if it is a synagogue, whatever you have in the middle of a synagogue. That is who it is confined to. We do that sift initially. The next phase, which is why our scheme takes a bit longer to come to a resolution than the other schemes, is that our architects then go out and visit every single one of the 50% which get through the first sift, and that is where what you are talking about comes in. We then meet the architects and we have to take a view as to whether the architect has got it right. Some of them are very good and have great experience of dealing with 700-year old masonry. Others are not so good.

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That is where our people come in and at that stage we knock out another 7% or 8% and we end up giving grants to about 46% of applicants.

**Q97 Mr Bacon:** It is not for me to suggest ways that you could be creative in your accounting, but is there not something to be said for the idea that if you are helping them with structuring invitations to tender for contractors and that kind of thing there ought to be a column of the cost of the professional help to get this right rather than the cost of the grant-making?

**Dr Thurley:** That is right. Of the 7.6% which the NAO quote in their report only 1.5% is administration, 4.5% is the cost of what I am describing to you, which is our architects going out, and the balancers of the costs are our quantity surveyors, because one of the other things that we do is maintain a database of the cost of this sort of work because a normal QS firm will not really be able to help you in how to put shingles on the spire of a mediaeval church, so we have our own cost database so that we can have a close look at what the costs are. As you rightly say, only 1.5%, in other words 1.5p in the pound, is the administration costs of our scheme.<sup>2</sup>

**Q98 Mr Bacon:** I am interested to hear you talking about quantity surveyors because I have sat on this Committee for seven years and I think you are the first witness I have heard talking about quantity surveyors as if it is something you should do regularly, although many of our witnesses are people who should have been talking to quantity surveyors. I was told by the President of the Royal Institute of British Architects that Portcullis House, the building over the road, would have been cheaper to build had they clad the exterior in 7-series BMWs than what they actually did. Are you sharing your obvious expertise with other government departments and agencies who could plainly benefit from it?

**Dr Thurley:** The slight difficulty is that very few governments or government agencies have buildings 700 years old.

**Q99 Mr Bacon:** This one. Well—

**Dr Thurley:** There are one or two. The expertise that we have on costing is shared not only in this grant scheme but through all the grant and regulatory activities that we undertake.

*The Committee suspended from 4.38 pm to 4.44 pm  
for a division in the House*

**Q100 Mr Bacon:** Mr Davey, Grants for the Arts for Individuals and the 35p. Can you tell me first of all how many grants there were? £1.79 million was the cost of awarding those grants; is that correct?

<sup>2</sup> Note by witness: The 4.5% cost of using English Heritage Architects to ensure good quality proposals and projects, includes the cost of our Quantity Surveyors and the database of tender costs that they maintain. The balance of time, 1.5%, is spent on directly mentoring applicants through the development stage of the process, undertaken after they have received grant and are in the process of building up the full details of the grant-aided building repair project.

**Mr Davey:** Yes.

**Q101 Mr Bacon:** How many grants were made altogether?

**Mr Davey:** 1,666.

**Q102 Mr Bacon:** I worked it out at 1,665. That is fine. I am surprised that we are funding novelists. How many novelists are we funding?

**Mr Davey:** I do not have the answer to that question but we do give grants to quite a few in terms of emerging novelists who are developing their writing. I can write to you with the exact number.

**Q103 Mr Bacon:** What I would be interested in is if you could send us the details of the 1,666. Presumably, in order to have compiled this information to the National Audit Office and to have worked out the cost, this information is already there, it already exists, what the 1,666 grants were for and to whom they were made.

**Mr Davey:** Yes. It is on our website.

**Q104 Mr Bacon:** Is it possible that you could send that to us broken down by category so that we can see how many novelists, how many—what are they? Sculptors, painters?<sup>3</sup>

**Mr Davey:** It could be sculptors, painters, photographers.

**Q105 Mr Bacon:** If you could send us a list that would be very helpful.

**Mr Davey:** I will see in what way we can break it down.

**Q106 Mr Bacon:** I would expect the costs for small amounts for individuals to be higher than for large grants to professional organisations; that is just obvious. Nonetheless, 35% is startling and it does make you wonder. I think you did say in your earlier answer to a colleague in relation to the novelist that you were helping him with working out what he was going to do. Was it in relation to a different applicant or was it the novelist?

**Mr Davey:** That was a choreographer, as an example.

**Q107 Mr Bacon:** Yes, so you were going to help the choreographer work out what he was going to apply for the money for?

**Mr Davey:** Yes.

**Mr Mitchell:** What steps to take.

**Q108 Mr Bacon:** Yes, indeed, what steps to take. If they have so little idea of why it is they are applying for the money that you have to spend 35% of the money that you are giving to them helping them work out what it is that they are applying to you for then why are you doing it? I can understand it if it was Dr Thurley and a 700-year old church building that was Grade I listed but for a choreographer or a novelist, why?

<sup>3</sup> Ev 21

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**Mr Davey:** Often an emerging artist will have a very general idea of the kind of thing that they are wanting to do and they might work with specialist Arts Council officers to refine that proposal and come up with something that is much more likely to find an audience, for example, or that is more likely to succeed. Sometimes artists might have a very general idea. Under our Royal Charter we are an arts development organisation and it is our duty, I think, to help those artists who do not have a very clear idea of what the end point will be to try and work out what that is.

**Q109 Mr Bacon:** That is a good answer. If that is what your Royal Charter says I am all for that. Can I move on to page 31? I would like to ask one more question and that is concerning the Community Investment Fund, which I think, Jennie Price, is a Sport England body. Why do you think that the satisfaction level for that is lowest compared with any of the other bodies in that chart on figure 17?

**Ms Price:** We were certainly concerned to see that, and in fact we are asking the NAO for more details of what that particular batch of applicants felt about the scheme.

**Q110 Mr Bacon:** These are the successful applicants.

**Ms Price:** That is right.

**Q111 Mr Bacon:** Three out of 10 of the successful applicants are happy. I would expect the unsuccessful applicants to be unhappy; it goes without saying. One wonders why only four out of 10 of the unsuccessful applicants are unhappy, but three out of 10 are the successful ones.

**Ms Price:** We have some anecdotal evidence. When we talk to users about the Community Investment Fund process it indicates that one of the parts of the process they find quite onerous is that when they put in an application to us we will challenge the quality of that application and, for example, we are often revenue funding to develop the sport and we will try to improve the quality of the sport development plan that is put forward and they find that going backwards and forwards quite frustrating sometimes. The benefit for us in doing it and the benefit for sport in doing it is that you end up with a more robust plan.

**Q112 Mr Bacon:** And presumably a sustainable plan when you cut the funding?

**Ms Price:** Yes, a sustainable plan in the long term. What we are doing though is looking at possibly replacing the Community Investment Fund with a different type of fund to support a new strategy we are developing and in the consultation leading up to that possible replacement we were asking very explicitly what aspects of the application process people would like us to retain and the areas that they really would like changed or improved, so we will get very good evidence in the next few months that will make sure that if we do replace the fund it is going to be a better experience for the applicants.

**Q113 Mr Bacon:** Dr Thurley, eight out of 10 of your applicants who get the money are happy and two out of 10 are not. You have just given somebody £50,000 or £100,000 to repair their church and they are still not happy. Are they just a bunch of ingrates?

**Dr Thurley:** No. I think that some of them do feel that the hoops that they have to jump through are quite bamboozling and they feel that very often because they have not come across the experience of taking public money. Public money always comes with conditions and many of them find the fact that we impose on a church a condition that they have to be open to the public so that people can walk in for a certain number of days a year in exchange for the money a bit difficult sometimes. I think there is sometimes some dissatisfaction, but when it is all done and finished and the re-consecration takes place I think most people are happy.<sup>4</sup>

**Q114 Chairman:** I do not understand, Mr Davey, this question about novelists. There are 50,000 books published every year and most of them sell very few copies. There are hundreds of novels submitted to publishers every week, most of which are put into the trash can after a couple of minutes' reading. How can you possibly know whether a novel is any good and worth publishing and why should the taxpayer be involved in this, and if it is any good, if there is a track record, why the need to do it in the first place?

**Mr Davey:** We employ officers who are specialists in nurtured literature in our regional offices and in our national office, and one of our duties as an arts development organisation is to increase the opportunities for artists to practise their art as far as possible. Indeed, recent reports from this Committee have urged us to encourage funding amongst communities which do not traditionally get funding. Sometimes the path to getting a thing published is quite knotty and difficult and sometimes a would-be novelist and writers of various kinds are seeking space and additional help in which to make their artistic statement and that is what we provide with Grants for the Arts for Individuals.

**Q115 Chairman:** You have had success, have you? You have discovered hidden talents, have you?

**Mr Davey:** Yes, we have.

**Q116 Chairman:** Which have sold well in the market place?

**Mr Davey:** Yes.

**Q117 Chairman:** As a result of your efforts who would not have sold otherwise?

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<sup>4</sup> Note by witness: To be eligible, we require the places of worship we fund to be in active use. They will not therefore be formally de-consecrated, requiring re-consecration when the works are complete (although occasionally will go through a re-consecration service). They will be brought back into full use, in some cases re-opening after an enforced temporary closure where they have been deemed unsafe for public access.

**Mr Davey:** Yes.

**Q118 Chairman:** Give us some examples.

**Mr Davey:** The example that I just gave you of the novelist from Hull, the *Shark Fin Tales*(?), which is a best-selling book.

**Chairman:** What worries me about this is the dead hand of the state descending on a pure art form. If Leon Tolstoy had to rely on you would we ever have ended up with *War and Peace*?

**Mr Bacon:** He owned an estate.

**Q119 Chairman:** If he owned an estate that would help, I agree.

**Mr Davey:** I do not think it is the dead hand of the state landing on a pure art form. It is to help people at the beginning of their careers make a breakthrough. It is not on an individual scale.

**Mr Holgate:** Indeed. Your own figures, Chairman, suggest that all we are doing is providing a possibility of success to quite a small number of people compared to a very large number overall. It is a minor additional possibility. It is not really a large handout or a large number of handouts.

**Q120 Mr Dunne:** I am going to pursue this a little further if I may because I have had a little bit of involvement in this industry myself, having set up a bookshop business. Just to correct the Chairman, which I hesitate to do, it is not 50,000 new titles published every year; it is 190,000 new titles published every year. I happened yesterday to be at the Hay Book Festival where 140,000 people visited over the 10 days of the festival and I would think virtually every single one of them, if they were aware that there was a potential government handout to start their literary endeavour, would be coming to your door, Mr Davey, and I think the publicity given to this hearing will undoubtedly mean that the number of applications from potential novelists will soar, but I find it peculiar to think that your regional experts can substitute for the role played by the literary agents up and down the country who make a commercial living out of doing what your experts are able to do to a minor degree. I am absolutely perplexed that there is public money being given in this way.

**Mr Davey:** What we do is give the would-be writer the possibility of undertaking the writing. They may be from backgrounds where they cannot afford to take the time off to be able to undertake the work required. What we do not do is second-guess the commercial publishing sector who make the final decision on whether anything is published or not.

**Q121 Mr Dunne:** I should not really delve too deeply into literary endeavour and what makes a good author and what does not make a good author, but a very large proportion of the most successful authors sold at the moment in this country come from relatively deprived backgrounds. It happens to be a genre which has been very successful and I think it is hard to argue that you are providing a social service that is not being provided by the commercial sector in terms of allowing people to come forward and

start writing. People write books because they are determined and dedicated to do it and that is the best discipline and generally speaking around the history of novel writing that is what has created the best books. I have got that off my chest, Chairman, and now I would like to return to the slightly bigger picture and, Mr Holgate, ask you if I may, in your role at the DCMS what oversight do you have of these multiple grant distributors here in terms of setting priorities or monitoring what they are doing or trying to encourage them to share best practice, which is perhaps the thing that comes out most strongly in the NAO report, that there has not been enough of that going on?

**Mr Holgate:** Could I distinguish between Exchequer funded bodies and lottery funded bodies? You have a perfect portfolio here. You have two that are both, one that is pure lottery and one that is pure exchequer, and we do treat them slightly differently. In the case of Exchequer funded bodies we set objectives, conditioned by the three-year spending review. We set efficiency targets. Indeed, the department was engaged in this business even before Sir Peter Gershon took an interest and, we believe that we have met the gains for the 2005–08 period and we believe we will make the gains expected of us over the 2008–11 period. Where Exchequer bodies are concerned we are about the downward pressure and the greater value for money looking across any one NDPB. Very rarely do we, within the business of the non-departmental public bodies, pick something out and say, “That is particularly in need of reform”, or whatever. There are examples but we try to make them as rare as possible because the whole benefit of an NDPB is that you are employing experts like Simon Thurley to run the organisation which delivers church repairs and no civil servant is able to second-guess him. On lottery funded bodies we place more weight on the chairs and trustees of those bodies who are appointed by ministers, I think, in most or all cases (with some exceptions perhaps) and who are in a sense the representatives of the would-be applicant and are very keen, not least because they will be lobbied the whole time by people with very good ideas, to see that the highest proportion of the money of the lottery body will go on the grant and the least amount will go on the administration of the grant. There are other conditions that apply to both, but on the lottery you also have financial directions which the department issues which the bodies are obliged to meet. For both sets there are accounts directions and a statement of internal control.

**Q122 Mr Dunne:** Do you have directions on any particular criteria applying to grant-making bodies, such as, for example, geographic distribution or distribution to particular social groups?<sup>5</sup>

**Mr Holgate:** I believe that there will be directions for the lottery bodies that impinge on both those points. A good example might be that the Big Lottery Fund now has committees for Scotland, Wales and Northern Ireland.

<sup>5</sup> Ev 22

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**Q123 Mr Dunne:** I think individual grant-making bodies have it. My question is whether the department is issuing directives to the boards of these grant-making bodies to do something in a particular way.

**Mr Holgate:** It will be clear to them that they are incumbent upon spending their grant as equitably as possible across the country and, at the risk of taking the novelist example again, if there is someone who is from a background that would not naturally lead them towards making a successful application when the intrinsic case may be very strong, we will always be wanting to try and attract that marginal application.

**Q124 Mr Dunne:** But, Mr Holgate, you have not got a written directive to Mr Davey that he must produce X number of novelists from a Y type of social background and Z geography?

**Mr Holgate:** No, but the bodies do incur costs in trying to spread the possibility of successful application both geographically and to groups from different backgrounds or different traditions who may not think to look to the state or the lottery for help.

**Q125 Mr Dunne:** One of the reasons why I am probing on this is that we have not got anybody here from the UK Film Council but I have had representations from bodies that are currently funded by the UK Film Council. One such organisation is called Flicks in the Sticks. It provides rural displays of films in village halls and on the Welsh Marches, including near my constituency, and they are very concerned because at the moment there is a significant amount of investment being made by the UK Film Council in providing digital installations, which is a good thing, but 100% of that is going into urban areas and the question for me, representing a rural area, is, where did that direction come from? Why are they not giving a proportion of that funding to provide digital access to rural cinemas?

**Mr Holgate:** I think it is extremely unlikely that we would direct the UK Film Council as to where geographically it should put its investment other than the general presumption of trying to reach parts of the country which would not normally be reached.

**Q126 Mr Dunne:** In this particular case they are very definitely not reaching the parts of the country that in my view deserve to be reached. Perhaps you could have a look at that for me and send a note about it if you do establish that there is anything the department has said along those lines.<sup>6</sup>

**Mr Holgate:** Certainly.

**Q127 Mr Dunne:** Thank you. Mr Wanless, you have been praised by Mr Holgate and others in your responses to other members of the Committee about the outreach that the Big Lottery Fund undertakes and I am aware of that, having participated in both

meetings with MPs. I think I am hosting one for you next week for West Midlands MPs, but I have also had the benefit of your West Midlands team coming to my constituency to explain the various schemes that are available for applicants. I applaud you for doing that and I think that perhaps goes further than any other grant-making bodies in doing that. That may be because many of your grants are for small individuals but it sounds to me as though if Mr Davey were to start having similar events he would be absolutely swamped by artists of every description looking for some kind of grant. The question I have for you is that the success in certain local authority areas seems to be predicated on that local authority having an individual who helps the voluntary sector with grant applications, and in those local authorities that do not engage someone to do that the uptake is somewhat lower. Does this reflect a deliberate policy on your part to seek to outsource this accessibility and information sharing and if you were to take this on yourselves would you not have greater success and a more even distribution?

**Mr Wanless:** There is a limit, I guess, to how much of this outreach we can take onto ourselves because of a desire to control the amount of lottery money we spend on ourselves rather than on the money going directly to the good causes, and this is why there are these kinds of classic dilemmas where efficiency comes up against effectiveness. We have taken a decision to have a very fundamental restructuring and concentration of our grant-making activities in two income centres and have small regional outreach offices with eight people in each, and the West Midlands is one, and that has saved us £3.5 million a year. As to whether we should add a little bit of that back in for a bit more outreach of our own, I do not know. As has already been indicated, we are under considerable pressure to keep our running costs down as low as we can, so at the moment I would say our first strategy is to try and map out and engage and involve a pattern of helpers for potential applicants across the country and to seek those out and encourage local authorities that have not got them to think about it because of the benefit it would have for their area, to encourage the sectoral organisations or whatever. That is where we are at the moment.

**Q128 Mr Dunne:** I have a final question, Chairman, if I may, to Dr Thurley. In response to a couple of Committee members you touched on the Religious Buildings Programme and I applaud you for doing this because I think you are an absolutely vital source of repair for many of our communities. I have two concerns about it. One is, and particularly in light of the much publicised increase in the value of lead and the number of church roofs that are stripped of recently renovated lead, what happens to an applicant who has recently had their roof repaired by you and they then lose the lead to theft? What is their scope for getting it repaired again, using your funding?

<sup>6</sup> Ev 22

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**Dr Thurley:** I would very much hope that the church would be insured with the ecclesiastic insurers. The insurers would be responsible for paying out for that, but the thing that we are really interested in is trying in some way to stop this haemorrhage of lead off church roofs. There is a clever device that you can paint onto church roofs which we have been promoting to try and reduce that loss but it is a serious problem and churches are going to their insurance to cover it.

**Q129 Mr Dunne:** Can I suggest that every time you provide funding to such a church you make it a requirement that they paint it with this equipment and, secondly, publicise the fact that the roof is protected and make that a condition of their application because it might help stem the theft? The other part of my question is, where you are investing significant public funds into buildings which in many cases may be on the verge of becoming redundant but for good architectural reasons you are protecting them, do you have some kind of fallback mechanism that if public money has gone into a church that subsequently, within a reasonable period, becomes redundant that money does not then go into the coffers of the Church of England or similar bodies?

**Dr Thurley:** Redundancy is still quite rare, it has to be said. The best churches, which are likely to be the ones that we have funded, are very likely to go the Churches Conservation Trust, which is a body which is funded by the state for looking after redundant churches. All our grant schemes have provision for clawback if for some reason someone is being seen to make some sort of profit out of it but I should say that in the Places of Worship scheme that we are talking about it is very rare. I am not sure that there is even a record of that happening.

**Q130 Chairman:** I am very interested in your work, Dr Thurley, on keeping churches open and I think what you do is excellent. I do not think you do it enough. When I was visiting Stow church, which you might be familiar with, in my constituency, they had a problem with lead being stolen, but I am interested by your answer about keeping churches open. It infuriates me that so many churches are still locked. You just mentioned ecclesiastical insurance. They have made it absolutely clear in the past that they want these churches to remain open and I would have thought that if you are giving public money, given especially that many people do not necessarily go so much now to formal services on a Sunday but they like to visit these churches during the week, particularly in rural areas, you should be much more insistent in the use of your money to keep these churches open, and if the excuse is that they have valuable objects such as silver candlesticks, they would be locked away and wooden ones put there. I just do not buy this argument that these churches need to be kept locked.

**Dr Thurley:** Chairman, I absolutely agree with you and we do use our money for that purpose. We have very strict criteria of not giving our grant money

unless churches are able to keep them open. The current number of days is 28 and we are going to increase it this year to 40 days.

**Q131 Chairman:** It is not good enough just to say, as I so often see, "If you want a key go down the lane to Mrs Bloggs". It is not good enough. People want to have the church open.

**Dr Thurley:** You are quite right. We did a survey last year with the Church of England which revealed that an astonishing 89% of the population last year went into a church, not necessarily for the purposes of worship but they just went in because they really enjoyed it, and the majority of those churches are churches that are left open.

**Q132 Chairman:** But why did you say earlier, I think to Mr Bacon, that they are sometimes resistant? Why should they be resistant?

**Dr Thurley:** I think there is anxiety about theft and vandalism, particularly in urban churches. You find that in rural areas churches are very often left open. In urban areas it is much harder because the likelihood of ne'er-do-wells coming in is higher. The insurance situation I think is one of the keys to this because the insurers are now offering, extraordinarily, insurance discounts for churches to be left open because a church that is left open is far less attractive for someone to break into than a church that is kept locked.

**Q133 Chairman:** I am also interested in the work you do for cathedrals. How much do you give to the cathedrals of England a year?

**Dr Thurley:** Perhaps I can preface the answer to that question with a remark which is that in 1991 we did a survey of the English cathedrals to work out how much work needed to be done to them to get them into good condition. It revealed that there was a significant amount of work to be done and between 1991 and 2001 we spent very nearly £50 million on the English cathedrals and we conducted a second survey in 2001 that revealed that the vast majority of the very significant backlog of repairs to English cathedrals was completed.<sup>7</sup>

**Q134 Chairman:** So this is a long preamble to explain why you have cut their grant, is it not?

**Dr Thurley:** It is one of the two explanations of why we now give less money.

**Q135 Chairman:** Is it not about £3 million a year you give?

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<sup>7</sup> Note by witness: The nearly £50m we have provided to Cathedrals for repairs has been in the period from 1991–92 to date (2007–08).

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**Dr Thurley:** At the moment, yes, it is in that region.<sup>8</sup>

**Mr Davey:** Not to my knowledge.

**Q136 Chairman:** I find this staggering. As a nation we spend £650 billion of public money. This is the greatest architectural resource we have in this country and we are only prepared to spend the staggeringly small sum of £3 million from the public purse to maintain what is our greatest historical legacy. Do you not find that extraordinary? Why do you not take this opportunity to criticise your paymasters, the Treasury, and ask for more money?

**Dr Thurley:** English Heritage has not received an inflationary increase to its grant since 1997. We have had to be very clear about what we are prioritising in terms of spending. After the 10 years of expense on cathedrals we decided that the priority had to be parish churches because cathedrals are much more able to raise money than a remote parish church like Stow, although that particular one attracted a great deal of attention, but the average parish church finds it much harder than Lincoln Cathedral to raise a lot of money. Therefore, given the fact that we had significantly less money to give away, we decided to prioritise parish churches over cathedrals and, of course, I agree with you that it would be good to continue our Cathedrals Funding Scheme at the sort of level that we did during the 1990s but the simple fact is that we had to take a decision on priorities in relation to how much money we had.

**Q137 Chairman:** And when you have got to save money why get involved in the scheme in Salisbury Cathedral, for example, which caused a lot of upset over lighting? I am on the Cathedral Council of Lincoln and this went round the cathedral community in this country that you were getting involved in a very proactive way which was quite unnecessary?

**Dr Thurley:** If I may correct you, Chairman, it was not the lighting that there was a dispute over. It was a dispute over the replacement of the high level stonework and the parapets. We are very supportive of Salisbury's current scheme, which is illuminating the cathedral at night and which is being paid for by private donor. The reason that the Dean of Salisbury, June Osborne, was upset and there was a dispute is that we did not give her a grant and she was extremely angry about that. We did not give her a grant because we deemed that 42 other cathedrals that we did give grants to had a higher claim to the small pot of money that we had than she did.

**Q138 Mr Bacon:** Mr Davey, Trollope wrote a lot of novels about the doings of English cathedrals. Are you having any novelists doing a post-modern take on cathedral internecine warfare?

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<sup>8</sup> Note by witness: The correct figure for grants to Cathedrals at the moment is £2m pa (currently committed for one further application round for funding for projects to take place in 2009–10), half funded by English Heritage and half by the Wolfson Foundation with whom we have a partnership on this scheme.

**Q139 Mr Bacon:** Thank you. Dr Thurley, you mentioned lead being stolen from roofs in answer to Mr Dunne, and I have certainly had experience of this in my own constituency and throughout Norfolk. I ask this because I used to spend, for reasons too boring to go into, a lot of time in Germany in a copper factory. I just wondered whether you had ever used pre-patinated copper or recommended it to be used because it might be cheaper and you get your patina right there, 200 years of wear, but it is new and it lasts?

**Dr Thurley:** There are two issues there. There are issues of performance. There is no doubt about it, lead does perform better than any other metal roofing metal. The second issue is one of authenticity because it just does not look the same. Whilst it might be possible to make some types of substitute material in some parts of a church where performance and authenticity are not an issue, for many churches the appearance of a lead roof, which is quite often very visible, is a very important part of the whole feeling of the church. Yes, we would consider alternative materials but we would have to take those other two factors into consideration.

**Q140 Mr Bacon:** One quick message to the Treasury, again based on my Germany experience. There is a payroll tax in Germany. All German citizens who are in employment pay a payroll tax and when they fill in the various forms you have to fill in they say which church they are a member of and a small payroll tax is deducted each month and as a consequence all the churches in Germany are rolling in money and the buildings are very well maintained. Has the Treasury given any thought to this? Seriously, have you ever asked?

**Ms Diggle:** A very long time ago I was involved in setting up the national insurance surcharge, which was indeed a payroll tax, and it was very unpopular indeed and it was stopped very quickly by a Tory Government, if you remember.

**Q141 Mr Bacon:** So as a politician you would not recommend me to pursue this?

**Ms Diggle:** I just convey those facts to you, Mr Bacon.

**Q142 Mr Mitchell:** I hesitate to argue with our Chairman because after 11 years of being Labour I am a total sycophant, but I think we should not deal with any of this as the dead hand of the state but as the more generous hand of a culturally concerned people. However, my question goes to Dr Thurley. I would like a note on Dobroyd Castle because the report is adamant that the grant was used on things like preserving the stonework, so can you give us a note on what actually happened?<sup>9</sup>

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<sup>9</sup> Ev 23

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**Dr Thurley:** I would be delighted to.

**Q143 Mr Mitchell:** Do not answer it now. More importantly, is the report that was in yesterday's *Sunday Telegraph* correct that money spent on churches is now going to be cut back because of the draining of money to the Olympics? Are our churches going to crumble because we have paid the money to the Olympic Games?

**Dr Thurley:** Not from a cut to the scheme that is looked at here and the scheme that is run by the Heritage Lottery Fund and English Heritage. No, this is incorrect.

**Q144 Chairman:** One very last question, Dr Thurley; will you forgive me? Have you ever given money to Warwick Castle?

**Dr Thurley:** Not to my knowledge. It is a commercially run operation. We do not generally give money to commercially run enterprises.

**Q145 Chairman:** Will you take this opportunity to comment on this commercially run organisation because you are obviously passionate about your concern for access to our history? Yesterday I went to Warwick Castle and the entrance fee is £17 per adult, £10 per child, so with a family of two adults and three children you can spend the best part of £80 or £90. Do you think this is acceptable? Warwick Castle may be commercially run but it should belong to the whole nation, should it not? Why should this business, Madame Tussaud's, be profiteering to this extent?

**Dr Thurley:** Chairman, could I suggest that instead you join English Heritage and visit Kenilworth Castle, which is nearby, is a much better castle and you can take in as many children as you like free with you?

**Q146 Chairman:** It is a ruin.

**Dr Thurley:** There are many buildings inside it.

**Chairman:** They are all ruinous.

**Q147 Mr Bacon:** Can I just ask another question about ruins? You just prompted another thought. What is your policy on ruins? I am not suggesting that we put a glass roof on Stonehenge and start using it for meetings of Druids. I think the Druids meet there anyway. You see a lot of ruined buildings around the country. I think of Llanthony Abbey just south of Hay-on-Wye, which I often drive past, which is a ruin, but also in that area is Tintern Abbey, a much more spectacular Cistercian abbey, and sometimes when I see these buildings I do think to myself perhaps it would be better to put a glass roof on it and have the National Choir School there, make use of it rather than not using it but just having it as a ruin. Have you ever been tempted down the

road of suggesting that we should be doing something more actively with some of these buildings for the purposes for which they were intended rather than just leaving them as lumps of rock to look at?

**Dr Thurley:** The answer to your question is yes. As a rule of thumb we do have a policy which is that if a ruin is a product of a historically significant event it is probably better to leave it as a ruin. Tintern Abbey is a wonderful example of the effects of the Reformation and therefore building it back again in a sense would be to spoil the wonderful feeling that you get there of the terrible destruction wrought by Henry VIII on a flourishing national church. I said that specifically for the Chairman's benefit, by the way.

**Q148 Chairman:** You are doing very well!

**Dr Thurley:** On the other hand, if the result of the ruination was not a historically significant event, the building was neglected or there was a fire or there was something else, we would positively encourage it to be built back. I think there is quite a considerable movement, not only with the ruins that we look after on behalf of the state but also with privately owned ones, to look at them and bring them back into viable use because it is very expensive maintaining a building as a ruin.

**Q149 Mr Bacon:** Of course. Why, just because it is ruined as a result of a historically significant event, should that rule out doing something with it? Let me give you an example. The Reichstag in Berlin, ruined as the result of what I think most people would regard as a historically significant event, is now fully back in use as the German Parliament. Indeed, if you go along the corridors you see bits of graffiti in Russian and in German where it was all fought over and raised decks and walkways where you can see all this and it is protected behind glass, and it is now back in the use it was intended for as a Parliament, and indeed, as I am sure you know, the dome has been replaced by one of glass and light pours in and the whole thing is much more of a celebration now than it was as a ruin and you could say the same for Tintern Abbey.

**Dr Thurley:** I did say that as a rule of thumb that is the approach we take. I think many people really enjoy looking at ruins and in fact you have to enter something in your *Who's Who?* entry as your recreation and I put "ruins" down as mine because I think visiting ruins is a wonderful experience. I think there are very few people who would want to build back Tintern Abbey or Fountains Abbey.

**Mr Bacon:** I think I am going to put "restoring ruins" as mine.

**Chairman:** That concludes a very interesting hearing. Gentlemen and lady, thank you very much.

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**Supplementary memorandum from the Department for Culture, Media and Sport**

Question 41 (Mr Touhig): *On actions taken by organisations to simplify the grants applications process*

ARTS COUNCIL ENGLAND (ACE)

<i>Activity</i>	<i>Action</i>	<i>Outcome</i>
Information from website	Enhanced Grants for the Arts web page with step-by-step process requiring applicants to check their eligibility.	Greater understanding of & preparation for eligibility criteria by applicant. Means applicants less likely to submit incomplete and/or ineligible applications.
Information through Enquiries team	Enhanced eligibility advice to applicants delivered by Enquiries team.	Means applicants less likely to submit incomplete and/or ineligible applications
Application pack	Application form re-formatted with a reduced number of questions.	Application form is clearer for applicants.
	Separate monitoring/reporting information from project information required for assessment	Clarifies what information is required for monitoring and assessment.
National Activity definition	Revise National Activity definitions from six to two: <ul style="list-style-type: none"> <li>— National touring—activity in three or more regions</li> <li>— Activity that is of national strategic significance—activity will be required to fulfil one or more of the requirements in the following criteria (criteria to be further developed):</li> </ul> Strategic: <ul style="list-style-type: none"> <li>— Activity that significantly meets the strategic priorities listed in the Corporate Plan 2008–11</li> <li>— Sector and/or art form development</li> <li>— Developing infrastructure in underdeveloped geographic areas or arts sectors</li> <li>— Scale of immediate or future impact of the activity</li> <li>— Clear strategy for financial sustainability</li> </ul> National: <ul style="list-style-type: none"> <li>— Relevance to a national marketplace</li> <li>— Sufficient quality to attract national audiences</li> <li>— Breadth of artistic reach</li> <li>— Breadth of audience reach</li> </ul>	Gives applicants a clearer idea of what projects they could put forward for funding from the National activities budget.
Early rejection	Strengthen assessor's ability to make applications ineligible as being underdeveloped at early review stage.	Gets the decision to the applicant quicker.

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**BIG LOTTERY FUND**

BIG was launched in 2004 and all its application materials were revised at that date, streamlining requirements and ensuring that all information requested was information actually required.

Last year, we tightened our outline proposal system in England, and at the same time reduced the turnaround time on Outline Proposal Forms from 15 days to 10.

In Scotland, we've introduced a "traffic light" system at outline proposal stage to give applicants a better impression of the likelihood of their project eventually being funded.

In addition to this, in the short term, we continue to:

- Provide support and guidance to applicants through our regional outreach work, which we do in collaboration with “helper agencies,” such as CVS’s in each region.
- Review and improve our guidance in response to feedback. For example in November 2007, we revised the “Awards for All” application form and guidance notes in response to customer feedback through our complaints handling process, and staff observations.
- Use the outline proposal stage to ensure that applicants who are not suitable for funding do not spend time completing full applications. Last year, over 60% of applicants to our Reaching Communities programme were advised not to proceed at this stage.
- Provide development grants on programmes where two-stage applications are used and where a significant investment of time/money is needed to complete the application process.
- Design our programmes in partnership with experts in the field. For example, by engaging Play Wales to provide expert advice and support for applicants to BIG’s Child’s Play (Wales) programme, we encouraged partnerships and the identification of strategically important projects early on.

In the longer term, our business process re-engineering project will further improve the customer experience by making the process simpler, more transparent and giving greater clarity. This will include:

- The ability to apply online which will save on applicants providing information repeatedly and help prevent incomplete applications from being submitted (which causes extra work for BIG and for applicants).
- Ability to log on and view accounts. This will allow customers to update information, follow the progress of their application, look at assessment reports, check when payments are due, fill in monitoring information and sign up for information on other programmes.

#### ENGLISH HERITAGE

The joint Places of Worship grant scheme (JPOW), launched in 1996–97, proved so popular that it had to be closed to new applicants in May 1997 whilst we addressed the backlog of cases. During its existence, much was learned about how it could be improved, leading to a radically different approach being taken when the Repair Grants for Places of Worship scheme (RGPOW) was introduced to replace the JPOW, in 2002–03. The RGPOW has been reviewed and updated again for the next phase, running from 2007–08, however this has been an evolutionary process as feedback on the scheme is that it is working well and applicants and their professional advisors understand the processes.

Over the course of the RGPOW, a number of improvements have been made which have simplified the application process, bearing in mind that most applicants have little or no experience of organising major works to repair historically significant, and in many cases ancient, buildings. The scheme is structured so that applicants are offered a first stage grant before the detailed input, so they can commission technical assistance in putting together their detailed proposals.

The following initiatives have already been implemented:

- Clear and simple funding priorities, to minimise the number of applications submitted for works outside those supported by the scheme. Under the previous scheme eligible works included bells, organs, building services, contents and new facilities, as well as urgent works.
- Batched application rounds by grade, to ensure that applicants know when to apply and are clear on whether they are potentially eligible for grant. This also allows us to identify the most urgent cases.
- Pre-application advice to potential applicants, to ensure that only those proposals with a good chance of receiving grant are developed and to advise potential applicants when they need to undertake further work prior to submitting an application. This has significantly reduced the number of congregations completing applications for projects that are clearly ineligible.
- A number of seminars for potential applicants (and later, grant recipients), to explain the processes and discuss whether their proposals are likely to be considered a priority.
- Working with faith groups to explain the scheme, its priorities and its workings, to ensure that they can encourage the most appropriate projects to be put forward. This operates at many levels, from regular liaison with area faith leaders (eg archdeacons etc.) to capacity building grants to identify buildings most at risk and provide congregations with support from those with project management or fundraising knowledge.
- Requiring a second signature on each application from a senior member of the faith group, to ensure that the faith group itself is behind the project and will support the congregation (for example, the Archdeacon in the Church of England). Counter-signatories are asked to confirm that the congregation has the ability to complete the project.
- We advise (although do not require as a cost is likely to be involved) potential applicants to engage a professional advisor to assist them with their application.

The RGPOW application pack has always been available online (and in other formats if required). In 2007 we produced an electronic version of the application form which allowed applicants to type answers. However, because we require signatures on the application form, a fully automated process was not developed at this point in time.

The following initiatives are proposed:

- Following a successful pilot, we are considering introducing a series of Places of Worship Support Officer posts in partnership with the different faith groups to develop historic building strategies for their buildings which will identify priorities and in part will work with congregations to encourage the development of good applications for the most urgent works. Support Officers will also help congregations understand their buildings and the importance of maintenance, which can reduce the need for public funding in the future.
- Introducing on-line application forms to allow electronic submission of applications. This process is unlikely to ever be fully electronic as most applicants only have hard copy supporting documents and for the time being, we require two hard copy signatures for audit purposes.
- An expansion of the pre-application work and advice we give through further outreach activities, including potentially increasing the number of pre-application seminars. A small research project is commencing to expand our knowledge of where the most effective faith group contact networks exist to facilitate this outreach work.

#### SPORT ENGLAND

Sport England has taken a number of steps to simplify the process for grant applicants. These steps include the creation in 2004 of an online application process to bid for funds from the Community Investment Fund. Sport England estimates—at today's prices—that this delivered an annual efficiency saving of £437K. We also know from feedback from applicants that they found the online process user friendly. Sport England also created on 1 April 2008 a new shared grant service based in Loughborough. The service provided advice and support to applicants to draw up and submit their applications. Also a simple online application process, managed by the shared grant service, has been introduced to replace the time-consuming paper based "Sportmatch" application process. The shared grant service will be fully operational by the end of the year.

In addition, Sport England intends to take a number of further steps to simplify the application process. The steps were announced as part of Sport England's three year strategy (2008–11) which was launched on Tuesday 10 June. The steps include:

- First, centralising all grant making and overseeing the process via the new shared grant service.
- Second, introducing a single streamlined online application process for all funding streams.
- Third, replacing the multiple funding streams/programmes available to National Governing Bodies of Sport—the National Sports Foundation, Community Club and Development Programme, Whole Sport Plan Funding, Club and Coach Funding into a single funding pot.
- Fourth, replacing the Community Investment Fund (subject to public consultation) with themed rounds (a facilities fund, an innovation fund and a small grants fund) managed via the shared grant service.

Question 104 (Mr Bacon): *Information on the breakdown of awards in the "Grants for the Arts for Individuals" programme*

#### GRANTS FOR THE ARTS FOR INDIVIDUALS AWARDS MADE IN 2006–07

The awards have been broken down by the number of awards and amount invested in the art-forms supported by Arts Council England as part of our Grants for the Arts Individuals programme.

<i>Art form</i>	<i>Total</i>	<i>Total £</i>
All art forms	40	188,885
Combined arts	73	362,856
Dance	138	1,097,623
Literature	250	1,678,476
Music	133	577,779
Not art form specific	7	21,824
Theatre	220	1,463,208
Visual arts	805	4,450,774
<b>Grand Total</b>	<b>1,666</b>	<b>9,841,425</b>

Question 122 (Mr Dunne): *Information on the general principles of “geographical spread” of investment*

#### GEOGRAPHICAL SPREAD

Under the National Lottery Act, the Department issues “policy directions” to UK / England Lottery distributors on matters which they must “take into account” when making decisions on Lottery funding. In each case there is a direction relating to the principle of equal access to funding as well as reducing deprivation where appropriate. The Department does not direct distributors to put funds into particular areas. This is because the actual decisions on which projects to fund are solely for the distributors to make, independently of Government.

The specific policy direction issued to the UK Film Council, which they must take into account, is:

“The importance of ensuring equality of opportunity and the desirability of reducing economic and social deprivation and of ensuring that all areas of the United Kingdom have access to the money distributed.”

Question 126 (Mr Dunne): *On UK Film Council’s Digital Screen Network*

#### DIGITAL SCREEN NETWORK (DSN)

Mr Dunne asked whether the DSN was only installed in cinemas in urban areas.

This is not the case. In fact the DSN covers all types of cinema in rural and urban locations. A number of rural cinemas are part of the DSN including the Aldeburgh Cinema in Suffolk, Barn Cinema in Dartington, Carlton Cinema Westgate on Sea, Thanet; Palace Cinema Malton, Yorkshire; Royalty Cinema Bowness, South Lakeland, Theatr Mwldan, Ceredigion; Wotton Electric Picture House, Gloucestershire; Zeffirellis Ambleside, South Lakeland.

#### *Funding to rural areas*

In addition to the DSN, the UK Film Council provides £75,000 per annum to the British Federation of Film Societies (BFFS) The BFFS support, sustain and develop the community cinema movement in the UK, and deliver public value to community cinema audiences throughout the UK.

The UK Film Council also made a number of Lottery awards totally £500,000 to support rural access to cinema through its Digital Fund for Non-theatrical exhibition. These awards include funding to Flicks in the Sticks.

#### *Digital Screen Network*

The aim of the DSN is to promote the widest possible enjoyment and understanding of cinema throughout the nations and regions of the UK. Given the focus on using cinemas to reach people in the UK who did not have easy access to non-mainstream film, it was recognised that successful bids would most likely come from urban areas. However, the UK Film Council took steps to ensure that there was a good geographical spread and range of cinema types. Extensive efforts were undertaken to encourage all cinemas in the UK to apply with the result that many rural communities are served by the DSN.

#### *Application and assessment process*

Assessment of each application involved scoring against elements such as access, marketing strategy for specialised films, the public benefit aspects demonstrated by the application and the cinema’s diversity strategy. Criteria impacting most significantly on the Access scores were the increased volume of programming (of specialised film) offered over the baseline for each cinema in 2003, whether the cinema was in an area of adequate current provision, its proximity to other cinemas and whether the cinema contributed to the top 70% of specialised box office in the UK. All the individual element scores were weighted, and a final score for each cinema reached. All scores were then revisited in order to check for scoring consistency.

Geographical spread was then considered. Where it was judged that a particular city/area had too many potentially successful applicants, the lowest scoring of these were dropped and the highest scoring, underserved locations were promoted. Final selection was made during a meeting that was overseen by an independent Chair at which, inter alia the data was examined for consistency and accuracy and were necessary the panel suggested relevant alterations.

Question 142 (Mr Mitchell): *On information on Dobroyd Castle*

DOBROYD CASTLE

*Losang Dragpa Buddhist Centre*

The Losang Dragpa Buddhist Centre applied to the Repair Grants for Places of Worship (RGPOW) scheme in 2006–07 for funding towards repairs to the grade II\* listed Dobroyd Castle in Todmorden, West Yorkshire.

The monks applied for structural repairs to the tower and roof, including re-roofing and the repair of rainwater goods (gutters etc.). Estimated eligible costs at application were £199,000, which meant that the application was considered at a regional level.

Following the first sift of grade I/II\* RGPOW applications Dobroyd Castle was visited by an English Heritage (EH) historic buildings architect to determine the urgency of the works, identify the repairs needed and estimate total project costs. The region's assessment of financial need calculated a funding deficit of £127,000.

At the second sift of applications in December 2006 it was agreed that the works needed were clearly urgent compared to others in the batch and therefore the region decided to offer a grant. The grant was made up of a stage-one offer of £15,000—to develop the project, undertake any necessary investigative works and obtain tenders for the repairs—and an “in principle” stage-two offer of £112,000 towards the cost of repairs; an 80% grant in total.

The grant was offered on 20 December 2006 and was accepted on 15 January 2007. The first 50% grant payment for stage-one (£7,500) was made on 29 January 2007.

The EH Regional Office was notified of the proposed sale of the building in February 2007. The grant contract states that:

“We will stop paying the Grant and you must repay what you have received in full or in part if:

- (c) the Place of Worship or any part of it ceases to be in the ownership or possession of the person who owned or possessed it at the date of this Contract, or that person sells or otherwise disposes of or encumbers the whole or any part of the Place of Worship or any interest in it.”

As a result, as soon as EH was aware of the proposed sale all grant payments were halted. When considering whether or not the Grant must be repaid, and if so, how much, we consider:

- (a) the extent to which the event in question was a result of factors beyond control;
- (b) how feasible it would be to remedy the defect; and
- (c) any parts of the Development Works completed successfully.

In the case of Dobroyd Castle, it was agreed not to seek repayment of the first payment, since a number of elements of the stage-one project development had been successfully completed and could be used in future to assist the repair of the building. However, English Heritage will seek repayment of the £7,500 grant paid once the sale has been completed.