

# The National Lottery Heritage Fund

## Annual Report and Accounts 2020–2021



# The National Lottery Heritage Fund

National Heritage Memorial Fund National Lottery Distribution  
Annual Report and Accounts for the year ended 31 March 2021

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# Report of the Trustees and Accounting Officer

## Performance report

### Overview

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**Purpose – The purpose of the performance report is to provide information on the Board of Trustees (the Board), the organisation’s main objectives and strategies and the principal risks it faces. The overview section gives the user information to understand the Board, its purpose, the key risks to the achievement of its objectives and how it has performed during the year. The analysis section is where the Board reports on its most important performance measures, including analysis using financial information from the financial statements.**

### **Our performance in 2020–21: – a statement from the Chief Executive**

2020–21 was a year like no other and throughout it the National Lottery Heritage Fund (the Fund) has played a pivotal role in protecting heritage in all parts of the UK.

The special value that the Fund provides was never more demonstrated than in 2020–21. The COVID-19 pandemic has shown the importance of heritage across the UK and the value people and communities place on their heritage at times of a national crisis.

The Fund has been able to step up to the challenges and support those involved in caring for heritage, rescuing projects as well as protecting jobs, livelihoods and wellbeing for so many.

We took the difficult decision, early on in the crisis, to suspend our National Lottery funded open programmes. Although a hard decision it was also the right one as it:

- allowed us to launch our Heritage Emergency Fund within a month of the crisis taking hold and providing critical immediate cash support into our existing projects as they faced the initial impacts of the crisis
- provided a critical breathing space before wider governmental responses such as the UK government’s loan, furlough and business relief schemes took hold. This allowed us to protect over 2,500 projects in development and delivery with a value exceeding £1.1 billion

- delivered specific and targeted support to projects in development and delivery providing advice and providing flexible support to meet their needs, while still being mindful of our responsibilities as a funder of public monies

Importantly, it also allowed our teams to focus on the delivery of the UK Government and devolved administration funding that emerged in the summer of 2020, which we delivered through the National Heritage Memorial Fund.

Over the past year, through the NHMF, we worked in partnership with Historic England to deliver the UK Government’s Culture Recovery Fund for Heritage. This fund, now totalling over £2 billion, has helped support the cultural, arts and heritage sector across the UK weather the storm of the pandemic. Full accounting details are included in the NHMF annual report and accounts.

This investment through funding from the National Lottery combined with Exchequer funding has provided for a comprehensive package for the heritage sector across the UK. It also allowed us to provide other Lottery-based interventions including:

- complementary funding for digital skills and resilience – critical areas for heritage organisations during the crisis and laying important foundations for beyond the COVID-19 crisis
- a grant increase programme to support existing projects handle cost pressures within their current needs and over the next two years
- a dedicated loan programme at zero interest rates to assist organisations operating within the heritage sector

In February 2021 we re-opened all our open programmes with a specific focus on outcomes within the Fund’s existing Strategic Funding Framework (SFF) which will support the UK’s recovery from the pandemic. This has demonstrated the strength and flexibility of the SFF and our outcomes-based approach to Lottery based investment. 2021–22 will see a return to our full Lottery investment budgets and portfolio.

We have also continued to pioneer new funding and investment models and our Future Parks Accelerator work alongside the National Trust

and other partner bodies demonstrates the appetite and need for this innovative approach. We have agreed to extend the Accelerator to the end of 2022 and inject further investment into the pilot projects.

Despite the crisis we were still able to devote time, energy and resources into our own organisational resilience and sustainability:

- refreshed our initial work on brand and used projects that have been funded by the Fund to support the National Lottery operator, Camelot, with marketing the importance of returns to good causes
- improved our guidance, website and on line support for applicants and grantees
- accelerated the development of our new Investment Management System including a new portal for applicants and a completely new processing system. This will also include the migration of data from our current grant management system. This will provide a significantly improved experience for our customers and a platform for continuously improving digital services
- the new organisational design we implemented two years ago has shown its resilience in the face of the crisis and we have moved on to develop our cultural work in areas like a new framework for values and behaviours. Next year will also see the launch of new recruitment and performance management frameworks based around our behaviours

I'd like to say a special thank you to all our staff here at the Fund. They operate with great integrity and professionalism; provide an exceptional service. I am very proud that, despite all the pressures of working from home all year, they have delivered a range of new funding programmes for the Fund and governments as well as continuing to support existing grant recipients.

Finally, I would like to pay tribute to René Olivieri who stood down as our interim Chair in March 2021 and Perdita Hunt, our Senior Non-Executive Director, who also left the board this year. They have helped guide us through our most challenging and demanding year to date and we have valued their leadership and counsel. We very much look

forward to working with our new chair, Dr Simon Thurley CBE, who took up the role on 1 April 2021.

### **Our purpose and activities**

The National Heritage Memorial Fund (NHMF) is vested in, and administered by, a body corporate known as the Trustees of the National Heritage Memorial Fund. This consists of a Chair and not more than 14 other members appointed by the Prime Minister. NHMF was set up on 1 April 1980 by the National Heritage Act 1980 (the 1980 Act) in succession to the National Land Fund as a memorial to those who have given their lives for the United Kingdom (UK). It receives an annual grant-in-aid from the government to allow it to make grants. The powers of the trustees and their responsibilities were extended by the provisions of the National Lottery etc. Act 1993 (the 1993 Act), the National Heritage Act 1997 (the 1997 Act) and the National Lottery Act 1998 (the 1998 Act).

Under the 1993 Act NHMF became responsible for the distribution of the proportion of National Lottery proceeds allocated to heritage. NHMF has to prepare separate accounts for the receipt and allocation of grant-in-aid and for its operation as a distributor of National Lottery money. Trustees have chosen to refer to the funds as NHMF for sums allocated under the provisions of the 1980 Act and The National Lottery Heritage Fund for receipts under the provisions of the 1993 Act.

Under section 21(1) of the 1993 Act a fund known as the National Lottery Distribution Fund (NLDF) is maintained under the control and management of the Secretary of State for Digital, Culture, Media and Sport (DCMS). All sums received from the licensee of The National Lottery under section 5(6) are paid to the Secretary of State for DCMS and placed into the NLDF. NHMF applies to the NLDF for funds to meet its liabilities for National Lottery grant payments and administration expenses.

Under section 22 of the 1993 Act, the Secretary of State for DCMS shall allocate 20% of the sum paid into the NLDF for expenditure on, or connected with, the national heritage.

Section 23(3) establishes the Trustees of NHMF as distributors of that portion. The percentage allocation was reduced to 16⅔% in October 1997 following the government's creation of the New Opportunities Fund. It reverted to 20% from

# Report of the Trustees and Accounting Officer

1 April 2012, having been 18% for the whole of 2011–12.

These accounts have been prepared in a form directed by the Secretary of State for DCMS with the consent of HM Treasury in accordance with section 35(3) of the 1993 Act.

Under sections 3 and 3a of the 1980 Act NHMF may make grants and loans for the purpose of acquiring, maintaining or preserving:

- i) any land, building or structure which in the opinion of the trustees is of outstanding scenic, historic, aesthetic, archaeological, architectural or scientific interest
- ii) any object which in their opinion is of outstanding historic, artistic or scientific interest
- iii) any collection or group of objects, being a collection or group which, taken as a whole, is in their opinion of outstanding historic, artistic or scientific interest

Section 4 of the 1980 Act (as subsequently amended) extends the powers of trustees to improving the display of items of outstanding interest to the national heritage by providing financial assistance to construct, convert or improve any building in order to provide facilities designed to promote the public's enjoyment or advance the public's knowledge.

Under the 1997 Act trustees are now also able to assist projects directed to increasing public understanding and enjoyment of heritage and to interpreting and recording important aspects of the nation's history, natural history and landscape. The 1998 Act gave trustees the power to make revenue grants to broaden access to heritage and to delegate National Lottery grant decisions to staff and also to committees containing some members who are not trustees.

Using money raised by National Lottery players, the National Lottery Heritage Fund will inspire, lead and resource sustainable, thriving UK heritage. Positive and lasting change will be created for people and their communities, now and in the future. We already have a very strong track record of grant-making for heritage, with over 26 years of experience of distributing

National Lottery funds and expert teams located across the UK. Through our ambitious funding programmes and partnerships we will:

- continue to invest our resources to protect more heritage assets and create better heritage experiences across the UK
- demonstrate and champion the economic, social and community impact of heritage
- bring together organisations working across heritage to share knowledge and resources
- encourage and lead greater innovation and new income-generating opportunities for heritage

Thanks to National Lottery players, The National Lottery Heritage Fund remains one of the most important sources of funding for the UK's heritage.

## Our key issues and risks

Our National Lottery distribution activities have faced a number of notable risks throughout the year, and we have actively, and effectively, managed these to minimise the impact on our applicants/grantees and other stakeholders as well as the Fund itself.

Trustees consider the risks faced by the organisation at Board meetings and through the detailed scrutiny provided by the Audit & Risk Committee. Due to the COVID-19 crisis we adapted our risk reporting to make for more frequent and flexible reporting to the Board, Audit & Risk Committee and senior staff. A top-level risk assessment, with narrative, status and trend data was provided throughout the year. Details are set out in the Governance Statement on page 21.

Our principal risks last year related to the COVID-19 crisis and these continued, albeit in different forms throughout the whole of the year. We grouped risks relating to the crisis between external and internal risks, whilst recognising that these two groups are not discrete and overlap.

### 1 External crisis-based risks

Our principal risk at the start of the crisis was to manage any adverse impact on our Lottery income. We worked with our sponsor department (DCMS), the Lottery operator (Camelot) and all



Lottery distributors across the UK to promote the importance and value of returns to good causes at this critical time. We also significantly boosted our own marketing and communications campaigns to reinforce this. This coherent and overall approach has worked well, and Lottery income has exceeded pre-crisis projections. As back-up and contingent plans, we also modelled what-if scenarios for income and the impact on short-term liquidity as well as our longer term ability to fund existing and potential new investments.

Our second major external risk was the sectoral need for rapid cash support to existing projects that we funded. It was essential to protect our existing £1.1 billion live investment portfolio across 2,500 projects. To manage a number of risks we took the difficult decision early in the crisis to suspend our open Lottery-funded programmes and direct our initial resources (funding, staffing etc.) to an emergency intervention into the sector for these existing projects.

Within the first three weeks of the crisis, we commissioned a survey across the sector to identify key issues, financial and operating risks to help inform that immediate response. Within that time, we were also able to assemble an immediate £50 million emergency funding package for grants of up to £50,000 initially and subsequently extended to £250,000 to help grantees with immediate cash injections to help deal with the crisis. Our local business delivery teams mobilised rapidly to support existing grantees re-align funding and grants as needed and supported applicants who were part way through the application process. Our policy and strategy teams were also able to gather insight and data across the different elements of the sector and across the UK to refine our response and targeted effort. This Heritage Emergency Fund (HEF) also provided a critical short-term cash intervention before other project support and other Exchequer funds began. We were then able, from the summer onwards, to work alongside our Exchequer-based funding to create supplemental and complimentary Lottery funded interventions like grant increases, loans and resilience funding.

In February 2021 we formally re-opened Lottery programmes, albeit with an emphasis on

outcomes related to the crisis and beyond. We intend to have a fully budgeted suite of programmes in place in 2021–22.

Our third externally driven risk related to our liquidity position and availability of cash to support the interventions. Within the first two weeks of the crisis, we developed a short-term cash flow model to monitor cash issues on a weekly basis covering including inflow, outflows, impacts on grant commitments etc. This has been invaluable in supporting our funding choices and has notably de-risked this situation.

Our final major external risk was resilience and capacity within the sector. While we recognised early on that it was not realistically possible for us to address every risk, in every part of the sector, and across all organisations, we have nonetheless put in place an overall package to help address some of these risks. This has included:

- our funding interventions mentioned above
- easier reporting and requests for payment for grantees
- support to grantees from our investment and engagement teams locally across the UK
- ensuring prompt payment of grant payments for grantees
- re-directing specific resources from our Register of Specialist Services to target help to projects
- advice and guidance to grantees on support and intervention packages

## 2 Internal crisis based risks

Our principal risk here was the use of our Business Continuity Plan and the need to ask all staff to work remotely from home and in a virtual environment. We were able to successfully implement all of these measures within 48 hours of the government's requirements.

Our use of mobile devices, cloud-based solutions and applications has meant that all our services have been available to all applicants and grantees. No offices have opened in the entire year and instead all staff have carried out their duties remotely – both with customers and with colleagues internally too. All applications have

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been handled remotely, all payment claims remotely and all actual payments as well. This applies to both grantees and our suppliers.

Our arrangements in our business continuity planning for our Crisis Management Team, Business Continuity Team and work areas like IT continuance, communications, approvals etc. were all implanted fully and without any problems. We provided all staff with display screen equipment or specific work-needs specialist equipment and adjustments for working from home.

Our other main internal risk recognised early on in the crisis that supporting all teams in respect of their physical health, mental health and wellbeing was going to be critical. We put in place a series of well-received and effective public health and protection messages alongside clear, open communications to keep all teams abreast of developments within business continuity planning.

Throughout the year we have developed and delivered a series of support packages for colleagues' mental health and wellbeing including:

- 25+ Wellbeing and Mental Health initiatives
- Yoga and Tai Chi sessions
- Mindful meditation sessions
- Keep well at home sessions
- Children's exercise classes and workout sessions
- Top tips to reduce stress
- Access to flu jabs

In addition, we provided special flexible leave for staff with caring responsibilities such as children or elderly relatives to allow them to take paid leave or work flexible hours to allow for their caring obligations.

We also recognised that the crisis environment brought with it new and different risks for fraud and error, so we put in place extensive safeguards, checks and controls to minimise these risks. We continue to monitor and manage these very closely.

### 3 Other principal risks

Besides the crisis-based risks we also recognised other risks in the year.

The re-letting of the National Lottery licence over the next year or two may bring potential types of risk to us in terms of income, operator etc. We have worked closely through the Lottery Forum (of Lottery distributors) to ensure that DCMS and the Gambling Commission are sighted on these risks and understand their possible impacts on our investment. The work on the preparation for the licence tendering with the Gambling Commission has been an example of strong, collaborative working alongside the other Lottery distributors.

Throughout the year we closely monitored the potential impacts on the sector and ourselves of the UK's departure from the European Union. We managed our internal risks effectively here (staffing, data, supply chains etc.) and saw no adverse impact following the departure. We continue to monitor the wider environment, e.g. areas like State Aid for changes.

We have responded to the risk arising from the climate emergency in three ways. Firstly, in terms of redrafting our policies, our approach to investment as well as taking on a policy leadership role. Secondly in terms of our actual investment and partnerships we have made sure that sustainability and effective environmental management are central parts of these. Finally, we have also ensured that our carbon footprint, practices and internal management reflect a better management of this risk.

In 2021–22 we expect to introduce our new grant management system and begin the de-commissioning of our existing grant management system. We have actively risk-managed the development of the new system through extensive testing with customers and internal users, managed suppliers and developers accordingly and maintained effective control of the data integrity, security and protection.

We will continue to be flexible and responsive throughout the year to all risks and ensure that we effectively manage those risks at all levels across the Fund.

### Our corporate strategy 2018–2021

The corporate strategy sets out our vision for the role of NHMF over the three years from 2018 until

2021. The strategy took further steps towards a stronger leadership position, building on our role as largest dedicated source of funding for heritage across the UK. There was a particular focus on opportunities beyond pure grant giving. Early in 2020 we refreshed the strategy to bring it more closely into alignment with the Strategic Funding Framework 2019–2024 – with a new priority to support heritage through the COVID-19 pandemic, and a stronger emphasis on playing our part in tackling climate change, and involving and connecting a wider range of people in heritage.

In March 2020 we suspended our normal National Lottery grant-making to focus on providing emergency support to organisations working in heritage affected by the pandemic. Alongside a £50million Heritage Emergency Fund and other measures to sustain organisations through the crisis, we have made strong progress in delivering the corporate strategy in 2020–21. We played a key role in delivering the UK and devolved Governments' unprecedented recovery packages for heritage, distributing a total of £188million additional awards funded by grant-in-aid.

We supported DCMS's business case for the Treasury with evidence of the financial impact of the crisis and have delivered (in partnership with Historic England) in England: the Culture Recovery Fund for Heritage phase 1, an £88million package of cash-flow support for organisations through to October 2020. In addition, there was £15million for a Heritage Capital Kickstart Fund to enable current projects delayed by COVID-19 to restart, and £2million to uplift two existing sector business support and digital skills programmes. As the impact of the pandemic continued, this was followed by the Culture Recovery Fund for Heritage phase 2, £44million in ongoing recovery support, and in March 2021 a further package of £40million was agreed to sustain organisations affected by closures and social distancing through to December 2021. As part of the recovery package, DCMS has contributed an additional £20million to the National Heritage Memorial Fund to secure the future of outstanding heritage assets in England put at risk due to organisational failures as a result of the COVID-19 crisis; this is in addition to £20million committed by trustees for

this purpose, with a predicted need for this support UK-wide through to at least 2023.

Throughout the crisis, organisations working in land and nature (which was not eligible for Culture Recovery Fund support) made the case for needing project funding to sustain progress towards the UK's climate goals and to enable non-governmental organisations (NGOs) to continue operating. We have worked in partnership with DEFRA to deliver a £40million Green Recovery Challenge Fund in England, with a second £40million phase launched in March 2021. With the Welsh Government, we have delivered the Green Recovery Capacity Building programme (£1million) and have agreed to distribute the £9.8million Nature Networks Fund starting in spring 2021, in addition to a '15 minute heritage' grants scheme (£680,000).

In Northern Ireland we have distributed the £5.5million Heritage Recovery Fund, as well as £1million for the Shared History Fund and £200,000 for a community heritage fund.

Our previous investments in two impact funds, the Heritage Impact Fund (with the Architectural Heritage Fund) and the Arts and Culture Impact Fund (with Nesta and others), continue in delivery as part of our strategy to lever additional investment into the sector and encourage organisations working in heritage to diversify their income streams. In November 2020 we launched a Resilience and Recovery pilot loans programme, offering a flexible repayable finance option for organisations seeking to re-set their business operations for recovery from the impacts of the pandemic, and agreed to make seven loans totalling £758,500, repayable at zero interest over a six-year term.

As part of our corporate strategy ambition to inspire, lead and resource the UK's heritage, in February 2020, we appointed the Young Foundation as our innovation partner to design and model the most appropriate and effective innovation framework to identify and prioritise interventions that will address key innovation challenges and opportunities facing the heritage and cultural sectors through the recovery from COVID-19. We expect to launch an innovation competition in 2021 to deliver interventions

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that will have a long-term impact at sector and system scale.

We anticipate continuing delivery of funds on behalf of Governments during 2021–2022 both to support sector recovery and where our grant-making expertise and reach mean we are ideally placed to achieve a wide range of positive outcomes for heritage and communities. Later in 2021 we will develop a new corporate strategy, building on the 2020 refresh, and running through to 2024, the end the current Strategic Funding Framework period.

## **Our Strategic Funding Framework 2019–2024**

This year marked the second year of operation for our Strategic Funding Framework for all of our National Lottery grants from 2019 to 2024. The Strategic Funding Framework set out the vision and principles guiding our funding for the lifetime of the framework, including a streamlined single open programme with three levels of funding, almost all grant making decisions devolved to Scotland, Wales, Northern Ireland and our three England areas, and an increased focus on nature and landscapes, community heritage and heritage at risk.

The emergence of the COVID-19 crisis towards the end of the 2019–20 financial year resulted in our decision to close our open programmes while we focused on support for the UK's heritage through the crisis. From March 2020, all our efforts were focused on supporting heritage to adapt and respond to the immediate impact of COVID-19. Across every part of the UK, our country and area teams have been working side by side with local heritage organisations to support them through this most difficult of times. The subsequent closures due to further lockdowns during winter 2020–2021 intensified the financial pressures across the sector, and the UK Government and most devolved administrations responded with unprecedented support packages to sustain organisations through 2021 (see page 9).

By the end of the 2020–21 financial year, we had distributed more than £176million into the heritage sector in terms of awards made and £315million of grants paid out. This includes a UK-wide £50million Heritage Emergency Fund, which has

supported almost 1,000 organisations, thanks to National Lottery players. We prioritised urgent funding for heritage facing the greatest risk, including safeguarding the grants we have already made. We did this by continuing to support more than 2,000 projects in development and delivery where our grant commitments and associated contingent liabilities total over £812million. For those in development, we continued to make decisions on delivery grants – for example major grants for the Loughborough Bell foundry and the Newport Transporter bridge.

As a result of our grants via the Heritage Emergency Fund, between 2,422 and 3,094 full-time equivalent roles in heritage were directly sustained by our grants, between 1,422 and 1,922 staff were able to be brought back from furlough to boost capacity for essential operations, and between 14,694 and 29,186 volunteer roles were directly supported.

In November 2020 we re-opened our project funding for grants up to £100,000 focusing on our resilience and inclusion outcomes, recognising that many projects aiming to drive greater inclusion in heritage had been paused at the start of the pandemic and that many organisations needed further support to refocus their activities and plans.

In February 2021 we re-opened our project funding in full for grants up to £5million, marking a return to our core National Lottery business – but not a return to a pre-COVID-19 'business as usual' approach. As we build back, our funding and expertise will support heritage organisations to adapt to fundamentally changed circumstances, to closely examine their existing business models and to develop new, creative and more resilient ways of operating. Through our heritage funding and support ahead, we will prioritise projects that:

- boost the local economy
- provide job creation and encourage skills development
- support local health and wellbeing
- strengthen the resilience of organisations in heritage
- ensure that local places and communities can thrive

Critically, we will want all the project partners we work with to demonstrate that they are building long-term environmental sustainability and inclusion into their plans.

More than one year into the pandemic, the outlook for our health and our economy remains uncertain, but the rapid development and roll-out of the vaccine programme brings hope. We will continue to work with Governments, in partnership with leading heritage agencies such as Cadw and Historic England, to deliver the support the UK's heritage needs to achieve a sustained recovery in 2021–22.

### **Going concern**

The accounts have been prepared on a going concern basis as required by international accounting standards. The trustees have no reason to believe that the government has any plans to change the percentage of National Lottery good causes money received by NHMF or to change distributors of money derived from The National Lottery.

The Tailored Review of 2017 endorsed the requirement for the role of NHMF in distributing National Lottery funds and its continued delivery by a non-departmental public body and made no recommendations to change the percentage of National Lottery funding received by NHMF. The trustees were informed by DCMS, most recently in March 2014, that it has no plans to change the National Lottery distribution arrangements for the heritage sector. Furthermore, DCMS increased the heritage share of National Lottery good causes money to 20% from April 2012. The impact of the COVID-19 pandemic is ongoing. However, Trustees have no reason to believe that their chief source of income – The National Lottery – will not continue to be generating reasonable sums to the Fund. Income levels dipped initially the lockdown was put in place, but sums have now returned to normal levels. We remained open for business during the lockdown period and were able to provide a full service to the heritage sector. Therefore, the Board has no reason to believe that the Fund will not continue to operate in the foreseeable future.

### **Performance summary**

The details set out in this section and the key performance indicator on page 13 demonstrate that we have met or bettered the majority of our performance measures in 2020–21. Details of our performance against our service level targets is set out on page 10. As a result of the pandemic, we suspended much of our Lottery distribution work concentrating on existing awards and the delivery of emergency programmes funded by grant-in-aid. Consequently, many of the service level targets were not relevant to our activities in 2020–21 and so we have not reported upon them this year. At the time of writing, we anticipate that these service level targets will again be relevant in 2021–22 and so we will include them in the annual report for that year.

### **Performance analysis**

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NHMF operates two funds: its original grant-in-aid fund (NHMF) and its National Lottery distribution activities (The National Lottery Heritage Fund). It is required, by the accounts' direction of the Secretary of State for DCMS, to account for these activities separately and so no consolidated accounts are prepared. This review discusses solely the activities of NHMF's National Lottery distribution work. The purpose of this section is to discuss the performance of NHMF in distributing funds derived from the National Lottery in 2020–21. The analysis below discusses highlights of the year including significant movement on the Statement of Comprehensive Net Income and the Statement of Financial Position as well as some key performance indicators.

NHMF receives National Lottery applications from thousands of organisations across all communities of the UK and awards grants on the basis of its aims. Since The National Lottery started in 1994 we have received over 58,000 applications requesting £23.7 billion. The number received in 2020–21 was, however, significantly lower than previous years. This was because we made the decision to suspend our normal operations and switch to one Lottery-funded emergency programme – the Heritage Emergency Fund – and operate a number of grant-in-aid funded programmes (for further information see

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## Service level target performance for the year to 31 March 2021

	Year to end March 2021	Year to end March 2020
1 Decisions will be placed on the website of The National Lottery Heritage Fund within 20 working days of the board meeting.	<b>See note 1</b>	32%
2 Grant payments will be made to the applicant on average, within nine working days from receipt of the payment request.	<b>See note 2</b>	63% (average 6 days)
3 We will undertake a survey of successful and unsuccessful applicants and aim to maintain customer satisfaction with our assessment processes at no less than 80%.	<b>See note 3</b>	See note 3
4 We will undertake a similar survey of those to whom we have awarded grants and aim to maintain customer satisfaction with our monitoring and post-award processes at no less than 85%.	<b>See note 3</b>	See note 3
5 The proportion of applicants that find The National Lottery Heritage Fund website easy to use will be at least 87%.	<b>See note 3</b>	See note 3
6 We will actively promote a wide selection of our awards via the media, to generate awareness amongst potential applicants and National Lottery players.	<b>Met (See note 4)</b>	Met (See note 4)

Note 1: We no longer collect this information. Furthermore, a change in our system of uploading decisions on our website in 2015–16 meant that we could no longer meet the target set for us in our management agreement with DCMS.

Note 2: As discussed elsewhere in this report, we are on the verge of shifting all our grant processing to a bespoke new system – the Investment Management System. One consequence of this changeover is that we can no longer produce a number of statistical reports and so data about the speed of processing grant payments is no longer possible. We aim to resurrect reporting of this number when the changeover is complete.

Note 3: In 2020–21 the Fund trialled a new approach to customer feedback and this figure relates to the level of satisfaction of Heritage Emergency Fund (HEF) grantees: 93 per cent of grantees rated their experience of their HEF grant overall as “very good” and 92 per cent selected ‘strongly agree’ or ‘agree’ with the statement the “application was straightforward”. This trial integrated customer feedback into our main grant making process and communications for HEF. This approach will now be incorporated into our new Investment Management System so that all applicants will be asked for their feedback at the time of decision or at the end of the project. We expect this to become part of our standard process during 2021–22.

Note 4: During 2021–21 our media coverage reached over 36 million people in an average quarter – 2 million higher per quarter than 2019–20, our website attracted 583,000 users in a typical quarter, with more than 195,000 of those reading our news and stories content. Our Corporate Twitter channel reached 7,056,849 impressions and 140,501 engagements over the year. Across all of our owned social media channels we reached a combined 12,007,547 impressions and 264,511 engagements and a total follower growth of 19,200 – an average of 4,800 per quarter.

the main accounts of the National Heritage Memorial Fund. We are pleased to say that we have now re-started our standard Lottery activity although we are fully aware that the heritage sector will not return to normal for a number of years, if at all.

2015–16 was a record year for National Lottery ticket sales, where our income reached £388million. In three subsequent years, income was steady at around £325million. During this period, independent economists commissioned by the Gambling Commission made our forecasts about the likely level of income in the medium-term.

Our policy up to that point had been to maximise grant award budgets, but in the light of this research we felt obliged to cut back budgets in order to protect our existing portfolio of live projects whereby our cash reserves were less than one third of our outstanding grant liabilities. This research coupled with the onset of the pandemic lead us to be pessimistic about income

levels. Consequently, it was a pleasant surprise to receive income of £363million from the National Lottery in 2020–21. This figure surpasses the £355million we received last year. Whilst the warnings of the economists seem premature, we remain cautious as we recognise that the current operating licence of the National Lottery operator, Camelot, is coming to an end. Their successor, whoever it may be, may be less successful particularly in the early years as there may be disruption in the handover.

For the first time in a few years, our grant payments and administration payments in the year did not exceed our Lottery income sum. The end result is that our overall cash balances (cash at bank plus cash at the National Lottery Distribution Fund – NLDF) rose by £21million to £333million. This is about one year’s grant payments.

We will continue to monitor income and grant payment patterns to ensure that we can support

our liabilities in the medium to long-term as we seek to bring reserves, income and outgoings into line. The chart below detailing our balance at the NLDF shows the extent of the decline in funds available in recent years, but there is evidence of an improving trend. Cash flow projections show that our recent policy, of setting grant award budgets slightly below forecast income, should result in our cash balances returning to a more healthy level in the medium term. We continue to closely monitor the impact of the coronavirus crisis on income, payments and cash balances.

Investment income earned by the NLDF fell significantly from £1.7million to £212,000. The return on investments at the NLDF was 0.1% whereas it had been 0.72% in 2019–20. As predicted in the last annual report, the fall in the Bank of England base rate towards the end of 2019–20 along with further falls during the year had a significant negative impact.

Continuing low gilt yields are the reason for the low investment income returns as the NLDF is invested in a narrow range of low-yield, low-risk investments. Trustees have no influence over the investment policy, which is set by DCMS. We receive 20% of the investment returns at the NLDF irrespective of the balance of our funds.

The level of new grant liabilities created fell significantly from £252million to £176million. The fall was entirely expected as we stopped our normal grant-giving as a result of the pandemic. Instead, we switched our focus to making emergency awards using both funds derived from the National Lottery and from other funding sources. The decisions made in the year fall into the following categories Heritage Emergency Fund. This was our immediate response to the pandemic. We awarded £50million to previous recipients of our Lottery grants.

We converted many of our contingent liabilities (known as round one passes) created in previous years to full awards. This was around £93million.

We made Lottery contributions to projects also funded via our grant-in-aid funds. Certain awards under the Capital Kick Start, Welsh Government and digital programmes also benefitted from Lottery funds.

While it was not of our choosing, the enforced reduced level of awards has meant that our long-term finances have improved and we are in a position to increase our grant award budgets going forward. Having said that, as there were no round one passes made in the year, the likely level of awards made in 2021–22 will fall as there are currently fewer round one passes to convert to full awards. The balance of round one passes at 31 March 2019 was £286million; two years later, the balance is £116million.

The level of de-commitments made in the year was pleasingly low. The level of de-commitment dropped slightly from £9million to £7million. We targeted many of our awards to supporting existing grantees and projects and this will have helped keep the level of de-commitments down. It may be that the pandemic will still take its toll in following years, but we remain committed to helping the heritage projects that we have supported over the years.

The balance of grant liabilities fell substantially from £843million to £696million. Simply put, this was because the value of net new awards was far less than the value of grant payments. The value of provisions for us not paying out all these liabilities remained constant, meaning that the overall fall in reported liabilities is purely down to the reason given above.

We create provisions that lower the value of outstanding grant liabilities in two circumstances:

- 1) where we know the grantee will no longer seek some or all of their grant; and
- 2) where there has been a long period of silence from the grantee that may indicate that the project has come to an end. This is obviously not an exact science, but it is an attempt to ensure that the reported grant liability is closer to the likely amount that we will end up paying.

The level of grant payments fell by about 11% – from £355million to £315million – although it remained constant as a percentage of the opening balance of liabilities. We were pleased to be able to continue making grant payments despite the disruption caused by the pandemic. Our speed of making payments was unaffected.

# Report of the Trustees and Accounting Officer

Taking into account all the actual and contingent liabilities, at the end of the financial year we had committed over £0.48billion, after provisions, (at 31 March 2020: £0.76billion) more than we had in the NLDF. This level of liabilities and contingent liabilities means we have commitments to the equivalent of 2.2 years' income (at 31 March 2020: 3 years). Despite the high income and the relatively low level of awards, our balance of contractual liabilities significantly exceeded our net assets and there was a net deficit on the statement of financial position of £352million at 31 March 2021.

Trustees recognise that monitoring long-term cash flows is of great importance as the projects to which we give grants usually take many years to complete. There is no guarantee to our funding from DCMS and no assurance as to the amount of funds The National Lottery will generate for us. Therefore, Trustees have devised guidance ratios concerning the level of outstanding commitments, cash and expected income. The sudden unforeseeable dip in income in 2016–17 brought these ratios to the forefront of our planning; the income dip stabilised in subsequent years and has partially reversed in recent years.

The ratios are kept under regular review to ensure that they remain relevant to our way of working and the external environment (see ratios' table below). Most ratios are in a position where we feel comfortable; however, our cash balances remain far below the level where we want them and we will continue with our policy of setting award budgets below the anticipated level of income. The direction of travel for our cash balances leads us to be optimistic.

Our operating costs fell significantly – a fall of 34% – during the year as we switched our efforts towards distributing non-Lottery activity. It was a difficult year for setting administrative budgets and making forecasts as the set-up of emergency funding programmes was entirely outside our control. Our reputation of being effective and efficient grant-givers meant that we attracted funds from the UK government and devolved administrations in Wales and Northern Ireland. These emergency programmes normally came with the entirely reasonable burden of urgency and so we felt it unwise to offer our standard suite of Lottery programmes during this time – hence the significant fall in our Lottery activity. We continued to make grant payments to service our existing awards and we also made a reasonable level of new awards. We have to accept that this year was not normal and comparisons of expenditure levels with earlier years and, we hope, with future years will bear little fruit.

Staff who normally work entirely on Lottery activities were transferred to working on the various grant-in-aid programmes while still maintaining their portfolio of active Lottery projects. As a result, our frontline staff worked on both Lottery and non-Lottery activity and we had to set up a system to record this time, calculate an associated overhead figure and re-charge the grant-in-aid programmes with the cost. At certain times of peak workload we had to bring in outside contractors to assist in the processing of applications.

Evidence for this year being out of kilter with recent years is shown in the chart titled "Actual operating costs vs inflated 2003–04 costs per

Ratio	Target range	at 31 March 2021	at 31 March 2020	at 31 March 2019
Total commitments to income	A maximum in the range 4.4:1 to 4.6:1	<b>2.2:1</b>	3.0:1	3.8:1
Net commitments to income (i.e. total commitments less cash)	A maximum in the range 3.0:1 to 3.2:1	<b>1.3:1</b>	2.1:1	2.8:1
Hard commitments to cash	A maximum in the range 2.3:1 to 2.5:1	<b>2.1:1</b>	2.7:1	2.8:1
Cash at the National Lottery Distribution Fund	In the range £400million to £500million	<b>£329million</b>	£309million	£338million



year" and by our easily meeting the efficiency target set by DCMS (see page 15 for more information). As we get back to normal, these targets will prove far more challenging.

The number of projects under monitoring (uncompleted projects that have received awards) had risen significantly in recent years. However, the number has dipped in recent years as our grant award budget fell. The number of live projects at 31 March 2021 was just over two thousand, but this figure will rise in coming years as our grant budgets increase.

As well as recharging costs to our grant-in-aid activities during the year, our operating costs also benefitted from a contribution from the National Lottery Community Fund towards the cost of running the Parks for People programme, to which it also contributes some grant funding. Its contribution fell slightly from £234,000 to £201,000. The programme is no longer accepting new applications, but there are still fifty-six live projects. The contribution will decline in the coming years and we forecast that the final grant will be paid in 2025–26.

### Key performance indicators

NHMF has a reputation as an efficient distributor of Lottery funds. The black line on the chart below sets out our operating costs in each of the past few years. The grey line shows the value of operating costs in our baseline year of 2003–04 – the first full year we operated from a full range of offices spread around the countries and regions of the UK – the sum is increased in line with HM Treasury's gross domestic product (GDP) deflator, an estimate of the general level of inflation in the UK economy. The large fall in our operating costs coupled with the poor performance of the economy during the pandemic has resulted in a massive and artificial improvement in our numbers. We anticipate that the cost level will bounce back in 2021–22.

In 2020–21, our operating costs as a proportion of our income were as follows:

	Target	Actual 2020–21	Actual 2019–20	Actual 2018–19	Actual 2017–18	Actual 2016–17	Actual 2015–16
Operating expenditure as a proportion of total income	8%	5.0%	7.7%	6.9%	6.6%	6.9%	5.2%

As previously mentioned, the switch of activity from being almost entirely a distributor of funds derived from the National Lottery to that of distributing significant levels of grant-in-aid meant that our Lottery distribution cost levels have fallen. This is particularly so when compared with last year when our costs were inflated by the cost of internal re-organisation under the auspices of our corporate strategy. The table below shows the percentage of our costs against Lottery income and reveals a significant fall for the reasons given.

Trustees recognise that being an efficient distributor of Lottery funding should not be achieved at the expense of service to our customers. They are pleased to report that many of our targets continue to be met despite the disruption of the COVID-19 pandemic. We recognise that many of these targets have remained unchanged for a number of years and we are investigating if other indicators would be more appropriate for disclosure in future years, particularly some arranged around our corporate strategy and strategic funding framework. Further information on our service level targets is available on page 10.

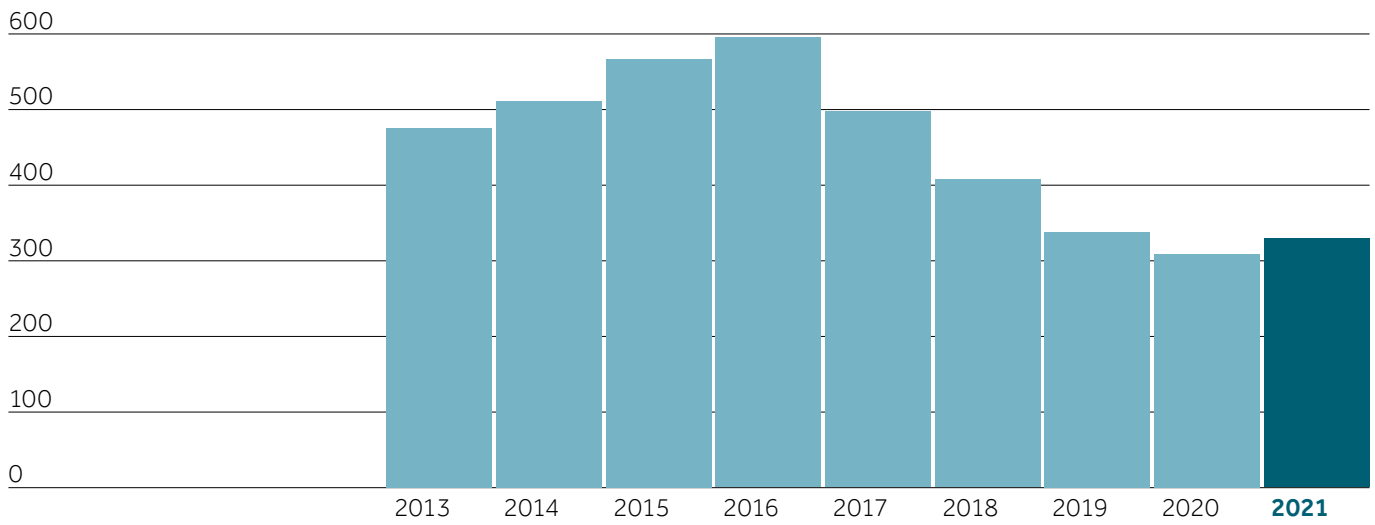
### Payables

NHMF adheres to the government-wide standard on bill-paying and the Public Contracts Regulations 2015, which states that all valid bills should be settled within 30 days. In 2020–21 the average age of invoices paid was ten working days (2019–20: nine working days). Over 92% of invoices were paid within 30 calendar days (2019–20: 91%).

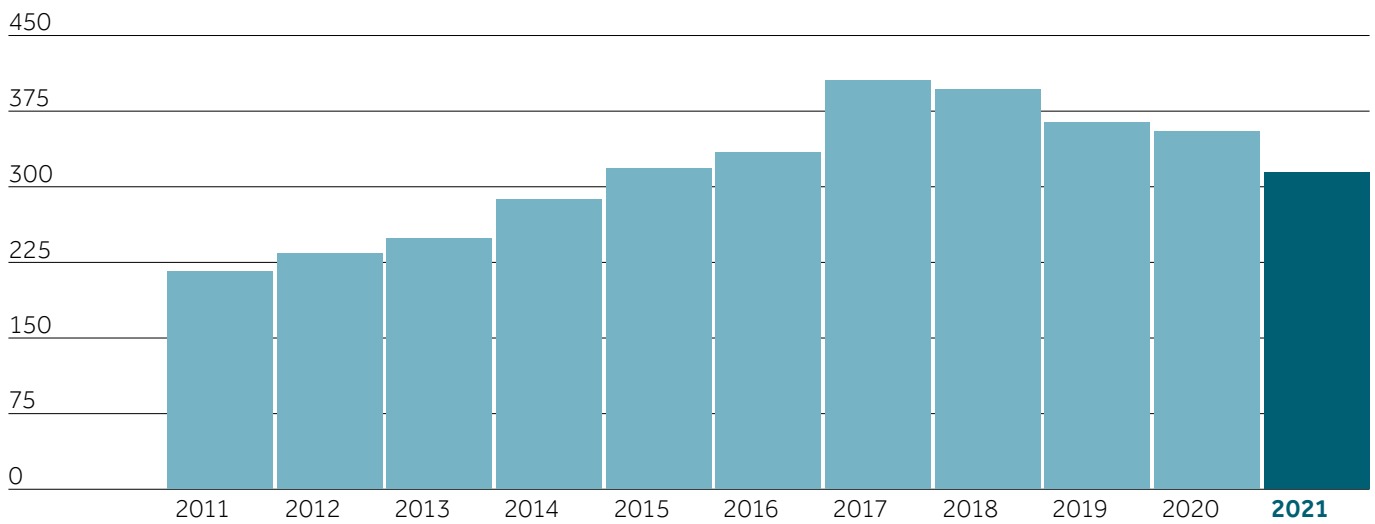
Another way of measuring our commitment to paying suppliers is the ratio of creditor days – the ratio of trade payables at the end of the year to the total value of purchases in the year expressed in terms of calendar days. At 31 March 2021, the figure was 30 days (2019–20: 41 days). The creditor days' figure is much higher at the year-

# Report of the Trustees and Accounting Officer

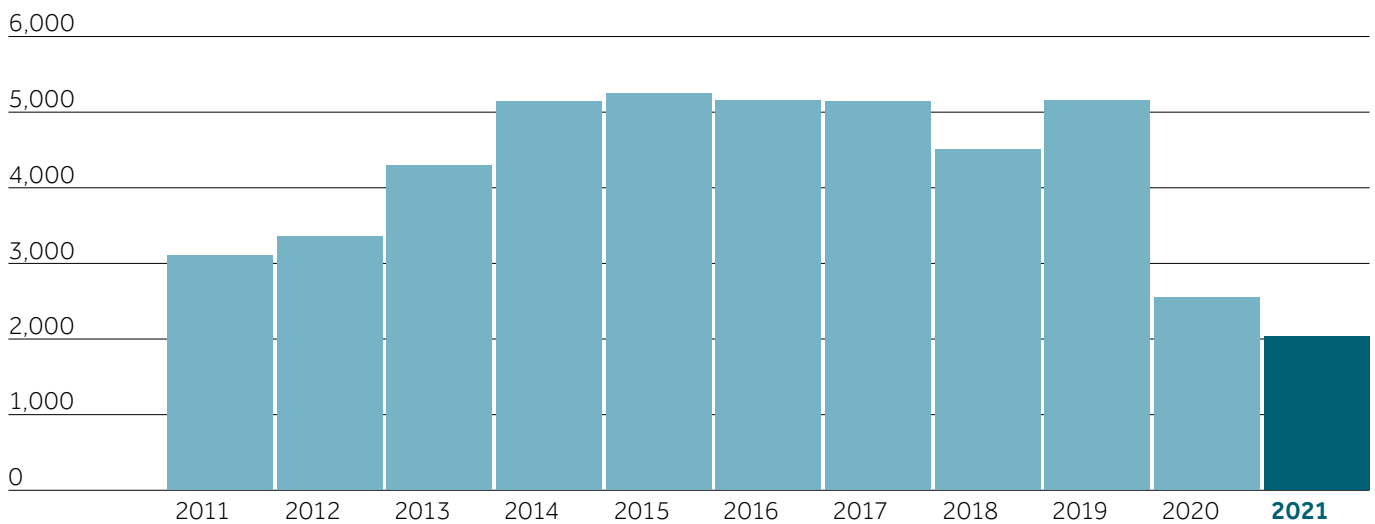
## Our balance of funds at the National Lottery Distribution Fund by year (£million)



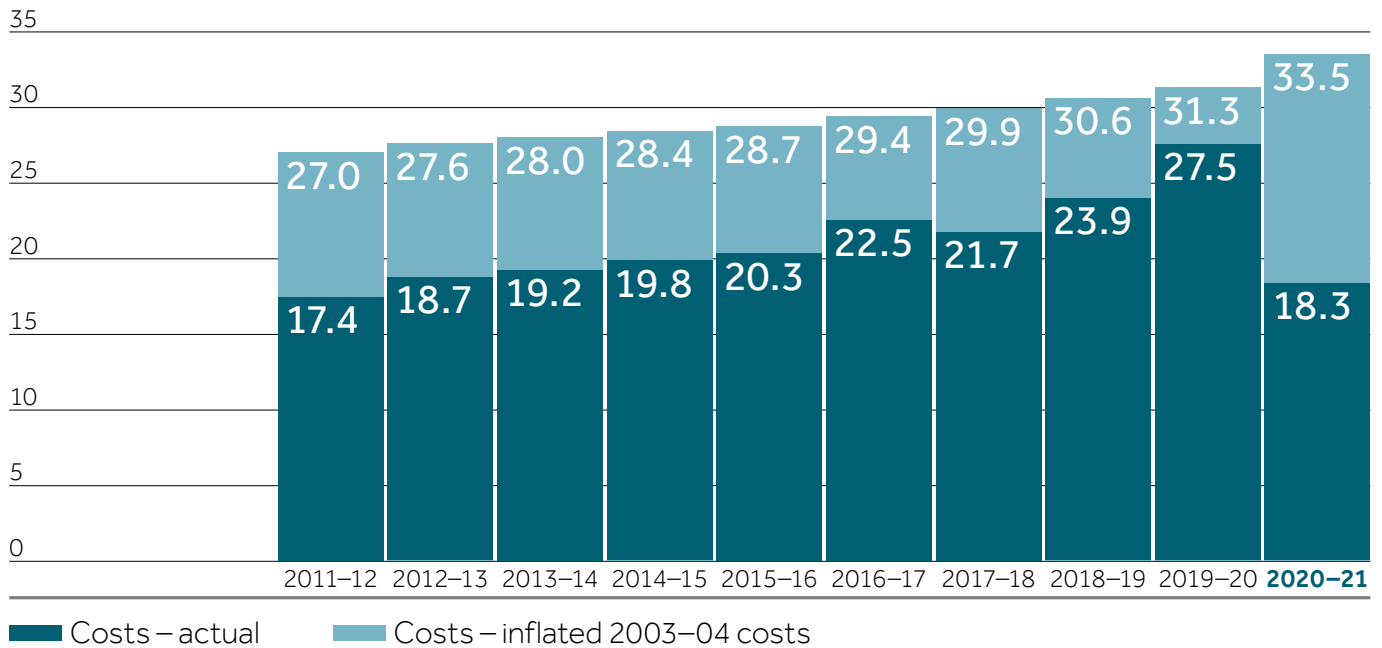
## Value of grant payments by year (£million)



## Projects under monitoring by year (number)



## Actual operating costs vs inflated 2003–04 costs by year (£million)



end than at other times of the year because we encourage suppliers to submit their invoices before the year finishes and this results in a surge in invoices being received in early April.

### Environmental policies and sustainability reporting

#### Introduction

Sustainability has been integral to the Fund's operations and approach for many years. Our National Lottery Strategic Funding Framework outlines our commitment to requiring all applicants for Lottery funding to demonstrate a positive impact on the environment and "Playing our part in tackling climate change" is a key outcome of our corporate strategy.

We have adopted the Joint Heritage Sector Statement on Climate Change, committing to reach net-zero emissions by 2050. For our own operations, we have committed to reach net-zero by 2030. To help us on this journey, we have appointed a Climate Change Manager, developed a staff engagement plan and incorporated sustainability into our decision making regarding the upcoming return to offices.

2020–21 has seen the Fund support central government in the distribution of £40million of funding as part of the Green Recovery Challenge Fund. In Wales we have supported the Welsh

Government to distribute funds to 27 Local Places for Nature projects. This is in addition to four Community Woodland grants; further extending our reach and support of improving and increasing our natural environments.

Trustees see little value in allocating sustainability reporting between their grant-in-aid activities and their National Lottery distribution activities. Consequently the information below covers all the activities of NHMF.

Our utilities use and business travel have drastically reduced this year as a result of the coronavirus pandemic. We have not occupied our office space for the duration of the 2020–21 financial year and travel for site visits and other business requirements has been strictly limited, in line with wider government guidance. The resulting energy is the baseline consumption of our offices. We have adapted our methodology and as such have provided re-stated greenhouse gas emissions for previous years to provide a year-on-year comparison.

Our measurement and reporting approach has been updated to provide a more accurate baseline and to improve data transparency. Where possible and relevant, we have included apportioned energy consumption of communal office spaces. Additionally, we have incorporated

# Report of the Trustees and Accounting Officer

## Greenhouse gas emissions

		2020–21	2019–20	2018–19
Greenhouse gas emissions	Scope 1 emissions (tCO <sub>2</sub> e)	<b>14</b>	50	148
	Scope 2 emissions (tCO <sub>2</sub> e)	<b>36</b>	203	73
	Scope 3 emissions (tCO <sub>2</sub> e)	<b>9</b>	167	142
	Total gross emissions (tCO <sub>2</sub> e)	<b>59</b>	420	363
Energy and water consumption	Electricity (kWh)	<b>58,301</b>	794,149	257,464
	Gas (kWh)	<b>76,429</b>	270,794	805,341
	Water (m <sup>3</sup> )	<b>2,434</b>	4,820	3,455
Expenditure (£'000s)	Utilities (inc. service charges)	<b>278</b>	589	476
	Business travel (inc. accommodation)	<b>2</b>	486	535

Note: figures for 2018–19 and 2019–20 have been restated in line with the methodology below. This does not affect financial data.

## Waste minimisation and management

		2020–21	2019–20	2018–19
Waste (tonnes)	Hazardous – inc. WEEE*	<b>0.3</b>	–	–
	Landfill	<b>–</b>	124	23
	Energy from waste	<b>1.4</b>	–	–
	Mixed recycling	<b>0.3</b>	26	–
	Total waste	<b>2</b>	150	23
Waste expenditure (£'000s)	Total waste (inc. cleaning for 2020–21)	<b>19</b>	48	24

\* WEEE = waste electrical and electronic equipment

## Finite resource consumption

		2020–21	2019–20	2018–19
Finite resources	Water (m <sup>3</sup> )	<b>2,434</b>	4,820	3,455
	Paper Use (sheets)	<b>–</b>	172,500	500,000
	Paper Use (tCO <sub>2</sub> e)	<b>–</b>	0.8	2.4

data from hotel stays, water use and waste disposal into our scope 3 greenhouse gas emissions.

Our data is limited by the information provided by landlords. Where there is less confidence in the information, we have chosen to rely on emissions and energy data given in the energy performance certificates (EPCs). Real data has been used for our offices in Leeds, Cambridge, Cardiff, Belfast and Nottingham. Estimates based on EPCs have been used for Edinburgh, Exeter, Manchester and Birmingham. Similarly, information about the costs of our energy use is restricted by the amount and depth of data provided by landlords. Consequently, expenditure costs in the table

have been combined into one value. It is the same story for what happens to our waste; our landlords are responsible for disposal and so we are unable to provide a detailed breakdown on what happened to it.

Very few of our office spaces use natural gas for heating with most using electricity for heating and cooling. From those offices which have provided real data, our London office is the only one which uses gas for heating.

Many of our offices operate on a serviced office agreement, this benefits our environmental impact, allowing us to increase and decrease our

leased space as required and to seek out buildings with the highest rated EPCs. Conversely serviced offices remove our ability to directly impact our energy supply and to invest in energy efficiency measures. We will embed EPC and electricity supply criteria into future office lease agreements and seek out landlords who align with our own net zero by 2030 ambitions.

In 2019–20 we travelled over 500,000 miles across the UK (reduced from 1.8 million miles the previous year), as a result of movement restrictions this year this has fallen to less than 14,000 miles whilst maintaining high levels of productivity. We know that travel will increase in 2021–22, however, we will use our experience of working remotely to inform our approach going forward and will champion public transport and low carbon travel in our policies and strategies.

We have not included homeworking greenhouse gas emissions in our reporting as these currently fall out of reporting guidelines. We will review this on an annual basis, to ensure we reflect best practice. Concurrently, we are monitoring estimated electricity usage from devices, which are likely to be the largest additional contributor to the environmental impact of homeworking, and will use that data to inform future procurement.

All working has been home-based for the entirety of the year; as such waste is close to zero (see table on page 16). We have, however, continued to update our IT equipment, with 234 laptops being replaced. These replaced computers were donated for re-use for children without devices at school, diverting WEEE waste from landfill.

We will be engaging staff when we return to our offices to identify opportunities for waste minimisation, leading to a Waste Management Strategy.

Water usage has decreased substantially (see table on page 16). For hygiene and safety reasons, systems have been routinely flushed resulting in consumption of 2,434m<sup>3</sup>. Water is used to service toilets and office kitchens. We will work with landlords to update these facilities where possible and implement water-saving measures. Costs for water are incorporated into total utilities charges provided above.

We do not have any data for paper use this year due to office closures. Whilst we know that some staff are utilising printers at home, some of which are provided by the Fund, we anticipate that consumption will be drastically reduced. Going forwards we are reviewing the quantity of printers available in our offices with the hope that we can continue to reduce the use of paper.

### Biodiversity action planning

Our greatest reach and impact on the natural environment is realised through our land and nature projects. In 2020–21 we have invested £50million in protecting and expanding our natural environment. We ask all projects to report on their environmental performance; our guidance is available on the website of The National Lottery Heritage Fund.

### Sustainable procurement

Our approach is aligned with government standards; however, we plan to improve upon our sustainable procurement policies and recognise the need to provide more sustainable procurement guidance. Our first step will be to embed sustainability requirements into future decision making for office lease agreements.

### Climate change adaptation

We are in the process of developing a Sustainable Development Strategy. Our approach and action plan will ensure that our policies with long term implications are robust in the face of changing weather, extreme events and sea level rises from climate change. The strategy will draw upon existing guidance such as the Climate Change Risk Assessment, UK Climate Projections and the National Adaptation Programme.

### Rural proofing

The National Lottery Heritage Fund has a national reach, supporting projects all across the UK. Many of our projects are in rural areas and our investment helps to create jobs and support communities. We recognise the challenges which rural communities face, including, representation, access to public transport and availability and equality of paid work. These are areas which we already support our grantees to address in their applications; however, rural proofing is not a formalised aspect of our decision making. This is

# Report of the Trustees and Accounting Officer

something we will look to review as part of our wider strategy work in the next 12–24 months.

As an organisation we support our colleagues to work nationwide and expect to see a larger shift to home working in the coming years. We don't yet know what post-pandemic workplaces will look like, and we are keen to explore different and hybrid ways of working. This shift could further support recruitment of employees living in more rural areas.

## Sustainable construction

As an organisation we are not responsible for new construction or any capital assets.



## Ros Kerslake CBE

Chief Executive and Accounting Officer

2 July 2021

## Accountability report

The accountability report has three sections:

- a corporate governance report – a discussion of our governance structure and its achievements in the year under review.
- a remuneration and staff report – this details remuneration for trustees and senior management as well as pension arrangements for staff. In addition, we discuss our achievements in equality and diversity of staff
- a parliamentary accountability and audit report – a report by our auditors on the results of their audit of our accounts for 2020–21 in line with accounting and auditing standards.

## Corporate governance report

The purpose of this corporate governance report is to explain the composition and organisation of NHMF's governance structures and how they support the achievement of our objectives.

## The directors' report

### Chair and Trustees of NHMF

Chair

Dr Simon Thurley CBE

From 1 April 2021

René Olivieri

Interim Chair to 31 March 2021

Trustees

Maria Adebawale-Schwarte<sup>1</sup>

Baroness Kay Andrews OBE

Jim Dixon

Dr Claire Feehily<sup>1</sup>

Sarah Flannigan

Perdita Hunt OBE DL<sup>1</sup>

Ray Macfarlane

Mukesh Sharma MBE DL

from 17 August 2020

Dr David Stocker

Chief Executive

Ros Kerslake CBE

<sup>1</sup> Member of Audit and Risk Committee

Details of other senior managers can be found in the remuneration and staff report on page 33.

The gender split of our staff (including those on fixed term contracts) working on National Lottery related activities and our trustees at 31 March 2021 on a headcount basis was as follows. Many of our staff in 2020–21 worked on both Lottery and grant-in-aid activities.

	Male	Female	Total
Executive directors	1	3	4
Staff	82	250	332
Trustees	4	6	10

### Register of Trustees' Interests

As a matter of policy and procedure, the trustees and country and area committee members declare any direct interests in grant applications and commercial relationships with NHMF and exclude themselves from the relevant grant appraisal, discussion and decision processes with NHMF. In their contacts with grant applicants, trustees seek to avoid levels of involvement or influence that would be incompatible with their responsibilities as a Trustee of NHMF. There are corresponding arrangements for staff to report interests and avoid possible conflicts of interest. The Register of Trustees' Interests is available on The National Lottery Heritage Fund website – [www.heritagefund.org.uk](http://www.heritagefund.org.uk).

### Future developments

We will continue to deliver on our National Lottery Strategic Funding Framework in 2021–2022 and expect to review at the mid-point (autumn 2021) the objectives we had set ourselves for the five year funding period, alongside the introduction of a new corporate strategy, taking account of the sustained impacts of the pandemic for organisations working in heritage and for our own organisation. Our business plan for 2021–2022 sets out five core priorities:

#### 1 Delivery of our National Lottery and grant-in-aid programmes

Our National Lottery project funding will continue with funding offered from £3,000 to £10,000, £10,000 to £250,000 and £250,000 to £5million with a focus on the prioritised outcomes outlined on page 8. We will make grants of over £5million under our Heritage Horizon Awards designed to support exceptional projects delivering transformation, collaboration and innovation at

scale, at sites across the UK. We will continue to deliver our Digital Skills for Heritage campaign, which is equipping organisations of all sizes to accelerate their grasp of new opportunities offered by working digitally. We will develop our thought leadership with new campaigns focused on museum and archive collections (known as Dynamic Collections), introduce place-based initiatives to enhance our support for communities in collaboration with other leading cultural agencies, and nurture innovation through a new fund developed in partnership with the Young Foundation and further investment in our Future Parks Accelerator. We will continue to encourage and incentivise organisations working in heritage to diversify their income and develop their financial skills, building on our existing social investments and pilot loans programmes.

We will work with Governments across the UK to continue to deliver the support the sector needs to recover. We will deliver the second phase of the Green Recovery Challenge Fund on behalf of DEFRA, the second and third phases of the Culture Recovery Fund and Nature Networks (the Welsh Government's green recovery scheme) and will create new funding partnerships where the opportunities arise. Internally, we will develop and improve our business and operating model and processes to support the effective delivery of National Lottery and grant-in-aid funds simultaneously, ensuring we have the right structures and resources across the Fund.

#### 2 Implement a new Investment Management Service

We will replace the current grant management system with a modern more flexible grant management service offering a smoother, easier application process and enabling our staff to work more efficiently. A new application portal will be introduced from the spring, supported by enhanced online information and help for customers, and a comprehensive staff training programme. Following data migration, we will continue to build our data warehouse and improve our data reporting capabilities. Our business will be more data driven and we will be better able to evidence our impact through the development of a new impact framework, embedded in our assessment process, to support our decision making.

# Report of the Trustees and Accounting Officer

## 3 Stakeholders and external partners

We will continue to strengthen and deepen our work with stakeholders and other key partners that have been intrinsic to our work supporting and sustaining the sector in 2020–2021, both UK wide and within our England areas and Scotland, Northern Ireland and Wales. Through the National Lottery Forum, we will continue our collaborative work with other National Lottery distributors to strengthen our impact focused on place, to improve data and reporting on National Lottery grants and to contribute to demonstrating the collective impact of the National Lottery for the UK's national life. We will explore new partnership opportunities, in particular in social investment and innovation, and continue existing social investment partnerships with the Architectural Heritage Fund and Nesta. We have begun the preliminary work on our next Corporate Strategy for beyond 2021.

## 4 Equality, diversity and inclusion

We will follow up our Equality, Diversity and Inclusion Review with an implementation plan for our culture, workforce, investments and governance as well as existing work in this area. We will show progress in the Fund becoming more equal and inclusive.

## 5 Progress and embed culture change

We will conclude work on our culture and values across the Fund and embed a new behavioural framework into day-to-day work and business. Our recruitment and performance frameworks will ensure that our values and behaviours are central to delivering objectives

### Appointment of auditors

The 1980 Act provides for the annual accounts of NHMF to be audited by the Comptroller and Auditor General. The 1993 Act extends this to the National Lottery distribution activities of trustees.

### Key stakeholders

We work with a wide range of key stakeholders and partners and consult with them extensively when developing our strategic frameworks and grant-making policies and practice. Among them are the National Lottery-playing public, applicants and grantees, strategic agencies and lead bodies for heritage and other policy areas relevant to our

funding across the UK, as well as elected members for both local and national governments. DCMS issues UK-wide policy directions (see the Policy Directions section towards the end of this report) and controls the NLDF that invests the money received from the National Lottery. The Scottish Government and the National Assembly for Wales have also issued policy directions.

### Additionality

In accordance with the financial direction of the Secretary of State for DCMS, all National Lottery distributors are required to have regard to additionality principles. Our requirement for National Lottery grants is that our funding should be in addition to available government funding not instead of it. We will not give grants to projects where we believe that government funding was available at the time of decision. As part of our grant assessment we ask applicants to make a clear case for National Lottery investment including telling us what other sources of funding have been considered.

### Personal data

NHMF has had no incidents where personal data was inadvertently disclosed to a third party and has made no report to the information commissioner's office. NHMF will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of its systems.

## Statement of Trustees' and Accounting Officer's responsibilities

Under section 35(3) of the National Lottery etc. Act 1993 Trustees of NHMF are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for DCMS with the consent of HM Treasury. The accounts are prepared on an accruals' basis and must give a true and fair view of the Fund's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, Trustees of NHMF are required to comply with the government financial reporting manual (FREM) and in particular to:



- i) observe the accounts' direction issued by the Secretary of State for DCMS, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- ii) make judgements and estimates on a reasonable basis
- iii) state whether applicable accounting standards, as set out in the FREM, have been followed and disclose and explain any material departures in the financial statements
- iv) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Fund will continue in operation

The principal Accounting Officer of DCMS appointed the senior full-time official, the Chief Executive, as Accounting Officer for the Fund. Whilst the Chief Executive was on long-term sick leave for part of the year, the Executive Director, Business Delivery, was made acting Accounting Officer, including their responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for the safeguarding of the Fund's assets and for the keeping of proper records, are set out in the section titled 'Accounting Officers' in 'Managing Public Money'.

So far as the Accounting Officer is aware there is no relevant audit information of which our auditors are unaware. The Accounting Officer has taken all steps that she ought to have taken to make herself aware of any relevant audit information and to establish that our auditors are aware of that information.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and that she takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and reasonable.

## Governance statement

### Foreword

I have been Chief Executive and Accounting Officer since July 2016. During a period of absence which included April 2020 Eilish McGuinness acted as Accounting Officer.

### Introduction

This governance statement is a summary of the arrangements for the stewardship of the National Heritage Memorial Fund, including how we manage risk and how we comply with the HMT Code of Good Practice for Central Government.

As the Accounting Officer for the National Heritage Memorial Fund, I am required by the Accounts' Direction issued by the Secretary of State to account separately for my two main sources of income – grant-in-aid and funds derived from the National Lottery. I am also accountable for maintaining a sound system of internal control that supports the achievement of NHMF's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible. This is in accordance with the responsibilities assigned to me in 'Managing Public Money'.

The National Heritage Memorial Fund and The National Lottery Heritage Fund are operated as a single entity as I believe that this is more efficient and effective. Consequently, there is one governance structure, and this statement covers the distribution of both grant-in-aid awards and National Lottery grants.

### COVID-19 crisis

The crisis from COVID-19 has, like all other organisations, affected us significantly during 2020–21.

The crisis has had a material impact on the sector including:

- loss of income from reduced visitor numbers, membership cancellation, commercial income
- reduced sponsorship and/or partnership funding
- delays to project in delivery

# Report of the Trustees and Accounting Officer

- increases in costs to meet public health requirements
- adverse impacts on business delivery – furloughing of staff, the need to redirect and reprioritise resources etc.

That has, in turn, made our operating environment much more challenging and demanding and we have had to make a step change to respond to those changes.

We established critical data and insight on the early impacts allowing us to launch the Lottery-funded Heritage Emergency Fund and then used that data to support the Culture Recovery Fund for Heritage from DCMS and the Green Challenge Recovery Fund from DEFRA in England, as well as other investments in other parts of the UK.

In a year when cashflow and liquidity was key to organisation's health and survival we were able to inject in excess of £400million into the sector to support projects, help communities, project jobs and ensure the survival of large parts of the sector that might otherwise not succeeded in navigating the crisis.

I am pleased to report that our governance arrangements from business continuity to organisational design to risk management to decision making and of course grant making has allowed us not just to operate through the crisis but deliver a wide range of responses across the UK that have been pivotal in protecting the heritage sector.

The governance of the Fund has proved both resilient and flexible throughout the whole of the year and the crisis to date.

## **Governance Review**

As outlined in this statement last year we commissioned an independent review of our internal governance in 2019–20. The Board expressed support for the findings and recommendations of the review and the Legal and Governance Team prepared an implementation plan for the main recommendations. Since then we have implemented nearly all of the recommendations although some have been delayed by the crisis.

The main areas of recommendations adopted were as follows, along with a note of our progress:

- To move to a smaller number of Trustees in practice (9 or 10) – this is now in hand, several Trustees have retired, and our sponsor department (DCMS) has a recruitment campaign in place for new Trustees. We expect the new Trustees to be in place by late summer/early autumn.
- To have Trustees chair English Area Committees so that there are similar arrangements with Scotland, Northern Ireland and Wales Committees – these will be covered by the recruitment campaigns above.
- Develop skills matrices for Trustees and Committee members covering business, corporate governance and heritage skills – these are now completed and are being used in our own and DCMS led recruitment campaigns.
- Refresh Terms of Reference for the Board and its Committees – these are now completed and being applied.
- Review, in conjunction, with DCMS the remuneration of Trustees to assist in developing improved plurality and diversity across Trustees – this is complete and new arrangements came into practice on 1 April 2021.
- To undertake a similar but internal review for Committee members remuneration with the same objective – this is also complete and new arrangements came into practice on 1 April 2020.
- Improve stakeholder engagement, mapping and improve the integration of Trustees and Committee members into these – this is complete, the interim chairs of the English Areas have attended Board during 2020–21, alongside improved communications across all governance bodies.
- Improve induction and diversity, equality and inclusion training as well as performance appraisals for Trustees and Members – this is partially completed and there has been a successful recruitment approach for recent committee members which we will replicate

in future campaigns. Specific EDI training for the Board will take place early in 2021–22.

- Close down Finance, Staffing and Resources Committee and move its functions to the Board and Executive – the committee has been closed, although there remains some finalisation of delegations which is in hand and,
- Create a Nominations and Remuneration Committee to oversee Trustees roles, remuneration and support appointments – this is completed, and the committee met in 2020–21 to oversee committee member transition and recruitment matters.

### Governance structure

The governance structure in NHMF during 2020–21 is set out in the diagram below. The Board and its sub-committees are as described, alongside the Executive and the Strategy and Performance Group.



### Board of Trustees

The Board is responsible for:

- giving strategic leadership and direction
- approving control mechanisms to safeguard public resources
- approving investment and administration budgets
- supervising the overall management of NHMF activities
- reporting on the stewardship of public funds

The Board operates as a group and held nine meetings during the year to set NHMF policy and make decisions in line with that policy. These meetings are attended by the Chief Executive and the Executive Directors. All Board meetings held in 2020–21 were quorate.

René Olivieri was interim chair of the Fund in 2020–21 and throughout the year regular liaison meetings were held between him, the Chief

Executive and senior staff. The Board is legally constituted up to a maximum of 15 Trustees including the Chair. In 2020–21 one new Trustee was appointed and one Trustee retired.

The overall attendance rate of Trustees at Board meetings was 100%. Trustees have also delegated some of their tasks to the two committees shown above – these committees oversee the activities of management and provide guidance and support to senior staff. The minutes of committee meetings are standing items at the Board’s meetings. The committee chairs also provide a full report on their activities.

Attendance at the Board meetings throughout 2020–21 was as follows:

Trustee	Eligible meetings	Meetings attended
René Olivieri	9	9
Maria Adebawale-Schwarte	9	9
Baroness Kay Andrews OBE	9	9
Jim Dixon	9	9
Dr Claire Feehily	9	9
Sarah Flannigan	9	9
Perdita Hunt OBE DL	9	9
Ray Macfarlane	9	9
Mukesh Sharma MBE DL from 31 August 2020	4	4
Dr David Stocker	9	9

During 2020–21 the chairs of the English Areas also attended Board as observers.

Towards the end of 2020–21 and as we move into 2021–22 we face significant turnover in the Trustees. As well as retirements at the ends of term we have a number of potential re-appointments and recruitment campaigns – notably Trustees representing the English Areas. Role descriptions have been finalised to reflect the necessary mix of skills, knowledge and geography. It will be essential that these recruitment campaigns, run by our sponsor department DCMS, result in a new trustee body as soon as is practicable.

In the meantime we have put in place arrangements to cover the functions, delegated panels and committees of the Board over the summer of 2021.

# Report of the Trustees and Accounting Officer

## Board composition

Of the 10 Trustees who attended the Board throughout the year 60% were female and 40% were male. Two (20%) Trustees were from ethnic minorities.

## Board conflicts of interest

Trustees and staff are also responsible for ensuring that their entries in the Register of Interests are maintained and updated as necessary. The Legal and Governance team oversee a process to ensure that these entries are updated each year. At the beginning of each Board meeting all Trustees and staff are asked to declare any potential conflict of interests. These are noted in the minutes where the matter is deemed to constitute a conflict and Trustees and Staff remove themselves from Board discussions on those matters.

## Audit and Risk Committee

The committee met on four occasions during the year and was quorate at each meeting. It is chaired by a Trustee.

The Chief Executive attends each Committee meeting with the Executive Directors of Business Delivery and Business Services – other senior staff attend as required. The committee is supported and serviced by the Fund's Legal and Governance Team. The Fund's external auditors (National Audit Office) and internal auditors (BDO) also attend the meetings. The committee hold in camera sessions themselves before meetings and also private discussions with the auditors before the meetings.

In addition to Trustees, non-executive independent members are also members of the committee – these are David Michael and Carole Murray.

The committee agreed a multi-year audit strategy with BDO upon their appointment and the reviews carried out in 2020–21 and reported to the committee were in line with that strategic approach. A detailed one-year plan of internal audit reviews is approved annually.

The committee received reports during the year on:

- New product development
- Investment management system
- Key performance measures and performance reporting

- Budgeting and forecasting
- Core financial controls
- Environmental and sustainability
- Business continuity planning

The committee meeting minutes and summary reports are shared with the Board. The committee chair also verbally updates the Board on committee business and decisions. In this way, the Board receives assurance from the work of this committee as to the effectiveness of the system of internal control and risk management practices and the quality of data received.

The committee also reviews the Annual Reports and Accounts for both the National Heritage Memorial Fund and The National Lottery Heritage Fund. During 2020–21 in addition to the above reports and accounts the committee also considered the following:

- the arrangements for risk management and business continuity during the crisis
- deep dive examination of the Investment Management System
- fraud and alleged fraud cases including detailed fraud risk assessment and post evaluation assessment for our grant-in-aid programmes in the crisis
- procurement arrangements including any exceptions to normal procurement tenders

Attendance at the Committee meetings throughout 2020–21 was as follows:

Trustee	Eligible meetings	Meetings attended
Claire Feehily Chair	4	4
Maria Adebowale-Schwarte	4	3
Perdita Hunt OBE DL	4	3
David Michael	4	3
Carole Murray	4	4

## Nominations and Remuneration Committee

The committee met on one occasion during the year to discuss the options for recruiting new committee members in 2021–22 including the risks of business knowledge, skill sets and continuity of committee business. The committee is chaired by the Senior Independent Trustee and includes

three other Trustees. The committee is also attended by the Chief Executive and the Executive Directors of Business Delivery and Business Services.

Attendance at the committee meeting in 2020–21 was as follows:

Trustee	Eligible meetings	Meetings attended
Perdita Hunt OBE DL Chair	1	1
Jim Dixon	1	1
Ray Macfarlane	1	1
René Olivieri	1	1

### Delegated grant decision making

In 2020–21 the Board delegated some decision making for grants to a subset of Trustees acting as Board panels. This covered decisions for the following programmes:

- Parks for People (in England this was a joint panel with the National Lottery Community Fund).
- The crisis programmes funded by DCMS, DEFRA, the Welsh Government, the Northern Ireland Executive and the Northern Ireland Office.

The emergency programme known as Culture Recovery Fund 1 (CRF1) was delivered in partnership with Historic England (HE). An advisory panel was set up, formed of representatives from HE and NHMF under a memorandum of understanding. The membership of this panel comprised HE Commissioners, NHMF trustees, the CEOs and executive directors of both organisations. NHMF trustees who were on this panel made grant decisions after having discussed them with colleagues on the advisory panel. There was also a CRF Oversight Board which made suggestions and recommendations and provided DCMS and others with the degree of scrutiny and involvement that they required.

The follow-up programme, CRF2, was also delivered in partnership with Historic England. A Joint Recommendation Panel (made up of Heritage Fund and Historic England representatives) met to agree recommendations on all applications. Recommendations on applications seeking over £1million were sent to the Culture Recovery Board

(CRB), an independent Board convened by DCMS, for comment.

The Trustees have delegated their grant decision making responsibilities for certain types and values of lottery awards to Country and in England Area Committees. Following our internal re-organisation that came into effect in April 2019 there are six of these Committees (three countries and three English Areas) and each contained a Trustee. In addition to making grant decisions, these Committees provide advice to the Board on priorities within their area and act as advocates for the organisation's work as a lottery distribution body. Chairs of Country and Area Committees met with the Board Chair and the Chief Executive, along with senior staff during the year.

Trustees have also delegated grant decision making for grants under £250,000 to staff, specifically Country and Area Directors in Countries and English Areas. An annual report on the impact of delegated grants across all Committees is presented to the Board. All decisions made by Committees and staff are reported to the Board.

The Trustees also delegated grant decision making for grants in the Heritage Emergency Fund over the summer of 2020 (these were awards up to £250,000).

### Executive and Strategy & Performance Group (SPG)

The Board delegate day to day management to the Chief Executive.

An Executive consisting of the Chief Executive and the three Executive Directors for each department came into effect in 2019 and has continued since. This Executive are responsible for wider strategic management issues and delivery of business in the Fund. The Executive meets weekly.

The Strategy and Performance Group consist of senior Directors and staff across all three departments and have responsibility for horizon scanning, day to day performance management and corporate planning. The SPG met regularly and in several of these meetings the Executive attended too.

Each Executive Director provides a monthly report to the Board on activities and issues within their remit.

# Report of the Trustees and Accounting Officer

## Business continuity arrangements

In March 2020 we invoked our Business Continuity Plans in response to the crisis. The Executive met as the Crisis Management Team twice weekly to oversee the response of the Fund, interactions with stakeholders and governments across the UK as well as support the Board.

The Business Continuity Team met twice weekly, from April to June, to implement the detailed operational aspects of the business and our response plan. The composition of this team reflected the different teams across the department and different needs in the early stages of the crisis.

Our business continuity arrangements worked as intended and there was no disruption to any part of business throughout the year.

## Organisational design and structure

During the year as Chief Executive I operated a three department structure of:

- Business Innovation and Insight (strategy, policy, data and insight along with marketing and communications)
- Business Delivery (operational delivery) and
- Business Services (support functions)

The annual operating plan – the Business Plan – is developed each year alongside financial budgets and investment programme planning. Like previous years, this year we also integrated risk management into the business planning process closely. The Business Plan is discussed with our sponsor department DCMS.

DCMS also set policy directions and financial directions with which we have complied in our lottery activities. The Scottish and Welsh governments have also issued some policy directions with regard to lottery activities in those countries and we have also complied with those. We also have policy directions from DCMS for England.

We also operated in line with a Management Agreement and Financial Memorandum between ourselves and DCMS. This is supplemented by regular meetings with DCMS officials and other National Lottery Distributors.

## Corporate strategy

We launched our Corporate Strategy just over three years ago, which provided for an 'overarching umbrella' for our activity at a high level. It is supported by a range of other corporate responses which provide more detail in specific operational, strategic and policy areas, including our:

- Strategic Funding Framework for lottery investment
- business plans
- business strategies for individual functional areas, for example our Digital Strategy

The National Lottery will remain our most significant source of income for the next few years, and the focus of most of our activity. However, in 2020–21 we invested close to £190million in grant-in-aid programmes, mainly in response to the pandemic.

The Corporate Strategy reinforces the direction we've been taking for several years, setting out our role as the largest source of funding for heritage across the UK, and taking further steps towards a stronger leadership position, with a particular focus on the opportunities beyond pure grant giving. The goal is to drive change and increase our impact across the UK's heritage, by strengthening our leadership role and standing up for the benefits that heritage can deliver to society.

We also undertook a substantive piece of work on our powers and authorities in the year, and we will be working alongside colleagues in DCMS in taking this forward during 2021–22.

## Strategic Funding Framework

In 2019 we launched our new Strategic Funding Framework (SFF). This framework runs to 2024 and represents a major devolution of decision-making across the whole of the UK as part of our proposals to distribute more than £1billion of National Lottery money to the UK's heritage.

Decisions on over 80% of all funding by The National Lottery Heritage Fund are made in Scotland, Northern Ireland, Wales and English Areas.

Our approach includes:

- a major focus on nature, communities, and on ensuring everyone is able to enjoy

heritage – three top priorities for people who responded to the consultation

- new models of investment, moving beyond grants to include loans and partnerships, designed to attract others to invest money alongside the National Lottery
- more support for commercial, sustainable approaches to tackling heritage that's in danger of being lost
- investment and support to help heritage organisations to be more financially sustainable
- a requirement for every heritage project that receives funding to be environmentally sustainable
- simpler, streamlined and more efficient funding
- greater engagement and support in communities that have in the past been less successful securing funding
- continued support for large-scale, iconic projects over £5million

Our investment portfolio is now simpler and easier to access and includes :

- National Lottery Grants for Heritage – open programmes for any type of heritage project from £3,000 – £5million
- funded and other campaigns designed to fulfil strategic needs or funding gaps
- joint funds to deliver strategic initiatives in partnership with other organisations, such as the Future Parks Accelerator partnership with the National Trust
- social investments such as impact funds and loans

This overall approach and portfolio reflects the extensive consultation exercise we undertook with National Lottery players and key stakeholders across the heritage sectors prior to the launch of the SFF.

During 2020–21 we took the difficult decision to suspend the open programmes. This was done to allow us to develop and then deliver our lottery funded response to the crisis and to provide capacity to then deliver our grant-in-aid

programmes in our Memorial Fund capacity. We re-opened programmes under the SFF in February 2021 and we expect to deliver a full portfolio of Lottery programmes in 2021–22 under the SFF though with a focus on specific outcomes linked to the crisis.

### **Risk management and internal control**

Our system of risk management and internal control is designed to manage risk to an acceptable level rather than eliminate risk to policies, aims and objectives – it can therefore only provide reasonable and not absolute assurance. In particular, I am clear that risk management should balance innovation or business change where this is needed. Our risk management processes are based upon the principles of the Treasury's 'Orange Book: Management of Risk – Principles and Concepts'. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of policies, aims and objectives and to evaluate the likelihood of those risks being realised and the impact if that realisation occurred.

All policy setting and grant decision making is informed by the risk management culture and approach of the NHMF. A few years ago we overhauled our risk management approach as part of a wider exercise on assurance across NHMF. We have continued to operate this approach in 2020–21, albeit adapted to fit the needs of the crisis. We adapted the approach to ensure a balance between the breadth of strategic risks and the depth of assurance needs. We provided monthly updates to the Board during the crisis covering strategic, reputational and operational risks as well as risk assessments in area like commercials, liquidity and political aspects too. Finally risk assessments were also provided in relation to the wider heritage sector too to support our investments from both grant-in-aid and lottery sources. The Business Continuity and Crisis Management teams considered risks in their regular meetings during the year.

The risk registers/assessments and underpinning process assign a risk owner who is accountable to the Chief Executive for the effective management of that risk. The registers also identify associated risks so that any 'multiplier effect' is taken account

# Report of the Trustees and Accounting Officer

of. It also distinguishes between the 'inherent' level of risk (impact and probability) and the 'residual' level of risk so that it is possible to judge the effectiveness of existing controls and mechanism for mitigating the risk. That also permits the risk owner to identify further measures needed to bring the risk within the appetite and the specific dates for those actions. During the course of the crisis we have adapted our risk reporting to the Board and to the Audit & Risk Committee to reflect the dynamic nature of risks, the external and internal risks from the crisis, trends, patterns and forward projections of risks.

The Board also reviewed its Risk Appetite for 2020–21 and continued to reflect greater appetite for business change and the need to be responsive to the risks posed by the pandemic.

We also recognise that well thought through risk taking and innovation to achieve NHMF objectives should be encouraged. I believe that the Fund demonstrates innovation in its choice of grant awards and does not simply resort to making risk free decisions. In a time of crisis it was more important than ever to ensure that our investment reaches as widely into the community as possible be that through National Lottery or grant-in-aid funding.

To this end we are prepared to accept that some of the organisations to whom we give grants will not subsequently demonstrate full competence in the administration of that grant. We learn our lessons, improve our processes and in rare circumstances write off the grant. In cases where we suspect fraud or improper behaviour, we will report the case to the police for further investigation. I approve all write-offs, and this allows me to monitor the amount each year to provide assurance on our assessment and monitoring procedures.

As can be seen from the relevant note to the accounts, the level of grant write-off is extremely small relative to the level of grants that we distribute each year. On the other hand, the high level of customer satisfaction demonstrated in independent surveys suggests that our working practices are not too onerous on applicants. Consequently, I am able to conclude that there is no cause for concern about the level of risk implicit in our grant giving processes.

In 2020–21 NHMF considered the following to be the most significant areas of risk:

- Lottery income management through the crisis alongside our liquidity exposure, long-term funding projections and the ability to fund our liabilities
- our ability to provide immediate short term cash investment into the sector ahead of wider governmental support schemes (like business loans, furlough etc.) and grant-in-aid programmes
- capacity and resilience within the sector to allow for such interventions to be effective
- our business continuity planning and implementation
- the wellbeing and mental health of our teams
- the challenges posed by the climate and ecological emergency
- developing the new investment management system
- understanding and managing the departure of the UK from the European Union
- ensuring our data and insight is used to optimal effect
- ensuring we achieve cultural changes across the Fund to support the changes we have to deliver

Each of these risks has a risk owner at the Executive level charged with managing the risk and ensuring appropriate mitigation actions are undertaken. I believe we have effectively managed those risks throughout 2020–21.

## **Approach to fraud and information risk**

NHMF has a fraud policy that is reviewed on an annual basis. All staff in NHMF undertake Fraud Awareness training. This focusses on fraud risk in:

- grant giving
- procurement/contract management
- general fraud areas

The training also identified fraud risk areas for NHMF, how those might be identified and combatted to reduce the risk of fraud.



Over recent years we have improved risk awareness and intelligence gathering arrangements with other National Lottery distributors and we continued this last year with better sharing of information, combined resources and consideration of the use of specialist third parties to identify fraud risk. We continue to report all potential cases of fraud to the police and actively contact them in such cases to ensure effective investigation.

In 2019–20 we undertook significant work to refresh our work in this area and to align to the Government Functional Standard on Fraud (GovS013: Counter Fraud). We have improved guidance and policy in areas such as:

- fraud, bribery and corruption policy and response plan
- counter fraud strategy
- fraud risk assessment
- our annual action plan.

We saw a further embedding of this during 2020–21. As mentioned earlier, we recognised and understood in the very initial stages in the crisis, the imperative from governments across the UK to ensure effective early interventions and especially cash injections into the cultural and wider heritage sectors. We also recognise the wider risk appetites for this outside of the Fund and worked alongside DCMS, DEFRA etc. to meet their requirements in this respect.

We also recognised and continue to recognise the increased risk to fraud and error that this changed environment created. We continued to use our existing robust anti-fraud arrangements and built on these with new tools and services from the Cabinet Office.

We are also members of an industry-wide fraud database organisation and compare information from our grantees with this database. Pre-award due diligence checks were tightened and performed by our trained and experienced assessors on all applications as part of our assessment process to ensure the applicants were meeting the funding criteria.

Further to this, we also use the Government's due-diligence tool to conduct pre-award checks

which highlights areas of risk to inform grant-making decisions. The decisions are made by a decision making panel which has clear governance arrangements in place. There were representatives from our partner Historic England on the decision making panel. Post-award checks include validating data with fraud prevention agencies, sample auditing and monitoring throughout the life-cycle of the grant. Internal guidance on post event checks was updated to ensure that the approach is followed consistently across the organisation.

Each grant programme (Lottery or grant-in-aid funded) was subject to a fraud risk assessment completed by the Fund and verified by DCMS. Each programme had a post event assurance action plan which was reviewed regularly. Both the fraud and post event work have been independently reviewed for us by our internal auditor partners in BDO. Feedback from DCMS and Cabinet Office on our work has been positive and provided additional assurances.

In 2020–21 we also assessed ourselves against the Cabinet Office Grant Maturity Model as a result of a requirement of DCMS. Part of this also required an independent review of our self-assessment, this was undertaken by BDO. Both our own assessment and that of BDO showed very high levels of compliance with the criteria set out in the model.

NHMF also has an information risk policy which is compliant with Cabinet Office guidance and the Security Policy Framework. All new staff receive guidance in information security, data protection and Freedom of Information as part their induction.

In December 2020 we again achieved Cyber Security Plus accreditation. Towards the end of the year we also undertook a self-assessment in this area against the NAO checklist model and found this provided effective assurance of our work in this area, although we recognise the ongoing and persistent risks in this area especially in the pandemic.

We also comply with the government guidance on transparency of spend, contracts etc. In 2020–21 we continued to improve procurement controls and processes.

# Report of the Trustees and Accounting Officer

## Business critical models

I consider we are compliant with the recommendations contained within the Macpherson Report. I judge that we utilise one business critical model – the cash flow forecast used for setting annual grant budgets out of our National Lottery income. We aim to ensure that we award the highest amount possible in terms of the level of grants without the risk of running out of cash or overextending ourselves. The model was created around 15 years ago and remains largely in its original form other than extending its lifecycle. The model has been employed against scenarios of different levels of lottery income, one-off contributions to the Olympics, and significant new grant programmes and we have found that it provides a reasonable forecast of our financial sustainability.

We also developed a supplementary cash flow model in 2020–21 to help plan and manage Lottery cashflow and liquidity risks throughout the year. This has worked very well and been effective in managing risks and we will continue to use this supplementary model in 2021–22.

In 2014–15, based on the main model, the Board created a Financial Framework setting out grant ratios linked to the total level of commitments, approved actual liabilities, income from the National Lottery and our balance at the National Lottery Distribution Fund (NLDF). We therefore believe that the model and the Financial Framework provide a robust basis for our grant giving. We have continued to use this approach in 2020–21 and indeed used this in modelling for our Lottery Income planning scenarios and assumptions. We will review the key ratios in 2021–22 when we have better clarity on some of the impacts of the crisis on our longer-term financial planning and investment scope including the ratios and cash holding.

## Board performance and effectiveness

The most significant activity for the Board has been oversight of the Fund's response to the ongoing crisis from both a Lottery and grant-in-aid perspective. The Board have had detailed and regular updates on all interventions and subsets of the Trustees have acted as decision makers in the grant-in-aid funded programmes in England, Wales and Northern Ireland.

Nothing of concern emerged from any of the committees supporting the Board. Report findings from both the internal and external auditors were satisfactory during the year.

The Board membership changed modestly in 2020–21 – so not as much as in the past years – this has meant some reduction in the degree of churn amongst the Trustees. This allowed for effective governance of the response to the crisis. Discussions are ongoing with DCMS on the recruitment campaigns due in 2021–22 for a new batch of Trustees.

The Board are satisfied that they continue to meet the requirements of HMT Corporate Governance Code.

There were no matters from the auditors put to the Audit and Risk Committee on behalf of the Board that gave it cause for any concern. In consequence the Board believes that it can rely on the information and assurance provided by management for its decision making.

All newly appointed Trustees receive induction at the time of their appointment which sets out their obligations and duties as a Trustee, the work of NHMF and its systems/processes thereby helping them make a full contribution to the workings of the Board. This formal induction programme is continued through the on-going programme of events and other training opportunities for Trustees. The effectiveness of Trustees is appraised by the Chair on a regular basis. The Chair's performance is currently overseen by the Senior Independent Trustee.

## The governance year

As Accounting Officer I have responsibility for reviewing the effectiveness of the systems of internal control. My review is informed by the work of the internal auditors (BDO) and senior management within the NHMF who have responsibility for ensuring the effective maintenance and implementation of the internal control framework alongside comments made by the external auditors in their management letter and other reports. The system of internal control has operated throughout the year under review and continued to operate up to the date that the accounts were signed.

All senior staff have performance agreements set at the beginning of the year articulating their personal and corporate objectives for the year. These are linked to the Business Plan and our strategy. These are reviewed formally at mid-year and end year reviews. I also hold informal meetings with Executive Directors on a one to one basis throughout the year. As mentioned, the Executive and Strategy and Performance Group teams meet regularly.

I have seen the Management Letter prepared by the external auditors following their audit of the financial statements for the year ended 31 March 2021.

As a result of their programme of work the internal auditors have produced an opinion and annual certificate of assurance with regard to the adequacy of the systems and the operation of internal controls within NHMF. This opinion certifies that there is an adequate and effective system of governance, risk management and internal control to address the risk that management's objectives are not fully achieved.

The internal auditor's year end statement also reported that the number of audit recommendations has decreased relative to the overall number of reports produced.

The internal auditors upon appointment produced an overall audit strategy. Last year covered the second year of this period and all intended reviews were undertaken and completed on time. The annual plan is extracted from the audit strategy and linked into the risk register and risk appetite.

With BDO we introduced new quarterly liaison meetings with the internal auditors to help monitor progress against plan and redirect resources to emerging risks. These have continued to be used to monitor progress and delivery of the programme. We also introduced new controls several years ago to improve accountabilities on audit reviews and the implementation of internal audit recommendations. These have continued in 2020–21 and recommendations that were due to be implemented in 2020–21 have been implemented satisfactorily.

All reports of the internal auditors are discussed by the Audit and Risk Committee with senior

members of staff in attendance, including those whose departments were reported upon – this gives me and the committee the opportunity to discuss in detail the findings, recommendations and proposed management actions. Where recommendations for improvements or correction were accepted directors also had to provide an implementation response and timetable for each recommendation. The implementation of these recommendations are tracked and monitored by the Business Services department and the internal auditors. That control list is also seen as a standing item by the Audit and Risk Committee.

In 2018 we introduced a new Code of Conduct for all staff and contractors in the Fund, following a recommendation of the Tailored Review. This included areas such as:

- the principles of service in public life
- conflicts of interest
- gifts and hospitality
- whistleblowing

The code was publicised to all staff and placed on our Intranet. I am satisfied as to the effectiveness of our whistleblowing arrangements

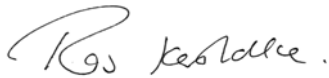
In 2015 Letters of Delegated Authorities for all Executive Directors were introduced – setting out their delegated authorities (financial, procurement etc.) to be agreed at the start of the year to complement the memorandum at the year end. This cycle has been completed in 2020–21.

As a result of the above I believe that the Fund's control framework provides me with the level of assurance that I require. There is nothing of which I am aware that leads me to believe that our processes for detecting and responding to inefficiency, for preventing conflicts of interest, for preventing and detecting fraud and for minimising losses of grant-in-aid and lottery grants are not adequate.

From November 2019 to 30 April 2020 I had a leave of absence from the Fund. In that period the Executive Directors, with support from the Trustees, undertook my duties as Chief Executive and Eilish McGuinness undertook my duties as Accounting Officer. She received support and induction from colleagues at DCMS as well as the

# Report of the Trustees and Accounting Officer

Executive Director (Business Services) in his capacity as Finance Director. I am satisfied that all such duties were performed properly and effectively during my absence.



**Ros Kerslake CBE**

Chief Executive and Accounting Officer

2 July 2021

## Remuneration and staff report

### Remuneration of the Chair and Trustees

All trustees were entitled to receive an annual salary for time spent on the activities of NHMF.

In addition NHMF reimburses travel expenses of trustees when travelling from their homes to their office of employment in London, Edinburgh, Cardiff or Belfast – although the offices were closed for the entirety of 2020–21. NHMF also provided trustees and members of country and area committees with meals when they were holding meetings at their places of employment. The Fund met the tax liability on all of these expenses.

Our Governance Review in 2019 recommended changes to our remunerations for Trustees and for members who sit on our country and area committees. This was to improve the attractiveness of the roles, to support our drive to diversify the composition of our Board and committees and to align the remuneration with equivalent roles in other arm's length bodies.

In October 2020 we moved all of our committee members from day rates (£85 per day) to a remuneration package of £3,000 per annum. Whilst this was introduced in October 2020, it was backdated to April 2020. We have already seen the values of this in helping attract a more diverse field of candidates in the recent campaign for committee members in the North of England and we hope that is sustained in the forthcoming recruitment campaigns due in 2021.

Changes of remuneration for Trustees were approved by DCMS in 2020 and came into effect in April 2021. The Chair's remuneration has changed to £40,000 based on two working days per week (£100,000 on an annualised full time equivalent basis).

The remuneration of Trustees representing areas of England moved to £13,500 per annum as did that of the Chair of the Audit & Risk Committee; other Trustees will be remunerated at £10,500 per annum. The new rates will be brought in over the coming year based on the timings of recruitment campaigns in 2021. The overall annualised cost is expected to be neutral given the reductions in the number of Trustees. The remuneration of Trustees representing countries remains unchanged.

The remuneration of trustees, including reimbursement of taxable expenses and the tax thereon, falls into the bands in the table below. All trustees are appointed by the Prime Minister. They have three-year appointments, which are potentially renewable for a second term. They are not members of the pension schemes used by NHMF. No contributions were made by the Fund to a pension scheme on the trustees' behalf.

## Remuneration of the Chair and Trustees (audited information)

Trustees' remuneration was allocated between NHMF and its National Lottery distribution activities on the basis of 1%:99%. The total remuneration of trustees in 2020–21 was £110,468 (2019–20: £183,147). The pay and contracts of trustees are discussed and set by DCMS. Their contracts do not contain any bonus clauses. There were no benefits in kind or non-cash elements paid to trustees or executive directors.

Chair and Trustees	2020–21 £'000	2019–20 £'000
René Olivieri Interim Chair from 1 January 2020 to 31 March 2021	5–10	20–25
Sir Peter Luff Chair to 31 December 2019	0	30–35
Maria Adebawale-Schwarte	5–10	5–10
Baroness Kay Andrews OBE	20–25	20–25
Anna Carragher to 6 October 2019	0	10–15
Jim Dixon	5–10	5–10
Dr Claire Feehily	5–10	10–15
Sarah Flannigan	5–10	10–15
Perdita Hunt OBE DL	5–10	5–10
Ray Macfarlane	20–25	20–25
Steve Miller to 17 February 2020	0	5–10
Mukesh Sharma MBE DL from 17 August 2020	10–15	0
Dr David Stocker	5–10	10–15
Dr Tom Tew to 19 January 2020	0	5–10

No bonuses were paid to senior management in the year under review or the comparative year.

2019 saw the Fund introduce a new organisational structure which brought in three new departments: Business Delivery, Business Services and Business Innovation & Insight. As a result of this, our senior

management structure correspondingly also changed with the creation of three new executive director posts reporting directly to the Chief Executive. All other director level posts now report into the new executive directors. We also brought in a new pay and grading structure for all staff and, later in that year, a new pay policy. As a result of these changes we also brought to an end the opportunity for performance based annual pay rises for senior staff due to changed expectations of these roles. The decision to consolidate potential bonuses into salaries was also taken in recognition of the new responsibilities that the executive directors took on following the departmental restructuring and the expansion of their duties. The three executive directors, and the Chief Executive Officer, now receive a flat-rate salary, which can only be revalorised as part of the annual Fund pay award. Performance is still assessed annually but not linked to salary review.

## Cash equivalent transfer values (CETV)

CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement that the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax that may be due when pension benefits are taken.

# Report of the Trustees and Accounting Officer

## Remuneration of employees (audited information)

The remuneration of the Chief Executive and the Executive Directors is set out in the two tables below. The former acting Executive Director, Business Innovation & Insight, Carli Harper-Penman, was employed via an agency that supplies temporary staff. Therefore, her details are not disclosed in the table below:

	Salary 2020-21 £'000	Salary 2019-20 £'000	Pension benefits accrued during 2020-21 £'000	Pension benefits accrued during 2019-20 £'000	Total 2020-21 £'000	Total 2019-20 £'000
Ros Kerslake CBE Chief Executive and Accounting Officer	145-150	140-145	57	56	200-205	195-200
Eilish McGuinness Executive Director Business Delivery	115-120	105-110	54	182	170-175	285-290
Colin Bailey Executive Director Business Services	120-125	110-115	45	44	165-170	155-160
Isabel Hunt Executive Director Business Innovation & Insight from 4 November 2019	125-130	45-50*	47	19	170-175	65-70

	Real increase in pension and lump sum £'000	Total accrued pension at pension age and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/03/21 £'000	CETV at 31/03/20 £'000	Real increase in CETV funded by NHMF £'000
Ros Kerslake CBE Chief Executive and Accounting Officer	2.5-5	15-20	277	209	48
Eilish McGuinness Executive Director Business Delivery	2.5-5 and 0-2.5 lump sum	40-45 plus 120-125 lump sum	958	885	39
Colin Bailey Executive Director Business Services	2.5-5	15-20	243	201	28
Isabel Hunt Executive Director Business Innovation & Insight from 4 November 2019	2.5-5	0-5	53	15	29

\* The full-year equivalent of Isabel Hunt's salary in 2019-20 was in the band £120,000 to £125,000

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos and the higher of 65 or state pension age for members of alpha. The pension figures quoted for directors show pension earned in PCSPS or alpha as appropriate. Where the director has benefits in both PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.

### Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

With the exception of Carli Harper-Penman, who was acting Executive Director, Business Innovation & Insight until 7 November 2019, all senior staff

roles had permanent contracts of employment. With the exception of Carli Harper-Penman, all senior employees were ordinary members of the Principal Civil Service Pension Scheme (PCSPS) or alpha. Their costs were allocated between The National Lottery Heritage Fund and NHMF on the basis of 99%:1% (2019-20: 99%:1%).

In December 2018 Carli Harper-Penman was engaged as interim Executive Director, Business Innovation & Insight. She was not an employee of the Fund; her services were procured through an

agency. In engaging her the Fund satisfied itself that it was in compliance with Public Procurement Note (PPN) 8/15 Tax Arrangements of Public Employees. The arrangements followed Section 7 of that PPN and the Fund was also satisfied on the IR35 compliance arrangements before the engagement commenced. The rate paid to the agency was £826 per day giving an annualised sum of £176,764. Carli left on 7 November 2019.

### Remuneration ratio (audited information)

One of the outcomes of the Hutton Review of Fair Pay is that we are required to disclose the relationship between the remuneration of the highest paid Executive Director (including the Chief Executive) and the median remuneration of our workforce.

The annualised banded remuneration of the highest paid executive director in 2020–21 was £145,000 to £150,000 and in 2019–20 was £140,000 to £145,000. This was about 4.0 times (2019–20: 4 times) the median remuneration of the workforce, which was £36,828 (2019–20: £36,000). There were no employees who received remuneration in excess of the highest paid executive director. Remuneration ranged from £18,180 to a banding of £145,000 to £150,000 (2019–20: £18,000 to a banding of £140,000–£145,000).

The highest paid executive director was subject to the government's pay remit. This restricted the sum available to fund staff pay rises to 2.5% of the payroll.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

We are also required to disclose the ratio of the Chief Executive's total remuneration as compared to the 25th, 50th and 75th percentile full time equivalent of staff pay. This information is disclosed below.

	Ratio
25th percentile	5.5
50th percentile	4.0
75th percentile	3.4

### Exit packages (audited information)

As required by the Cabinet Office, the Fund is required to publish details of all exit packages agreed in the financial year under review. Falling under the definition of exit packages are compulsory and voluntary redundancies, early retirement, compensation for loss of office, and ex-gratia payments.

In April 2019, the Fund implemented a major organisational restructure which saw the creation of new departments, new teams and new roles to better deliver the Fund's services. No redundancies were made but during this period of change a small number of colleagues requested voluntary exits. Staff who left before April 2019 were declared in the Annual Report for 2018–19, but there were a small number of residual restructuring actions that were taken in 2019–20 and these are shown below. All actions were voluntary; i.e. at the request of the individuals themselves, but were judged to be in the interests of the Fund. All requests were approved by the Fund's executive team and the Cabinet Office and managed in accordance with the requirements of the Civil Service Pension Scheme.

Payment details are shown below. Levels are determined by the Civil Service Compensation Scheme not by the Fund. There were none in 2020–21 (2019–20: nine) in the following bands:

	2020–21 number	2019–20* number
£5,000–£9,999	0	1
£10,000–£14,999	0	4
£30,000–£34,999	0	1
£35,000–£39,999	0	1
£40,000–£44,999	0	1
£50,000–£54,999	0	1
<b>Total</b>	<b>0</b>	<b>9</b>

\* includes compensation in lieu of notice

99% of the cost of these exit packages were charged to our National Lottery distribution activities.

# Report of the Trustees and Accounting Officer

## Staff costs and numbers (audited information)

	2020-21 £'000	2019-20 £'000
Salaries	<b>8,323</b>	11,302
Employer's NI payments	<b>736</b>	996
Payments to pension scheme	<b>2,168</b>	2,576
Temporary staff costs	<b>360</b>	727
	<b>11,587</b>	15,601

Due to the way our systems operate we are not able to provide a breakdown of costs between staff on permanent contracts and those on fixed term contracts.

The average number of employees working on National Lottery distribution activities was as follows:

2020-21	Business Delivery	Business Services	Business Innovation	Total
Permanent staff	<b>105</b>	<b>48</b>	<b>38</b>	<b>191</b>
Secondees, contract staff and apprentices	<b>17</b>	<b>2</b>	<b>1</b>	<b>20</b>
<b>Total</b>	<b>122</b>	<b>50</b>	<b>39</b>	<b>211</b>

2019-20	Business Delivery	Business Services	Business Innovation	Total
Permanent staff	171	36	32	239
Secondees, contract staff and apprentices	10	10	7	27
<b>Total</b>	<b>181</b>	<b>46</b>	<b>39</b>	<b>266</b>

Temporary and agency staff have not been included in the above figures as our systems do not allow for the collection and calculation of a full-time-equivalent figure.

## Pensions

Pension benefits are provided through civil service pension arrangements. From April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's state pension age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in PCSPS, which has four sections: three providing benefits on a final salary basis (classic, premium and classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by

parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with legislation for pension increases. Existing members of PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in PCSPS after 1 April 2015. Those who were between 10 years from their normal pension age and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits banked, with those who have earlier benefits in one of the final salary sections of PCSPS having those benefits based on their final salary when they leave alpha. Members who joined from October 2002 may opt for either the appropriate defined benefit arrangement or a money purchase stakeholder pension with an employer contribution (a partnership pension account).



Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition a lump sum equivalent to three years of initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as per premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with pensions increase legislation.

Benefits in alpha build up in a similar way to nuvos except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. Employer's contributions of £19,275 (2019–20: £19,161) were paid to a panel of appointed stakeholder pension providers. NHMF makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the panel of providers. During 2018–19, the panel was reduced to one supplier, Legal & General.

The employee does not have to contribute, but where they do make contributions the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

There are currently four members of staff working on National Lottery distribution activities with a partnership pension account.

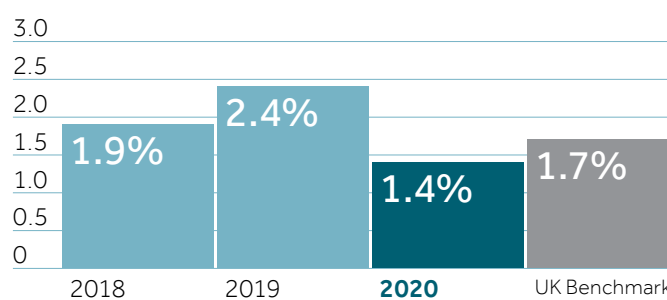
Further details about civil service pension arrangements can be found at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk). Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge to PCSPS or alpha. Departments, agencies and other bodies covered by PCSPS and alpha meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2020–21, employer's contributions of £2,148,789 (2019–20: £2,556,538) excluding amounts paid to partnership pension schemes were paid to PCSPS and alpha at the rates set out as follows:

Salary in 2020–21	% in 2020–21
£23,000 and under	<b>26.6%</b>
£23,001–£45,500	<b>27.1%</b>
£45,501–£77,000	<b>27.9%</b>
£77,001 and above	<b>30.3%</b>

## Absence management

Sickness absence levels across the Fund decreased to 1.4% in the year. This is lower than previous year and remains below the comparable public sector UK wide benchmark from the Office of National Statistics (ONS).

### Absence levels



NB: The UK Benchmark level quoted in the above chart is the national public sector average taken from the Government Office of National Statistics and other similar sources.

Part of this reduction was attributable to the reduction in the small number of long-term absences. Part of this is also likely to be attributable to the fact that offices were closed early on and remained closed in the whole of the year. COVID-19 lockdowns were in place across the UK and guidance was put in place very quickly to protect colleagues and this meant staff were less susceptible to transmissible infections generally. Part of this

# Report of the Trustees and Accounting Officer

may also reflect that, as offices were closed and all staff worked from home, there may have been an element of under-reporting of some absences.

During the year we tracked staff infected or likely to have been infected with COVID-19 during the pandemic. These overall numbers remained at modest levels, although we have a very small number of staff who are exhibiting symptoms of long term COVID-19. We, of course, continue to support and help colleagues in that situation with our Employee Assistance and Occupational Health programmes.

With the pandemic in mind, we have continued to encourage better absence reporting building on our new improved systems and processes in 2019.

As part of our response to the crisis we also introduced a comprehensive mental health and wellbeing programme of support for staff including nearly thirty initiatives to support colleagues and protect their wellbeing. In addition we provided influenza vaccinations to all staff during the year through a corporate initiative.

## Employee engagement and consultation

We continue to regularly engage and inform our staff in discussions on our strategic direction and operational performance. All staff receive daily news digests, weekly newsletters and intranet articles updating them with news and we have active, popular social media channels and discussion groups.

The Fund also meets monthly with our trade union partners (FDA and PCS). These build on the new cycle of meetings we set up in 2019 and have proved to be successful during this year. Further information about our trade union activity is in the section 'The Trade Union (Facility Time Publication Requirements) Regulations 2017'.

In the run up to and at the start of the crisis we ran a series of All Staff Bulletins to provide real time information on actions we were taking in terms of invoking our business continuity plans and protecting staff. Our primary aim throughout the crisis has been to keep staff safe and well.

We also ran a series of Check-In Surveys throughout the year every few weeks to ensure staff were able to provide feedback on our response to the pandemic, making sure they had the information they needed and support of management. These had strong participation rates and the feedback from staff was very positive in terms of support and help available. We chose not to run a full survey in the year because of the crisis and will instead run that in the autumn of 2021.

In addition, we have run a series of All Staff meetings, held virtually, throughout the year to keep staff up to date on business issues, our grant programmes and our external and internal responses to the crisis. These have been well attended; to accompany these meetings we also ran open questionnaires to allow staff to ask questions or raises issues ahead of and in the staff meetings. These have proved to be successful.

We also delivered a series of events, workshops, videos and other virtual interactions with staff to endorse and promote our new values and behaviours. We informally launched our new Behavioural Framework in the year and have built that into our new framework for recruitment that launched at the end of the year and our new performance management framework that launches in the early summer of 2021.

During the year we also created a very successful network of Culture Champions across the Fund to help promote our culture, focussing on our new values and the behaviours associated with them. That also has been very successful.

## Equality and diversity and employment monitoring

Equality, Diversity and Inclusion (EDI) are a central part of our work in grant-giving as well as core to our governance and workforce. They are also core to our values and to our behaviours.

In May 2020 we launched a large-scale review of our approach to EDI issues in response to the Black Lives Matters campaign and to provide an opportune moment to refresh our approaches in these areas. This review was chaired by Maria Adebawale-Schwarte, one of our Trustees, and we set up a task force to oversee this work from

across the sector and the UK. The work was managed by Andrew White, our Business Delivery Director for Wales, who has significant experience in EDI issues. A working group from across the Fund was also set up to support the workstreams. We also commissioned research, data and insight into EDI issues from our place as a grant-giver to help inform our work. The report was completed in March 2021 and endorsed by the Board, its recommendations in terms of grant-giving, governance and workforce will start to be implemented in 2021.

During the year we continued to deliver and implement the Workforce Diversity Action Plan we drew up in 2019–20 and also our new Disability Action Plan. We also created a new role in the HR team dedicated to EDI issues in the workplace and workforce.

Despite the crisis, we accelerated actions from the plans in the year including introducing mandatory e-learning on EDI, mandatory group training on EDI including recruitment, building EDI into our new Behavioural Framework and created a calendar of EDI events throughout the year. We have created new guidelines for staff on EDI issues such as transgender, supporting people of faith and race. We also completed and promoted a new Workforce Equality Statement to affirm our commitments in this area.

As part of its commitment to EDI, the Fund welcomes and promotes applications for roles from persons with a disability. We remain a Disability Confident employer and promote this in our recruitment portals and literature. We relaunched our recruitment frameworks, policies and procedures at the end of 2020–21 and these reflected our wider EDI commitment including a commitment to disabled applicants and colleagues. We make reasonable adjustments for all applicants at interview and in the selection process.

For candidates who are successful and join us and also existing employees, we make reasonable adjustments for working in the Fund including the roles, working environment, specialist adjustments etc. The Fund is compliant with its obligations under the Equality Act 2010. Furthermore the Fund also uses a specialist occupational health referral system and specialist contractor to

provide detailed advice, guidance and support for all staff. In addition the Fund also provides an Employee Assistance Programme available to all staff 365 days a year, 24 hours a day. The Fund has been very aware of the challenges to staff mental health and wellbeing throughout the COVID-19 crisis and the risks of so-called 'hidden disabilities'. The Fund is supportive of all colleagues who may be at risk in these situations and provides leadership, direction and line management support as well as direct support for staff impacted in these areas

During the year we continued our partnership with Leonard Cheshire in their Change 100 programme. Change 100 is their flagship programme of paid summer work placements, professional development and mentoring. It aims to remove barriers experienced by disabled people in the workplace, to allow them to achieve their potential.

We created a new strategic partnership with the Windsor Fellowship and created new posts for graduates to work with us for a year and develop career opportunities in heritage. Our first cohort of fellows started in the year and we will run a second campaign later in 2021.

We also developed a partnership with 2027 in Scotland. This is a year-long programme with fully salaried roles and professional development to help people from a working-class background begin a career on grant-giving organisations. We expect to recruit to this programme in early summer 2021.

## Workforce Diversity Analysis

The information contained in the charts below shows the picture of our workforce diversity across the Fund, looking through separate lenses for ethnicity, gender, sexual orientation and disability. Comparable benchmark data is also shown (based on UK working population levels).

We continue to recognise that in some areas our workforce is not as diverse in comparison with national levels and we acknowledge there are under-represented staff groups. We also continue to recognise wider heritage sector trends and barriers to entry, unconscious or conscious, that all have impacts on the shape of our workforce. We have as a result continued to improve our HR

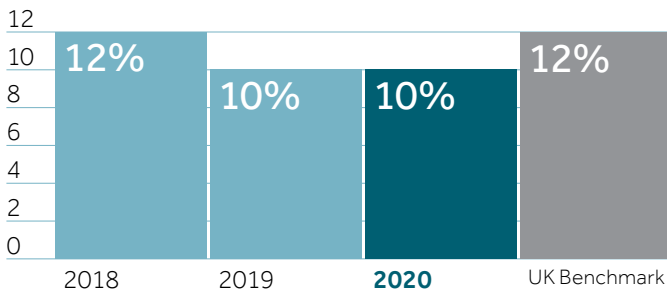
# Report of the Trustees and Accounting Officer

management information system to assist in this work and allow staff direct access to their personal data to encourage full disclosure of information.

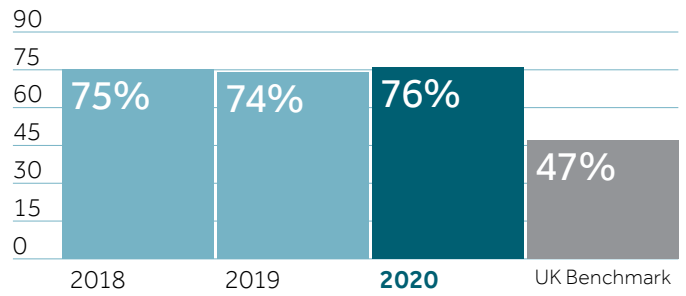
At the end of the year we launched an entirely new recruitment process and system based on our values and behaviours. Accompanying the

policy to support this, were new guidelines on embedding EDI into recruitment especially recruitment channels. This new approach also removes academic qualifications as a requirement in the recruitment process (with exceptions for some specific roles).

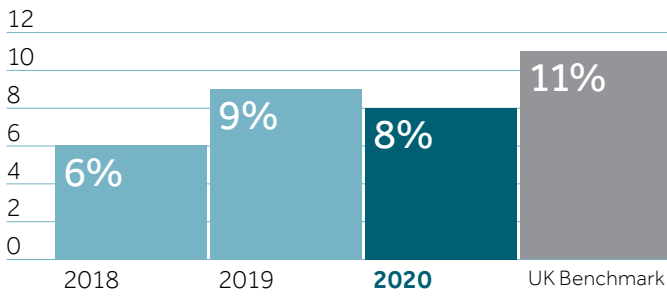
## Ethnic diversity: BAME in the workforce



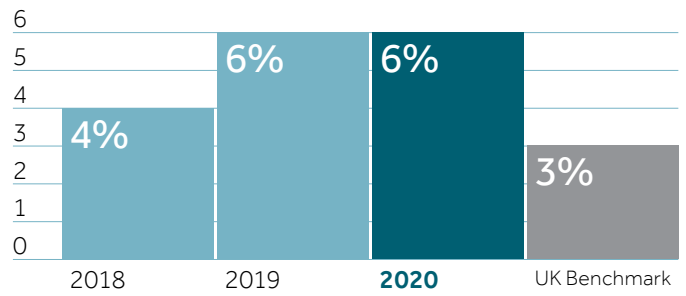
## Gender diversity: Women in the workforce



## Disability diversity: Disability in the workforce



## Sexual orientation diversity: LGBTQ+ in the workforce



### Workforce Diversity Statistics

NB: The UK Benchmark levels quoted in the above charts are national levels external to the Fund. Data has been taken from the Government Office of National Statistics and other similar sources.

Value	Workforce Diversity Focus
<b>Inclusive:</b> of all aspects of heritage, and the interests of all people and communities	We celebrate our inclusive working environment that promotes fairness, equality and diversity and recognise that our external goals to drive inclusion in heritage need to be twinned with internal actions to increase our workforce diversity.
<b>Ambitious:</b> and enterprising for our people, our communities and our sector	We recognise the need for new, proactive actions and strategies to improve our future workforce diversity – looking externally through re-focussed recruitment actions but also internally through talent management and succession planning.
<b>Collaborative:</b> by working in and learning from partnerships	We recognise the power of harnessing a diverse workforce which works collaboratively towards our core goals. We value individual differences and the contributions of all and together we are stronger for it.
<b>Trusted:</b> for our integrity, judgement and expertise	It is essential our people, customers and stakeholders trust our vision and processes. We support fairness, dignity and respect for all. We understand that recruitment, career development, learning and support must be fair and objective.

We will continue to focus on working towards our six core goals:

- Goal 1:** To improve diversity in recruitment

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- Goal 2:** To improve the management of workforce diversity

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- Goal 3:** To improve career development for under-represented staff

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- Goal 4:** To improve inclusion through enhanced staff support

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- Goal 5:** To improve diversity through apprenticeships and work placements

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- Goal 6:** To improve workforce diversity governance

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The Fund complies with the Equality Act 2010 and our statutory duties under Section 75 of the Northern Ireland Act 1998. We continue to hold the Disability Confident award for recruitment.

### Health & Safety at Work

The COVID-19 crisis fundamentally changed our approach to health and safety throughout the whole of 2020–21. Our primary objective was, and remains, keeping all our staff safe and sound. Fortunately, we have had relatively modest levels of infection throughout the Fund. From the outset we provided updates and frequently asked questions to staff in line with the public health guidance that applied across the UK and this was regularly refreshed throughout the year. We provided additional support materials to line managers to help look after their teams and launched over 30 mental health and wellbeing initiatives for staff during the year.

Throughout 2020–21 the Fund's offices were closed as a result of the pandemic and staff worked remotely from their homes. As a result the normal health and safety policies in relation to offices were in effect suspended. All staff were asked to complete Desk Screen Equipment (DSE) assessments and also home working assessments – over 260 online training sessions in our e-learning service were accessed in the year. The Fund also provided over 200 chairs for staff working at home, nearly 100 monitors and over 340 computer peripherals to facilitate homeworking. The Fund also ensured new staff were properly inducted in these areas.

The Fund also provided flu jabs to all staff as part of our commitment to wellbeing and wider health.

Site visits took place virtually and were only allowed in person, and then outdoors only, when the relevant public health guidelines permitted across the UK.

As we prepare to re-open offices, a detailed risk assessment for each office is being undertaken. The application of guidance from the Health and Safety Executive (and equivalents) will be followed and the Fund has engaged external contractors with experience in these areas to help us plan and re-open offices safely.

### Human capital management

The Fund has an agreed policy with its trade unions. Reward and recognition for pay matters operates within that framework. The pay award for 2020 was also compliant with the applicable Civil Service pay remit for that year and was approved by our sponsor department, DCMS. The Fund developed a new performance management framework for all staff in the year and this is being rolled out for delivery in the first quarter of 2021–22.

In addition, the Fund also developed a new Workforce Development Strategy for all staff, line managers and leaders in the year and this began delivery in 2020–21; including over 200 training sessions offered over 131 working days with in excess of 2,200 attendees at those events. We ran five corporate induction events with a 100% assessment rating from attendees at those events of being 'very useful' or 'useful'. Nearly 300 'learning bite' training modules were also taken up by staff.

Finally, the Fund developed plans for talent management and succession planning and these are being rolled out in 2021–22.

### Staff turnover

In 2020–21 we had 26 staff leave the Fund; this represents 9% of our staffing complement (289 full time equivalents). This rate of churn is lower than the longer term average of c15% and is reflective of the situation of the crisis and opportunities within the job market as well as the

# Report of the Trustees and Accounting Officer

security of tenure of roles within the Fund in that context. The equivalent departures in 2019–20 was 65 (22%) which was heavily influenced by the remaining elements of our organisational design work that year and a number of short term appointments coming to an end. The Fund recognises the balance between healthy staff retention rates and bringing new talent and people into the Fund.

## Expenditure on consultancy

NHMF spent £447,000 on consultants in 2020–21 (2019–20: £623,000) as part of its National Lottery distribution activities. NHMF has used the definitions of consultancy contained within annex 6.1 of the Cabinet Office controls guidance: version 4.0. The vast majority of this consultancy related to research undertaken on our grant programmes and the heritage sector plus the re-design of our Heritage Fund brand.

## Whistleblowing

The Fund has a clear and accessible Whistleblowing Policy designed to enable staff to raise concerns and to disclose information that the individual believes shows malpractice or impropriety. This covers concerns that are in the public interest and includes the following (non-exclusive) matters:

- financial malpractice or impropriety or fraud
- failure to comply with a legal obligation or statutes
- dangers to health and safety or the environment
- criminal activity
- improper conduct or unethical behaviour
- attempts to conceal any of the above

## Tax arrangements of public sector employees

HM Treasury requires all central government bodies to report on the tax status of senior management and long-term contractors. In particular HM Treasury requires all senior managers to be on the payroll and to pay tax under the PAYE scheme.

All senior staff, trustees and country and area committee members are on the payroll of NHMF and therefore pay tax and national insurance contributions through the PAYE route. The Fund complies with IR35 requirements. All workers are on the payroll except for staff employed directly through agencies; temporarily seconded to the Fund and paid through the payrolls of their employer; or in a very small number of cases as individual contractors who fall outside of IR35. (The latter are only appointed following close inspection and a declaration made under this legislation).

## Pension liabilities

The Fund makes contributions to the pension schemes of staff. Other than making these payments the Fund has no pension liabilities.



**Ros Kerslake CBE**

Chief Executive and Accounting Officer

2 July 2021

## Parliamentary accountability and audit report

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### The certificate and report of the Comptroller and Auditor General to the Houses of Parliament and Scottish Parliament

#### Opinion on financial statements

I certify that I have audited the financial statements of the National Heritage Memorial Fund's Lottery distribution activities for the year ended 31 March 2021 under the National Lottery etc. Act 1993.

The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited. In my opinion, the financial statements:

- give a true and fair view of the state of National Heritage Memorial Fund's Lottery distribution affairs as at 31 March 2021 and of the National Heritage Memorial Fund's Lottery distribution activities total comprehensive income for the year then ended; and
- have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

#### Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

#### Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the National Heritage Memorial Fund's Lottery distribution activities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern

In auditing the financial statements, I have concluded that the National Heritage Memorial Fund's Lottery distribution activities' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the National Heritage Memorial Fund's Lottery distribution activities' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate. The going concern basis of accounting for National Heritage Memorial Fund's Lottery distribution activities is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

# Report of the Trustees and Accounting Officer

## Other Information

The other information comprises information included in the Annual Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

In the light of the knowledge and understanding of the National Heritage Memorial Fund's Lottery distribution activities and its environment obtained in the course of the audit, I have not identified material misstatements in the

performance and accountability report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Trustees and Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the National Heritage Memorial Fund's Lottery distribution activities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by National Heritage Memorial Fund's Lottery distribution activities will not continue to be provided in the future.



## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the National Heritage Memorial Fund's Lottery distribution activities' head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the National Heritage Memorial Fund's Lottery distribution activities' policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the National Lottery Heritage Fund's controls relating to Managing Public Money, the National Heritage Act 1980, the National Lottery Act 1993 and the National Lottery Act 1998.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: posting of unusual journals, the provision for lapsed commitments and grant expenditure.
- obtaining an understanding of National Heritage Memorial Fund's Lottery distribution activities' framework of authority as well as other legal and regulatory frameworks that the National Heritage Memorial Fund's Lottery distribution activities operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the National Heritage Memorial Fund's Lottery distribution activities. The key laws and regulations I considered in this context included Managing Public Money, National Lottery Act 1993, National Heritage Act 1980, National Lottery Act 1998, employment law and tax legislation.
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any

# Report of the Trustees and Accounting Officer

significant transactions that are unusual or outside the normal course of business; and

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Report

I have no observations to make on these financial statements.

## Gareth Davies

Comptroller and Auditor General

7 July 2021

National Audit Office  
157–197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## The financial statements

### Statement of comprehensive net income

for the year ended 31 March 2021

	Notes	£'000	2020-21 £'000	2019-20 £'000
Proceeds from The National Lottery	10	<b>362,755</b>		355,217
NLDF investment income	10	<b>212</b>		1,718
			<b>362,967</b>	356,935
Interest receivable	3	<b>16</b>		164
Sundry income	2	<b>111</b>		172
<b>Total income</b>			<b>363,094</b>	357,271
New grant awards	12	<b>(176,155)</b>		(251,921)
Award de-commitments	12	<b>6,882</b>		(8,944)
Provision against loans to heritage organisations		<b>(900)</b>		(2,100)
			<b>(170,173)</b>	(262,965)
Staff costs	20	<b>(11,587)</b>		(15,601)
Depreciation and amortisation	6, 7 and 8	<b>(1,189)</b>		(1,069)
Other operating charges	4	<b>(5,496)</b>		(10,856)
<b>Total administration costs</b>			<b>(18,272)</b>	(27,526)
<b>Total expenditure</b>			<b>(188,445)</b>	(290,491)
<b>Operating surplus</b>			<b>174,649</b>	66,780
<b>Total comprehensive income for the year ended 31 March 2021</b>			<b>174,649</b>	66,780

The notes on pages 51 to 66 form part of these accounts.

# Report of the Trustees and Accounting Officer

## Statement of changes in equity

for the year ended 31 March 2021

	Income and expenditure account £'000
Balance at 31 March 2019	(593,428)
Changes in equity in 2019–20	
Retained surplus	66,780
Balance at 31 March 2020	(526,648)
<b>Changes in equity in 2020–21</b>	
Retained surplus	174,649
<b>Balance at 31 March 2021</b>	<b>(351,999)</b>

The notes on pages 51 to 66 form part of these accounts.

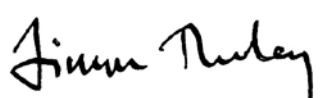
# Statement of financial position

as at 31 March 2021

	Notes	2020-21 £'000	2019-20 £'000
<b>Non-current assets</b>			
Intangible fixed assets	6	1,158	704
Right of use	8	807	1,297
Property, plant and equipment	7	1,015	1,638
Loans to heritage organisations	9	50	972
<b>Current assets</b>			
Investments – balance at the NLDF	10	328,748	308,964
Trade and other receivables	9	13,259	5,501
Cash and cash equivalents		4,537	3,553
		<b>346,544</b>	318,018
<b>Total assets</b>		<b>349,574</b>	322,629
<b>Current liabilities</b>			
Administrative liabilities	11	(4,798)	(5,853)
Grant liabilities due within one year	12	(263,946)	(316,047)
<b>Non-current assets plus net current assets</b>		<b>80,830</b>	729
<b>Non-current liabilities</b>			
Administrative liabilities	11	(318)	(818)
Grant liabilities due in more than one year	12	(432,511)	(526,559)
<b>Assets less liabilities</b>		<b>(351,999)</b>	(526,648)
<b>Represented by:</b>			
Income and expenditure account brought forward		(526,648)	(593,428)
Movement in the year		174,649	66,780
Income and expenditure account carried forward		(351,999)	(526,648)

The notes on pages 51 to 66 form part of these accounts.

A comparative has been changed to reflect the separate identification of long-term loans.



**Dr Simon Thurley CBE**

Chair



**Ros Kerslake CBE**

Chief Executive and Accounting Officer

2 July 2021

# Report of the Trustees and Accounting Officer

## Statement of cash flows

for the year ended 31 March 2021

	Notes	2020-21 £'000	2019-20 £'000
<b>Operating activities</b>			
Cash drawn down from the NLDF	10	<b>343,183</b>	386,124
Cash from other sources including loan repayments	2	<b>111</b>	172
Cash paid to and on behalf of employees		<b>(16,216)</b>	(15,578)
Interest received on bank accounts		<b>16</b>	141
Cash paid to suppliers		<b>(9,671)</b>	(9,714)
Cash paid to grant and loan recipients	12	<b>(315,422)</b>	(357,696)
<b>Net cash inflow from operating activities</b>	15a	<b>2,001</b>	3,449
<b>Investing activities</b>			
Capital expenditure and investing activities	15b	<b>(530)</b>	(2,511)
Financing activities	15c	<b>(487)</b>	(482)
<b>Increase in cash and cash equivalents</b>		<b>984</b>	456

The notes on pages 51 to 66 form part of these accounts.

## Reconciliation of net cash flow to movement in net funds

for the year ended 31 March 2021

	Notes	2020-21 £'000	2019-20 £'000
Increase in cash and cash equivalents in the period		<b>984</b>	456
<b>Changes in cash and cash equivalents</b>	15d	<b>984</b>	456
Cash and cash equivalents at 1 April		<b>3,553</b>	3,097
<b>Cash and cash equivalents at 31 March</b>		<b>4,537</b>	3,553

The notes on pages 51 to 66 form part of these accounts.

# Notes to the accounts

for the year ended 31 March 2021

## 1. Statement of accounting policies

There are no standards and interpretations in issue, but not yet adopted, that the trustees anticipate will have a material effect on the reported income and net assets of NHMF or its National Lottery distribution activities.

### a) Accounting convention

These accounts are drawn up in a form directed by the Secretary of State for DCMS and approved by HM Treasury. They are prepared under the modified historic cost convention. Without limiting the information given, the accounts meet the accounting and disclosure requirements contained in the Companies Act 2006 and the FREM, so far as those requirements are appropriate, and the accounts' direction issued by the Secretary of State for DCMS in April 2019.

The accounting treatments contained in the FREM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The National Lottery accounts' direction issued by the Secretary of State for DCMS specifically excludes the preparation of consolidated accounts.

Copies of the National Lottery distribution and grant-in-aid accounts' directions may be obtained from the Secretary to the Board, The National Lottery Heritage Fund, Mezzanine Floor, International House, 1 St Katharine's Way, London E1W 1UN.

Where the FREM permits a choice, the accounting policy that is judged to be most appropriate to the particular circumstances of NHMF for the purpose of giving a true and fair view has been selected. The particular policies adopted by NHMF are described within this statement. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounts have been prepared on a going concern basis because NHMF has no reason to believe that DCMS has plans to change the National Lottery distribution arrangements for the heritage sector and so trustees assume that

they will continue to receive funding from The National Lottery.

This view is supported by trustees being informed by DCMS, most recently in March 2014, that it has no plans to change the National Lottery distribution arrangements for the heritage sector. Furthermore, DCMS increased the heritage share of National Lottery good causes money to 20% from April 2012. Finally, the Tailored Review of 2017 made no recommendations to change the percentage of National Lottery funding received by NHMF.

In addition to the above, because of the COVID-19 crisis we have instituted weekly tracking of lottery income, payments out and our ongoing commitments. Subject to remaining events we are confident that our key performance measures and exposure in this area will remain within both acceptable ranges and our risk appetite – consistent with a going concern basis.

### b) Non-current assets

Non-current assets are defined as those items purchased for the long-term use of NHMF and its National Lottery distribution activities and where the total cost is above £2,000. Depreciation is provided on a straight-line basis on all non-current assets, including those held under leases, at rates calculated to write off the cost or valuation of each asset over its expected useful life. These lives are as follows:

Short-leasehold property	– the life of the lease
Right of use asset	
– property leases	– the life of the lease
Office equipment	– 4–10 years
Office fittings	– 4–10 years
Grant-assessment and other software	– up to 5 years

In those circumstances where the remaining life of a property lease is less than four years, any refurbishment or non-movable equipment will be depreciated over the remaining life of the lease.

No internally generated costs are capitalised. Depreciation commences in the month after the asset is put into operation.

# Notes to the accounts

for the year ended 31 March 2021

## c) Allocation of costs and segmental reporting

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IFRS 8 requires information to be provided on segmental reporting where this is relevant to the activities of the organisation. Where relevant, senior management identify separate streams of activity and assign operating costs to them pro rata and based upon the level of grant awarded. In appropriate cases where there was a significant difference in the manner that applications were processed, alternative methods would be used.

NHMF accounts separately for its National Lottery distribution activities, which it is required to do under its National Lottery accounts' direction. The accounts for NHMF include a note providing financial information separating our standard grant-in-aid distribution services from our distribution of COVID-19 emergency funding.

NHMF incurs indirect costs that are shared between activities funded by grant-in-aid and activities funded by The National Lottery. NHMF is required to apportion these indirect costs in accordance with 'Managing Public Money', issued by HM Treasury. This cost apportionment seeks to reflect the specific proportion of time and expenses committed to each activity.

At the end of the financial year the proportion of joint costs apportioned to our National Lottery distribution activities was 99% (2019–20: 99%).

## d) Taxation

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No provision is made for general taxation as NHMF is statutorily exempt under section 507 of the Income and Corporation Taxes Act of 1988. NHMF is unable to recover Value Added Tax (VAT) charged to it, and the VAT-inclusive cost is included under the relevant expenditure descriptions in these accounts.

## e) Pension

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The regular cost of providing benefits is charged to the statement of comprehensive net income over the service lives of the members of the scheme on the basis of a constant percentage of pensionable pay. Almost all of our staff are members of PCSPS or alpha (the follow-up scheme to PCSPS) and the

percentage of pensionable pay is notified by the Cabinet Office prior to the start of each financial year. See the remuneration and staff report for further details.

## f) Leases

---

Following the introduction of IFRS 16 on leases, operating leases are now treated in the same manner as finance leases. Significant long term leases (more than one year in length) are capitalised at their estimated cost excluding any deemed interest charged by the lessor. Interest payments due under the terms of the lease agreement are charged to the statement of comprehensive net expenditure at the date of each payment made under the lease. Capitalised leases are disclosed on the statement of financial position.

The annual rentals on any leases falling outside the definition required by IFRS 16 are charged to the statement of comprehensive net income on a straight-line basis over the term of the lease. Included in this category are leases for franking machines and photocopiers.

## g) Balances at the NLDF

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Balances held at the National Lottery Distribution Fund remain under the control of the Secretary of State for DCMS and trustees have no influence over how these sums are invested. The share of these balances attributable to the Trustees of NHMF is as shown in the accounts and, at the date of the statement of financial position, has been certified by the Secretary of State for DCMS as being available for distribution by the trustees in respect of our current and future liabilities. A fair value reserve is created and adjusted should there be any gain or loss on the revaluation of the NLDF balance reported to us by DCMS. Any adjustment would be disclosed in the statement of changes in equity. Any profit or loss incurred by the NLDF on disposal of investments is added to the value of the NLDF.

## h) Grant decisions

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Grant awards are recognised as liabilities in the statement of financial position. When liabilities need no longer be recognised, because the project being funded does not require all the



money set aside for it under the grant contract, we reduce the value of the outstanding liabilities. All grant liabilities are payable immediately upon receipt of valid payment requests.

Commitments are as defined by an earlier accounts' direction of the Secretary of State for DCMS, issued in October 2002, as the current accounts' direction does not define them. Commitments represent an agreement in principle of the trustees to fund a heritage project. We treat them as a contingent liability in note 13 because they represent a significant potential liability that must be taken into account when making decisions about the level of resources available. Commitments come in two types:

1. where the final decision to award a grant has been made but there is not yet a signed contract with the grantee. When a grant contract is regarded as being in place, the commitment is treated as a full liability.
2. where a first-round pass is given to a heritage project. While in these circumstances funding is subject to a second decision, this second decision is far more likely to be positive than not and so we feel it is prudent to recognise the first-round pass as a commitment at this time.

De-commitments on contingent liabilities occur when a commitment is not converted into a full liability. This is normally because the grantee decides not to undertake their project or because trustees feel unable to fund all round two applications due to the need to maintain sufficient financial reserves.

## **i) Loans**

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Trustees are entitled to make loans to heritage bodies under the National Lottery accounts' directions of the Secretary of State for DCMS. Interest rates and repayment terms are at the discretion of trustees. These loans are made as part of our remit to enhance and protect the heritage of the UK and not to collect contractual cash flows or for resale. Consequently, under IFRS 9, Financial Instruments, loans will be valued at fair value where any adjustment is material, with the adjustment going through the statement of comprehensive net expenditure.

Where interest is charged, we will recognise the interest in the year it is accrued even though it may be received in a later year under the terms of the loan agreement.

## **j) Joint grant schemes**

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Where NHMF operates a joint grant scheme partly on behalf of other organisations (currently Parks for People with the National Lottery Community Fund; the Great Place programme with Arts Council England) we do not recognise sums received from these bodies as income. In effect, funds received from these bodies are simply passed on to grantees or suppliers. Thus we have only included NHMF's share of scheme grant payments in these accounts as we have passed the other organisations' share on to the grantee. Similarly we have only disclosed NHMF's share of operating expenditure for these schemes and have passed any funding for operating expenditure from the other organisations onto suppliers.

We define joint grant schemes as programmes where more than one party has a part in the decision-making process to make an award. In the case of the Parks for People programme representatives from both NHMF and the National Lottery Community Fund decide to whom grants should be awarded. In those situations where funds are given to us without any involvement in the final award decision, we treat these sums as donations. If the donated sums are derived from the National Lottery, then the donation is to the National Lottery Heritage Fund; otherwise the funds are treated as a donation to NHMF even if they end up being assigned to National Lottery-funded projects.

## **k) Apprenticeship levy**

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The apprenticeship levy was introduced in 2017–18. Whilst the sums we pay are theoretically available to partially fund the cost of courses undertaken by our apprentices, it is currently unlikely that we will be able to utilise these sums fully. Therefore, it is our policy to write-off the levy in the period in which the payment was made unless there is certainty that the sum will be utilised – i.e. the apprentice is in place and the course is booked.

# Notes to the accounts

for the year ended 31 March 2021

## l) Recognition of income from the National Lottery

Income received from the National Lottery is as advised to us by DCMS which controls the National Lottery Distribution Fund – the fund that all relevant National Lottery funds are paid into by Camelot and the fund from which we draw down sums we require for grant payments and administration payments. DCMS provides us with monthly reports on Lottery cash flows due to us and an annual certificate to enable us to produce year-end numbers on an accruals basis.

## m) Estimation uncertainty

The preparation of these accounts requires that senior management make estimates and assumptions that can affect the measurement of reported income, expenses, assets, liabilities and the disclosure of contingent liabilities. It can also affect the allocation of costs between our grant-in-aid and our Lottery distribution activities.

If these estimates and assumptions, which are based on senior management's best estimates at the date of the financial statements, deviate from actual circumstances in the future, the original estimates and assumptions will be updated in the period in which the circumstances change.

Our estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The COVID-19 pandemic has had a major impact on our activity and this is expected to continue into 2021–22. As a result, senior management has assessed the values of assets at 31 March 2021 to identify any indicators of impairment. Where a potential impairment may have arisen as a result of COVID-19, an estimate of the expected recoverable value of the asset has been made and compared to the current carrying value of the asset, to estimate any impairment to be recorded. Where material, these significant estimates have been disclosed below.

## Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Our current plans are to return to offices as soon as the government's guidelines allow. Consequently, we have made no adjustment to the value of our property-based fixed assets.

## Allocation of costs between our two main activities

The speed at which we had to deliver both our own emergency programmes and those on behalf of government departments meant that the normal method we use to allocate costs between our two activities – distributing grant-in-aid and distributing funds derived from the National Lottery – had to be amended. We created a time recording system for staff to indicate which programmes they were working on and based recharges of costs on that data. Staff were required to estimate how much time they spent on each programme during the past month. Furthermore, the complexities and novelty of this system meant that some estimates were used by the compilers to improve the quality and perceived accuracy of the data. For subsequent years, we have improved the format of the database to increase acceptance and usage.

## 2. Sundry income

	2020–21 £'000	2019–20 £'000
Repayment of grants	101	172
Sundry income	10	0
	<b>111</b>	172

## 3. Interest receivable

	2020–21 £'000	2019–20 £'000
Interest received from banks	16	140
Loans to heritage organisations	0	44
Sundry	0	2
Provision against receipt of loan interest	0	(22)
	<b>16</b>	164

See note 9 for more information about the loan interest and provision thereon.

## 4. Operating deficit

The operating deficit is stated after charging the following:

	2020–21 £'000	2019–20 £'000
Auditor's remuneration	41	41
Payments under operating leases		
– leasehold premises	409	1,442
– hire of office equipment	24	6

There were no non-audit fees paid to the external auditors. An analysis of other operating charges, including the above items, is as follows:

	2020–21 £'000	2019–20 £'000
Accommodation	209	1,562
Postage and telephone	268	635
Office supplies, print and stationery	17	53
Travel, subsistence and hospitality		
– trustees	3	75
– staff	11	653
Professional fees		
– grant-related	1,714	1,694
– non-grant-related	2,443	2,974
Communications	379	560
Office equipment	143	2,109
Staff training	211	208
Sundry expenses	98	333
	<b>5,496</b>	<b>10,856</b>

## 5. Recharged costs

As mentioned in note 1, NHMF is required to disclose separately its National Lottery activities in its National Lottery distribution accounts. Many of the overhead costs incurred at the head office in London benefited both our grant-in-aid and National Lottery distribution activities. At the end of the financial year the proportion of joint costs apportioned to National Lottery distribution was 99% (2019–20: 99%). All grant-in-aid activities took place at the head office of St. Katharine Docks, London. The costs of operating all other offices are fully recharged to National Lottery distribution.

During 2020–21, NHMF distributed large sums of money from various central government organisations as a response to the COVID-19 pandemic. In order to undertake this massive task, many staff that normally dealt exclusively with distributing National Lottery funds were co-opted to work at great speed to deliver these programmes. Rather than re-calculate the 99%:1% split for what will only be one or two years of frenzied activity, we simply identified the proportion of work undertaken by these staff on non-Lottery activities; calculated their value with reference to our pay scales and re-charged the various grant-in-aid supported programmes. We also calculated an associated overhead allocation as part of this recharge.

The total value of these recharges in 2020–21 was £6.8million.

Included in this recharge was a significant amount of depreciation on assets owned by our Lottery-distributing activities – because our fixed assets helped deliver the emergency programmes. This recharge is not reflected in the notes to the accounts relating to fixed assets (notes 6, 7 and 8) because it would entirely distort the narrative in the accounts of the National Heritage Memorial Fund (i.e. the depreciation charge would be much higher than the value of fixed assets). Consequently, the adjustment was put to other cost codes.

# Notes to the accounts

for the year ended 31 March 2021

## 6. Intangible fixed assets

	Website		Information technology		Total	
	2020-21 £'000	2019-20 £'000	2020-21 £'000	2019-20 £'000	2020-21 £'000	2019-20 £'000
Cost at start of year	582	582	2,793	2,249	3,375	2,831
Additions	0	0	524	544	524	544
Disposals	0	0	(4)	0	(4)	0
<b>At end of year</b>	<b>582</b>	582	<b>3,313</b>	2,793	<b>3,895</b>	3,375
Amortisation at start of year	486	461	2,185	2,166	2,671	2,627
Charge for the year	26	25	40	19	66	44
<b>At end of year</b>	<b>512</b>	486	<b>2,225</b>	2,185	<b>2,737</b>	2,671
Net book value						
At start of year	96	121	608	83	704	204
<b>At end of year</b>	<b>70</b>	96	<b>1,088</b>	608	<b>1,158</b>	704

The capitalisation of information technology represents the development of electronic application forms and an application assessment management system. The above figures represent costs invoiced to NHMF by software developers. No internally generated costs have been capitalised.

A review of the current cost values of intangible fixed assets at 31 March 2021 revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of intangible fixed assets.

## 7. Property, plant and equipment

	Short-leasehold property		IT and other equipment		Office fittings		Total	
	2020-21 £'000	2019-20 £'000	2020-21 £'000	2019-20 £'000	2020-21 £'000	2019-20 £'000	2020-21 £'000	2019-20 £'000
Cost at start of year	1,152	643	1,093	2,764	59	81	2,304	3,488
Additions	0	817	0	1,091	0	59	0	1,967
Disposals	(0)	(308)	(0)	(2,762)	(0)	(81)	(0)	(3,151)
<b>At end of year</b>	<b>1,152</b>	1,152	<b>1,093</b>	1,093	<b>59</b>	59	<b>2,304</b>	2,304
Depreciation at start of year	481	611	175	2,594	10	81	666	3,286
Charge for the year	260	178	344	343	19	10	623	531
Adjustment on disposal	(0)	(308)	(0)	(2,762)	(0)	(81)	(0)	(3,151)
<b>At end of year</b>	<b>741</b>	481	<b>519</b>	175	<b>29</b>	10	<b>1,289</b>	666
Net book value								
At start of year	671	32	918	170	49	0	1,638	202
<b>At end of year</b>	<b>411</b>	671	<b>574</b>	918	<b>30</b>	49	<b>1,015</b>	1,638

Short leasehold property represents the cost of refurbishment of properties that we lease. The capitalisation of operating leases under IFRS 16 is in note 8.

Trustees have considered the current cost values of property, plant and equipment. A review of the current cost values at 31 March 2021 revealed no material difference to historic cost values.

Therefore, no adjustment has been made to reflect current cost values of property, plant and equipment. The value of property, plant and equipment represents a proportionate split of the assets used by both NHMF's grant-in-aid and its National Lottery distribution activities. This split is currently 99% Lottery and 1% grant-in-aid (see note 5).

## 8. Right of use asset (IFRS 16)

International Financial Reporting Standard (IFRS) 16 (Leases) has been adopted from April 2019. This standard replaced International Accounting Standard 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 has been adopted using the modified retrospective approach, which does not require restatement of comparative information. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. It requires the recognition of a right of use asset on the statement of financial position representing the right to use the underlying leased asset together with a corresponding lease liability representing the obligation to make future lease payments.

The right of use assets on recognition in April 2019 were measured at an amount equal to the lease liability. The right of use asset and lease liability recognised in the statement of financial position were initially measured at the present value of future lease payments. Depreciation of right of use assets and interest on lease liabilities have been recognised in the statement of comprehensive net income. Rentals under operating leases were previously charged to the statement of comprehensive net income on a straight-line basis.

In 2019–20, we took over an operating lease for part of International House in the borough of Tower Hamlets, London. The lease had a further three-and-a-half years to run at that point. We also had leases, with more than one year to run, for our offices in Cardiff, Newcastle and Nottingham – we currently have no lease for our office in Birmingham, but it is anticipated that one will be signed soon. As with other joint overhead costs, the accounts of the National Heritage Memorial Fund reflect 1% of the cost of St. Katharine Docks with the other 99% being disclosed within our National Lottery distribution accounts.

IFRS 16 has led to the creation of a right to use asset reflecting our contractual right to occupy premises at St. Katharine Docks in London for a period of three years and offices in Cardiff,

Newcastle and Nottingham for a variety of periods.

Right of use asset:

	2020–21 £'000	2019–20 £'000
Balance at start of the year	1,297	0
Creation of right to use asset	10	1,791
Amortisation	(500)	(494)
Balance at close of year	807	1,297

## 9. Trade and other receivables

	2020–21 £'000	2019–20 £'000
Prepayments and accrued income	2,972	3,572
Loans to heritage organisations	50	972
Other receivables	10,284	1,911
Staff advances	3	18
	13,309	6,473

There were no sums due in more than one year (2019–20: £0) with the exception of the loan which is due in more than one year.

Of the above sums, £12,687,000 was owed by central government bodies. At the year-end, 4 members of staff had outstanding payroll advances (at 31 March 2020 there were 24).

### Lakeland Arts

This is an interest-free loan repayable in amounts equivalent to 50% of the excess cashflow over £100,000 per annum until the full amount is repaid; with the first repayment due on 23 April 2024. It soon became apparent that the problems the loan recipient was suffering that led it to seek the loan were on-going. Hence, we considered it prudent to make a 100% provision against repayment. The year of the pandemic has not led us to change our view. We will continue to work with the loan recipient to help them bring about the best possible outcome for their project in order to obtain repayment of the loan under the terms of the loan agreement.

### Silverstone Heritage

These were two separate loans (£1.3million and £500,000) to Silverstone Heritage Limited for the Silverstone Heritage Experience and Collections and Research Centre. Both loans attracted an interest rate of 5%. Silverstone is currently in

# Notes to the accounts

for the year ended 31 March 2021

difficulty due to loss of income due to the COVID-19 lockdown. It has been closed or operating at reduced capacity for the whole financial year and its income earned has been substantially reduced. As a result it was unable to make the first instalment of the £500,000 by the February 2021 deadline. The Board of Trustees agreed on 18 March 2021 to defer repayment of the loan until 2024. The interest rate was agreed to be reduced to 0%, so interest accrued has been written off. Subject to overcoming the crisis, restructuring debt repayments and rebuilding visitor numbers, it is possible that the loan amount can be revised upwards and a proportion repaid. Consequently, we have decided to make a 100% provision against this loan.

## Dickens House

This is an interest-free loan to the trustees of the Dickens House and the Dickens House Fund. The amount was £100,000 to help the recipient complete a project to which we had given a grant. The loan is repayable in two chunks of £50,000; the first of these was received on schedule in 2018–19 and the second payment is due in 2022–23. We have no reason to believe that this sum will not be paid and so no provision is considered necessary.

Loans	2020–21 £'000	2019–20 £'000
Loans at start of year	972	50
New loans	0	3,000
Loan repayments	0	0
Accrued Interest added to loan	0	44
Provision against loan	(900)	(2,100)
Write off interest on loan	(22)	0
Provision against accrued interest	0	(22)
<b>Loans after provision</b>	<b>50</b>	<b>972</b>

In late March 2021 we awarded seven loans to heritage organisations with a total value of £758,500. All of these loans will be paid out in 2021–22.

Below are the details of the loans that were awarded:

Strathspey Railway Company Limited	£139,300
Tyne and Wear Building Preservation Trust	£120,000
The Florence Institute Trust	£93,500
The Aln Valley Railway Trust	£100,000
Wicksteed Charitable Trust	£169,000
London Wildlife Trust	£86,200
Kielder Observatory and Astronomical Society	£50,500

## 10. Investments

Movement in balances at the National Lottery Distribution Fund (NLDF):

	2020–21 £'000	2019–20 £'000
Current cost at start of year	308,964	338,153
Income received from The National Lottery	362,755	355,217
Funds drawn down by NHMF	(343,183)	(386,124)
NLDF investment return	212	1,718
<b>Current cost at end of year</b>	<b>328,748</b>	<b>308,964</b>

There is no liability to taxation on gains realised by NHMF. Investment of this money is carried out by DCMS, which delegates management to the Commissioners for the Reduction of the National Debt, which adds its return to the overall balance held. Trustees of NHMF have no control over investment policy. The statement of accounting policies contains further information on this matter.

## 11. Payables

	2020–21 £'000	2019–20 £'000
Operating payables	822	1,503
Other payables including taxation and social security	635	563
Accruals and deferred income	3,659	4,605
	<b>5,116</b>	<b>6,671</b>

None of the liabilities of NHMF was secured. Of the sums disclosed above, £318,000 (2019–20: £818,000) relates to long term payables representing liabilities for property leases.

The operating and other payables balances can be analysed as follows:

	2020-21 £'000	2019-20 £'000
Balances owing to central government	635	633
Balances owing to local authorities	0	0
Balances owing to public corporations	0	0
Balances external to government	822	1,433
	<b>1,457</b>	2,066

## 12. Grant liabilities

	2020-21 £'000	2019-20 £'000
Brought forward at start of year	842,606	936,437
New liabilities created in the year	176,155	251,921
Liabilities no longer recognised	(6,882)	8,944
Grant payments	(315,422)	(354,696)
<b>Carried forward at end of year</b>	<b>696,457</b>	842,606

During the year we distributed covid emergency grants on behalf of our sponsor department, the Department for Digital, Culture, Media & Sport (DCMS), as well as the Department for Environment, Food and Rural Affairs (DEFRA), the Welsh Government and the Northern Ireland Executive which are included within Memorial Fund grant liabilities. Hence the lottery grant liabilities have reduced significantly this year due to the increased focus on distributing emergency grant funds.

The balance of grant liabilities at the year-end represents amounts likely to be paid to applicants in the following periods:

	2020-21 £'000	2019-20 £'000
In one year	263,946	316,047
In two years	182,626	223,096
In three years	110,233	136,704
In four years	59,623	74,733
In five years	30,684	41,226
In more than five years	49,345	50,800
	<b>696,457</b>	842,606

Liabilities at the year-end represent amounts owing as follows:

	2020-21 £'000	2019-20 £'000
Balances owing to central government	64,526	83,772
Balances owing to local authorities	304,676	321,294
Balances owing to public corporations	763	1,187
Balances owing to NHS trusts	29	35
Balances external to government	326,463	436,318
	<b>696,457</b>	842,606

It is too early to gauge the full impact of the coronavirus pandemic on the delivery of the projects that we are helping to fund. It is likely that some will fail meaning that we do not pay out the full amount of our grant liabilities. At 31 March 2021, the above numbers included a small provision of £4.4million (31 March 2020: £5million) for amounts we forecast may not be paid out in the coming years. We will work with our grantees to help them deliver their projects.

## 13. Contingent liabilities

### Commitments

	2020-21 £'000	2019-20 £'000
Brought forward at start of year	218,861	286,418
Commitments made	5,733	125,113
De-commitments	(15,562)	(20,034)
New liabilities created in the year	(93,221)	(172,636)
<b>Balance carried forward at end of year</b>	<b>115,811</b>	218,861

Contingent liabilities represent commitments that are the value of round-one passes given by trustees. When an applicant returns with the round-two application, these items will either become grant awards (a grant liability) or will be rejected.

The balance of contingent liabilities has fallen significantly in the past few years as trustees have reduced their grant budget as part of both (1) a policy of improving reserves, (2) because the

# Notes to the accounts

for the year ended 31 March 2021

COVID-19 pandemic led to us suspending standard Lottery applications. A year ago, we anticipated that the pandemic would result in the wholesale cancelling of projects to which we had given round-one passes. Instead, probably due to the assistance offered by our emergency funding, the level of contingent liabilities has held up. As the country eases out of lockdown and grantees have the chance to return to normal, it is possible that some projects will not come to fruition or will be changed significantly before returning to Trustees for a second round opinion. We have made no adjustment to the value of contingent liabilities because we have no way of knowing if there will be a financial impact.

## 14. Lease commitments

The level of contracted future operating lease payments is normally disclosed as a note to the accounts. However, following the implementation of IFRS 16, almost all operating leases have now been capitalised and appear on the statement of financial position.

Leases for our offices in London, Cardiff, Nottingham and Newcastle have been capitalised as right of use assets (see note 8). Our other offices are all in serviced offices with one exception, Birmingham. Here our lease has expired and we await the signature of a replacement lease. The absence of a lease means that the situation falls outside IFRS 16 and so Birmingham lease payments are included below.

We are not capitalising all our leases as IFRS 16 allows exceptions for small leases and short-term leases. For those items we disclose total future minimum lease payments incurred by NHMF's National Lottery distribution activities as follows:

	2020-21 £'000	2019-20 £'000
<b>Short-leasehold property</b>		
Not later than one year	25	69
Later than one year but not later than five years	0	207
Later than five years	0	0
	<b>25</b>	<b>276</b>

	2020-21 £'000	2019-20 £'000
<b>Other leases</b>		
Not later than one year	21	24
Later than one year but not later than five years	4	0
Later than five years	0	0
	<b>25</b>	<b>24</b>

International Accounting Standard 17 requires property leases to be split between their land and buildings elements. No split has been made in the above figures for short leasehold property as the amount of land under the leases is negligible.

Other leases refer to photocopiers and franking machines.

NHMF has no capital commitments contracted for or capital commitments approved but not contracted for.

## 15. Notes to the statement of cash flows

### a) Reconciliation of operating surplus to cash inflow from operating activities

	2020-21 £'000	2019-20 £'000
Operating surplus/(deficit)	174,649	66,780
Add back non-cash items:		
– depreciation and amortisation	1,189	1,069
– loss on disposal of intangible fixed assets and property, plant and equipment	0	0
– movement in fair value reserve	0	0
– decrease in grant liability reserve	(146,149)	(93,831)
– decrease/(increase) in balance at NLDF	(19,784)	29,189
Increase in non-interest receivables	(6,836)	(1,411)
Increase/(decrease) in non-capital payables	(1,068)	1,653
Net cash inflow from operating activities	<b>2,001</b>	<b>3,449</b>



## b) Capital expenditure and investing activities

	2020–21 £'000	2019–20 £'000
Payments to acquire intangible fixed assets	530	544
Payments to acquire property, plant and equipment	0	1,967
	<b>530</b>	<b>2,511</b>

## c) Financing activities

	2020–21 £'000	2019–20 £'000
Leasing liabilities	487	482

## d) Analysis of changes in net funds

	At 1 April 2020 £'000	Cash flows £'000	At 31 March 2021 £'000
Cash at bank	3,553	984	<b>4,537</b>

## 16. Related party transactions

NHMF is a non-departmental public body sponsored by DCMS. DCMS is regarded as a related party.

During the year, NHMF (including its National Lottery distribution activities) has had various material transactions, other than grant awards, with DCMS itself and with five entities for which DCMS is regarded as the sponsor department – the National Lottery Community Fund, Sport England, UK Sport, Historic England, and the Arts Council of England.

As referenced elsewhere in these accounts, NHMF has distributed funds on behalf of various government organisations; the Department for Environment, Food and Rural Affairs, the Welsh Government and the Northern Ireland Executive. For further information, please see the accounts of the National Heritage Memorial Fund as these were not funds derived from the National Lottery.

We signed a lease with DCMS in March 2015 for the occupation of our office in Birmingham to May 2018. We remain in occupation, but legal documentation had not been signed by the end of the financial year for our continued presence. At the year-end, we owed DCMS for one year's

rent and service charges which may total around £62,000.

The National Lottery Community Fund contributed towards the grants made under our Parks for People programme and also towards the operating costs of the programme. At the year-end the National Lottery Community Fund owed NHMF £2,0678,000, representing £57,000 for Parks for People operating costs and £2,061,000 for its share of Parks for People grant payments. There was a further amount due for the secondment of a member of our staff to the Lottery Forum. We also paid the National Lottery Community Fund for the provision of legal and procurement services. We paid it around £48,000 during the year and we owed nothing at the year-end.

Arts Council England repaid us for Great Place joint grant programme grant payments we made on their behalf. At the year-end it owed us £485,000 (£482,000 for grant payments and £3,000 for the secondment of a member of our staff to the Lottery Forum).

There was a transaction to a value of £18,000 with Historic England representing the secondment of one member of our staff. £11,000 was owed at the year end.

There were transactions with Sport England and UK Sport representing the secondment of a member of our staff to the Lottery Forum. At the year-end, Sport England owed us £3,000 and UK Sport £1,000.

Outside the DCMS family of central Government sponsored bodies, there have also been material transactions with the Cabinet Office to the value of £8,000 for various administrative matters; nothing was owed at the year-end.

We recharged the costs of monitoring and mentoring certain grant-aided projects to arms of the Scottish government (Creative Scotland and Historic Environment Scotland). Billing totalled £9,000 in the year and £3,000 was owed by them at the year-end.

In 2011–12, the Committee on Climate Change (CCC) signed an underlease for most of the first floor of NHMF's offices, at 7 Holbein Place, London. CCC is a non-departmental public body,

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which is jointly-sponsored by the Department for Business, Energy and Industrial Strategy, Department for Environment, Food and Rural Affairs, the Scottish government, the National Assembly for Wales and the Northern Ireland Executive. Whilst we departed Holbein Place in September 2019, we are still in negotiation with the landlord over dilapidation costs and CCC are a party to those talks.

As set out on the pages below, Trustees of NHMF had interests in bodies to which NHMF made National Lottery grants. Similarly, members of country and area committees had interests in projects to which their committee made National Lottery grants or provided comments and made recommendations to the Board. Trustees and committee members are required to maintain a register of interests in heritage bodies, which is updated every year in conjunction with our Legal & Governance team. At the start of each committee or Board meeting, trustees and committee members declare any connection with applicants and absent themselves from any part of the meeting where that grant application is discussed. They take no part in the decision as to whether a grant is awarded nor are they involved in any discussion about that project prior to or subsequent to that grant decision. There are also strict rules on the circumstances in which trustees and committee members can accept paid work from a grantee. Therefore, trustees are satisfied that in no case did individuals have an influence on the decision-making process for those projects with which they have a connection.

In 2020–21 there will also have been related party transactions, in the form of grant payments, relating to awards made and disclosed in previous years. As those related party transactions have been previously disclosed, they are not repeated here.

## **There were four awards where a trustee declared a conflict of interest.**

### **North Pennines AONB Partnership**

A grant of £5,723,100 – Tees-Swale: naturally connected.

Maria Adebawale-Schwarte declared a conflict of interest as she was on the Board of the Environment Agency.

### **Re-Form Heritage**

A grant increase of £547,000 to make a total grant of £1,521,500 – Harper Street: Engagement in Heritage

Perdita Hunt declared a conflict of interest as she had been asked to become a trustee of the organisation.

### **University of Leeds**

A grant of £171,638 – #Digital5 The Question of Digital: Building the digital capabilities of the heritage sector

David Stocker reported a conflict as an Honorary Visiting Professor of Medieval Studies at the University of Leeds.

### **National Trust – Fountains Abbey and Studley Royal Estate**

A grant of £1,373,600 – Skell Valley Project

David Stocker declared a conflict of interest as a current member of the National Trust Council.

## **There were nine awards where a member of a country or area committee declared a conflict of interest.**

### **Tamar Landscape Partnership**

A grant of £2,277,600 – Tamar Valley Area of Outstanding Natural Beauty

Tamsin Daniel declared an interest as the applicant was part of Cornwall Council, her employer.

### **Sensory Trust**

A grant of £191,600 – More Than Words – making heritage accessible through co-designed inclusive sensory-rich interpretation

Tamsin Daniel noted that the project was being delivered across heritage sites owned by or supported by her employer, Cornwall Council.

Evelyn Stacey noted that Wheal Martyn Trust was a beneficiary of the project. She was CEO of that Trust until 2016 and remained a non-executive director of its trading subsidiary, Wheal Martyn Enterprises.

### **Black Country Living Museum**

A grant Increase of £2,210,000 to make a total grant of £11,610,000 – Forging ahead – Creating a world class visitor attraction in the Black Country

Marion Blockley declared a conflict of interest as she worked as a consultant on the project team for their original bid.

#### **Durham Wildlife Trust**

A grant of £507,400 – Naturally Native

Jim Cokill declared a conflict of interest in his capacity as Director of Durham Wildlife Trust.

#### **Preston City Council**

A grant of £4,521,500 – Reimagining the Harris – #HarrisYourPlace

Catherine Mugonyi declared a conflict of interest as the Creative Programmer for the Harris Museum, Art Gallery and Library. The award was made one day prior to Ms Mugonyi becoming a committee member; she was, however, an observer at the meeting.

#### **Durham Miners Association**

A grant of £4,497,800 – Redhills Revealed: A New Life for the Pitman's Parliament

Niall Hammond declared a conflict of interest as he was previously a paid advisor on the project.

#### **Cairngorms National Park Authority**

A grant of £2,036,100 – Cairngorms Capercaillie Project

Stuart Housden declared a conflict of interest in his capacity as Director of RSPB Scotland until 2017. They were a project partner.

#### **RSPB Scotland**

A grant increase of £743,000 – Orkney Native Wildlife Project

Stuart Housden declared a conflict of interest in his capacity as Director of RSPB Scotland until 2017.

#### **Trees for Life**

A grant of £702,300 – Dundreggan Rewilding Centre

Alice Mayne declared a conflict of interest as a member of the board for Trees for Life until 2019.

#### **Peter Neal**

Peter Neal, a member of the London and the South Committee, is also on our Register of Support Services (ROSS). ROSS is a competitively

tendered list of heritage, conservation and construction experts that we appoint to provide advice and guidance on projects that we support. At the time of his appointment, it was made clear that Peter is required to keep his decision taking and advisory roles completely separate. He cannot take on any ROSS consultancy work for projects in the London and the South area whilst he is a committee member; nor, when his term ends, in those circumstances where he has been a decision taker for either a development or a delivery grant. He can be appointed via ROSS to work in the other parts of the UK. During 2020–21, we spent £20,531 with his company, Peter Neal Consulting Limited.

## **17. Financial instruments**

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IFRS 7, 'Financial Instruments: Disclosures', requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments play a much more limited role in creating or changing risk for NHMF than is typical of the listed companies to which IFRS 7 mainly applies. NHMF does not have powers to borrow and can only invest funds derived from grant-in-aid.

Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the organisation.

### **Liquidity risk**

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In 2020–21, £363million (99%) of NHMF's National Lottery distribution income derived from The National Lottery. The remaining income derived from investment returns on the balance held with the NLDF of £212,000 (0.1%) along with a small amount of bank interest and grant repayments. The trustees recognise that their grant liabilities and other payables significantly exceeded the value of funds in the NLDF at 31 March 2021. However, trustees consider that their National Lottery distribution activities are not exposed to significant liquidity risks as they are satisfied that they will have sufficient liquid resources within the NLDF and the bank to cover all likely grant

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payment requests in the coming years. Trustees have been informed by DCMS, most recently in March 2014, that it has no plans to change the National Lottery distribution arrangements for the heritage sector. Indeed, DCMS increased the heritage share of National Lottery good causes money to 20% from April 2012. Trustees have set a long-term grant award strategy to ensure that their National Lottery distribution liabilities are in line with assets and that trustees are able to meet in full their commitments. Thus, even if there were a long-term decline in National Lottery income, trustees would simply adjust annual grant budgets to compensate. The impact of the pandemic on National Lottery income has not been significant. Early indications of our National Lottery income in 2021–22 suggest that income will be at satisfactory levels. We accept that this is a small period to draw conclusions, but it does not suggest that we need to adjust our planning. We will, of course, continue to monitor the situation.

## Market and interest rate risk

The financial assets of NHMF's National Lottery distribution activities are invested in the NLDF, which invests in a narrow band of low-risk assets such as government bonds and cash. Trustees have no control over the investment of these funds. For these two reasons we have not carried out sensitivity analysis on market risks. At the date of the statement of financial position, the market value of our investments in the NLDF was £329million. We are informed by DCMS that funds at the NLDF earned on average 0.1% in the year (2019–20: 0.72%). Our cash balances, which are amounts drawn down from the NLDF to allow us to pay grants and operating costs, are held in instant-access variable-rate bank accounts, which carried an average interest rate of 0% in the year. The sharp decline in market interest rates in 2008, coupled with recent cuts as a result of the pandemic, has had a significant impact on investment returns but as there is little room for rates to fall further the risk is small. The cash balance at the year-end was £4.5million. Trustees consider that their National Lottery distribution activities are not exposed to significant interest rate risks. Other financial assets and financial liabilities carried nil rates of interest.

	2020–21 £'000	2019–20 £'000
Cash balances		
– sterling at floating interest rates	4,537	3,553
– sterling at a mixture of fixed rates	328,748	308,964
	<b>333,285</b>	312,517

## Credit risk

The figure for receivables almost entirely comprises prepayments, accrued income (mostly on property leases and business rates) and intra-government balances. The intra-government balances are mostly with bodies that DCMS sponsors. With the exception of deposits on serviced offices and loans that are not due for repayment for a number of years, all had been paid by the time of signing the accounts. As the likely repayment dates of the loans is some way off, coupled with the tough economic climate, this means that the current value of repayments will not match the value on the statement of financial position. However, we have put in place a significant provision against the likely repayment of these loans and so a further current cost revaluation was not deemed material. Therefore, Trustees do not consider that their National Lottery distribution activities are exposed to significant credit risk.

## Foreign currency risk

NHMF's Lottery distribution activities are not exposed to any foreign exchange risks.

## Financial assets by category

	2020–21 £'000	2019–20 £'000
Assets per the statement of financial position		
– investments available for sale	328,748	308,964
– cash and cash equivalents	4,537	3,553
– loans and receivables	13,309	6,473
	<b>346,594</b>	318,990

## Financial liabilities by category

	2020–21 £'000	2019–20 £'000
Liabilities per the statement of financial position		
– other financial liabilities		
• grant payables	<b>696,457</b>	842,606
• operating payables	<b>822</b>	1,503
• other payables	<b>635</b>	563
• accruals	<b>3,659</b>	4,605
	<b>701,573</b>	849,277

## Fair values

Set out below is a comparison, by category, of book values and fair values of The National Lottery Heritage Fund's financial assets and liabilities as at 31 March 2021.

### Financial assets at 31 March 2021

	Book value £'000	Fair value £'000
Cash <sup>1</sup>	<b>4,537</b>	<b>4,537</b>
Investments <sup>2</sup>	<b>328,748</b>	<b>328,748</b>
Receivables <sup>3</sup>	<b>13,309</b>	<b>13,309</b>
	<b>346,594</b>	<b>346,594</b>

### Financial assets at 31 March 2020

	Book value £'000	Fair value £'000
Cash <sup>1</sup>	3,553	3,553
Investments <sup>2</sup>	308,964	308,964
Receivables <sup>3</sup>	6,473	6,473
	318,990	318,990

### Financial liabilities at 31 March 2021

	Book value £'000	Fair value £'000
Grant payables <sup>4</sup>	<b>696,457</b>	<b>696,457</b>
Operating payables <sup>5</sup>	<b>822</b>	<b>822</b>
Other payables <sup>5</sup>	<b>635</b>	<b>635</b>
Accruals <sup>5</sup>	<b>3,659</b>	<b>3,659</b>
	<b>701,573</b>	<b>701,573</b>

## Financial liabilities at 31 March 2020

	Book value £'000	Fair value £'000
Grant payables <sup>4</sup>	842,606	842,606
Operating payables <sup>5</sup>	1,503	1,503
Other payables <sup>5</sup>	563	563
Accruals <sup>5</sup>	4,605	4,605
	<b>849,277</b>	<b>849,277</b>

### Basis of fair valuation

- 1 The figure here is the value of deposits with commercial banks. It is expected that book value equals fair value.
- 2 Investments are controlled by the Secretary of State for DCMS. She or he provides the trustees with details of the book value and fair value of our balances at the date of the statement of financial position.
- 3 No provision for bad debt is deemed necessary. None of the debts is long term other than long-term loans.
- 4 While we disclose £431million of grant payables as not being due for payment until after one year in the statement of financial position, we have not made a fair value adjustment. Trustees have a contractual obligation to pay these amounts on demand, subject to contract, and so the amounts could be paid within the next 12 months if the underlying heritage projects proceed more quickly than anticipated.
- 5 All payables are due within normal contractual terms, usually 14–30 days, and so no difference exists between book value and fair value.

## Maturity of financial liabilities

	2020–21 £'000	2019–20 £'000
In less than one year	<b>701,573</b>	849,277
In more than one year, but less than two	<b>0</b>	0
In two to five years	<b>0</b>	0
In more than five years	<b>0</b>	0
	<b>701,573</b>	849,277

The statement of financial position discloses the figures above separated between amounts due in one year and amounts due in more than one year. Our contracts with grantees contain no split between amounts due within one year and beyond one year. The split reported in these accounts is based purely upon our past experience of amounts drawn down by grantees to fund their projects. Theoretically, grantees could demand their entire grant within the next 12 months if their projects were completed in that period. Hence we have adopted a prudent approach and shown the maturity of liabilities to be all within one year.

# Notes to the accounts

for the year ended 31 March 2021

## 18. Statement of losses and special payments

The National Lottery Heritage Fund made losses through the write-off of five grants totalling £63,655 in the year (2019–20: six grants totalling £714,891).

## 19. Events after the reporting period

There were no events that occurred after 31 March 2021 up until the date the Accounting Officer signed these accounts that need to be disclosed. The financial statements were authorised for issue on 7 July 2021 by the trustees and Accounting Officer on the date they were certified by the Comptroller and Auditor General.

## 20. Staff costs

Staff costs for 2020–21 were as follows:

	2020–21 £'000	2019–20 £'000
Salaries	<b>8,323</b>	11,302
Employer's NI payments	<b>736</b>	996
Payments to pension scheme	<b>2,168</b>	2,576
Temporary staff costs	<b>360</b>	727
	<b>11,587</b>	15,601

# The Trade Union (Facility Time Publication Requirements) Regulations 2017

Under this statutory instrument, we are required to disclose information about trade union facility time and relevant employee expenditure for the year 2020–21. This information covers both our grant-in-aid and National Lottery distribution activities.

## Trade Union Facility Time

The Fund recognises two trade unions, PCS and FDA, with whom it holds formal quarterly meetings and monthly informal meetings. We believe in partnership working and support trade union membership. All trade union representatives play valuable roles in the workplace and have a statutory right for reasonable paid time off during normal working hours to complete union duties, according to their trade union role and to undertake trade union activities. We also have a statutory requirement to disclose information about trade union facility time and relevant expenditure.

## Trade union representatives and full-time equivalents

	Number of representatives
Trade union representatives	<b>21</b>
FTE trade union representatives	<b>19.06</b>

## Percentage of working hours spent on facility time

Percentage of working hours	Number of representatives
0%	<b>0</b>
1–50%	<b>21</b>
51%–99%	<b>0</b>
100%	<b>0</b>

## Total pay bill and facility time costs

Total cost of facility time	£35,240
Total pay bill	£16,074,000
Percentage of pay spent on facility time	<b>0.22%</b>

## Paid trade union activities

Hours spent on paid facility time	99
Percentage of total paid facility time hours spent on paid TU activities	<b>50%</b>

# Policy directions

## UK Government

These directions are given by the Secretary of State for Digital, Culture, Media and Sport, using his powers under section 26(1) and (2) of the National Lottery etc. Act 1993 in relation to distributing money under Section 25(4) of that Act.

The UK directions apply to all funding grants made by The National Lottery Heritage Fund (the Fund). Additional directions apply for each country of the UK.

In deciding to whom it distributes money, for what purpose, and under what conditions, the Trustees of the National Heritage Memorial Fund shall take into account the following matters:

1. In partnership with other funders and stakeholders, assess the needs of the heritage of the UK\* to inform the awarding of funds, taking into particular account any designation and heritage at risk.

In 2020–21, all our efforts at The Fund have been focused on supporting heritage to adapt and respond to the immediate impact of COVID-19. Across every part of the UK, our country and area teams have been working side by side with local heritage organisations to support them through this most difficult of times.

Our approach to supporting the heritage sector during the COVID-19 pandemic has been grounded in data and insight on sector needs. Building on the heritage sector survey we commissioned at the start of the pandemic as well as stakeholder intelligence, we swiftly closed our National Lottery Grants for Heritage open programmes and introduced the Heritage Emergency Fund alongside other measures to support organisations working with heritage through the pandemic. Throughout the year we have continued to work with Government departments, devolved governments, other funders and umbrella bodies, networks and organisations working with heritage to understand heritage needs as they have changed over the

course of the year. We undertook stakeholder consultation in November 2020 and commissioned an evaluation of the Heritage Emergency Fund and other support measures to understand their impact and also future needs.

Our sector intelligence has shown that different parts of the heritage sector have required a more nuanced approach to providing support. Whilst many cultural heritage sites have remained closed due to COVID-19 restrictions, outdoor heritage such as historic parks, gardens, nature sites and protected landscapes like National Parks have remained open and been subject to rising visitor numbers. Through our Heritage Emergency Fund we have been able to support outdoor attractions, sites and environmental charities to manage increased visitor flows, cover the loss of volunteers and maintain COVID-safe working and sites at vulnerable heritage sites. As part of our wider survey work we commissioned a specialist survey of natural heritage charities in April 2020 to inform our tailored response and this is being re-run in March/April 2021 to inform future direction.

We have worked with all UK wide and nation specific museum agencies during the year. In previous years assessing sector needs and heritage at risk tended to focus on the joint protocol for Collections at Risk. The pandemic has highlighted the need to prioritise support to organisations at risk of failure. Regular museum agency meetings, including the fortnightly DCMS led forum, ensured intelligence was shared swiftly and mitigating actions taken by the relevant agency. The Fund's relationships with the four nations' sector development organisations ensures that museums and archives have access to the most appropriate funder and/or appropriate fund. One outcome of this agile working is better awareness of problems in particular sub-sectors for example volunteer run museums and potential funding cuts for local authority and university archives and museums. The Fund will continue to focus on saving the archive/museum as an institution, or failing that, ensure collections will be transferred into appropriate institutions with the required public access.



During 2020–21 we worked with partners across the UK with a focus on built heritage and the historic environment to enable the effective distribution of funding. We are contributing to the Historic Environment Forum (England) and working together on UK Government initiatives such as the Stronger Towns Fund in order to achieve this. We input with DCMS ALBs into a national steering group for the Towns Fund and new funding streams – Levelling Up, Community Renewal and Community Ownership Funds.

We contributed directly to the DCMS Heritage Working group set up to provide regular insight into issues faced by heritage organisations throughout the pandemic, and help shape Governments response through Culture Recovery Fund for heritage.

Digital has been a critical tool and enabler during the COVID-19 pandemic. Use of technology has enabled the heritage sector to continue to operate and to stay connected during a time of crisis. Many heritage sector staff found themselves having to quickly upskill during the pandemic. With trustees, executive team members and managers across the sector working online, leading at distance teams. The need to understand and make use of digital practice and approaches has never been higher.

Between April and July 2020 we consulted with 523 heritage organisations about their digital skills needs. Organisations covered the whole of the UK and ranged in size from one staff member to over 30,000 staff and volunteers, and represented the breadth of the heritage sector. In response to identified need, we reconfigured and expanded our Digital Skills for Heritage initiative, which has provided over provided 8,119 live professional development opportunities to the heritage sector in 2020 – ranging from year-long courses, to online workshops, to tailored advice. With support from DCMS we increased the value of the offer to from £1.2million to £2.6million and introduced new projects that directly respond to what the sector has told us it needs.

Training and support has included help for creating digital content; online marketing and communications; building and supporting communities at distance; digital strategy and

leadership; running online events and activities; designing and delivering online learning; working at distance; and working with data. Digital Skills for Heritage has helped many organisations develop their use of digital and make use of technologies for the first time, playing a critical role in supporting the sector.

\* This includes, but is not restricted to built, cultural, natural and intangible heritage.

## 2. Involve the public and local communities in making policies, setting priorities and distributing money.

Our six country and area committees are appointed through open recruitment to provide a diversity and a wide range of skills, knowledge and experience as well as geographical spread across all three areas. The Committees make decisions on grants £250,000 to £5million.

Throughout our current Strategic Funding Framework we are working with 13 Areas of Focus in England, Scotland and Wales. The 13 areas have received the least funding from us in the past and experience high levels of deprivation. Since April 2019 our teams have been working strategically with stakeholders, including local authorities, community groups, housing associations, health authorities and voluntary sector support agencies in those areas, to identify the best way to meet local needs. Following the suspension of our open programmes in March 2020 to enable us to respond to the COVID-19 crisis, The Fund solicited applications from organisation in the Areas of Focus to enable us to continue to support our objective of widening audiences for heritage and to ensure that heritage was factored in to helping communities in these areas recover. Northern Ireland does not have any Areas of Focus but two project proposals were identified there to target communities in particular need. We awarded grants totalling £3,802,100 to these areas as a result of the solicitations.

# Policy directions

## 3. Increase access and participation for those who do not currently benefit from the heritage opportunities available in the United Kingdom.

The Fund recognises the current underrepresentation in heritage by many people and communities with protected characteristics in Equality Act 2010 legislation. The pandemic has had disproportionate impacts on people and communities already experiencing limited access to heritage, for example through disability or poverty. As we developed support for the UK's heritage through the pandemic we remained committed to addressing underrepresentation in heritage.

There is evidence from the Heritage Emergency Fund evaluation that digital engagement has enabled some people with limited access to explore heritage for the first time. Many organisations reported improving their digital capabilities through their grant which enabled a wider range of people to engage with heritage assets and experiences remotely. For example, the Venture Trust in Scotland usually focusses on providing outdoor group opportunities for vulnerable and at risk young people. Instead creative, engaging digital resources were co-developed with the young people and used as part of activities during regular weekly phone check ins. This has enabled relationships to continue and in some cases strengthen during extremely challenging times for these young people. Wider UK evidence from the continuing Kick the Dust youth programme supports these findings, with some young learning disabled or neurodiverse people joining online activities for the first time, having previously experienced face to face activities as being too challenging or anxiety provoking.

In addition to the Heritage Emergency Fund we solicited grants in our 13 Areas of Focus to ensure opportunities for participation in heritage were available in areas less likely to benefit. See under policy direction 2. The inclusion projects that were funded through the Resilience and Inclusion Grants from February to March 2021 deliver

heritage activity and improve access to heritage for people who are currently less likely to benefit from heritage opportunities, for example some ethnic groups, people with disabilities young people and people from LGBT+ communities.

In June 2020 the Fund was invited to join the cross sector Tackling Loneliness Network led by DCMS, enabling us to promote the power of heritage in supporting social connections and preventing loneliness through community led, intergenerational activities. Despite the pandemic restrictions, many organisations across the heritage sector have worked flexibly and at pace to develop accessible digital and sensory resources. For example Methodist Housing Association using sensory resources with older adults using supported care through their Wilderness project, and disability led organisation Living Options Devon developing access apps and digital interpretation for use by disabled people across South West England.

In 2020–21 we undertook a review of Equality, Diversity and Inclusion (EDI) at the Fund across our Governance, Workforce, Culture and Investments. To support this work we carried out research into the perceptions of heritage and culture among under-represented organisations and groups who engage with us, and their views on the National Lottery Heritage Fund and its role – including the definition of our inclusion outcome to 'involve a wider range of people in heritage'. The findings will enable us to enhance our support for under-represented groups, advocate for a definition of heritage that includes wellbeing and social equity considerations, and drive improvements in our grant data related to under-represented groups, with the aim of becoming a more inclusive and equitable funder.

## 4. Inspire children and young people, awakening their interest and involvement in the activities covered by the heritage good causes.

In 2020–21 our focus on children and young people has primarily been through two initiatives:

## Kick the Dust

Our major investment programme, Kick the Dust, has awakened the interest and involvement of a wide range of young people aged 11–25 across the breadth of heritage. The twelve large-scale UK-wide projects have engaged thousands of young people over the last year. The programme evaluation shows that 46% of young participants were living in the most deprived areas, 40% identified as Black, Asian or Minority Ethnic, and projects worked, for example, with young homeless people and young people with mental health issues. Young people have been inspired to create social media, films, festivals and events, re-interpret collections and historic sites, undertake nature conservation and use traditional craft and building techniques. Participants have accessed paid traineeships and wider development opportunities, and have gained heritage, digital, and teamworking skills.

The programme is also building the long-term capacity of heritage organisations to engage and involve young people beyond the duration of funding. Hundreds of staff to date have been trained and supported through Kick the Dust projects, developing knowledge and skills in safeguarding, inclusion, digital and youth engagement. Many projects have built youth involvement into broader strategy and governance within heritage organisations, and young people have influenced internal policy and practices.

## My School My Planet

Through our Heritage Emergency Fund we supported outdoor education charity Learning Through Landscapes to pilot a three month outdoor learning project during summer 2020 to support children in the most educational deprived and culturally diverse areas of the UK to engage with education using the outdoor environment. The project also worked across nine of The Fund's Areas of Focus. Many children had been out of school for weeks and the project allowed education to take place in a COVID-safe environment and focused on natural heritage, soils and climate change.

## 5. Foster initiatives which bring people together, enrich the public realm and strengthen communities.

The role of parks and other public green spaces has been crucial during the pandemic and has enabled opportunities for improving wellbeing both individually and within 'bubbles' or other small socially distanced groups. The extensive use of parks and other shared public space has also brought challenges for park staff who simultaneously lost volunteers and vastly increased overall visitor numbers with some examples of anti-social behaviour requiring extra resources. However, overall the increased public recognition of the value of parks, nature reserves, canals and other green/blue assets and resources has brought opportunities including closer cross sector collaborations for example with the health sector and young people led organisations. Improving equity in accessing these assets is being recognised in the broader strategic context for the landscape and nature sector, and within long standing research and policy contexts including Black Environmental Network, Mosaic, Natural England, Sports England and Defra within the 25 Year Environment Plan.

The heritage sector has been adapting face to face opportunities, using digital resources and sharing knowledge during the current global COVID-19 pandemic. Technology is a critical tool and enabler – during the pandemic use of technology has meant that organisations have been able to continue to work and reach their communities and the general public. Digital offers the sector a credible way to address some issues relating to quality of community life, particularly through providing opportunities to benefit from and contribute to heritage.

As part of our Digital Skills for Heritage work, we recently awarded grants to eight new projects to focus on using of technology to share resources and expertise to promote heritage and provide opportunities for public engagement with heritage. These include Butterfly Conservation who will improve the flow of wildlife conservation data between volunteers, record keepers,

# Policy directions

researchers and conservationists; the Museum of London Archaeology who will collaboratively develop audience data and use it to test new ways of engaging people with archaeological work; and The National Trust who will build on their Queer Heritage and Collections Network, expanding access to LGBTQ+ heritage.

Reopening National Lottery Grants for Heritage for resilience and inclusion projects enabled organisations to plan and deliver activity that brings people together through heritage, engages diverse groups in heritage and improves access to heritage and heritage related activities.

We continue our partnership with Historic England and Arts Council England to engage communities with their high streets through cultural programming as part of the High Street Heritage Action Zone (HAZ) programme. Our £3million investment in the Cultural Programme is funding grants for local consortia in each High Street HAZ to engage people with the heritage of their high streets through cultural activity. The programme has also commissioned artists to work with local communities on high streets across England to co-produce artworks that respond to, document and reflect the changing high street.

The Great Place Scheme is a joint three-year programme with Arts Council England designed to pilot new approaches to local investment in arts and culture. As well as supporting increased cultural engagement, the programme is nurturing long-term impact in places, by encouraging cross sectoral partnerships; and ensuring the role of arts and culture is visible to policy-makers and local communities.

## 6. Support and build the capacity of the full breadth of the heritage workforce, from volunteers to professionals, to ensure that heritage is conserved with the appropriate skills.

During the pandemic we have supported the capacity of the heritage workforce through the Heritage Emergency Fund. Three-quarters of

surveyed grant recipients used at least some of their grant for staff costs, which allowed organisations to support staff to continue to work through the crisis and avoid reducing their capacity. The evaluation demonstrated that the Heritage Emergency Fund directly supported between 2,422 and 3,094 full time roles, enabled between 1,442 and 1,922 staff to return from furlough, and directly supported between 14,694 and 29,186 volunteer roles, ensuring that critical operational activities could be sustained through the shut-downs caused by the pandemic. Of the 72 per cent of surveyed grant recipients who used the Coronavirus Job Retention Scheme (also known as 'furlough'), 47 per cent used their grant to bring staff back from furlough and boost their capacity. Without their Heritage Emergency Fund grant some organisations would have been operating at a much reduced capacity and would have had to drastically limit their operations and make high numbers of redundancies.

The reopened National Lottery Grants for Heritage 2021–22 prioritises the outcome 'people will have developed skills'. We want our investment to help people develop key skills, helping heritage organisations become more resilient or enterprising and make sure that heritage is in better condition. We want to see a wider range of people involved in heritage through the creation of more inclusive training, entry level employment and progression opportunities particularly as we build back from the pandemic.

We know from extensive longitudinal research that for landscape and nature sectors diversity within employment, volunteering and visitors, is particularly poor. To address this we began working with partners and key sector bodies to develop a plan to drive change. As a start we commissioned a set of Future Heritage blogs including for example a focus on ethnic diversity within landscapes: [www.heritagefund.org.uk/blogs/black-and-brown-faces-green-spaces](http://www.heritagefund.org.uk/blogs/black-and-brown-faces-green-spaces) & [www.heritagefund.org.uk/blogs/black-history-month-breaking-down-barriers-nature-young-black-people](http://www.heritagefund.org.uk/blogs/black-history-month-breaking-down-barriers-nature-young-black-people).

## 7. Drive innovation and excellence through encouraging good practice and the achievement of demonstrable high standards.

The COVID-19 pandemic has shone a spotlight on the financial fragility of many organisations across the heritage sector and the need to re-set business models and business plans for more sustainable future operation, as well as presenting opportunities for rapid innovation, particularly in use of digital technology. Working in partnership with the Young Foundation, we are undertaking the 'discovery and design' phases of a project to develop and model an innovation framework which will help us to prioritise the interventions that will best address some key innovation challenges identified in the sector. The first phases of the project include engaging a wide range of stakeholders to consider their key recovery needs while also keeping in sight long term transformation and change. Findings will inform development of innovation funding to be delivered in 2021–22 with the aim of achieving positive and lasting changes at system scale, as well as incentivising operational and product and service innovation, and enabling innovative ideas to flow more easily across and between different areas of heritage.

Future Parks Accelerator (FPA) is a £12.5million programme operating in nine locations in England and Scotland, that are home to more than five million people and responsible for more than 20,000 hectares of publicly accessible urban greenspace. Working in partnership with the National Trust and Ministry for Housing and Local Government, FPA has invested in a cohort of local authorities with the ambition, leadership, capability and readiness to drive transformational change at pace, both practically and systemically across their towns, cities and communities, in ways that are replicable. Now nearly halfway through the programme, we are beginning to see results and starting to share learning. There is already clear evidence of working across local authorities with parks, planning, health and social care teams all working collectively together to maximise the benefits of quality urban green space in delivering health, wellbeing, inclusion,

environmental and social benefits for local communities. The first cohort is due to complete in March 2022 and we are now developing a legacy programme to take forward the learning and opportunities being created.

## 8. Ensure that money is distributed for projects which promote public benefit in the long term and which are not intended primarily for private gain.

The Fund's larger grants of over £100,000 are only awarded to not for profit organisations and partnerships led by not-for profit organisations. Private owners can only apply for grants of up to £100,000 through our open programmes. These projects need to deliver positive social and community outcomes and demonstrate that the public benefit will substantially outweigh any private gain.

Through our Heritage Enterprise programme, we continue to support projects that secure new uses for under-used, derelict or at-risk historic buildings, including for housing. We welcome commercial elements to these new uses where they support the viability of the proposed scheme as a whole. These types of project may be led by for-profit organisations in collaboration with not-for-profit organisations.

## 9. Further the objectives of sustainable development.

Under our current Strategic Funding Framework we require all projects to follow good environmental sustainability practice stating that all projects should do more to enhance nature. We strengthened our approach to environmental responsibility when we reopened National Lottery Grants for Heritage in February 2021. We have updated the environmental sustainability guidance on our website and have created additional support for our assessment teams via our internal Knowledge Hub to further understanding amongst staff.

We have continued our legal memorandum of understanding (MoU) with Fit for the Future, a knowledge sharing network operating across

# Policy directions

the heritage sector focused on improving the environmental performance of heritage organisations and projects. The MoU means that the organisations we fund can join and benefit from a network of over 120 other heritage organisations, such as Historic England and Historic Environment Scotland, to share knowledge and improve the performance of their projects.

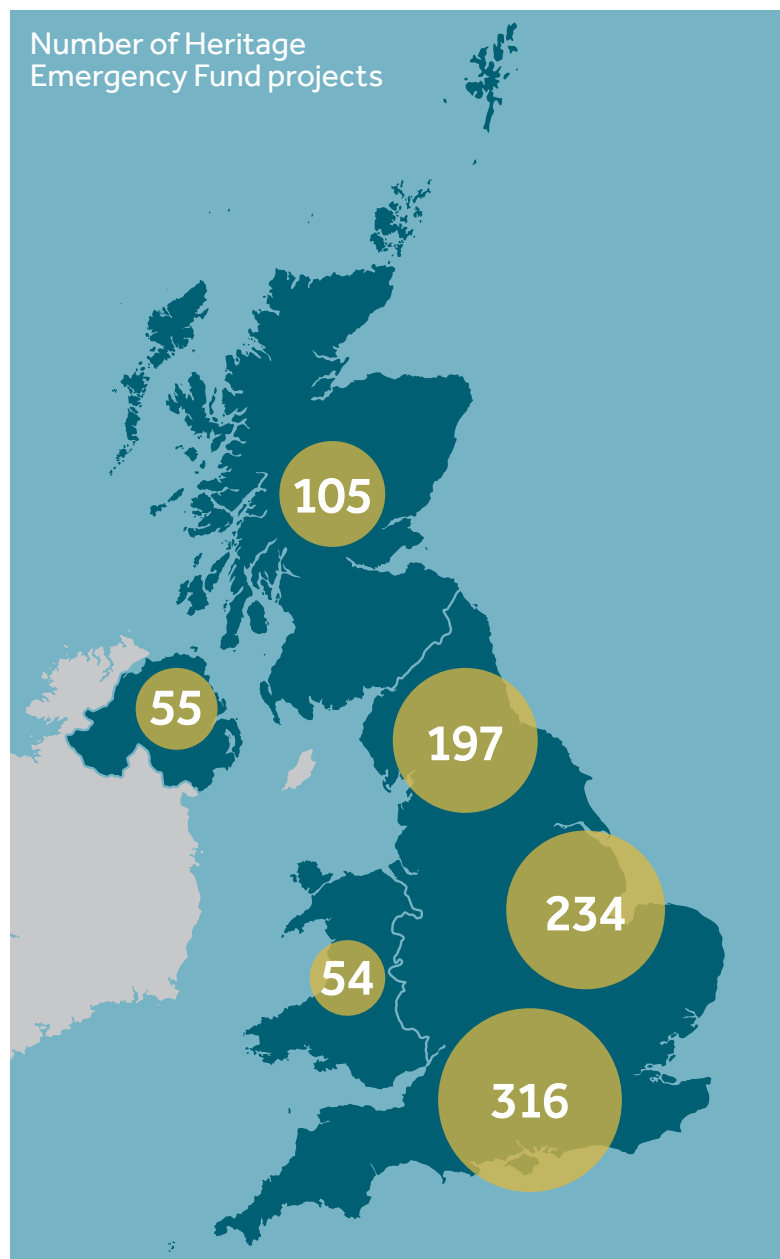
In March 2020 our Board approved a three point plan to respond to the climate and ecological emergencies which includes; understanding and reducing our own greenhouse gas emissions, improving the sustainability performance of the projects we fund, and considering our future role in convening and leading the heritage sector to tackle some of the key problems in ensuring sustainable development whilst addressing the climate and ecological emergencies. The Fund has appointed a Climate Change Manager to develop baseline data around our own organisational emissions and to create a reduction strategy for adoption in early 2022. The Fund aims to be net carbon zero by at least 2030. Once a reduction plan is agreed for our own emissions we will then explore carbon reporting and reduction for all our investment activities.

## 10. Reduce economic, social and environmental deprivation, ensuring that all areas of the United Kingdom have access to the money distributed.

The Heritage Emergency Fund evaluation found that awards were spread across the UK with number of awards in each of the Fund's England areas and the countries at the time of the evaluation below.

Approximately one-third of grants (32 per cent) were awarded to organisations in the most deprived areas, IMD deciles 1-3, with nine per cent of grants were awarded to organisations in areas in IMD decile 1. Northern Ireland had the highest proportion of grantees in the most deprived areas, with 61 per cent of grantees from Northern Ireland being in IMD deciles 1-3.

Between February and March 2021 we awarded Resilience and Inclusion Grants to 94 organisations



totalling £3.27million. Grants were awarded across the UK with the highest proportions of the funding awarded in London and the South (28 per cent) and the North of England (27 per cent) followed by Scotland (22 per cent).

Our work in 'places' has expanded over the year as we take a more place-based approach to our strategic engagement and activities at Country and Area level. We are supporting Government place-based funding streams including Towns Fund and High Street Heritage Action Zones (distributed by Historic England). We continue to make the case for culture and heritage in recovery, and Great Place scheme (with Arts Council England) legacy is feeding into culture

and heritage in local authority recovery plans. We have continued to engage our 13 Areas of Focus as outlined under policy direction 2.

## 11. Work jointly with other organisations, including other distributors, to ensure the positive impact of National Lottery funding, including evaluating projects and sharing data where appropriate.

As part of the National Lottery Forum's work, we have convened the data and evaluation leads of all other Lottery Distributing Bodies (LDBs) to develop a clearer understanding of our respective approaches to data collection, management and reporting in order to improve our collective storytelling of the impact of National Lottery investment across the UK and support the work of the National Lottery Promotions Unit. We have engaged with DCMS-led project to re-launch the National Lottery grants database using the 360 Giving standard and continued to implement that for our own data.

We have a full evaluation programme of past investments in delivery. This year we commissioned a rapid evaluation of the Heritage Emergency Fund. The impact on jobs, volunteering and organisational capacity are outlined above. Several organisations funded through Heritage Emergency Fund stated that without the funding, they almost certainly would have become insolvent, particularly those with low reserves. Enabling organisations to continue to operate had positive wellbeing impacts for staff and volunteers, as it tackled concerns about the organisation's financial viability. Additionally, organisations were able to continue to connect with their audiences, either through online delivery or keeping outdoors spaces open to the public.

We are members of the steering group for DCMS's work on Culture and Heritage Capital, alongside other Arms' Length Bodies and NGOs, a long-term project which aims to develop the methodology for valuing culture and heritage assets and the flow of services they provide to the people and businesses that engage with them, to enable better decision making taking fuller account of the economic contribution of these assets.

## 12. Include a condition in all grants to acknowledge Lottery funding using the common Lottery branding.

All grant holders must acknowledge National Lottery support publicly as a condition of grant. They must do this for the duration of the grant contract. We provide branded acknowledgement material and signs showing our logo must be visible in public areas, online, in promotional material, advertising and events and we expect acknowledgement in media coverage of projects. We require acknowledgement throughout the project from announcement through to after completion. When assessing project progress, we look for appropriate visual recognition of your grant. We have used this approach with organisations that received Heritage Emergency Fund grants.

We have worked with the National Lottery family to raise awareness and thank National Lottery players for the £1billion+ contribution the National Lottery has made to tackle the impact of COVID-19 on local communities across the UK.

## 13. Require an element of partnership funding, or contributions in kind from other sources, to the extent that this is reasonable to achieve for different kinds of applicants in particular areas.

We require applicants to secure minimum levels of partnership funding dependent on the level of grant for which they are applying. Applications for under £100,000 are not required to have any partnership funding but can indicate cash only contributions on the application form.

Applications of between £100,000 and £1million are required to have a minimum of 5% partnership funding. Applications of £1million and over require 10% minimum partnership funding. For both the 5 and 10% minimum requirement the partnership funding can be provided as cash, non-cash or volunteer time.

# Policy directions

## 14. The need:

- a) For money distributed to be applied to projects only for a specific time-limited purpose;
- b) To ensure that they have the necessary information and expert advice to make decisions on each application; and
- c) For applicants to demonstrate the financial viability of projects.

Our Strategic Funding Framework 2019–2024 reinforced our approach to this policy direction:

- a) The projects we support are specific and time-limited. We limit our support to a maximum of five years for projects involving activities.
- b) We seek information from applicants about the extent to which the projects they put forward present a sound case for investment, will deliver against our nine outcomes, are viable and financially sustainable and will provide good value for money. Our assessment may include expert advice on key aspects of the application if needed.
- c) We ask applicants to provide us with information to demonstrate the financial viability of their project, broken down into capital, activity and other costs and showing what contribution they are proposing to make from their own resources or from grants or donations from other sources. We ask for cash-flow and, for larger projects, income and spending projections for 10 years, showing how the applicant plans to sustain the project in the long term.

During 2020–21 we distributed the Heritage Emergency Fund to current or previous recipients of grants from The Fund to cover essential costs for up to four months and to support longer term recovery. Applicants were asked for information about their financial stability pre-COVID-19 and cashflow forecast. We received additional advice from financial experts in our Register of Support Services.

## 15. Where capital funding is sought, the need:

- a) For a clear business plan showing how any running and maintenance costs will be met for a reasonable period, and
- b) To ensure that appraisal and management for major projects reflect the Major Projects Authority's Gateway Review Standards.

Under our current Strategic Funding Framework 2019–2024, we require all large projects (awards over £250,000) to provide a business plan with their development phase application which is then updated with their delivery phase application. The business plan is for the organisation rather than the project, which reflects our interest in organisational resilience and the organisation's capacity to sustain the benefits of our investment over the long term. We provide a suite of guidance to grantees including building maintenance, conservation planning and the management and maintenance of landscapes, parks and gardens to help inform and influence their business planning. Projects funded under our Strategic Framework 2013–2019 are monitored in accordance with the information provided within the Grantee's application including any supplementary information contained in an activity plan, cash flow forecasts and an income and spending table. For projects involving over £200,000 worth of capital works we required a management and maintenance plan detailing how the applicant would meet the extra costs following completion of their project.

For grantees in receipt of awards over £2million, we monitor progress against a project business plan submitted with the delivery round application. In addition projects with a significant conservation element are required to include sound plans for maintaining heritage over the long term.

All projects go through a permission to start process which provides an appropriate gateway following approval of our investment in the project. For capital projects we also include formal review points in our assessment and monitoring processes



(corresponding to the RIBA Plan of Work stages). We employ expert consultants on a significant proportion of projects in receipt of investment over £250,000 to help ensure that projects deliver against the approved purposes as contracted, that the risks to the Fund are understood and managed, that best practice is achieved in all critical areas and that financial reporting and management are sound and transparent.

## 16. Encourage and support the effective use of creative funding models (loans, community funding initiatives, crowdfunding etc) to increase viability of projects, financial sustainability, and overall investment in heritage.

Our previous investments in two impact funds, the Heritage Impact Fund (with the Architectural Heritage Fund) and the Arts and Culture Impact Fund (with Nesta and others), continue in delivery as part of our strategy to lever additional investment into the sector and encourage organisations working in heritage to diversify their income streams, improve resilience and innovate. Despite the challenges brought about by the pandemic, since April 2020 the two funds made twelve new investment offers totalling £2.8million suggesting a continued appetite for social investment. This investment notionally levers in at least £900,000 from sources that don't traditionally operate in the culture and heritage space.

Social entrepreneurs have a deeper understanding of the social and economic context of their beneficiaries and so are able to manage risk in a disrupted environment. Social investment is likely to continue to be part of the funding mix as the sector continues to navigate through, and hopefully out of, the pandemic.

In November 2020 we launched a Resilience and Recovery pilot loans programme, offering a flexible repayable finance option for organisations seeking to re-set their business operations for recovery from the impacts of the pandemic. We made seven loans totalling £758,500 repayable at zero interest over a maximum of six year term.

Natural heritage, science and technology, railways and the built environment were all represented in the awards made.

We are members of the Social Impact Investors Group run by the Association of Charitable Foundations to participate in knowledge sharing and collaboration around impact investing and working with repayable finance.

In March 2020 we awarded £4million to six organisations to deliver two Enterprise Development programmes UK wide, and business support programmes in England, Scotland, and NI (a further Business Support programme for Wales was confirmed in February 2021). These build on our previous capacity building programmes of training and development for culture and heritage organisations across the UK, and the findings of research into resilience in the sector. The programmes have been adapted to enable virtual delivery and provide additional essential support through the pandemic and into recovery. In addition we secured £1million of Culture Recovery Funding to expand the business support programme in England to increase the number of organisations and individuals that can take part in the programme and increase their financial sustainability in light of the impact of COVID-19. The business support programmes offer training and development to equip organisations with the skills and capacity to diversify their income, develop their supporters, volunteers and audiences, respond to new opportunities and withstand threats, while developing stronger networks with peer organisations. The enterprise support programmes aim to support organisations to adopt social enterprise models in order to reduce their dependence on public subsidy, strengthen their strategic leadership and income-generating skills and put themselves in a position to take advantage of forms of repayable finance.

This work contributes to the Fund's aims to increase capacity and resilience and drive enterprise development in organisations working across the UK's heritage through a two-year programme of funding, strategic collaborations and thought leadership.

# Policy directions

## 17. Increase digital skills, capability, and use of digital tools, both within The National Lottery Heritage Fund and the heritage sector, encourage better of digital heritage material and encourage digital innovation.

The National Lottery Heritage Fund is committed to ensuring the sector gets the most out of digital, and understands digital technologies are essential for helping the sector work, communicate, connect and innovate. Our funding helps organisations build the digital skills and confidence to meet current challenges and for a creative, resilient future. We currently support digital in three key ways:

- Through our core grant making programmes – which welcomes proposals that focus on or make use of digital
- Through our £2.6million Digital Skills for Heritage initiative – which provides direct support and guidance to the sector
- Through our open access work – which ensures the digital outputs from our grants are as accessible as possible

In February 2020 we launched our Digital Skills for Heritage initiative, an ambitious £2.6million initiative which runs to March 2023, designed to drive up digital capabilities across the heritage sector. It promotes digital skills and leadership and directly supports digital skills development.

We secured £1million of Culture Recovery Funding to expand our support to the sector in developing the digital skills needed to effectively respond to current challenges and equip organisations for the future. Grants awarded to support the sector in 2021 focus on digital innovation, enterprise and business skills to rethink how the sector operates. Projects funded in 2021 will provide exemplars for the sector in relation to designing and delivering new digital services; collaborative use of technologies to pool resources and expertise; and developing and supporting new digital volunteering opportunities.

Our delivery partners have helped organisations across the sector get to grips with a wide range of topics including audience engagement, content

creation, marketing and communications, social media, digital leadership and running online activities.

We commissioned the first UK benchmark of digital skills in the Heritage sector in 2020 – the Digital Attitudes and Skills for Heritage (DASH) survey. The project team consulted with 4,120 staff, trustees and volunteers working across 281 heritage organisations, between March and June 2020.

Combined with our DASH work, the Digital Skills for Heritage initiative provided a total of 8,119 live professional development opportunities to the heritage sector (ranging from year-long courses, to online workshops, to tailored advice) by the end of 2020. In response to the rapid shift of organisations online in 2020, we also commissioned a series of four essential guides focusing on accessibility, e-learning, safeguarding, and security and privacy. These have been viewed 6,517 times and downloaded 4,855 times.

The initiative has supported thousands of organisations right across the UK and across all of the areas of heritage. All projects within the initiative provide evaluation data, and we will provide initiative wide evaluation reports in Autumn 2021 and 2022.

## 18. Collect, understand and disseminate data on the reach, impact and audience of The National Lottery Heritage Fund's work and use that understanding to improve The Fund's grant-making policies and procedures, including supporting the work on participation. Data should be made as transparent and accessible as possible.

In 2020–21 we undertook a review of Equality, Diversity and Inclusion at the Fund across our Governance, Workforce, Culture and Investments. To support this work and to inform an ambitious vision of the impact of the Fund's investment in future, we carried out research into the perceptions of heritage and culture among under-represented organisations and groups who engage with us,

and their views on the National Lottery Heritage Fund and its role – including the definition of our inclusion outcome. The findings – which are informing an action plan to be delivered in 2021–22 – will enable us to improve our policies and practices, enhance our support for under-represented groups, particularly smaller organisations, advocate for a definition of heritage that includes wellbeing and social equity considerations, and drive improvements in our grant data related to under-represented groups, with the aim of becoming a more inclusive and equitable funder.

The 2019–20 financial year saw The Fund release grant information as open data, publishing our SF4 grant data covering the awards of over 10,000 grants worth £2.2 billion on both our own website and via the 360 Giving GrantNav platform. In 2021–22 we continued to work with 360 Giving as part of our commitment to open and transparent grant making. We published 1,031 grants that we made in the 2019–20 financial year, totalling £95.5 million of awards. During 2021–22 we will publish details of the emergency funding we distributed during the COVID-19 pandemic, starting with our Heritage Emergency Fund.

## England

1. Encourage the conservation, preservation, presentation, promotion and interpretation of England's heritage, so that it can continue to be appreciated and understood by future generations.
2. Have regard to the interests of England as a whole and the interests of different parts of England, taking account of the diverse demographic patterns and economic circumstances in the different parts of England.
3. Encourage the financial sustainability and, where viable and appropriate, the community use of heritage assets in England with special regard to those at risk.
4. Work strategically with others to maximise the impact of National Lottery funding, encouraging national, regional and local partnerships wherever it will result in better outcomes for people and heritage.

# Policy directions

## Scotland

Directions issued to the Trustees of the National Heritage Memorial Fund under section 26(2) as read with section 26A(2)(b) of the National Lottery etc. Act 1993

With the agreement of the Secretary of State, the Scottish Ministers, in exercise of the powers conferred by section 26(2) as read with section 26A(2)(b) of the National Lottery etc. Act 1993<sup>1</sup>, and having consulted with the Trustees of the National Heritage Memorial Fund (the "Trustees"), hereby give the following directions:

1. These directions apply only to Scotland and relate to any distribution made by the Trustees for a purpose which does not concern reserved matters.
2. In determining the persons to whom, purposes for which and the conditions subject to which they apply any money under section 25(4) of the National Lottery etc. Act 1993 in Scotland, the Trustees must take into account the following priorities and other matters:
  - A. The need to support the Scottish Government Purpose of creating a more successful Scotland, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.
  - B. The need to engage effectively with Scottish Ministers in development of policy and related funding programmes, as appropriate, to maximise the benefits which accrue to the people and heritage of Scotland.
  - C. The need to facilitate maximum contributions from the natural and cultural heritage sectors to help manage the transition to a low carbon economy and delivery of Scotland's climate change targets.
  - D. The need to improve community engagement and involvement through projects that promote social inclusion and enhance community engagement and participation.
  - E. The need to support activities that contribute to building a Fairer Scotland for all.

F. The need to ensure an outcome focused approach, working closely with appropriate partners for the benefit of communities and the cultural and natural heritage across Scotland, using the following principles:

- It is our duty to protect and enhance our abundant natural and cultural heritage as essential components in our economy, culture, way of life and the wellbeing of future generations.
- That to be healthy and happy as a nation we must nurture and protect our local resources, environments and all who live in them.

G. The need to work with partners across the public, private and third sectors to help deliver better outcomes for people and the natural and cultural heritage of Scotland guided by the strategic priorities and principles underpinning a series of national strategies that are already operating successfully across Scotland taking into account any future refresh or revision of the strategies in question and, where appropriate, any new national strategies that are developed, for example, The Culture Strategy. The current strategies are:

- **The National Performance Framework;**
- **Going Further** – The Strategy for Scotland's Museums and Galleries;
- **Our Place in Time** – The Historic Environment Strategy for Scotland;
- **2020 Challenge for Scotland's Biodiversity;**
- **The National Gaelic Language Plan; The Scots Language Plan;** and,
- **The Place Principle.**

H. The need to demonstrate how The National Lottery Heritage Fund has responded to Scottish Minister's Policy Directions.

## Wales

The Welsh Ministers, in exercise of their powers conferred by section 26 (2) of the National Lottery Etc Act 1993 as transferred by the National Assembly for Wales (Transfer of Functions) Order 1999 and having consulted the Trustees of the National Heritage Memorial Fund ("the Fund") pursuant to section 26 (5), hereby gives the following directions to the Fund:

To have regard to principles of the Well-being of Future Generations (Wales) Act 2015 which aims to improve the social, economic, environmental and cultural well-being of Wales and encourages public bodies to think more about the long term, work better with people and communities and each other, look to prevent problems and take a more joined-up approach. There are seven well-being goals including, 'A Wales of vibrant culture and thriving Welsh Language' and five ways of working – long-term, prevention, integration, collaboration and involvement.

In deciding to whom it distributes money, for what purpose, and under what conditions, the Trustees of the National Heritage Memorial Fund shall take into account the following matters:

1. Encourage the conservation, preservation, presentation, promotion and interpretation of all aspects of the natural, cultural and intangible heritage of Wales for future generations.
2. Have regard to the interests of Wales as a whole and the interests of different parts of Wales, taking account of the diverse demographic and deprivation patterns in the different parts of Wales.
3. Promote and support the Welsh language, reflecting the bilingual nature of Wales, and to work to the principle of not treating the Welsh language less favourably than English in all the Fund's activities in Wales. To operate in line with the Fund's agreed Welsh Language Scheme, and to monitor its implementation according to the agreed procedures.

4. Work strategically with others to maximise the impact of National Lottery funding for people and heritage, encouraging national, regional and local partnerships to do so.
5. Encourage the financial sustainability of the heritage assets of Wales and where viable and appropriate the community use of heritage assets in Wales with special regard to those at risk.
6. Provide opportunities for people, especially young people to gain the skills required to conserve, preserve, present and promote the heritage of Wales.
7. Encourage the use of appropriate professional standards in all projects.
8. Provide opportunities for people from across Wales of all ages and backgrounds, especially children and young people to have access to, to learn about, to enjoy and thereby, promote the diverse heritage of Wales.

# Progress on projects over £5million

The following list shows the progress on projects involving £5million or more of Lottery funding to 31 March 2021.

## Aberdeen Art Gallery: Inspiring Art and Music

### Country or area

Scotland

### Applicant

Aberdeen City Council  
– Aberdeen Art Gallery and Museums

### Total project cost

£29,737,519

### Grant amount (award date)

£126,200 (development April 2013)  
£9,997,500 (delivery October 2014)

### Project status and % of grant paid

Delivery 90%

### Latest report

The Gallery opened to great acclaim in October 2019. A Grant Expiry Date extension to December 2021 was approved to allow delivery of an extensive programme of exhibitions and events. Aberdeen Art Gallery/Cowdray Hall closed due to COVID-19 restrictions and reopened on 26 April 2021 though initially with reduced capacity.

## Acquisition of the Armada Portrait of Elizabeth I

### Country or area

London & South

### Applicant

National Maritime Museum

### Total project cost

£10,217,900

### Grant amount (award date)

£7,257,700 (delivery September 2016)

### Project status and % of grant paid

Delivery 96%

### Latest report

The portrait is on display at (temporarily closed) Queens House. Local activities have been successful and the project has received a Grant Expiry Date extension to ensure UK-wide outreach initiative can be delivered. This is delayed due to COVID-19, but the situation appears manageable.

## Alexandra Palace: Reclaiming the People's Palace

### Country or area

London & South

### Applicant

Alexandra Park and Palace Charitable Trust

### Total project cost

£26,737,458

### Grant amount (award date)

£844,800 (development April 2013)  
£18,850,000 (delivery February 2017)

### Project status and % of grant paid

Delivery 97%

### Latest report

The project is complete and closed. The trust has received a Culture Recovery Fund Round 1 grant. They are re-opening with a programme of new events.

## Auckland Castle: Creating Faith in a Better Future

### Country or area

North

### Applicant

Auckland Castle Trust

### Total project cost

£32,087,116

### Grant amount (award date)

£1,000,000 (development April 2013)

£11,400,000 (delivery August 2016)

### Project status and % of grant paid

Delivery 90%

### Latest report

Capital works are complete and the castle is expected to reopen in June 2021. Design and installation of the Faith Museum exhibition is the key outstanding output but remains in the early stages due to design change and COVID-19 related delays. A grant extension has been agreed. The organisation has undergone a significant restructure.

## Bath Abbey Footprint

### Country or area

London & South

### Applicant

Bath Abbey Parochial Church Council

### Total project cost

£19,295,270

### Grant amount (award date)

£389,000 (development April 2014)

£10,725,300 (delivery March 2016)

### Project status and % of grant paid

Delivery 81%

### Latest report

Capital works were underway and progressing well despite unexpectedly important archaeological finds under the Abbey floors. Site closed and the capital works halted due to COVID-19 restrictions. Activities were also progressing well until the closure of the site. A Heritage Capital Kickstart Fund grant increase of £534,000 was awarded in December 2020.

## BCLM: Forging Ahead – creating a world-class visitor attraction in the Black Country

### Country or area

Midlands & East

### Applicant

Black Country Living Museum

### Total project cost

£22,960,000

### Grant amount (award date)

£400,000 (development April 2017)

£9,400,000 (delivery March 2019)

£2,210,000 (grant increase December 2020)

### Project status and % of grant paid

Delivery 10%

### Latest report

The project will expand and improve visitor experience, with the creation of a new development set in the 1940s-60s and a new visitor entrance. Groundworks have been in progress and the museum has been closed to visitors during COVID-19. Support from The National Lottery Heritage Fund and the Heritage Capital Kickstart Fund (the latter not included in these figures) has allowed project to advance.

## Brooklands Aircraft Factory and Race Track Revival

### Country or area

London & South

### Applicant

Brooklands Museum

### Total project cost

£7,865,021

### Grant amount (award date)

£286,500 (development January 2015)

£5,181,800 (delivery June 2017)

### Project status and % of grant paid

Delivery 100%

### Latest report

Project is complete.

# Progress on projects over £5million

## Buxton Crescent & Spa

### Country or area

Midlands & East

### Applicant

High Peak District Council

### Total project cost

£33,180,338

### Grant amount (award date)

£23,853,000 (delivery July 2006)

### Project status and % of grant paid

Delivery 99.5%

### Latest report

The Buxton Crescent Hotel & Spa is now completed and opened in May 2021. The Pump Room was completed and opened to the public as the Town's Tourist Information Centre in March 2019. The Crescent's Visitor Experience has been delayed due to COVID-19.

## Cotswold Canals Connected

### Country or area

London & South

### Applicant

Stroud District Council

### Total project cost

£20,126,800

### Grant amount (award date)

£842,800 (development April 2018)

£8,956,200 (delivery October 2020)

### Project status and % of grant paid

Delivery 0%

### Latest report

Start-up meeting held December 2020 with permission to start expected April/May 2021.

## Courtauld Connects

### Country or area

London & South

### Applicant

Courtauld Institute of Art

### Total project cost

£38,378,123

### Grant amount (award date)

£650,000 (development April 2016)

£10,350,000 (delivery March 2018)

### Project status and % of grant paid

Delivery 67%

### Latest report

Project in construction phase with completion expected by November 2021, delayed due to COVID-19 restrictions. Activities are on-going, but some have been re-purposed and the timetable has changed due to COVID-19. A grant increase of £1,500,000 was awarded in March 2021.

## Creu Hanes – Making History

### Country or area

Wales

### Applicant

Amgueddfa-Cymru – National Museum Wales

### Total project cost

£26,589,054

### Grant amount (award date)

£450,000 (development February 2010)

£12,547,300 (delivery November 2016)

### Project status and % of grant paid

Delivery 90%

### Latest report

Project complete. Evaluation on-going. Project will close by June 2021.



## Derby Silk Mill – Museum of Making

### Country or area

Midlands & East

### Applicant

Derby Museums

### Total project cost

£15,480,200

### Grant amount (award date)

£817,300 (development April 2015)  
£8,570,400 (delivery September 2017)  
£1,307,300 (grant increase June 2020)

### Project status and % of grant paid

Delivery 93%

### Latest report

Capital works were affected by COVID-19 and a grant increase was offered to assist in covering additional costs. These were completed successfully and the Museum of Making was opened in May 2021.

## Ditherington Flax Mill Maltings – International Heritage site at the heart of the community

### Country or area

Midlands & East

### Applicant

Historic England

### Total project cost

£30,382,488

### Grant amount (award date)

£465,300 (development May 2012)  
£20,717,500 (delivery March 2017)

### Project status and % of grant paid

Delivery 54%

### Latest report

Capital works to the Flaxmill are progressing well and delivery has continued despite challenges faced through COVID-19. Historic England is working in partnership with the Friends of Ditherington Flaxmill, who have delivered high quality activities and are developing plans for the visitor centre.

## First Light at Jodrell Bank

### Country or area

North

### Applicant

University of Manchester

### Total project cost

£19,841,749

### Grant amount (award date)

£784,800 (development May 2015)  
£11,362,400 (delivery March 2018)

### Project status and % of grant paid

Delivery 47%

### Latest report

Capital delivery began in January 2020 and works are progressing well with completion due end of July 2021. The activity and education programme have been impacted by COVID-19 but are now progressing well. The wider site has recently reopened to the public as an outdoor attraction. The project proposes to complete by December 2023.

## Gunnersbury Park Museum Regeneration

### Country or area

London & South

### Applicant

London Borough of Ealing

### Total project cost

£14,163,430

### Grant amount (award date)

£386,400 (development July 2012)  
£4,805,000 (delivery December 2017)

### Project status and % of grant paid

Delivery 95%

### Latest report

Capital works complete but the museum is currently closed due to COVID-19 restrictions. Grant Expiry Date 31 July 2021.

# Progress on projects over £5million

## Hartlebury Castle

### Country or area

Midlands & East

### Applicant

Hartlebury Castle Preservation Trust

### Total project cost

£7,239,665

### Grant amount (award date)

£413,700 (development April 2013)  
£4,975,100 (delivery October 2014)

### Project status and % of grant paid

Delivery 98%

### Latest report

Capital works are complete and formally opened in June 2018. The activity and education programmes have been progressing well. A new director joined in 2019. The site has been closed during the pandemic but plans to re-open are in place for Summer 2021.

## HMS Caroline, Belfast

### Country or area

Northern Ireland

### Applicant

National Museum of the Royal Navy

### Total project cost

£17,800,732

### Grant amount (award date)

£845,600 (development April 2013)  
£14,240,500 (delivery July 2016)

### Project status and % of grant paid

Delivery 83%

### Latest report

All capital works are complete and the Pump House was formally launched in April 2018. The ship and Pump House were closed for the majority of the year 2020–21 due to COVID-19 restrictions and staff were on furlough.

## Hull: Yorkshire's Maritime City

### Country or area

North

### Applicant

Hull City Council

### Total project cost

£28,865,200

### Grant amount (award date)

£1,368,400 (development March 2017)  
£13,631,500 (delivery October 2019)

### Project status and % of grant paid

Delivery 7%

### Latest report

Capital works due to begin in 2021 pending a review of costs post-COVID-19.

## Inspiring People: Transforming Our National Portrait Gallery

### Country or area

London & South

### Applicant

National Portrait Gallery

### Total project cost

£33,581,972

### Grant amount (award date)

£900,000 (development April 2017)  
£8,500,000 (delivery September 2019)

### Project status and % of grant paid

Delivery 11%

### Latest report

The gallery closure was brought forward from July 2020 to March 2020 due to COVID-19. Capital works have begun on site in January 2021. Activities are on-going and the timetable has changed due to COVID-19 restrictions.

## Kresen Kernow: A home for Cornwall's archives

### Country or area

London & South

### Applicant

Cornwall Council

### Total project cost

£18,506,591

### Grant amount (award date)

£386,800 (development April 2013)

£11,786,500 (delivery July 2015)

### Project status and % of grant paid

Delivery 95%

### Latest report

The building opened in November 2019. A very successful delivery of activity and engagement was on-going until late March 2020 when the site and public activity programme closed due to COVID-19 restrictions. The site partially reopened, only to have to close again during the further lockdown. Engagement activities, catalogue and information have been adapted to take place online. Grant Expiry Date now June 2022 to enable full volunteer programme and remaining activities to be delivered post lockdown.

## Lincoln Cathedral Connected

### Country or area

Midlands & East

### Applicant

Lincoln Cathedral

### Total project cost

£15,217,800

### Grant amount (award date)

£909,700 (development June 2015)

£11,456,100 (delivery March 2017)

### Project status and % of grant paid

Delivery 86%

### Latest report

Lincoln Cathedral has been closed due to COVID-19, but capital works have progressed. The new visitor and education centre was

completed in June 2020 and conservation works to the West Front are ongoing. Public realm improvements have been made to the West Front and Dean's Green and the refurbishment of the Old Deanery is also complete. Activities have continued to be delivered, online and with social distancing as restrictions allowed. The Cathedral received a grant from the Heritage Capital Kickstart Fund.

## Medicine Galleries Project

### Country or area

London & South

### Applicant

Science Museum

### Total project cost

£21,585,581

### Grant amount (award date)

£400,000 (development April 2015)

£7,600,000 (delivery September 2016)

### Project status and % of grant paid

Delivery 95%

### Latest report

Capital works complete, activities ongoing.

## Bywyd Newydd i'r Hen Goleg New Life for Old College

### Country or area

Wales

### Applicant

Aberystwyth University (Old College)

### Total project cost

£27,619,895

### Grant amount (award date)

£849,500 (development April 2017)

£9,732,300 (delivery December 2019)

### Project status and % of grant paid

Delivery 3%

### Latest report

Capital works have not yet started. COVID-19 has caused delays and cost increases but planning work continues.

# Progress on projects over £5million

## Newport Transporter Bridge – Repair, Restoration and Interpretation

### Country or area

Wales

### Applicant

Newport City Council

### Total project cost

£13,206,900

### Grant amount (award date)

£1,052,800 (development April 2018)

£8,756,000 (delivery December 2020)

### Project status and % of grant paid

Development 43%, Delivery 0%

### Latest report

Permission to start granted March 2021.

## Norwich Castle: Gateway to Medieval England

### Country or area

Midlands & East

### Applicant

Norfolk County Council

### Total project cost

£13,344,289

### Grant amount (award date)

£462,400 (development April 2016)

£8,756,800 (delivery September 2018)

### Project status and % of grant paid

Delivery 29%

### Latest report

Permission to start was granted in January 2019. The main contractor's appointment was delayed due to further design work and COVID-19 but this is now confirmed and capital works are in progress on site.

## Plymouth History Centre: Plymouth's role in History and History's role in Plymouth and the South West

### Country or area

London & South

### Applicant

Plymouth City Council

### Total project cost

£33,326,900

### Grant amount (award date)

£940,300 (development April 2014)

£14,833,200 (delivery July 2016)

### Project status and % of grant paid

Delivery 90%

### Latest report

Renamed 'The Box'. Project complete and opened in September 2020.

## Remaking Beamish

### Country or area

North

### Applicant

Beamish Museum

### Total project cost

£17,884,275

### Grant amount (award date)

£603,800 (development July 2014)

£10,891,200 (delivery October 2016)

### Project status and % of grant paid

Delivery 38%

### Latest report

A number of project elements/buildings are now complete and operational. Spains Field Farm is also substantially complete and work on the 1950s Front Street Terrace, Police Houses and Aged Miners Home is continuing after delays caused by COVID-19 restrictions. All learning and participation activity was progressing well however the whole Beamish site was then closed due to COVID-19 and so this will be a focus after re-opening in 2021. The scheme received a grant-in-aid Heritage Capital Kickstart Fund grant of £975,500 in December 2020 (amount not included in this summary).

## Revising Nottingham Castle – 1,000 years of History

### Country or area

Midlands & East

### Applicant

Nottingham City Council

### Total project cost

£29,358,400

### Grant amount (award date)

£599,500 (development April 2014)

£13,883,400 (delivery December 2016)

### Project status and % of grant paid

Delivery 93%

### Latest report

Capital works to the Ducal Palace, the new visitor centre and the landscaping are now complete and the Castle is due to open for visitors in June 2021. The capital works to the Brewhouse Yard will be completed by Autumn 2021 to facilitate further access and interpretation.

## Silverstone Heritage Experience and Collections and Research Centre

### Country or area

Midlands & East

### Applicant

Silverstone Heritage Ltd

### Total project cost

£21,599,651

### Grant amount (award date)

£446,000 (development April 2013)

£9,964,500 (delivery January 2017)

### Project status and % of grant paid

Delivery 99%

### Latest report

Capital works were completed in 2019 and the Experience was formally opened in March 2020. The site then closed during the pandemic. Silverstone Heritage Ltd has received emergency COVID-19 support from the Heritage Fund and other partners. They plan to open as the 'Silverstone Interactive Museum' in May 2021.

## Tees-Swale: naturally connected

### Country or area

North

### Applicant

North Pennines AONB Partnership

### Total project cost

£8,688,051

### Grant amount (award date)

£414,200 (development May 2018)

£5,723,700 (delivery June 2020)

### Project status and % of grant paid

Development 42%, Delivery 0.7%

### Latest report

Delivery phase grant of £5,723,700 awarded by the Board at their June 2020 meeting. Permission to start was granted in September 2020 and the initial phase of work has mainly been focused on the recruitment of project staff and trainees. All staff are now in place with works on the ground looking to begin in Spring 2021.

## The Burrell Collection Refurbishment Project

### Country or area

Scotland

### Applicant

Glasgow City Council

### Total project cost

£58,125,549

### Grant amount (award date)

£1,000,000 (development May 2015)

£14,000,000 (delivery October 2017)

£1,500,000 (grant increase November 2020)

### Project status and % of grant paid

Delivery 77%

### Latest report

Construction work completion is due on 18 June 2021. The exhibition fit-out works are due to be completed by October 2021 and the installation works by January 2022 ahead of a public opening in the Spring. The access and improvement works to the wider park are being progressed, and activity work remains on target.

# Progress on projects over £5million

## The Canterbury Journey

### Country or area

London & South

### Applicant

Canterbury Cathedral

### Total project cost

£24,892,659

### Grant amount (award date)

£930,400 (development April 2014)

£12,849,500 (delivery September 2016)

£975,800 grant increase May 2021 to make a new total grant of £13,825,300

### Project status and % of grant paid

Delivery 87%

### Latest report

The project has continued despite the severe challenges of COVID-19. Work had to stop in March 2020 but was able to resume under COVID-19-safe conditions in May 2020. A grant increase was approved in May 2021, cover part of the increased cost as a result of COVID-19 delays.

## The Citizens Theatre redevelopment

### Country or area

Scotland

### Applicant

Citizens Theatre

### Total project cost

£18,030,148

### Grant amount (award date)

£500,000 (development June 2014)

£4,795,000 (delivery December 2017)

### Project status and % of grant paid

Delivery 14%

### Latest report

Project in delivery. Construction programme and risks continue to be monitored.

## "The Hold": A Suffolk Archives Service for the 21st Century

### Country or area

Midlands & East

### Applicant

Suffolk County Council

### Total project cost

£19,736,843

### Grant amount (award date)

£538,100 (development April 2016)

£10,363,700 (delivery March 2018)

### Project status and % of grant paid

Delivery 85%

### Latest report

The construction of a new archive building on Ipswich Waterfront is now complete and new exhibitions have been installed. Opening has been delayed by COVID-19 but this is now planned for Summer 2021. Activities have continued digitally and these will continue through to Autumn 2022.

## The North's greatest 'Cathedral of Commerce' Rochdale Town Hall: from Co-operation to Common Wealth

### Country or area

North

### Applicant

Rochdale Borough Council

### Total project cost

£14,620,178

### Grant amount (award date)

£688,700 (development May 2018)

£8,256,700 (delivery September 2020)

### Project status and % of grant paid

Delivery 0%

### Latest report

The project is in early stages of delivery having achieved permission to start in January 2021. Restoration packages of work are about to go out to tender. It is expected the building will re-open in 2023.

## The Piece Hall – Halifax Heritage

### Country or area

North

### Applicant

Calderdale Council

### Total project cost

£10,770,888

### Grant amount (award date)

£239,700 (development February 2010)  
£7,000,000 (delivery July 2012)

### Project status and % of grant paid

Delivery 95%

### Latest report

The Piece Hall has exceeded its visitor targets by 56%. The activity programme continues to be delivered well.

## The Renewal of Pitzhanger Manor

### Country or area

London & South

### Applicant

Ealing Council

### Total project cost

£11,224,399

### Grant amount (award date)

£275,200 (development May 2014)  
£5,078,600 (delivery March 2017)

### Project status and % of grant paid

Delivery 97%

### Latest report

The capital works are complete and the remaining activities are being reconsidered/reprogrammed as the House and Gallery are currently closed due to COVID-19.

## David Livingstone's Birthplace

### Country or area

Scotland

### Applicant

The Scottish National Memorial  
to David Livingstone Trust

### Total project cost

£9,079,186

### Grant amount (award date)

£334,200 (development June 2015)  
£6,280,900 (delivery March 2017)

### Project status and % of grant paid

Delivery 69%

### Latest report

Capital works impacted by COVID-19 and opening delayed to July 2021.

## The Sill: Unspoilt Landscapes, Inspiring People

### Country or area

North

### Applicant

Northumberland National Park Authority

### Total project cost

£13,593,300

### Grant amount (award date)

£399,200 (development April 2012)  
£7,748,000 (delivery January 2015)

### Project status and % of grant paid

Delivery 100%

### Latest report

The building opened in July 2017 and all capital and interpretation works are complete. The final elements of the activity programme have now been delivered, following delays due to COVID-19 restrictions, and the final report and evaluation is due to be submitted soon.

# Progress on projects over £5million

## The Temperate House Project

### Country or area

London & South

### Applicant

Royal Botanic Gardens, Kew

### Total project cost

£34,250,148

### Grant amount (award date)

£890,900 (development April 2011)

£15,650,600 (delivery July 2014)

### Project status and % of grant paid

Delivery 90%

### Latest report

Capital works are complete and activities ongoing, although delayed due to lockdown and the impact of COVID-19. Grant Expiry Date extended to 30 September 2021.

## Tomorrow's Museum for Dorset: Re-Imagining Dorset County Museum

### Country or area

London & South

### Applicant

Dorset Natural History and Archaeological Society

### Total project cost

£15,409,625

### Grant amount (award date)

£483,900 (development May 2015)

£11,349,200 (delivery October 2017)

### Project status and % of grant paid

Delivery 91%

### Latest report

Capital works about mid-way through and contractors are still on-site. The museum is closed currently closed to the public and it is expected that re-opening will be delayed due to the COVID-19 restrictions. A Heritage Capital Kickstart Fund grant increase of £979,000 was awarded in September 2020.

## Unlocking the Geffrye

### Country or area

London & South

### Applicant

Geffrye Museum Trust

### Total project cost

£17,630,633

### Grant amount (award date)

£425,300 (development April 2015)

£11,941,900 (delivery March 2017)

### Project status and % of grant paid

Delivery 95%

### Latest report

Capital works have been completed and the museum, renamed the Museum of the Home, is due to open on 12 June 2021. Delays due to COVID-19 restrictions. A Heritage Capital Kickstart Fund grant increase of £692,000 was awarded in December 2020 (amount not included in this summary). Activities are on-going, but reduced and delayed because of the restrictions. Grant Expiry Date of 31 December 2021 might require an extension.

## Unlocking the Severn for People and Wildlife

### Country or area

Midlands & East

### Applicant

Canal & River Trust

### Total project cost

£18,889,350

### Grant amount (award date)

£233,100 (development April 2016)

£10,577,200 (delivery July 2018)

£590,000 grant increase in December 2020 to make a new total grant of £11,167,200

### Project status and % of grant paid

Delivery 78%



## Latest report

Permission to start was signed off in November 2018. Construction works progressed well until all four weir location sites closed in March 2020 due to COVID-19 for a period of six weeks. Sites re-opened in May 2020. Bevere fish pass was completed and opened in August 2020. The sites at Diglis, Lindcomb and Holt Weir were closed in November 2020 due to heavy rainfall leading to flooding of all sites and poor access. Diglis and Lindcomb Weir re-opened in January 2021 to allow construction to continue and fish passes are due to be completed by April 2021. The internal renovation works and workshop redecoration have been completed. Construction works at Holt weir will resume in April 2021 and are due for completion by October 2021. A programme of activities and engagement has continued online.

## Unlocking the UK's Sound Heritage

### Country or area

London & South

### Applicant

The British Library

### Total project cost

£18,847,834

### Grant amount (award date)

£215,900 (development April 2015)  
£9,353,000 (delivery March 2017)

### Project status and % of grant paid

Delivery 31%

### Latest report

Project is well underway and progress was good up until the COVID-19 crisis. The majority of project costs are for staff, around 70 staff are employed, and due to the equipment required cannot work from home, so there may be some impact on final outputs.

## V&A at Dundee

### Country or area

Scotland

### Applicant

Dundee City Council City Development

### Total project cost

£84,358,156

### Grant amount (award date)

£200,000 (development April 2012)  
£13,900,000 (delivery January 2015)

### Project status and % of grant paid

Delivery 100%

### Latest report

Project now complete and final payment made in April 2020.

## Windermere Steamboat Museum

### Country or area

North

### Applicant

Lakeland Arts

### Total project cost

£12,675,245

### Grant amount (award date)

£494,000 (development April 2011)  
£12,076,400 (delivery July 2015)

### Project status and % of grant paid

Delivery 100%

### Latest report

The museum opened to the public in March 2019. COVID-19 has been challenging but Heritage Emergency Fund and Culture Recovery Fund awards have supported the museum to reopen in May 2021 with an improved physical and digital experience.





