

Inquiry into the future of the National Lottery
Response from Historic England, August 2019

Q1. What lessons should be learnt from the previous licence periods in designing, awarding and managing the fourth National Lottery licence?

Designing

1. The National Lottery licence should be designed to maximise the proportion of funds allocated to good causes.
2. Historic England suggests that further research is carried out to assess the impacts of shortening the licence period. If a ten year licence is then considered appropriate, a proper break clause should be included.

Awarding

3. There must be a fair, open and robust competition to select a commercial operator who not only will generate the most money for good causes, but who also recognises that the National Lottery must be run in an agile manner, reviewing and revising its approach over the period of the licence in order to maintain the highest possible percentage of funding being awarded to good causes throughout the licence period.
4. Significant weighting must be applied to the selection criteria around the maximising of funds generated for good causes.
5. There must be wide stakeholder engagement and there must be a transparent process with a clear timetable for the awarding of the licence so that lottery players and beneficiaries have confidence that the best possible public benefit is being achieved.

Managing

6. Regular benchmarks should be set throughout the period of the licence to monitor the level of returns to good causes, and interventions agreed early and often when these returns are not meeting targets. This information should be made publicly available.
7. Historic England has seen the dramatic, transformative impact that lottery funding can have on heritage projects of all sizes. As with other good causes, there are always more worthy projects than can possibly be funded so it is vital that the maximum public value is delivered by the Licensee and that this is demonstrated clearly to the public. Investment opportunities should be considered throughout the period of the licence, and clear criteria agreed up front regarding when and how investment should be made where the benefit is solely or primarily the increase in funds for good causes, rather than the Licensee's profits.

Q2. Is there need for greater flexibility to enable the licence to respond to changing consumer habits?

8. No comment

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Q3. How should the next licence be structured to maximise returns for good causes?

Returns to good causes are driven primarily by two variables: the level of sales and the proportion of proceeds which the operator has committed to deliver at that level of sales (“the generosity”). Incentives to increase the level of sales, and “the generosity”, should be re-examined and amended in the design of the new licence to drive greater returns for good causes. Penalties should be considered where the Licensee doesn’t meet agreed targets.

9. Increased monitoring should be built in of available technology and any new investment required, ensuring that any additional revenue generated goes to good causes and not the Licensee.

Q4. What challenges will the next operator of the National Lottery face, and what can Government and the Gambling Commission do to mitigate against them?

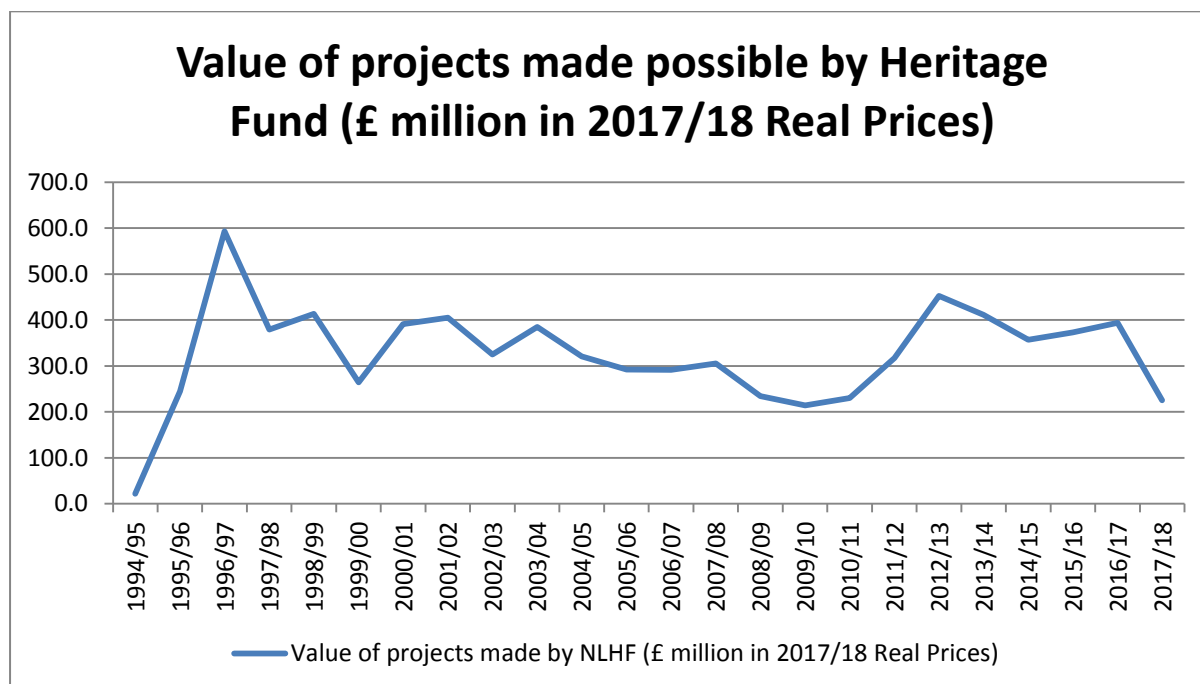
10. No comment

Q5. What has been the impact of society lotteries, or other changes to the lottery market, on the main National Lottery draw?

11. Historic England believes that society lotteries play an increasingly important role in ensuring that the overall funding for good causes increases. Evidence suggests that society lotteries have given an increasing amount of money to good causes year-on-year since their establishment. However, Historic England believes that national funding bodies, including the National Lottery Heritage Fund (“Heritage Fund”), should not be undermined by an increasing number of unregulated society lotteries. There needs to be a level playing field.
12. Consistent year-on-year monitoring would be advised to ensure that funds to good causes from the National Lottery are not impacted by funds allocated to good causes from society lotteries. Historic England is keen to see the maximum funding possible go to heritage causes, and believes that money can most effectively be distributed if there is a national overview of priorities against which the resource is allocated. Society lotteries, by their nature, tend to be less strategic than large national distributors.
13. Further deregulation of the society lotteries sector is likely to generate more funding for good causes, but it seems inconsistent to control the activity of the National Lottery more strictly than that of the society lotteries. Historic England believes that the regulations and controls surrounding the National Lottery should be re-examined in order to judge whether relaxation would benefit the amount of funds raised for good causes.

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14. While the value of funding to the Heritage Fund increased in 2012/13 there has been a steady decline since then in real terms.



Q6. How can lottery funding distributors be better supported to manage changing trends in receipts for good causes?

15. Historic England's assumption is that this question refers not to the National Lottery Distribution Fund (NLDF) itself but rather the numerous independent distributing bodies responsible for awarding Lottery grants, including the Heritage Fund.
16. Historic England recognises that there have been no changes made to the proportion of funds allocated to the national heritage, arts, sports and charitable causes since 2010. Historic England supports any activity that will maintain or increase the proportion of National Lottery funding being distributed to the Heritage Fund. National Lottery investment is of increasing importance to this country's heritage as a consequence of the substantial decline in the amount of public funding being allocated to heritage. Historic England has experienced a cut in funding of 56.5% since 2010. Heritage remains a vitally important cause, bringing benefits for the public directly as a result of funding by the Heritage Fund.
17. The Heritage Fund has made a major contribution to changing people's perceptions of heritage since 1994. Across the country there are major projects which would not have happened without Heritage Fund funding and which have transformed our experience of heritage. The Heritage Fund has enabled communities that felt little or no ownership whatsoever of their local heritage to become strongly engaged with, and proud of it. This investment has brought historic places back to life with sustainable new uses which act as focal points for additional regeneration and growth. The wider spin-off impacts are therefore considerable.

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18. The Heritage Fund is now the only source of funding for major heritage projects. Historic England's very limited grant pot is only able to focus on a very few projects, and at low percentages of support, usually as 'pump-priming' activity which we often hope will be followed by much greater investment by the Heritage Fund. These major projects are a very visible and lasting reminder of how the National Lottery has helped transform the nation.
19. The Heritage Fund supports the creation of new jobs. In 2017 the Heritage Fund reported the findings of an impact evaluation of grants distributed between 2002 and 2007. A sample of 133 projects was evaluated (which represents 13% of all the completed projects). The impact evaluation consisted on an online survey of 83 projects and case studies of 50 other projects, with in-depth economic modelling of 6 of these projects. The assessment found 60% of a sample of projects led to the creation of new jobs. 22% reported regeneration impacts - by enhancing the character and distinctiveness of their local areas through the renovation, restoration and improvement of heritage assets, places have become more inviting and have attracted further investment. ([HLF 2017](#))
20. The returns on heritage-led regeneration projects outstrip costs. With a Transparent Economic Assessment model, in 2017 it was possible to conduct an ex-post evaluation of the economic impact of six case studies from the Heritage Fund's Heritage Grants Programme (2002-2007). The case studies demonstrated a net GVA of £8.4m generated annually and 135 direct / indirect jobs supported annually. Over the 10 years, this equated to £84m GVA across just six projects. The combined grant awarded for these six projects was £27.5m, which is a return of over three times what was originally invested. In addition, there were temporary economic benefits of £3.1m net GVA and 70 net jobs during the construction phases. ([HLF 2017](#))
21. Heritage visits generate money for the local economy. A study into heritage and the UK tourism economy, based on a random sample of 62 completed projects between 2004 and 2007 and funded by HLF, estimated that for every £1 spent as part of a heritage visit, 32p is spent on site and the remaining 68p is spent in local businesses including restaurants, cafés, hotels and shops ([HLF 2010](#)).
22. Members of the public care about our history and our heritage – it is vital the we continue to fund this to meet the needs of the public:
- Our heritage is all around us, each year 72.4% of all members of the public engage with heritage by visiting a city or town with historic character, visiting a monument such as a castle, fort or ruin, or visiting a historic park or garden open to the public.
 - Heritage is comparatively more important to UK citizens. 53% of UK citizens state that heritage is "very important" to me personally compared to a 42% EU average.
 - Evidence from a special Eurobarometer Survey of 27,900 EU citizens in 2018 demonstrates the comparable importance of heritage to UK citizens. The UK ranks 3rd out of the 28 EU countries ([European Commission 2018](#)).
 - The majority of the public visit heritage sites consistently visiting every year.
 - The Taking Part survey has a longitudinal sample (people who are re-visited each year to participate in the survey) since 2011/12. Analysis of three years of interviews shows that more than half (54%) of respondents made a

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heritage visit every year. 14% of respondents were classified as *Former visitors* (reporting a visit at the first interview but not the third) while 10% were classified as *New visitors* (reporting a visit at the third interview, but not the first). Former visitors and New visitors are younger, more likely to report a disability, more likely to come from urban areas and less likely to be white. This suggests a different pattern of heritage engagement amongst different socio-demographic groups.

- Membership to heritage organisations has grown dramatically over the past decade. The National Trust has seen a 50% increase in members since 2006/7; English Heritage a 71% increase since 2007/8; while membership to Historic Houses has risen by 112% since 2007. ([Heritage Counts 2018](#))
- History is the third most quoted factor that makes people most proud of Britain – 35% of nearly 8,000 adults feel proud of our history.
- According to the Taking Part Survey, the British countryside and scenery (53%) was the top factor that makes people proud of Britain, followed closely by the British health system (52%). ([DCMS, 2019a](#))
- British architecture and historic buildings also generate feelings of pride, with 15% of people identifying these as the main factor that makes them most proud of Britain.

23. The Heritage Fund should be supported in its aims as set out in its Corporate Strategy 2018-21, including making the Heritage Fund's money go further through loans and social investments, and to identify areas of new business development, drawing in new sources of funding alongside National Lottery and NHMF grants.

24. In addition, Historic England believes that the Heritage Fund should not experience any unfair adverse impact on any future changes to the way that interest on balances is calculated within the NLDF. The Heritage Fund has a higher level of balances in the NLDF than other distributors. This is not believed to be an indication of inefficiency or excessive caution on the part of the Heritage Fund but rather reflects the type of projects traditionally funded, which are often large capital projects, typically more complicated and subject to more constraints than those in other sectors. All the money held in the NLDF by the Heritage Fund is committed to projects; whilst the money is held there it is earning interest, creating additional funding for good causes. Historic England believes that the Heritage Fund should retain the interest on its balance held in the NLDF.