



## **The National Lottery Heritage Fund**

National Heritage Memorial Fund National Lottery Distribution  
Annual Report and Accounts for the year ended 31 March 2019



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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 2018–19: – a statement from the Chief Executive**

2018–19 was without doubt an exceptionally busy and important year for The National Lottery Heritage Fund. The work we undertook during this period has built on the previous year's preparations and changes. The fact that at the same time we successfully delivered the corporate priorities we set at the start of the year is a testament to the commitment of all the teams who deliver our National Lottery distribution business, the leadership of the Board and the strength of the Leadership Team.

We delivered the last year of our strategic framework for 2013–2018, an investment cycle that funded over £1.5 billion into heritage across the UK, and we launched our new Strategic Funding Framework, starting in April 2019 and running through to 2024. During this cycle we shall be investing around £1.2 billion into heritage.

This year we also changed our brand identity from the Heritage Lottery Fund (HLF) to The National Lottery Heritage Fund. In January 2019 we launched our new Strategic Funding Framework and our new brand at an event at the British Library with the Minister for Arts, Heritage and Tourism present. The new brand has been developed as part of the National Lottery family's revised approach to branding and recognition for the National Lottery as part of the wider One National Lottery family. The work on the new brand was undertaken with other National Lottery family members, in particular the National Lottery Community Fund (formerly the Big Lottery Fund). The new logo and identity were

signed off by the Gambling Commission and relevant permissions and legal registrations put in place.

Our new website, developed to improve user experience and accessibility, was also launched under the new brand at the same time. Together with the changes to the structure delivered through our business transformation programme, Shaping Our Future Business, these changes will allow us to acknowledge the contribution of the National Lottery to the UK's heritage more clearly, strengthen the profile given to funding by organisations, and help us deliver on the Corporate Strategy.

The new strategic framework sees a huge shift in devolution of our grant-giving across the UK. From April 2019 decisions on around 80% of all funding by The National Lottery Heritage Fund will be made in Scotland, Northern Ireland, Wales and three new English areas.

Our new 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 our 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 friendly
- simpler, streamlined and more efficient funding
- greater engagement and support to help 13 deprived communities that have in the past been less successful in securing funding
- continued support for large-scale, iconic projects over £5 million

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

- National Lottery Grants for Heritage – an open programme for any type of heritage project from £3,000 to £5 million

- heritage funding campaigns designed to fulfil strategic needs or address funding gaps. The first two campaigns will launch in 2019, focusing on helping:
  - organisations build their capacity and organisational resilience
  - to build digital capabilities
- 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
- two rounds of major grants of over £5million in 2020–21 and 2022–23

This overall approach and portfolio reflects the extensive consultation exercise we undertook in 2017–18 with National Lottery players and key stakeholders across the heritage sectors. It also delivers on our commitment to implement the recommendations on our 2017 Tailored Review.

We have also continued to plan for movements in our National Lottery income and last year saw the benefits we initiated in 2017–18 as we aligned our reserves, income and commitments in a financially secure and sensible manner. Our significant and important progress is, pleasingly, aligned with stronger income projections for National Lottery income over the medium term.

Jointly with the other distributors of National Lottery funds, we have increased our focus on the role of National Lottery funding in benefiting communities across the UK and the contribution that National Lottery players make. In December 2017, with extensive support from current and past recipients of our grants, we opened up 425 heritage sites across the UK with special benefits to National Lottery players as part of a wider 'Thanks To You' campaign initiated by Camelot and the National Lottery distributors. That campaign was even more successful in 2018–19 and we will continue this theme into 2019–20 as part of the celebration of the 25th anniversary of The National Lottery.

2018–19 saw new policy directions for the UK, Scotland and Wales and for the first time in England too. These have been reflected in our new funding framework.

The other major work areas in 2018–19 centred on our business transformation programme. This included an extensive consultation and design process to establish a new design for the Fund. This was subject to staff consultation during the summer and autumn of 2018. We then consulted with our recognised trade unions over the winter and began a transition to the new structure in January 2019. This was completed by the end of March 2019.

The new structure will focus on delivering our ambition of "inspiring, leading and resourcing the UK's heritage". The departmental structure is from 1 April 2019:

- Business Innovation and Insight – focused on leading and driving the context, insight and direction of our ambition
- Business Delivery – focused on delivering our ambition via strategic partnerships, engagement and investment across the UK at local level
- Business Services – focused on enabling, partnering and supporting our ambition

Business Delivery will continue its delivery model across the whole of the UK included three new English areas amalgamated from our existing English regions: North; Midlands & East; and London & South.

We have started work on the feasibility of a new investment management system with a view to come on stream in 2020. We have created a new, dedicated, digital insight and development team to help support this. We have also continued to rationalise and improve our estate, delivering better quality accommodation for our teams and better value for money for National Lottery players.

Finally, let me thank all our staff who work on National Lottery grants. They work with great integrity and professionalism, are truly committed to the work of The National Lottery Heritage Fund and provide an exceptional and valued service to the nation's communities and heritage. They have continued to deliver exceptional support despite this being a year of major change and transition.

# Report of the Trustees and Accounting Officer

## 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 the Department of Digital, Culture, Media and Sport. All sums received from the licensee of the National Lottery under section 5(6) are paid to the Secretary of State for Digital, Culture, Media and Sport 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 Digital, Culture, Media and Sport 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 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 Digital, Culture, Media and Sport 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 aims to give grants to sustain and transform our heritage, making a lasting difference for heritage, people and communities:

- Over the last 24 years we have been trusted



by the public, stakeholders and successive governments to distribute National Lottery money wisely, supporting successful heritage projects right across the UK.

- We are an expert grant maker, experienced in ensuring that our funding achieves great results. We are independent, considered and focused on quality.
- We have developed the relationships and skills to work with others to improve heritage and quality of life across the UK.
- Thanks to National Lottery players our investment has had an enormous impact on the nation's heritage, transforming it for people and communities. With around £225million to distribute next year, The National Lottery Heritage Fund remains one of the most important sources of funding and will continue to make investments that unlock the huge potential of the UK's heritage.

### **Our key issues and risks**

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

Trustees consider the risks faced by the organisation at Board meetings and through the Audit and Risk Committee.

A register is created of the highest level risks, which is reviewed on a regular basis. Details are set out in the Governance Statement on page 19.

The principal risk in the past year was the potential decline in National Lottery funding, which has emerged after some record years of income. We have worked with the Department for Digital, Culture, Media and Sport (DCMS), the Gambling Commission and Camelot to provide better strategic analysis of long-term trends, game/product mix and market share to understand this risk better.

We continued to work closely with the interested parties to understand and improve the income projections in both the short and long term. We also took action to more readily align our commitments, reserves and income. This has been effectively managed during the year, our financial position

has improved and the projections for income now appear more stable and reliable.

We also recognise that the re-letting of the National Lottery licence over the next few years may bring potential types of risk to us in terms of income, operator etc. We will work closely through the Lottery Forum of National Lottery Distributors to ensure that DCMS and the Gambling Commission are sighted on these risks and understand their possible impacts on our investment.

One of our continuing risks is the danger to our existing National Lottery investments from changes in the heritage sector in terms of funding, asset ownership and maintenance, organisational capacity and capability and changing business models. This is a complex and complicated risk varying in different ways and different timings across the UK. Our operational teams remain alert to changes in existing and past projects and early identification and discussion with grant recipients is often key to finding a solution.

We continue to monitor the potential impacts on the sector of the UK's intended departure from the European Union.

The volume and variability of workloads continue to present a risk to us. Understanding the trends and resource implications of these is a key piece of work for us. We have invested in understanding our costing, resourcing and efficiency in much more depth over the past two years and we have started to use that data in planning resources. We have successfully delivered the closure of our previous strategic framework, including a short moratorium in making larger grant awards at the end of 2018–19 to handle the transition between investment cycles.

This also links into successfully delivering our business transformation programme – changing the way we work and how we operate to become more flexible and responsive in our work. The programme focuses on reducing our operating costs and diversifying our income streams whilst leveraging more investment into the heritage sectors across the UK. Having created the optimal design for the organisation the challenge will be to embed this, bring about new ways of working and a new culture to help support that while retaining many of the positive aspects of our existing culture.

# Report of the Trustees and Accounting Officer

## Our Corporate Strategy 2018–2021

In 2017–18 we created a Corporate Strategy setting out our vision for the role of NHMF over the three years from 2018 until 2021. The Corporate Strategy reinforces the direction we have been taking for several years, setting out our role as the largest dedicated source of funding for heritage across the UK, and taking further steps towards a stronger leadership position, with a particular focus on opportunities beyond pure grant giving. In 2017–18 we undertook viability and market testing on some of the new business areas of the Corporate Strategy and through the business transformation programme have established the new organisational structure and roles which will take forward our ambitions in 2019–20.

In April 2018 we concluded consultation on the Strategic Funding Framework for 2019–2024 which strongly endorsed our new vision and role. Since 1994, our role in distributing National Lottery money has been to make 'a lasting difference for heritage and people in the UK'. We have developed a position as a heritage leader, through our influence and funding; and significant capabilities, expertise and processes supporting grant distribution. In future we will further recognise the wide-ranging benefits delivered for society through heritage and a broader role for NHMF as an enabler, both in leveraging investment for heritage from others and in developing capacity, skills and resilience in organisations and people.

Our vision is that NHMF will be a strong strategic and thought leader for the full breadth of heritage across the UK, demonstrating and championing the impact and benefits to society that heritage achieves and leveraging investment and support from others to strengthen this position. Heritage will be more widely recognised as a vital contributor to GDP, social cohesion, better places and individual wellbeing. We will deploy National Lottery income as grants, loans or other financial interventions where they will create most long-term value for society. We will maximise impact through recycling income and taking a share of increased income where appropriate, as well as leveraging non-Lottery investment in heritage from others.

## 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 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.

## Performance summary

The details set out in this section and the key performance indicators on page 12 demonstrate that we have met or bettered the substantial majority of our performance measures in 2018–19. Details of our performance against our service level targets is set out on page 7.

## 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 Digital, Culture, Media and Sport, 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.

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 53,000 applications requesting £22.8 billion. During that time we have made over 37,000 awards with a value just over £8 billion resulting in over 129,000 grant payments to a value of just under £6.5 billion.

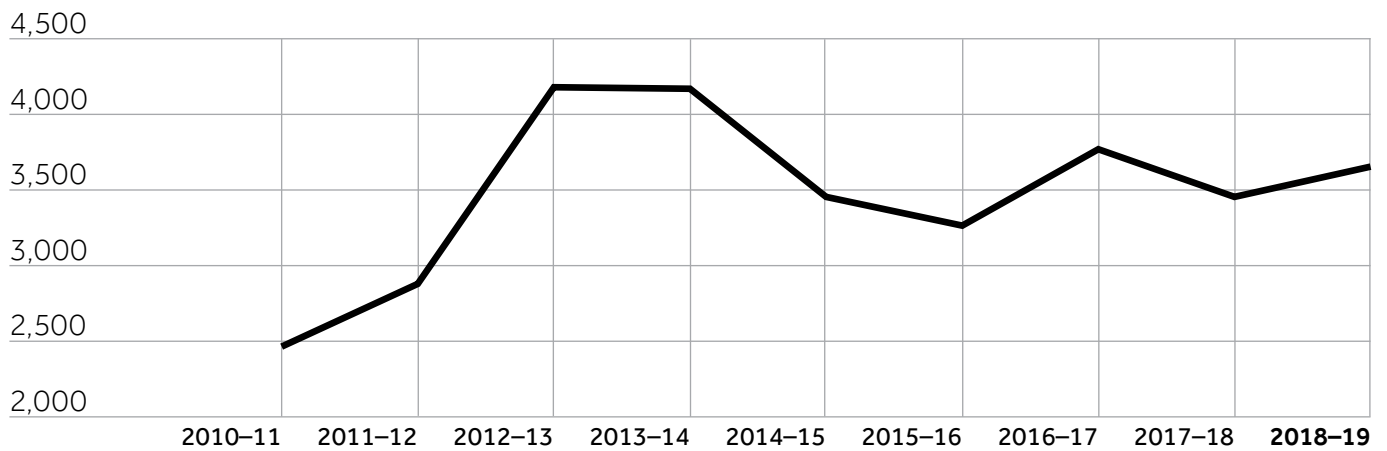
## Service level target performance for the year to 31 March 2019

|  | Year to end March 2019                     | Year to end March 2018       |
|--|--|------------------------------|
| 1 Decisions will be placed on the website of The National Lottery Heritage Fund within 20 working days of the board meeting.   | <b>100%</b>                                | 100%                         |
| 2 Grant payments will be made to the applicant on average, within nine working days from receipt of the payment request  | <b>87%</b><br><b>(average 6 days)</b>      | 88%<br>(average 6 days)      |
| 3 Application process timescales:  |  |                              |
| <b>Heritage Grants round 1:</b><br>12 weeks + time to next meeting   | <b>89%</b><br><b>(average 14.0 weeks)</b>  | 98%<br>(average 14.3 weeks)  |
| <b>Heritage Grants round 2:</b><br>12 weeks + time to next meeting   | <b>88%</b><br><b>(average 15.1 weeks)</b>  | 90%<br>(average 16.7 weeks)  |
| <b>Heritage Grants major batch round 2:</b><br>12 weeks + time to next meeting   | <b>100%</b><br><b>(average 14.4 weeks)</b> | 86%<br>(average 14.1 weeks)  |
| <b>Heritage Enterprise round 1:</b><br>12 weeks + time to next meeting   | <b>76%</b><br><b>(average 13.6 weeks)</b>  | 97%<br>(average 13.7 weeks)  |
| <b>Heritage Enterprise round 2:</b><br>12 weeks + time to next meeting   | <b>73%</b><br><b>(average 20.3 weeks)</b>  | 100%<br>(average 14.1 weeks) |
| <b>Landscape Partnerships round 2:</b><br>16 weeks + time to next meeting  | <b>100%</b><br><b>(average 15.4 weeks)</b> | 100%<br>(average 15.6 weeks) |
| <b>Grants for Places of Worship round 1:</b><br>12 weeks + time to next meeting  | <b>Not applicable</b>                      | 98%<br>(average 16.4 weeks)  |
| <b>Grants for Places of Worship round 2:</b><br>12 weeks + time to next meeting  | <b>99%</b><br><b>(average 9.9 weeks)</b>   | 98%<br>(average 9.9 weeks)   |
| <b>Townscape Heritage round 2:</b><br>12 weeks + time to next meeting  | <b>80%</b><br><b>(average 17.3 weeks)</b>  | 100%<br>(average 15.0 weeks) |
| <b>First World War: Then and Now:</b><br>8 weeks + time to next meeting  | <b>97%</b><br><b>(average 7.3 weeks)</b>   | 96%<br>(average 7.3 weeks)   |
| <b>Our Heritage:</b><br>8 weeks + time to next meeting   | <b>96%</b><br><b>(average 7.3 weeks)</b>   | 98%<br>(average 6.9 weeks)   |
| <b>Sharing Heritage:</b><br>8 weeks + time to next meeting   | <b>95%</b><br><b>(average 7.3 weeks)</b>   | 97%<br>(average 6.9 weeks)   |
| <b>Young Roots:</b><br>8 weeks + time to next meeting  | <b>97%</b><br><b>(average 7.0 weeks)</b>   | 98%<br>(average 6.9 weeks)   |
| 4 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>80.3%</b>                               | 85.7%                        |
| 5 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>90.4%</b>                               | 88.4%                        |
| 6 The proportion of applicants that find The National Lottery Heritage Fund website easy to use will be at least 87%.  | <b>79%</b>                                 | 82%                          |
| 7 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</b><br><b>(see note 1)</b>          | Met                          |

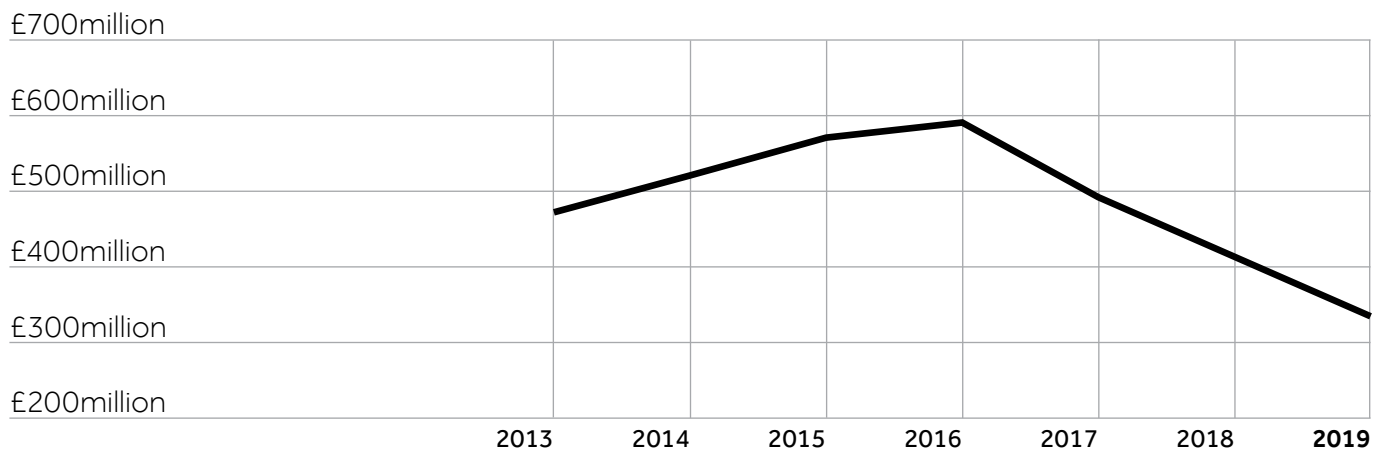
Note 1: We actively promoted a wide selection of our awards – and the impact generated by the money we distributed – via the media and our own digital channels, to raise awareness amongst potential applicants and National Lottery players. During 2018–19 our media coverage reached more than 24 million people in a typical quarter; our website attracted 100,000 users in a typical quarter, with more than 20,000 of those reading our news and stories content; our social media channels averaged a growth of 600 followers per quarter, and our newsletter achieved an above-industry-standard unique open rate of 31% per month. It should also be noted that this was in part delivered through the launch of a new website in January 2019.

## Report of the Trustees and Accounting Officer

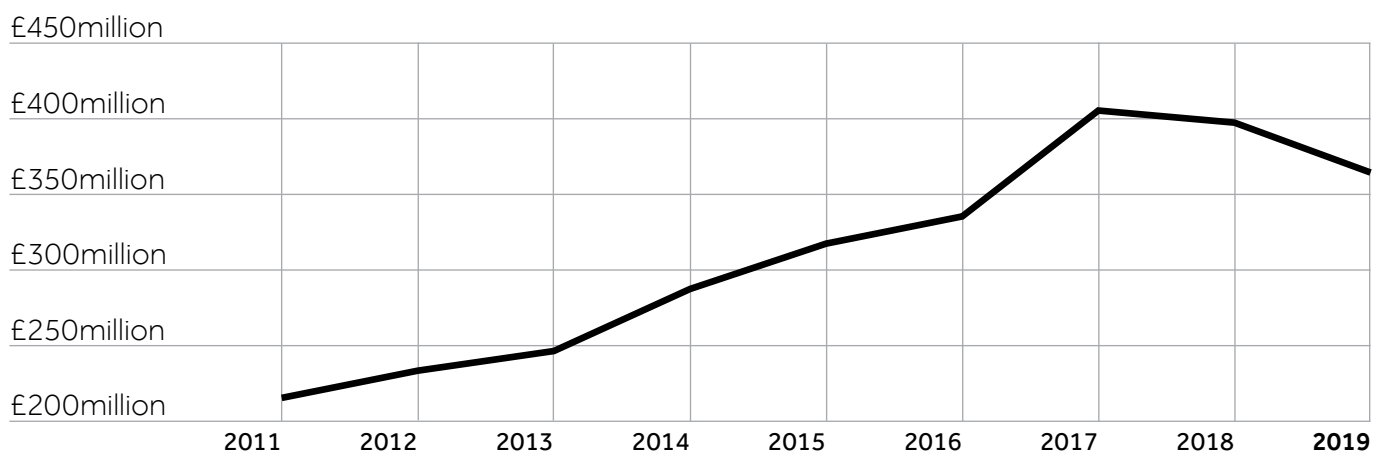
Number of Lottery applications by year



Our balance of funds at the National Lottery Distribution Fund by year



Value of grant payments by year



During 2018–19, we had over 3,600 grant applications. This number was up on last year's 3,500 and was only slightly below the recent high of 2016–17.

The value of the applications was, however, well down on recent years. We normally receive applications well in excess of £1 billion, but this year it was only just over £700 million. The absence of a major batch programme (individual awards over £5 million to prestigious projects) had a significant impact on the value if not the number of applications. Furthermore, we managed demand for grants following long-term projections which suggested a possible decline in income over time. As it was, demand of over £700 million was still more than twice the income we received in the year demonstrating the continuing popularity of our funding programmes and the seeming limitless need for support in the heritage world.

This was the final year for many of our grant programmes as our fourth strategic framework came to an end. Our new Corporate Strategy is a year old and our fifth Strategic Funding Framework is in place from April 2019 covering the next five years.

2015–16 was a record year for National Lottery ticket sales. However, our income fell from £388 million to £327 million in 2016–17, remained steady at £328 million in 2017–18 and dipped slightly this year at £322 million.

With just over £1.2 billion in existing liabilities and contingent liabilities and a National Lottery Distribution Fund (NLDF) balance just over a quarter of this level, grant budgets are being constrained as we seek to bring reserves, income and outgoings into line. We will continue to monitor income and grant payment patterns to ensure that we can support our liabilities in the medium to long-term. The chart above detailing our balance at the NLDF shows the extent of the decline, which coupled with the independent advice that income could fall led Trustees to review their approach to making round two awards. Whilst it has always been clear that receipt of a round one pass does not guarantee a round two award, all projects are now subject to a strict quality review at round two and only the stronger projects are approved. Cash flow projections continue to show that our revised policy will result in our cash balances returning to a more healthy level.

The value of grant requests in 2018–19 was 2.2 times our income (2017–18: 3.7 times) and 3.7 times our award budget (2017–18: 4 times). This means that unfortunately we had to disappoint many of our applicants. Trustees recognise the efforts made by applicants in putting together bids and sympathise with unsuccessful bidders. However, we are entirely reliant on funds generated by the National Lottery and, unless there is a sharp and sustained increase in revenue, tough decisions will have to continue.

Investment income rose to £1.6 million from £0.9 million in the previous year. The return on investments at the NLDF was 0.67% whereas it had been 0.35% in 2017–18. The rise in the Bank of England base rate in July 2018 from 0.5% to 0.75% will be the main reason for the improvement.

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 fact that our average balances at the NLDF fell in the year does not necessarily mean that our income has fallen by a similar proportion. The balance of our funds at the NLDF fell from £407 million to £338 million at the end of the financial year. While the level of our net grant awards fell slightly short of our income it is unlikely that much of the fall in the balance can be attributed to this; most of our projects take many years to pay out and the amount paid out in year one of an award is usually relatively small. The main cause of the balance decline is that our grant payments for awards made in prior years were much higher than income and remain at near record levels. Our grant budgets for 2018–19 and 2019–20 are well below our anticipated income, but we still anticipate that the balance at the NLDF will fall further as a result of the high level of awards in previous years.

The level of new grant liabilities created fell significantly from £416 million to £332 million. The fall was expected as our grant award budgets are falling, but this is not the sole factor in the level of awards. We had at 31 March 2018 a balance of £495 million of contingent liabilities (known historically

## Report of the Trustees and Accounting Officer

as round one passes) and whilst they are expected to return within a couple of years for their round two decision, we have no control over when this happens. Therefore, we can as we did in 2018–19 have a grant budget of £190million, but in fact award £332million because the budget controls the level of new projects that we expect to support through round one passes. Similarly, next year our grant budget is £225million, but the backlog of £286million of contingent liabilities means that a much higher sum than £225million will probably appear in the accounts for 2019–20.

The balance of grant liabilities fell significantly from £999million to £936million. Simply put, this was because the value of net new awards was less than the value of grant payments. However, in addition to this the value of provisions increased significantly. We create provisions which 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 contingent liabilities (round one passes) given to applicants where we await the second round decision, fell significantly from £495million to £286million. This was not surprising given that our round one budget was cut from £300million to £190million as a result of falling income and a change in the policy on over-commitment. Approximately £263million of round one passes had round two decisions in 2018–19 and another £69million were de-committed (either withdrawn by the applicant or rejected by Trustees). At the

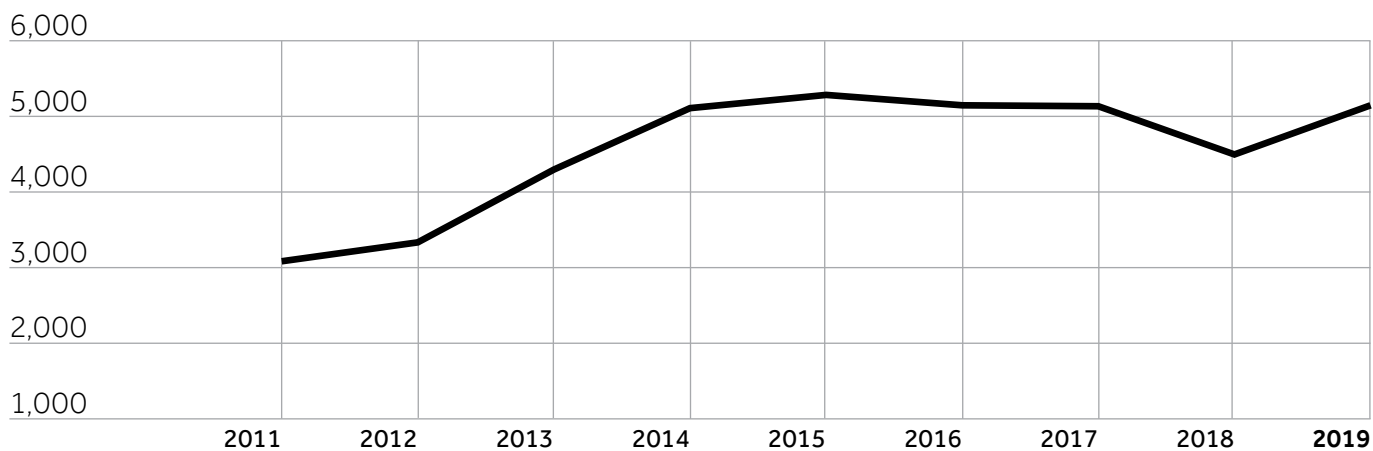
same time only £123million of new round one passes were created – hence the significant fall in the value of contingent liabilities.

Taking into account all the actual and contingent liabilities, at the end of the financial year we had committed over £0.9billion, before provisions, (at 31 March 2018: £1.09billion) more than we had in the NLDF. This level of liabilities and contingent liabilities means we have commitments to the equivalent of 3.8 years' income (at 31 March 2018: 4.6 years). The balance of contractual liabilities significantly exceeded our net assets and there was a net deficit on the statement of financial position of £593million at 31 March 2019.

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 and, whilst this dip has stabilised in both 2017–18 and 2018–19, Trustees saw independent modelling commissioned by the Gambling Commission suggesting that income levels could fall further over the medium term (see table below). The ratios are kept under regular review to ensure that they remain relevant to our way of working and the external environment. As a result we have amended the ratio on the target balance at the NLDF. It was formally a rather narrow range of £500million to £525million; it is now £400million to £500million. See ratios table below.

| Ratio  | Target range                            | at 31 March 2019   | at 31 March 2018 | at 31 March 2017 |
|--|---|--------------------|------------------|------------------|
| Total commitments to income                                | A maximum in the range 4.4:1 to 4.6:1   | <b>3.8:1</b>       | 4.6:1            | 5.2:1            |
| Net commitments to income (ie total commitments less cash) | A maximum in the range 3.0:1 to 3.2:1   | <b>2.8:1</b>       | 3.3:1            | 3.7:1            |
| Hard commitments to cash                                   | A maximum in the range 2.3:1 to 2.5:1   | <b>2.8:1</b>       | 2.5:1            | 2.1:1            |
| Cash at the National Lottery Distribution Fund             | In the range £400million to £500million | <b>£338million</b> | £407million      | £497million      |

## Projects under monitoring by year (number)



Overall our operating costs rose by 10% during the year as a result of investment in delivering the Corporate Strategy. The rise was expected and had been incorporated into our operating budget for 2018–19. As a result of our Corporate Strategy, which was issued at the start of the financial year, we knew that we needed to undertake a fundamental restructuring of the organisation in order to deliver on the promises set out in the strategy (known as 'business transformation'). It was inevitable that the restructuring, along with associated changes to our estates and information technology, would result in a short-term increase in our costs. However, we believe that our underlying cost base has not increased when compared with 2017–18.

Staff costs rose 6% as average staff numbers increased slightly to handle our business transformation projects. In addition, a few staff took advantage of a voluntary exit scheme resulting from the transformation work and there was a large increase in our holiday pay provision, probably due to Easter being later this year.

Other operating charges rose by 20% for the reasons given above. Despite spending £23.9million on our administration costs for distributing National Lottery money, we believe that the organisation remains a highly efficient distributor of funds from the National Lottery. Evidence for this is shown in the chart titled 'Actual operating costs vs inflated 2003–04 costs per year' and by our meeting the efficiency target set by DCMS despite the sharp decline in income that occurred a few years ago.

The number of projects under monitoring (uncompleted projects that have received awards) has risen significantly in recent years; although the number dipped slightly in 2017–18 following an extensive exercise to weed out projects that had come to their conclusion without being recorded as such on our system. Ensuring that projects progress successfully is a major task requiring significant resource in terms of staff and the appointment of mentors and monitors to oversee the work carried out and report back to us on any issues. This helps to explain the levels of our administration costs in recent years.

Our operating costs also benefit from two contributions from central government bodies:

- From the National Lottery Community Fund towards the cost of running the Parks for People programme, to which it contributes some grant funding. Its contribution fell from £272,000 to £220,000 as the joint programme stopped making new round one passes in 2017–18.
- From the Committee on Climate Change towards the cost of its occupation of part of the first floor at our London office. The Committee on Climate Change has been accommodated since May 2011 and its contribution is in terms of rent and service charges. During 2018–19 it was charged £111,000 (2017–18: £122,000).

## Report of the Trustees and Accounting Officer

In 2018–19, our operating costs as a proportion of our income were as follows:

|   | Target    | Actual 2018–19 | Actual 2017–18 | Actual 2016–17 | Actual 2015–16 | Actual 2014–15 | Actual 2013–14 |
|---|-----------|----------------|----------------|----------------|----------------|----------------|----------------|
| Operating expenditure as a proportion of total income | <b>8%</b> | <b>6.9%</b>    | 6.6%           | 6.9%           | 5.2%           | 5.1%           | 5.7%           |

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 despite the significant increase in applications and awards over recent years we continue to meet our service level targets for both applicants and grantees. Further information on our service level targets is available on page 7.

### 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 the year we created our current operating structure (2003–04) and increased in line with HM Treasury's gross domestic product (GDP) deflator, an estimate of the general level of inflation in the UK economy. Our costs have risen by 10% for reasons given above. Despite this, Trustees note that at £23.9million, the operating costs for 2018–19 are £6.3million (or 21%) lower than inflation since 2003–04 would have suggested, representing a significant real-terms reduction in

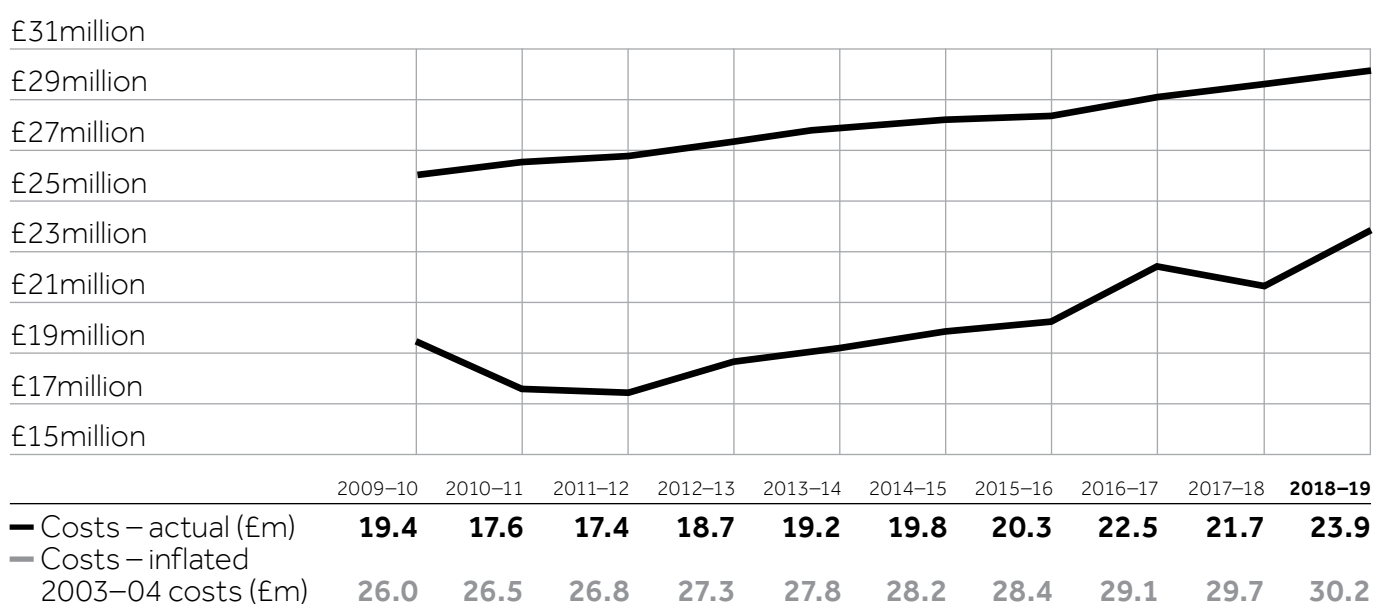
operating costs and releasing extra funds for grants. If the Retail Price Index was used, rather than the GDP deflator, costs would be £10.8million (or 45%) higher than they actually were (or using the Consumer Price Index our costs would be £7.7million higher).

Trustees are pleased to note that the DCMS target continues to be met. DCMS previously had two targets, but dropped one on the cost of processing Lottery applications at the end of 2017–18. DCMS also changed the method of calculating the remaining target to make the results less prone to fluctuations caused by movements in income levels – reporting can now include average income over three years and exclude VAT from administrative costs as well as exceptional items. In 2018–19, we excluded exceptional, one off non-recurring costs. This is allowed under the agreement with DCMS over the production of this number.

### Payables

NHMF adheres to the government-wide standard on bill-paying and the Public Contracts Regulations

### Actual operating costs vs inflated 2003–04 costs by year





2015, which states that all valid bills should be settled within 30 days. In 2018–19 the average age of invoices paid was six working days (2017–18: five working days). Over 96% of invoices were paid within 30 calendar days (2017–18: 96%).

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 2019 the figure was 35 days (2017–18: 30 days). The figure is much higher at the year-end than at other times of the year because we encourage suppliers to submit their invoices before the year concludes.

### **Environmental policies and sustainability reporting**

HM Treasury requires all public sector bodies to produce an annual sustainability report. The compilation of this data is unfortunately not an exact science. For example very few of the landlords of our 10 regional and country offices are prepared to provide us with figures for kilowatt hours of gas or electricity used nor are they able to bill quickly enough after a year-end to provide figures in time for the production of these year-end accounts. Furthermore, our current policy is to end our leasehold property occupancies and switch to short-term serviced offices. This will allow us to become more agile in that we can now open smaller offices in a greater number of locations bringing us closer to our heritage customers. However, it is not practical or appropriate for the operators of serviced offices to allocate power usage to their customers on unsupportable bases. This means that we have to use estimates for most offices.

The second table (on page 14) reports data on a full-time equivalent basis (FTE), i.e. the level of consumption per member of staff. However, as we also include emissions incurred by non-members of staff, e.g. Trustees, committee members and certain suppliers, the comparability of some of these numbers, over the years and with other organisations, is difficult to support. Finally, the conversion factors used to calculate the carbon dioxide equivalent of our emissions often vary year on year.

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.

### **Summary of performance**

Our greenhouse gas emissions have fallen slightly in 2018–19 on a gross basis and also when looking at the numbers on an FTE basis.

NHMF has control over only one of the properties that it occupies, which is its headquarters at Holbein Place in London. In 2010–11 we replaced the chillers for the air conditioning and the 25-year-old gas boilers for the heating and installed sensor-controlled lighting that is both movement – and daylight-sensitive. Having undertaken such a major refit there is very little scope for further reducing greenhouse emissions in the one office we control. Specifically, we would not consider any significant expenditure for long-term benefits until we had renewed our lease at Holbein Place, which had a rent review scheduled for the autumn of 2019. As it is, we have given notice and will be moving to significantly smaller premises over the summer of 2019.

In the 10 other properties we occupy we are wholly reliant on the landlord (or provider of serviced offices) to improve performance and that is unlikely to happen between major refurbishments. Our room for further improvement in scopes one and two emissions is therefore extremely limited. Over the years we have relocated some of our regional and country offices into smaller premises or serviced offices, which will have reduced consumption – three such moves happened in 2018–19 and this may be part of the reason for the fall in emissions.

Since May 2011, we have also rented out part of one floor of Holbein Place with the effect of reducing the consumption that we report; although in 2016–17 the space rented out was reduced.

As a part of our business transformation programme, we are instigating changes that should result in further reduced carbon emissions. These include changes to our home-working policies; hot-desking, where we have fewer desks than staff allowing us to occupy smaller premises; and moving to a

# Report of the Trustees and Accounting Officer

## Sustainability reporting

| Area   | 2018-19        | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|--|----------------|---------|---------|---------|---------|---------|
| Greenhouse-gas emissions – scopes 1, 2 & 3 which incorporates business travel including international air and rail (tonnes CO <sub>2</sub> equivalent) | <b>365</b>     | 410     | 417     | 635     | 591     | 489     |
| Estate energy – consumption (mkWh)   | <b>1.1</b>     | 0.9     | 0.7     | 1.1     | 1.1     | 0.9     |
| – expenditure (£)  | <b>476,020</b> | 437,986 | 486,315 | 488,361 | 429,425 | 445,624 |
| Estate waste – amount (tonnes)   | <b>23</b>      | 26      | 23      | 28      | 26      | 28      |
| – expenditure (£)  | <b>24,421</b>  | 25,908  | 19,115  | 13,268  | 14,095  | 12,400  |
| Estate water – consumption (m <sup>3</sup> )   | <b>3,455</b>   | 3,927   | 4,040   | 4,350   | 4,889   | 5,655   |
| – expenditure (£)  | <b>5,787</b>   | 10,703  | 12,089  | 7,413   | 11,825  | 14,182  |

## Sustainability reporting normalised by average full time equivalent (FTE) staff employed in the period

| Area per FTE   | 2018-19      | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|--|--------------|---------|---------|---------|---------|---------|
| Greenhouse-gas emissions – scopes 1, 2 & 3 which incorporates business travel including international air and rail (tonnes CO <sub>2</sub> equivalent) | <b>1.2</b>   | 1.4     | 1.4     | 2.3     | 2.3     | 1.9     |
| Estate energy – consumption (kWh)  | <b>3,530</b> | 2,899   | 2,524   | 4,105   | 4,134   | 3,595   |
| – expenditure (£)  | <b>1,581</b> | 1,470   | 1,648   | 1,744   | 1,639   | 1,716   |
| Estate waste – amount (tonnes)   | <b>0.1</b>   | 0.1     | 0.1     | 0.1     | 0.1     | 0.1     |
| – expenditure (£)  | <b>5</b>     | 87      | 65      | 47      | 54      | 48      |
| Estate water – consumption (m <sup>3</sup> )   | <b>11</b>    | 13      | 13      | 16      | 19      | 22      |
| – expenditure (£)  | <b>19</b>    | 36      | 41      | 26      | 45      | 55      |

'networked offices' policy for offices meaning that staff can live nearer to their customers reducing the necessity of travel.

### Greenhouse gas emissions

Direct energy emissions relate to gas used in boilers operated by NHMF and emissions given off through our use of air conditioning in our London headquarters. Information about gas consumption in kilowatt hours is derived from our suppliers' invoices. Kilowatt hours are converted to carbon dioxide equivalent tonnes using a conversion factor derived from the tables UK Government GHG Conversion Factors for Company Reporting.

These tables are available at [www.gov.uk/government/collections/government-conversion-factors-for-company-reporting](http://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting). The most recent factors available were published in June 2018.

Indirect energy emissions relate to electricity generated by other organisations and sold directly to us as well as heating that we buy from landlords of our country and regional offices. Information about consumption in kilowatt hours is obtained from our landlords where possible, although their

methodologies can vary. Kilowatt hours are converted to carbon dioxide equivalent tonnes using the relevant conversion factor. We are heavily reliant on our landlords to improve efficiency.

Most of our travel is by rail and our main ticket supplier provides us with details of the carbon dioxide equivalent emissions for all journeys undertaken. Similarly, our main car hire supplier provides us with data on these emissions. Staff are required to update department spreadsheets with information about all other journeys undertaken by staff, Trustees, committee members, expert panellists and suppliers on our Register of Support Services (ROSS) (in effect the monitors and mentors that we appoint to oversee projects that we are co-funding). Department heads are tasked to ensure that their staff record all their travel. The information gathered is converted to tonnes of carbon dioxide equivalent using the relevant parts of the same tables of conversion factors.

### Waste

Waste generation has remained stable in 2018-19, but we anticipate that the figure will increase in 2019-20 for two reasons. We will be relocating

our head office, which will inevitably result in the disposal of furniture, equipment and the general build-up of effects over the years as the new office is much smaller and will have far less storage. Secondly, we closed our main offsite storage facility at the end of 2017–18. Thereupon, we started a digitisation process of our records that will allow us to destroy hard copy records of much of what was created since we started distributing funds from the National Lottery. This project is still ongoing and so the waste will probably be created in 2019–20.

However, we have to be careful about the accuracy of the overall numbers because, as discussed below, there is no reliable measure of the amount of waste we generate, as it is simply taken away by councils, and it would not be an appropriate use of resources to procure weighing equipment simply for the purpose of improving our reporting of this figure. We will continue to seek a practical solution to calculating a reliable figure.

NHMF does not generate any hazardous waste. Further analysis of what happened to the waste we generated is not possible. All non-recycled waste is collected by councils local to the offices in which we operate. We do not know what they do with that waste and have made assumptions as to where the waste goes in order to produce the figures table on page 14. Only the Royal Borough of Kensington & Chelsea invoices us separately, but we also include the cost of securely removing shredded paper into the figures. We strive to reduce the amount of paper that we use and then, inevitably, throw away and our expenditure on photocopying in 2018–19 has fallen significantly as we have gently encouraged staff to reduce their usage. This was done by reducing the number of printers and requiring staff to log on to the machines to obtain their prints. We also changed supplier and now deal directly with the manufacturer rather than going via an agent.

Our country and regional offices are small enough to weigh the waste they generate. There is no reliable way to measure the much greater volume of waste removed by the Royal Borough of Kensington & Chelsea because the council does not tell us the weight of what they remove.

We have therefore estimated the amount of waste generated per person based on an estimate of the weight of a standard sack of waste.

### **Use of resources**

Water consumption fell in 2018–19. Where possible we persuade our landlords to provide information about the number of cubic metres of water consumed, which is normally based on the space we occupy rather than by individual metering. In 2015–16 we installed more efficient toilet facilities at our head office. We have also signed a fixed price contract for water supply for our head office. This has resulted in a much-reduced charge, but at the expense of the supplier not providing us with details of actual consumption.

Electricity consumption has increased over the last year as there is an additional spur for powering computer server capacity. We signed contracts to cap gas and electricity costs for our head office for 2018–19 and beyond. However, we have to accept that the weather has a bigger influence over our consumption than any improvements we can make to our energy efficiency.

### **Ros Kerslake OBE**

Chief Executive and Accounting Officer

8 July 2019

# Report of the Trustees and Accounting Officer

## Accountability report 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

Sir Peter Luff<sup>2</sup>

#### Trustees

Maria Adebawale-Schwarte<sup>1</sup>  
from 16 May 2018

Baroness Kay Andrews OBE

Anna Carragher

Sir Neil Cossons<sup>1</sup> OBE  
to 31 January 2019

Dr Angela Dean<sup>1</sup>  
to 12 June 2018

Jim Dixon

Dr Claire Feehily<sup>1</sup>

Sarah Flannigan<sup>2</sup>  
from 16 May 2018

Perdita Hunt<sup>2</sup> DL, OBE

Steve Miller<sup>1</sup>

Richard Morris OBE  
to 16 May 2018

René Olivieri<sup>2</sup>

Atul Patel<sup>2</sup> MBE  
to 16 May 2018

Dame Seona Reid DBE

David Stocker  
from 16 May 2018

Dr Tom Tew

#### Chief Executive

Ros Kerslake<sup>2</sup> OBE

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

<sup>2</sup> Member of Finance, Staffing and Resources Committee  
(which also covers remuneration)

Details of other senior managers can be found in the remuneration and staff report on page 29.

The gender split of our staff (including those on fixed term contracts) working on National Lottery-related activities and our Trustees at 31 March 2019 on a headcount basis was as follows:

|           | Male | Female | Total |
|-----------|------|--------|-------|
| Directors | 1    | 2      | 3     |
| Staff     | 71   | 197    | 268   |
| Trustees  | 6    | 7      | 13    |

### Register of Trustees' Interests

As a matter of policy and procedure, the Trustees and country and regional 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

On 30 January 2019 we launched our new Strategic Funding Framework with an event at the British Library, followed by a series of launch events in Edinburgh, Belfast and Cardiff and across England. This Strategic Funding Framework for 2019–2024 sets out our vision and the principles that will guide our National Lottery investment for the next five years. It's an ambitious framework rather than a rigid plan: we are introducing new strategic directions and ways of working to support and strengthen the UK's heritage through uncertain times, and will respond flexibly to changes and opportunities as they arise.

Our established principles of supporting the full breadth of heritage UK-wide and ensuring that heritage is enjoyed by the widest range of people were resoundingly endorsed by National Lottery players, customers and stakeholders in our consultations. We will continue this over-arching direction that, since 1994, has enabled many thousands of successful heritage projects to achieve fantastic results, transforming communities across the UK.

Subject to the performance of the National Lottery, over the next 5 years, we expect to invest around

£1.2 billion in the UK's heritage. Our ambition for the money raised by National Lottery players is to inspire, lead and resource the UK's heritage to create positive and lasting change for people and communities. We will stand up for the enormous good heritage delivers for society, using our evidence and experience to be a strong advocate with national and local governments and other agencies. We will support the capacity and resilience of the heritage sector as a whole, and encourage innovation and collaboration, including working across sectors with a wider range of partners. We have set ourselves six objectives to capture the impact of National Lottery investment in heritage up to 2024 and we will regularly measure our progress against these.

By investing a proportion, initially small, of our income in social investments, for example through loans and impact funds, we will recycle some of our funding and increase our impact, as well as building capacity in organisations to take advantage of repayable finance, and lever additional investment to grow the overall 'pot' available for heritage.

Encouraged by the recommendations of our recent Tailored Review, we'll expand our activity in other areas. We will support heritage organisations to engage internationally and benefit from exchanging knowledge and skills. We'll build digital capabilities in the sector and in our own organisation and staff, including sharing our data openly. We'll invest proactively in other strategic opportunities such as dynamic approaches to collecting, and enterprising approaches to revitalising heritage at risk, through occasional UK, country or local campaigns, and innovation and partnership funds.

For maximum flexibility in our funding, and we will have a radically streamlined grant-making portfolio, delivering the vast majority of our funding through National Lottery Grants for Heritage, an open programme for any type of heritage project from £3000 to £5 million. We have simplified our application processes and requirements, including introducing single-round grants up to £250,000. Our customers will see some immediate improvements to our online processes, with more significant changes to follow from 2020 as we modernise our digital grant-making systems to make the experience of working with us as efficient and straightforward as possible.

We are already heavily devolved in our grant-making, with local decisions on grants up to £2 million. We strongly believe these investment decisions should be taken by people who live or work in the areas and communities that benefit, and who understand the different strategic needs and distinctive character of the heritage across the four countries of the UK. For the first time we will delegate all funding decisions up to £5 million to committees in Scotland, Northern Ireland, Wales and three new geographical areas in England – North, Midlands and East, and London and South. This will amount to around 80% of our annual budget.

We will continue to provide great support for applicants, with a wider range of accessible and helpful digital resources. We will provide targeted help to priority applicant groups who are under-represented in our funding to support them in achieving their aspirations. By investing in technology we will be able to work more locally with communities, with a wider network of office and staff locations across the UK supporting our devolved governance structure.

The success of the National Lottery is critical to achieving our vision across the UK. Our new name and brand uses the highly-recognisable National Lottery cross-fingers logo to strengthen the association between play and the heritage good cause, and to raise awareness of the tremendous impact for heritage and communities that this significant investment delivers. Everyone benefits from a thriving National Lottery and the National Lottery players we consulted were enthusiastic advocates for promoting this good news more clearly.

In 2019–20 we will begin implementing the Framework with the launch of the open programme, the roll out of our first campaigns on digital skills and sector resilience and capacity building, and the opening of a new major awards competition (grants over £5 million) for award in 2020–21. We expect to make additional social investments in impact funds and begin developing our new investment management processes and systems to give customers a better online experience and support loans as well as grants.

To this end we have identified a new series of 13 key performance indicators to measure our success

## Report of the Trustees and Accounting Officer

in delivering our aims. These include the targets for the amount of new income generated; improved levels of investment into heritage projects from other sources; improved reputation with stakeholders etc. We will report on our success in future annual reports.

### 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 pages 60 to 67) 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 Digital, Culture, Media and Sport, all Lottery distributors are required to have regard to additionality principles. Our requirement for 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 7(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 Digital, Culture, Media and Sport 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 Digital, Culture, Media and Sport, 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

In July 2016, the Principal Accounting Officer of DCMS appointed Chief Executive, Ros Kerslake OBE, as Accounting Officer for NHMF. Her relevant responsibilities as Accounting Officer are set out in the section titled 'Accounting Officers' in 'Managing Public Money'. This includes her 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.

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 judgements required for determining that it is fair, balanced and reasonable.

## Governance statement

### Foreword

I have been Chief Executive and Accounting Officer since July 2016.

We have made a number of changes in our governance and internal controls in 2018–19 which are set out here. I have satisfied myself that there were robust and proper transitional arrangements that allowed the system of internal controls to operate effectively through this transition period.

### 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 2017 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 and National Lottery grants.

### Governance structure

The governance structure in NHMF during 2018–19 is set out in the diagram below.



### Board of Trustees

The Board is responsible for:

- giving strategic leadership and direction
- approving control mechanisms to safeguard public resources
- approving grant programme 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 eight meetings during the year to set NHMF policy and make decisions in line with that policy. These meetings are attended by the Executive (Chief Executive and the Executive Directors). All Board meetings held in 2018–19 were quorate. Sir Peter Luff is Chair of the NHMF and throughout the year regular liaison meetings were held between the Chair, the Chief Executive and senior staff.

The Board is normally constituted of up to 15 Trustees including the Chair – this is the maximum permitted. In 2018–19 three new Trustees were appointed and two Trustees retired (one of whom was not replaced). These changes were approved by our sponsor department – the Department for Digital, Culture, Media and Sport and the Prime Minister (as Trustees appointments fall within the remit of the Prime Minister).

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

## Report of the Trustees and Accounting Officer

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 2018–19 was as follows:

| Trustee                                      | Eligible meetings | Meetings attended |
|--|-------------------|-------------------|
| Maria Adebowale-Schwarte<br>from 16 May 2018 | 7                 | 7                 |
| Baroness Kay Andrews OBE                     | 8                 | 8                 |
| Anna Carragher                               | 8                 | 8                 |
| Sir Neil Cossons OBE<br>to 31 January 2019   | 6                 | 6                 |
| Dr Angela Dean<br>to 12 June 2018            | 3                 | 3                 |
| Jim Dixon                                    | 8                 | 8                 |
| Dr Claire Feehily                            | 8                 | 8                 |
| Sarah Flannigan<br>from 16 May 2018          | 7                 | 7                 |
| Perdita Hunt DL, OBE                         | 8                 | 8                 |
| Sir Peter Luff                               | 8                 | 8                 |
| Steve Miller                                 | 8                 | 8                 |
| Richard Morris OBE<br>to 16 May 2018         | 1                 | 1                 |
| René Olivieri                                | 8                 | 8                 |
| Atul Patel MBE<br>to 16 May 2018             | 1                 | 1                 |
| Dame Seona Reid DBE                          | 8                 | 8                 |
| David Stocker<br>from 16 May 2018            | 7                 | 7                 |
| Dr Tom Tew                                   | 8                 | 8                 |

### Board composition

Of the 17 Trustees who attended the Board throughout the year 47% were female and 53% were male. Two (12%) came from ethnic minorities.

### Board conflicts of interest

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. Trustees and staff are also responsible for ensuring that entries in the Register of Interests are maintained and updated as necessary.

### 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 attended each Committee meeting with the Executive Director: Business Services – other senior staff attended as required. The Committee is supported and serviced by the Fund's Secretariat. The Fund's external auditors (National Audit Office) and internal auditors (BDO) also attend the meeting. 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 2018–19 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 on:

- new grant application processes
- key performance indicators
- business transformation programme
- core financial controls
- IT infrastructure and security
- updated risk assurance mapping

The Committee meeting minutes are shared with the Board. The Committee Chair also orally updates the Board on Committee business and decisions.

The Committee also reviews the annual reports and accounts for both the National Heritage Memorial Fund and The National Lottery Heritage Fund. During 2018–19 in addition to the above reports and accounts the Committee also considered the following:

- the arrangements for continuing the new risk management processes at departmental level
- fraud and alleged fraud cases



- procurement arrangements including any exceptions to normal procurement tenders

Attendance at the Committee meetings throughout 2018–19 was as follows:

| Trustee  | Eligible meetings | Meetings attended |
|--|-------------------|-------------------|
| Dr Angela Dean<br>Chair, to 12 June 2018         | 2                 | 1                 |
| Claire Feehily<br>Chair, from 1 October 2018     | 2                 | 2                 |
| Maria Adebowale-Schwarte<br>from 1 February 2019 | 1                 | 1                 |
| Sir Neil Cossons OBE<br>to 31 January 2019       | 3                 | 3                 |
| David Michael                                    | 4                 | 4                 |
| Steve Miller<br>from 1 February 2019             | 1                 | 1                 |
| Carole Murray                                    | 4                 | 4                 |

### Finance, Staffing and Resources Committee

The Committee met on three occasions during the year and was quorate at each meeting. It is chaired by a Trustee. The Committee also met on a fourth occasion sitting as the Remuneration Committee to agree performance bonuses for senior staff.

The Chief Executive attended each Committee meeting as a member. The Executive Director: Business Services, and Executive Director: Business Delivery attend meetings, and other senior staff attend as required. The Committee is supported and serviced by the Secretariat.

The Committee has oversight on staffing and recruitment controls exercised by senior managers. The Committee also reviewed and approved during the year:

- management accounts and financial management information (including efficiency targets)
- performance data against operational and service standards
- other performance management data
- staffing levels and personnel data such as sickness absence, training and development spending
- IT investment propositions
- functional strategies for IT, Estates, HR and Finance

The Committee approved the proposed budgets for grant programmes and administration for submission to the Board. The Committee also recommended the 2018–19 Business Plan.

The Committee meeting minutes are shared with the Board. The Committee Chair orally updates the Board on Committee business and decisions.

In 2018–19 the Trustees appointed Steve Blake as a non-executive member of the Committee.

Attendance at the Committee meetings throughout 2018–19 was as follows:

| Trustee                                   | Eligible meetings | Meetings attended |
|---|-------------------|-------------------|
| René Olivieri<br>Chair, from 25 June 2018 | 2                 | 2                 |
| Steve Blake                               | 3                 | 3                 |
| Sarah Flannigan<br>from 1 October 2018    | 2                 | 2                 |
| Perdita Hunt DL, OBE                      | 3                 | 3                 |
| Ros Kerslake OBE                          | 3                 | 3                 |
| Sir Peter Luff                            | 3                 | 3                 |

### Delegated grant decision making

In 2018–19 the Board delegated some decision making for grants to a subset of Trustees acting as Board panels. This covered decisions for the following grant programmes:

- Parks for People (in England this was a joint panel with the National Lottery Community Fund)

The Trustees have delegated their grant decision making responsibilities for certain types and values of National Lottery awards to country and English regional committees. There are 12 of these committees and each contains 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 National Lottery distribution body. Chairs of country and regional committees meet with the Board Chair and the Chief Executive, along with senior staff, twice a year.

New members of these committees have a formal induction with the Chief Executive and senior staff throughout the year depending on the recruitment and appointment cycle. In 2018–19 we undertook formal induction sessions for several new members.

## Report of the Trustees and Accounting Officer

Trustees have also delegated grant decision making for grants under £100,000 to staff, specifically directors of Business Delivery in countries and regions. 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.

### National Lottery income

We have continued to work with the Gambling Commission, DCMS and Camelot (The National Lottery operator) to understand the data behind The National Lottery income projections and to assess the risks and opportunities from this work.

Following the strategic review by Camelot of their plans and operations in autumn 2017 we continue to work with them and other partners on the practical implementation of their plans where this overlaps in our area, for example, in the promotion of The One National Lottery initiative.

We took steps to reduce the Fund's financial exposure from our potential commitments and, although these have been difficult in terms of decision-making from a heritage perspective, these actions have brought down the exposure level and our key financial indicators have moved, and continue to move, in the right direction.

Pleasingly, the actual and projected levels of income have stabilised and we have more confidence in their delivery over the next few years. We have prudently factored in some risk in those projections to manage a down-side position if that were to develop.

### Executive and Senior Leadership Team

The Board delegates day-to-day management to the Chief Executive. Previously, the Chief Executive was supported by a Heads of Department Group and a Senior Leadership Team consisting of all Directors and Deputy Directors.

The Executive (the Chief Executive and the Executive Directors) are responsible for wider strategic management issues and also act as the Programme Board for the business transformation programme (see below). The Executive meets weekly.

The Senior Leadership Team (the Chief Executive, Directors and Deputy Directors) were responsible

for the day-to-day operations of the Fund as well as preparations for the Strategic Funding Framework. The Senior Leadership Team also met weekly.

Each departmental director provides a monthly report to the Board on activities and issues within their remit. The Chief Executive also held regular meetings with the Leadership Team consisting of senior and middle managers and ensured Board decisions and directions were communicated directly to key staff. These meetings included verbal reports on activities across all departments as well as discussion of thematic issues affecting all teams, e.g. risk management and business planning.

From April 2019 this governance structure changed to reflect the Fund's new organisational design and structure (see below). These arrangements are as follows:

- Executive (retaining the membership as is) to have oversight of the Corporate Strategy and strategic direction of the Fund
- A Strategy and Performance Group (consisting of senior managers in the direct line management of Executive Directors) to oversee operational performance against KPIs, targets etc.

### Organisational design and structure

During the year the Chief Executive operated a four department structure of:

- Operations
- Strategy and Business Development
- Communications
- Finance and Corporate Services

The Secretariat team reported directly into the Chief Executive.

The annual operating plan – the Business Plan – is developed each year alongside financial budgets and grant 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 National Lottery activities. The Scottish and Welsh governments have also issued some policy directions with regard to

National Lottery activities in those countries and we have also complied with those.

We operate 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.

During 2018–19 as part of our business transformation programme we carried out an extensive consultation and design process to establish a new design for the Fund. This was subject to staff consultation during the summer and autumn of 2018. We then consulted with our recognised trade unions over the winter and began a transition to the new structure in January 2019. This was completed by the end of March 2019.

The new structure will focus on delivering our ambition of “inspiring, leading and resourcing the UK’s heritage”. The departmental structure from 1 April 2019 is:

- Business Innovation and Insight – focused on leading and driving the context, insight and direction of our ambition
- Business Delivery – focused on delivering our ambition via strategic partnerships, engagement and investment across the UK at local level
- Business Services – focused on enabling, partnering and supporting our ambition

Business Delivery will continue its delivery model across the whole of the UK including three new English areas amalgamated from our existing English regions covering the North; Midlands & East; and London & South. Northern Ireland, Wales and Scotland continue to have their own country teams.

An extensive staff assimilation, recruitment and assessment process has been taking place to ensure we have the right leadership talent in place across the Fund and align our other staff talent to deliver the ambition in their various functions and teams across the UK.

We have continued to deliver our core functions and responsibilities throughout 2018–19 in addition to these significant changes in our design and structure. We will continue in the first half of 2019–20 to embed the design through work on

changing our culture, creating new functions including marketing.

All the changes we have brought in are aligned to and supportive of the recommendations on the 2017 Tailored Review undertaken by DCMS.

## **Corporate Strategy**

We recognised in 2017 that in addition to the successful strategic plans/frameworks we have, historically, had in place for National Lottery grant giving we also needed a wider organisational, Corporate Strategy for the direction of the organisation and to help us plan and respond to future challenges, risks and opportunities.

In 2018 we launched our Corporate Strategy which provided 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:

- the launch of our new Strategic Funding Framework in January 2019
- our Business Plans
- our implementation plan for Tailored Review recommendations
- our business transformation programme
- business strategies for individual functional areas, e.g. 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.

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 will work through due diligence and viability processes to explore the options to expand National Lottery Heritage Fund’s activities in support of the sectors it works with.

# Report of the Trustees and Accounting Officer

## Strategic Funding Framework

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

Decisions on around 80% of all funding by The National Lottery Heritage Fund will be made in Scotland, Northern Ireland, Wales and the three new English areas.

Our new 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 friendly
- simpler, streamlined and more efficient funding
- greater engagement and support to help 13 deprived communities that have in the past been less successful securing funding
- continued support for large-scale, iconic projects over £5 million

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

- National Lottery Grants for Heritage – an open programme for any type of heritage project from £3,000–£5 million
- heritage funding campaigns designed to fulfil strategic needs or funding gaps. The first two campaigns will launch in 2019, focusing on helping:
  - organisations build their capacity and organisational resilience
  - to build digital capabilities

- 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
- two rounds of major grants of over £5 million in 2020–21 and 2022–23

This overall approach and portfolio reflects the extensive consultation exercise we undertook in 2017–18 with National Lottery players and key stakeholders across the heritage sectors.

## Business transformation programme

Like all organisations, including successful ones, we recognise we need to adapt and change how we work to the changing environment that we work within. In addition, to deliver our Corporate Strategy we will need to change the way we work.

That environment has changed politically, for example, the departure of the UK from the European Union, the continuing devolutionary arrangements across the UK, the impacts of austerity and reduced public sector spending are just a few headlines. The Corporate Strategy points us in other directions as well as our core business.

The Tailored Review in 2017 endorsed that direction of travel and the actions taken to date, and tasked us to go further.

We therefore set up a business transformation programme to change the way we work and how we undertake that work. 2017–18 saw preliminary planning and preparation for this work and 2018–19 has seen the first year of delivery and implementation. We expect this to take place over another two years before it is fully completed.

The programme's goals are to deliver and support:

- the new three-year Corporate Strategy which started in March 2018
- a simpler, more customer-focused National Lottery Strategic Funding Framework
- a radically improved investment management process and system in 2020
- IT transformation that supports operational efficiency and customer satisfaction

- the corporate infrastructure (skills, structure, support services) to support our strategic direction
- more agile ways of working and a stronger, more positive culture

We have realigned the work of the programme into three main work streams. These are:

1. Shaping our Business (our organisational design, culture, skills, people and governance)
2. Locating our Business (our estate and working environment)
3. Delivering our Business (our IT, digital transformation)

In 2018–19 we delivered:

- a feasibility review of diversifying income sources and leveraging greater investment into the heritage sector
- our new Strategic Funding Framework including public consultation, portfolio design, new process and guidance
- our new brand identity as The National Lottery Heritage Fund (replacing the Heritage Lottery Fund)
- changes to our website, online portal, forms and processes for the new funding framework
- the start of our digital strategy including completing mobilisation of IT for all staff, the beginning of Office 365 installation, integration of telephony, digitisation of hard copy records, and development of a proof of concept approach for a new investment management system and portal
- our new organisational design
- five office moves from leased arrangements to modern serviced offices
- an agreement to move the London office to new offices in St Katharine Docks
- the creation of a new digital team to explore customer insight, understanding and design of our digital services

### **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 not stifle innovation or business change where this is needed. The system of internal control is based on an ongoing 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 2018–19.

The risk registers 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 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.

The Board also reviewed its risk appetite for 2018–19 and continued to reflect greater appetite for business change and transformation. The Board also recognised the risks and challenges facing NHMF in 2018–19 especially in its National Lottery distribution role – these are expected to evolve from the principal risks for 2018–19 as set out below. Effective risk management in the year ahead will be particularly important.

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 reducing National Lottery funds this will be even more important to ensure that The National Lottery Heritage Fund reaches as widely into the community as possible.

## Report of the Trustees and Accounting Officer

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 2018–19 NHMF considered the following to be the most significant areas of risk:

- National Lottery income variability
- Corporate Strategy diversification is not successful
- Tailored Review recommendations were not successfully implemented
- adverse reaction to change and business transformation
- Strategic Funding Framework was not successfully implemented

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 2018–19.

### Approach to fraud and information risk

NHMF has a fraud policy that is reviewed on an annual basis. All staff in NHMF undertook bespoke fraud awareness training within the last two years delivered by a specialist assurance team from BDO supported by the NHMF Finance Team. This focused 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. We reinforced this with on line training in 2016–17.

Over recent years we 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.

Towards the end of the year 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 expect to see further embedding of this in 2019–20.

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. We undertook extensive planning and preparations for the new General Data Protection Regulation (GDPR) provisions introduced in May 2018 and have satisfactorily met the obligations of GDPR.

In December 2018 we achieved Cyber Security Plus accreditation. We also comply with the government guidance on transparency of spend, contracts etc. In 2018–19 we continued to improve procurement controls and processes.

### 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 over extending ourselves. The model was created around 10 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 National 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.

In 2014–15, based on the 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 2018–19 and indeed used this in modelling for our National Lottery Income planning scenarios and assumptions. We reviewed the key ratios in February 2018, agreed to maintain the ratios as they are with the exception of the target of cash holding which was modified to reflect a wider range and sufficient levels of reserves to reflect the level of commitments.

### **Board performance and effectiveness**

The most significant activity for the Board has been oversight of the continuing roll-out of the Strategic Funding Framework and our business transformation programme alongside their grant giving work.

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 in 2018–19, although not as much as in past years; this has meant some reduction in the degree of turnover amongst the Trustees. We have secured a more diverse set of skills across the Board with

knowledge on digital, change management, commercial expertise and governance skills too.

The Board are satisfied that they continue to meet the requirements of the 2017 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 believe 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 ongoing 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 also overseen by the Senior Independent Trustee (the Chair of the Finance, Staffing and Resources Committee).

### **Governance review**

The Board decided in early 2019 that, given the changes in the Fund, it was sensible to commission a more formal review of the Fund's governance. This will cover the following areas in relation to how the Board and Committees of the Fund:

- "inspire, lead and resource" heritage across all four countries of the UK
- inform the policies of the organisation
- guarantee the integrity of its decision making
- exercise strategic sector and both national and local leadership
- communicate its work and vision
- provide expertise to support its work
- ensure its work benefits diverse audiences across the United Kingdom
- support its executive staff
- build support for its activities across stakeholders in government, the devolved

## Report of the Trustees and Accounting Officer

administrations and the broadly defined heritage sector

- maintain the confidence of National Lottery players
- reflect best practice and compare with other models of UK-wide organisations within the cultural/public sector

In April we appointed Campbell Tickell to undertake this work. We expect that their report will be received in the summer and be considered by the Board in September 2019.

### 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.

In the latter part of the year Moore Stephens merged with BDO, and following a competitive tender were re-appointed for a term of three years as internal auditors. This process was jointly procured with Sport England and UK Sport. As well as driving better value for the National Lottery player I believe this will also bring out best practice across different National Lottery distributors that will be of benefit to us all.

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 Senior Leadership Teams met 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 2019.

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 report also reported another improvement in the 'direction of travel' assessment of assurance.

The internal auditors upon appointment produced an overall audit strategy. Last year covered the third 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 in 2014–15 to improve accountabilities on audit reviews and the implementation of internal audit recommendations. These have continued in 2018–19 and recommendations that were due to be implemented in 2018–19 have been on the whole 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 the Committee and me 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.



2018 saw a new Code of Conduct introduced 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 also require all senior managers to sign annual memoranda of representation to me, detailing their responsibilities and confirming they have carried out these responsibilities in 2018–19. All senior managers have signed the memorandum and they are aware that I have placed reliance on those assertions in this statement.

From April 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 2018–19.

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 National Lottery grants are not adequate.

## **Ros Kerslake OBE**

Chief Executive and Accounting Officer

8 July 2019

## **Remuneration and staff report**

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### **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 reimbursed travel expenses of certain Trustees when travelling from their homes to their office of employment in London, Edinburgh, Cardiff or Belfast. NHMF also provided Trustees and members of regional and country committees with meals when they were holding meetings at their places of employment. The Fund met the tax liability on all of these expenses.

The remuneration of Trustees, including reimbursement of taxable expenses and the tax thereon, falls into the bands in the table on the right. 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.

Trustees' remuneration was allocated between NHMF and its National Lottery distribution activities on the basis of 1%: 99%. The total remuneration of Trustees in 2018–19 was £210,289 (2017–18: £191,969). 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 directors.

Bonuses payable to senior management are disclosed separately. This is in line with Employer Pensions Notice 359 issued by the Cabinet Office in April 2013. See table on page 31.

### **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

## Report of the Trustees and Accounting Officer

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

|  | 2018–19<br>£'000 | 2017–18<br>£'000 |
|--|------------------|------------------|
| Sir Peter Luff<br>Chair                      | <b>45–50</b>     | 40–45            |
| Maria Adebowale-Schwarte<br>from 16 May 2018 | <b>5–10</b>      | n/a              |
| Baroness Kay Andrews OBE                     | <b>20–25</b>     | 20–25            |
| Anna Carragher                               | <b>20–15</b>     | 20–25            |
| Sir Neil Cossons OBE<br>to 31 January 2019   | <b>5–10</b>      | 10–15            |
| Sandie Dawe CBE<br>to 14 August 2017         | <b>n/a</b>       | 0–5              |
| Dr Angela Dean<br>to 12 June 2018            | <b>0–5</b>       | 5–10             |
| Jim Dixon                                    | <b>5–10</b>      | 5–10             |
| Dr Claire Feehily<br>from 1 March 2018       | <b>10–15</b>     | 0–5              |
| Sarah Flannigan<br>from 16 May 2018          | <b>5–10</b>      | n/a              |
| Perdita Hunt DL, OBE                         | <b>5–10</b>      | 5–10             |
| Steve Miller                                 | <b>5–10</b>      | 5–10             |
| Richard Morris OBE<br>to 16 May 2018         | <b>0–5</b>       | 5–10             |
| René Olivieri<br>from 1 March 2018           | <b>10–15</b>     | 0–5              |
| Atul Patel MBE<br>to 16 May 2018             | <b>0–5</b>       | 10–15            |
| Dame Seona Reid DBE                          | <b>20–25</b>     | 20–25            |
| David Stocker<br>to 16 May 2018              | <b>5–10</b>      | n/a              |
| Dr Tom Tew                                   | <b>10–15</b>     | 10–15            |

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.

#### 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 Helen Coley-Smith and Carli Harper-Penman, all senior employees had permanent contracts of employment. All senior employees, except Carli Harper-Penman, 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% (2017–18 – 99%:1%). The Director of Business Transformation, Helen Coley-Smith, was appointed to a fixed-term contract in 2017, reflective of the time bound nature of her role, which ended in 2018–19. In December 2018 Carli Harper-Penman was engaged as Interim Executive Director of Business Innovation and Insight. She is not an employee of the Fund but 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

## Remuneration of employees (audited information)

The remuneration of Executive Directors was as set out in the tables below:

|  | Salary<br>2018-19<br>£'000 | Salary<br>2017-18<br>£'000 | Bonus<br>2018-19<br>£'000 | Bonus<br>2017-18<br>£'000 | Pension<br>benefits<br>accrued<br>during<br>2018-19<br>£'000 | Pension<br>benefits<br>accrued<br>during<br>2017-18<br>£'000 | Total<br>2018-19<br>£'000 | Total<br>2017-18<br>£'000 |
|--|----------------------------|----------------------------|---------------------------|---------------------------|--|--|---------------------------|---------------------------|
| Ros Kerslake OBE<br>Chief Executive and<br>Accounting Officer  | <b>135-140</b>             | 135-140                    | <b>5-10</b>               | 5-10                      | <b>53</b>  | 53   | <b>195-200</b>            | 195-200                   |
| Eilish McGuinness<br>Executive Director:<br>Business Delivery  | <b>85-90</b>               | 80-85                      | <b>5-10</b>               | 5-10                      | <b>12</b>  | 9  | <b>100-105</b>            | 95-100                    |
| Judith Cligman<br>Director of Strategy and<br>Business Development<br>to 31 January 2019               | <b>80-85*</b>              | 95-100                     | <b>0</b>                  | 0-5                       | <b>7</b>   | 4  | <b>85-90</b>              | 105-110                   |
| Colin Bailey<br>Executive Director:<br>Business Services   | <b>100-105</b>             | 100-105                    | <b>5-10</b>               | 5-10                      | <b>41</b>  | 31   | <b>150-155</b>            | 135-140                   |
| Louise Lane<br>Director of Communications<br>to 31 January 2019  | <b>70-75*</b>              | 80-85                      | <b>0</b>                  | 0-5                       | <b>40</b>  | 6  | <b>110-115</b>            | 90-95                     |
| Helen Coley-Smith<br>Director of Business<br>Transformation<br>from 20 April 2017<br>to 31 August 2018 | <b>45-50*</b>              | 100-105*                   | <b>0</b>                  | 0-5                       | <b>18</b>  | 41   | <b>60-65</b>              | 145-150                   |

|  | Real increase<br>in pension<br>and lump sum<br>£'000 | Total accrued<br>pension at age 60<br>and lump sum<br>£'000 | Cash Equivalent<br>Transfer Value<br>(CETV) at 31/03/19<br>£'000 | CETV at 31/03/18 <sup>#</sup><br>£'000 | Real increase in<br>CETV funded<br>by NHMF<br>£'000 |
|--|--|---|--|--|---|
| Ros Kerslake OBE<br>Chief Executive and<br>Accounting Officer  | 2.5-5  | 5-10  | <b>146</b>   | 87                                     | 42  |
| Eilish McGuinness<br>Executive Director:<br>Business delivery  | 0-2.5 and<br>0-2.5<br>lump sum                       | 30-35 plus<br>90-95<br>lump sum                             | <b>685</b>   | 603                                    | 11  |
| Judith Cligman<br>Director of Strategy and<br>Business Development<br>to 31 January 2019               | 0-2.5 and<br>0-2.5<br>lump sum                       | 40-45 plus<br>125-130<br>lump sum                           | <b>1,000</b>   | 907                                    | 8   |
| Colin Bailey<br>Executive Director:<br>Business Services   | 0-2.5  | 5-10  | <b>159</b>   | 113                                    | 24  |
| Louise Lane<br>Director of Communications<br>to 31 January 2019  | 0-2.5 and<br>5-7.5<br>lump sum                       | 20-25 plus<br>70-75<br>lump sum                             | <b>551</b>   | 484                                    | 40  |
| Helen Coley-Smith<br>Director of Business<br>Transformation<br>from 20 April 2017<br>to 31 August 2018 | 0-2.5  | 0-5   | <b>41</b>  | 29                                     | 9   |

\* The full year equivalent of Helen Coley-Smith's salary in 2017-18 and 2018-19 was in the band £110,000 to £115,000. The full-year equivalent of Judith Cligman's salary in 2018-19 was in the band £95,000 to £100,000. The full-year equivalent of Louise Lane's salary in 2018-19 was in the band £85,000 to £90,000

<sup>#</sup> or at date of appointment if later. Some comparatives have been changed by the Cabinet Office following a retrospective update to an individual's service history

Bonuses payable to senior management are disclosed separately on an accrued basis. This is in line with Employer Pensions Notice 359 issued by the Cabinet Office in April 2013.

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.

## Report of the Trustees and Accounting Officer

engagement commenced. The rate paid to the agency was £826 per day giving an annualised sum of £176,764.

With the exception of Carli Harper-Penman, the remuneration of senior managers is performance-related, assessed against individual objectives and overall contribution to corporate goals. Performance and remuneration is reviewed annually by the Finance, Staffing and Resources Committee and rated on a scale of four levels of achievement.

### 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 and the median remuneration of our workforce.

The annualised banded remuneration of the highest paid Executive Director in both 2018–19 and 2017–18 was £140,000 to £145,000 including bonus. This was about 4.9 times (2017–18: 5 times) the median remuneration of the workforce, which was £29,043 (2017–18: £28,537). There were no employees who received remuneration in excess of the highest paid Executive Director. Remuneration ranged from £15,000 to £140,000 (2017–18: £15,000 to £140,000). The highest paid Executive Director was subject to the government's pay remit. This restricted the sum available to fund staff pay rises to 1.5% of the payroll.

From 2019–20, 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 | 5.9   |
| 50th percentile | 4.9   |
| 75th percentile | 3.9   |

As mentioned earlier Carli Harper-Penman was engaged as the interim Director of Business Innovation and Insight from December 2018 via an employment agency. Using the equivalent annualised sums paid to the agency the ratios would be:

|                 | Ratio |
|-----------------|-------|
| 25th percentile | 1:7.2 |
| 50th percentile | 1:6.1 |
| 75th percentile | 1:4.8 |

### 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.

During 2018–19 the Fund undertook a major re-organisation in order to better deliver the Corporate Strategy – the first such change since we were asked to distribute National Lottery funds in 1994. As a result, some existing roles were not found to fit in the revised structure. We proactively managed our organisational change to minimise potential redundancies, but a small number of staff requested and obtained approval for voluntary exit. We recognise that our re-structuring is not finished and we agreed with our trade unions that a further review would take place in 2019–20 concerning a few specific roles.

All voluntary exits were authorised by the Fund's Executive and the Cabinet Office. Payment details are shown in the table below – the levels of which are determined by the terms Civil Service Compensation Scheme, not by the Fund. Some of the payments included compensation in lieu of notice.

There were seven in 2018–19 (2017–18: one) in the following bands:

|                 | 2018–19 number | 2017–18 number |
|-----------------|----------------|----------------|
| £5,000–£9,999   | 1              | 0              |
| £35,000–£39,999 | 1*             | 0              |
| £40,000–£44,999 | 1              | 0              |
| £45,000–£49,999 | 0              | 1              |
| £50,000–£54,999 | 1*             | 0              |
| £55,000–£59,999 | 1*             | 0              |
| £75,000–£79,999 | 1*             | 0              |
| £90,000–£94,999 | 1              | 0              |
| <b>Total</b>    | <b>7</b>       | <b>1</b>       |

\* includes compensation in lieu of notice

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

## Staff costs and numbers

|                            | 2018-19 <sup>2</sup><br>£'000 | 017-18<br>£'000 |
|----------------------------|-------------------------------|-----------------|
| Salaries                   | <b>10,346</b>                 | 9,906           |
| Employer's NI payments     | <b>893</b>                    | 920             |
| Payments to pension scheme | <b>1,929</b>                  | 1,965           |
| Temporary staff costs      | <b>700</b>                    | 285             |
|                            | <b>13,868</b>                 | 13,076          |

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

| 2018-19                                   | Grant applications | Finance and corporate services | Strategy and business development | Communications | Total      |
|---|--------------------|--------------------------------|-----------------------------------|----------------|------------|
| Permanent staff                           | 183                | 32                             | 25                                | 19             | 259        |
| Secondees, contract staff and apprentices | 23                 | 9                              | 4                                 | 4              | 40         |
| <b>Total</b>                              | <b>206</b>         | <b>41</b>                      | <b>29</b>                         | <b>23</b>      | <b>299</b> |

| 2017-18                                   | Grant applications | Finance and corporate services | Strategy and business development | Communications | Total      |
|---|--------------------|--------------------------------|-----------------------------------|----------------|------------|
| Permanent staff                           | 180                | 35                             | 28                                | 24             | 267        |
| Secondees, contract staff and apprentices | 16                 | 5                              | 4                                 | 2              | 27         |
| <b>Total</b>                              | <b>196</b>         | <b>40</b>                      | <b>32</b>                         | <b>26</b>      | <b>294</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

## Report of the Trustees and Accounting Officer

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 £18,104 (2017–18: £22,773) 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 five members of staff working on National Lottery distribution activities with a partnership pension account.

One member of staff retired early on health grounds during 2017–18.

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 2018–19, employer's contributions of £1,910,660 (2017–18: £1,942,560) excluding amounts paid to partnership pension schemes were paid to PCSPS and alpha at the rates set out as follows:

| Salary in 2018–19        | % in 2018–19 |
|--------------------------|--------------|
| <b>£23,000 and under</b> | <b>20.0%</b> |
| <b>£23,001–£45,500</b>   | <b>20.9%</b> |
| <b>£45,501–£77,000</b>   | <b>22.1%</b> |
| <b>£77,001 and above</b> | <b>24.5%</b> |

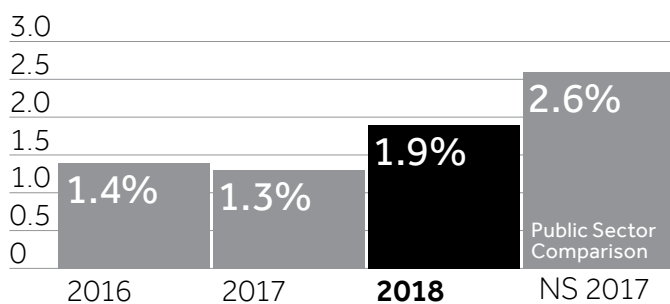
The employer's payments were calculated on the basis of salary banding as per the civil service pension scheme website.

### Absence management

Staff absence in 2018–19 remained lower than comparable national benchmarks, with overall levels running at approximately 1.9%, slightly higher than 2017–18 levels (see below).

2018–19 saw significant organisational change in the Fund and we proactively continued to provide and promote wellbeing support for staff, including a major relaunch of our employee assistance programme, personal coaching support, online training in mental health and stress management and change management support.

## Absence levels



In January 2019 the Fund introduced a new HR management information system, which includes new functions for online recording of absences, together with improved management reports. These functions will help managers better understand and manage staff absence.

## Employee engagement and consultation

We continue to regularly inform and engage our staff in discussion on our strategic direction and operational performance. This year we have undertaken extensive consultation with staff to help us determine the goals of Shaping our Future Business, our organisational design review. Over one third of staff engaged in focus groups, surveys and interviews. We also opened up online question and answers forums and over 300 questions were received, reflecting the level of staff engagement in discussions. Extensive, formal consultation was conducted with our Trade Unions and staff views were actively sought and listened to. We also extensively consulted with staff as part of the launch of our new Strategic Funding Framework, both pre-design and pre-implementation.

All staff receive daily news digests, weekly newsletters updating them with news across the Fund and we have active, popular social media discussion groups. We held several 'town hall' events with all staff in 2018–19. We also frequently convened our Leadership Team, gathering our managers from across our regions and corporate services for discussion and consultation. In November 2018 we launched a major new staff intranet, radically transforming how staff are able to locate and access news, policies, forms and information.

The Fund also meets every quarter with its Trade Union partners (FDA and PCS). Significant additional

consultation took place in 2018–19 regarding the Shaping our Future Business design proposals, pay and grading proposals, and new HR policies.

We chose not to conduct a full staff survey in 2018–19 because we recognised that a single survey would not allow us to understand the potentially changing views of staff during a period of significant organisational restructuring. As a result we undertook a number of 'pulse' snapshot surveys to help us explore staff views. As expected, many staff told us of their worries but these have started to diminish as benefits and opportunities start to be realised as we move into post implementation.

## Equality and diversity and employment monitoring

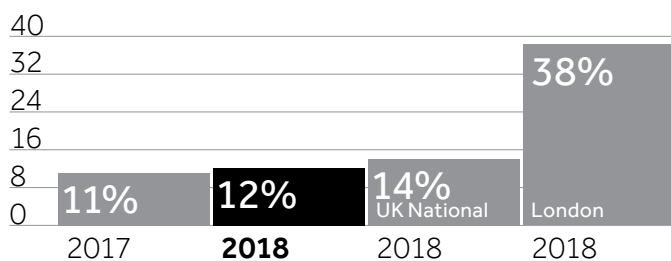
Embracing and promoting diversity and inclusivity remain at the heart of our business and our values. In all of our activities, we continue to maintain our long-standing commitment to equality and inclusion – in the reach of our investment, in our workforce, and in appointing decision-makers. We recognise and appreciate the value of having a diverse staff group and a diverse Board and Committee membership. These goals are explicit in our Corporate Strategy and in our new Strategic Funding Framework.

As an employer, the Fund does not discriminate against staff or eligible applicants for job vacancies on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religious belief, disability, age or sexual orientation. Every possible step is taken to ensure that staff are treated equally and fairly and that decisions on recruitment, selection, training, promotion and career management are based solely on objective job-related criteria. NHMF does not tolerate any form of discrimination, harassment or victimisation.

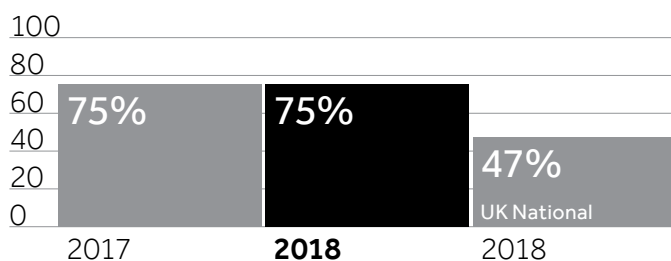
However, we recognise that our workforce diversity should closer reflect the diverse population of the UK (see charts on page 36) and our ambition remains to improve this. BAME, LGBTQ+ and disabled staff are all under-represented in the workforce. Men are also under-represented, including posts at senior levels where 75% of our Executive Directors are women (including our CEO) and more than half of our Board of Trustees.

## Report of the Trustees and Accounting Officer

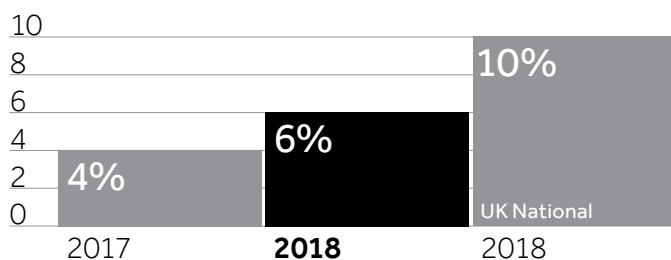
### Ethnic diversity: BAME in the workforce



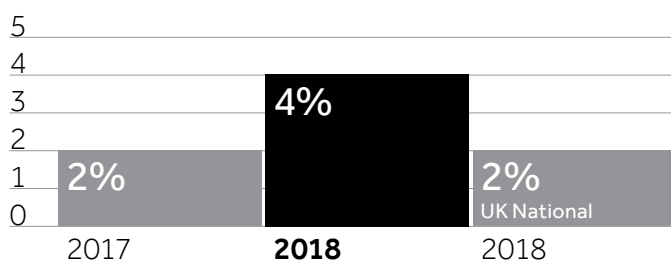
### Gender diversity: Women in the workforce



### Disability diversity: Disability in the workforce



### Sexual orientation diversity: LGBTQ+ in the workforce



Shaping our Future Business, our organisational restructuring, proactively addressed the need for all staff in the organisation to understand, own and drive diversity actions. Equality and inclusion responsibilities are being refocused and embedded across the organisation. Equalities training became mandatory for all new staff in 2018–19. All job descriptions were revised to include new, explicit responsibilities to promote and champion diversity stated for all managers and non-managers – both internally and externally working with individuals, communities and stakeholder groups. Role specifications for recruitment and promotion require also candidates to demonstrate experience of managing and supporting diversity. Our investment in our new HR management information system, and a new i-recruit system in 2019, will also help us better understand and manage the diversity of our workforce.

The Fund complies with the Equality Act 2010 and our statutory duties under Section 75 of the Northern Ireland Act 1998. We hold the Disability Confident and Investors in People awards.

### Expenditure on consultancy

NHMF spent £249,000 on consultants in 2018–19 (2017–18: £261,000) 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.

### 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. There are no off-payroll arrangements. All staff, Trustees and regional and country committee members are on the payroll of NHMF and therefore pay tax and national insurance contributions through the PAYE route. We have no contractors that do not meet HM Treasury guidance.

## 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 OBE

Chief Executive and Accounting Officer

8 July 2019

## 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 2019 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. 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 the National Heritage Memorial Fund's Lottery distribution activities as at 31 March 2019 and of its operating deficit for the year then ended; and
- the financial statements 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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) 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

## Report of the Trustees and Accounting Officer

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 2016. 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 and 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

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that 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 the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

### Responsibilities of the Trustees and Accounting Officer for the financial statements

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the Trustees and Chief Executive as the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### 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 National Lottery Act etc. 1993.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Heritage Memorial Fund's Lottery distribution activities' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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.

### **Other Information**

The Trustees and the Accounting Officer are responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and 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, 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:

- 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
- 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 any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year

for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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
- 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.

### **Report**

I have no observations to make on these financial statements.

### **Gareth Davies**

Comptroller and Auditor General

12 July 2019

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

## Report of the Trustees and Accounting Officer

The financial statements

### Statement of comprehensive net expenditure for the year ended 31 March 2019

|   | Notes   | £'000            | 2018-19<br>£'000 | 2017-18<br>£'000 |
|---|---------|------------------|------------------|------------------|
| Proceeds from the National Lottery                                  | 8       | <b>320,002</b>   |                  | 327,017          |
| NLDF investment income  | 8       | <b>1,640</b>     |                  | 945              |
|   |         |                  | <b>321,642</b>   | 327,962          |
| Interest receivable   |         | <b>114</b>       |                  | 112              |
| Sundry income   | 2       | <b>20</b>        |                  | (163)            |
| <b>Total income</b>   |         |                  | <b>321,776</b>   | 327,911          |
| New grant awards  | 10      | <b>(332,109)</b> |                  | (416,021)        |
| Award de-commitments  | 10      | <b>31,271</b>    |                  | 23,185           |
|   |         |                  | <b>(300,838)</b> | (392,836)        |
| Staff costs   | 18      | <b>(13,868)</b>  |                  | (13,076)         |
| Depreciation and amortisation                                       | 5 and 6 | <b>(340)</b>     |                  | (555)            |
| Other operating charges   | 3       | <b>(9,660)</b>   |                  | (8,073)          |
| Total administration costs  |         |                  | <b>(23,868)</b>  | (21,704)         |
| <b>Total expenditure</b>  |         |                  | <b>(324,706)</b> | (414,540)        |
| <b>Operating deficit</b>  |         |                  | <b>(2,930)</b>   | (86,629)         |
| Total comprehensive expenditure<br>for the year ended 31 March 2019 |         |                  | <b>(2,930)</b>   | (86,629)         |

The notes on pages 44 to 58 form part of these accounts.

## Statement of changes in equity for the year ended 31 March 2019

|                                     | Income and<br>expenditure<br>account<br>£'000 |
|-------------------------------------|---|
| Balance at 31 March 2017            | (503,869)                                     |
| Changes in equity in 2017–18        |   |
| Retained deficit                    | (86,629)                                      |
| Balance at 31 March 2018            | (590,498)                                     |
| <b>Changes in equity in 2018–19</b> |   |
| Retained deficit                    | (2,930)                                       |
| <b>Balance at 31 March 2019</b>     | <b>(593,428)</b>                              |

The notes on pages 44 to 58 form part of these accounts.

## Report of the Trustees and Accounting Officer

### Statement of financial position as at 31 March 2019

|   | Notes | 2018-19<br>£'000 | 2017-18<br>£'000 |
|---|-------|------------------|------------------|
| <b>Non-current assets</b>                         |       |                  |                  |
| Intangible fixed assets                           | 5     | 204              | 153              |
| Property, plant and equipment                     | 6     | 202              | 382              |
| <b>Current assets</b>                             |       |                  |                  |
| Investments – balance at the NLDF                 | 8     | 338,153          | 406,811          |
| Trade and other receivables                       | 7     | 5,062            | 3,452            |
| Cash and cash equivalents                         |       | 3,097            | 388              |
|   |       | <b>346,312</b>   | 410,651          |
| <b>Total assets</b>                               |       | <b>346,718</b>   | 411,816          |
| <b>Current liabilities</b>                        |       |                  |                  |
| Administrative liabilities                        | 9     | (3,709)          | (2,383)          |
| Grant liabilities due within one year             | 10    | (324,473)        | (339,007)        |
| <b>Non-current assets plus net current assets</b> |       | <b>18,536</b>    | 69,796           |
| <b>Non-current liabilities</b>                    |       |                  |                  |
| Grant liabilities due in more than one year       | 10    | (611,964)        | (660,294)        |
| <b>Assets less liabilities</b>                    |       | <b>(593,428)</b> | (590,498)        |

#### Represented by:

|  |           |           |
|--|-----------|-----------|
| Income and expenditure account brought forward | (590,498) | (503,869) |
| Movement in the year                           | (2,930)   | (86,629)  |
| Income and expenditure account carried forward | (593,428) | (590,498) |

The notes on pages 44 to 58 form part of these accounts.

**Sir Peter Luff**

Chair

8 July 2019

**Ros Kerslake OBE**

Chief Executive and Accounting Officer

## Statement of cash flows for the year ended 31 March 2019

|  | Notes | 2018-19<br>£'000 | 2017-18<br>£'000 |
|--|-------|------------------|------------------|
| <b>Operating activities</b>                                |       |                  |                  |
| Cash drawn down from the NLDF                              | 8     | <b>390,300</b>   | 417,908          |
| Cash from other sources including loans                    | 2     | <b>20</b>        | (163)            |
| Cash paid to and on behalf of employees                    |       | <b>(12,876)</b>  | (12,743)         |
| Interest received on bank accounts                         |       | <b>114</b>       | 112              |
| Cash paid to suppliers                                     |       | <b>(10,936)</b>  | (9,569)          |
| Cash paid to grant and loan recipients                     | 10    | <b>(363,702)</b> | (397,659)        |
| <b>Net cash inflow/(outflow) from operating activities</b> | 13a   | <b>2,920</b>     | (2,114)          |
| <b>Investing activities</b>                                |       |                  |                  |
| Capital expenditure and financial investment               | 13b   | <b>(211)</b>     | (81)             |
| <b>Increase/(decrease) in cash and cash equivalents</b>    |       | <b>2,709</b>     | (2,195)          |

The notes on pages 44 to 58 form part of these accounts.

## Reconciliation of net cash flow to movement in net funds for the year ended 31 March 2019

|   | Notes | 2018-19<br>£'000 | 2017-18<br>£'000 |
|---|-------|------------------|------------------|
| Increase/(decrease) in cash and cash equivalents<br>in the period |       | <b>2,709</b>     | (2,195)          |
| <b>Changes in cash and cash equivalents</b>                       | 13c   | <b>2,709</b>     | (2,195)          |
| Cash and cash equivalents at 1 April                              |       | <b>388</b>       | 2,583            |
| <b>Cash and cash equivalents at 31 March</b>                      |       | <b>3,097</b>     | 388              |

The notes on pages 44 to 58 form part of these accounts.

# Notes to the accounts

## for the year ended 31 March 2019

### 1. Statement of accounting policies

With one exception, 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. The anticipated impact of IFRS 9 (Financial Instruments) and 15 (Revenue from Contracts with Customers) is expected to be negligible. IFRS 16 (Leases) will have a significant effect on our 2019–20 accounts, particularly those for our National Lottery distribution activities, which are analysed in note 19 below.

#### a) Accounting convention

These accounts are drawn up in a form directed by the Secretary of State for Digital, Culture, Media and Sport 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 Digital, Culture, Media and Sport 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 Digital, Culture, Media and Sport specifically excludes the preparation of consolidated accounts and requires the use of accruals' accounting for awards. Copies of the National Lottery distribution and grant-in-aid accounts' directions may be obtained from the Secretary to the Board, 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.

#### 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 finance 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 |
| Office equipment                    | – 4–10 years            |
| Office fittings                     | – 4–10 years            |
| Grant-assessment and other software | – up to 5 years         |

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

#### c) Allocation of costs and segmental reporting

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 in recent years separated its income and expenditure between its standard NHMF activity and the Listed Places of Worship: Roof Repair Fund.

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% (2017–18: 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 expenditure 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 the newly-created alpha scheme 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**

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The annual rentals on operating leases are charged to the statement of comprehensive net expenditure on a straight-line basis over the term of the lease. Where leases take the substance of finance leases, and are material, they will be treated as finance leases. Items under finance leases are capitalised at their estimated cost excluding any 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. Please note that this treatment will change from 2019–20 onwards as a result of IFRS16 – note 19 has further details.

#### **g) Balances at the NLDF**

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Balances held at the NLDF remain under the control of the Secretary of State for Digital, Culture, Media and Sport 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 Digital, Culture, Media and Sport 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 Digital, Culture, Media and Sport, 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 11 on page 49 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:

## Notes to the accounts

### for the year ended 31 March 2019

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 reserves at a time of reduced National Lottery income.

#### i) Loans

Trustees are entitled to make loans to heritage bodies under the National Lottery account directions of the Secretary of State for Digital, Culture, Media and Sport. Interest rates and repayment terms are at the discretion of Trustees.

#### j) Joint grant schemes

Where NHMF operates a joint grant scheme partly on behalf of other organisations (currently Parks for People with the National Lottery Community Fund (formerly known as the Big Lottery Fund), the Great Place programme with Arts Council England and the Year of Young People with the National Lottery Community Fund, Sport Scotland and the Spirit of 2012 Trust) 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

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 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.

## 2. Sundry income

|                     | 2018–19<br>£'000 | 2017–18<br>£'000 |
|---------------------|------------------|------------------|
| Repayment of grants | <b>20</b>        | (163)            |

In 2016–17, we received £261,000 from the Vivat Trust Ltd as it went into voluntary liquidation; subsequently it was agreed to return the funds as the grant-aided property was sold with the condition of public right of access and so it was deemed that repayment of grant was not necessary – hence the negative income figure for 2017–18.

## 3. Operating deficit

The operating deficit is stated after charging the following:

|                                 | 2018–19<br>£'000 | 2017–18<br>£'000 |
|---------------------------------|------------------|------------------|
| Auditor's remuneration          | <b>39</b>        | 41               |
| Payments under operating leases |                  |                  |
| – leasehold premises            | <b>1,328</b>     | 1,140            |
| – hire of office equipment      | <b>5</b>         | 8                |

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

|  | 2018-19<br>£'000 | 2017-18<br>£'000 |
|--|------------------|------------------|
| Accommodation                                  | <b>2,008</b>     | 1,847            |
| Postage and telephone                          | <b>439</b>       | 427              |
| Office supplies, print and stationery          | <b>51</b>        | 461              |
| Travel, subsistence and hospitality – Trustees | <b>85</b>        | 85               |
| Travel, subsistence and hospitality – staff    | <b>512</b>       | 417              |
| Professional fees – grant-related              | <b>1,805</b>     | 2,037            |
| Professional fees – non-grant-related          | <b>2,272</b>     | 1,404            |
| Communications                                 | <b>494</b>       | 418              |
| Office equipment                               | <b>1,102</b>     | 609              |
| Staff training                                 | <b>208</b>       | 170              |
| Sundry expenses                                | <b>684</b>       | 230              |
|  | <b>9,660</b>     | 8,073            |

## 4. Recharged costs

As mentioned in note 1 on page 44, 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% (2017-18: 99%). All grant-in-aid activities took place at the head office of Holbein Place, London. The costs of operating all other offices are fully recharged to National Lottery distribution.

## 5. Intangible fixed assets

|                               | Website          |                  | Information technology |                  | Total            |                  |
|-------------------------------|------------------|------------------|------------------------|------------------|------------------|------------------|
|                               | 2018-19<br>£'000 | 2017-18<br>£'000 | 2018-19<br>£'000       | 2017-18<br>£'000 | 2018-19<br>£'000 | 2017-18<br>£'000 |
| Cost at start of year         | 496              | 456              | 2,196                  | 2,165            | 2,692            | 2,621            |
| Additions                     | 86               | 40               | 53                     | 31               | 139              | 71               |
| <b>At end of year</b>         | <b>582</b>       | 496              | <b>2,249</b>           | 2,196            | <b>2,831</b>     | 2,692            |
| Amortisation at start of year | 456              | 421              | 2,083                  | 1,910            | 2,539            | 2,331            |
| Charge for the year           | 5                | 35               | 83                     | 173              | 88               | 208              |
| <b>At end of year</b>         | <b>461</b>       | 456              | <b>2,166</b>           | 2,083            | <b>2,627</b>     | 2,539            |
| Net book value                |                  |                  |                        |                  |                  |                  |
| At start of year              | 40               | 35               | 113                    | 255              | 153              | 290              |
| <b>At end of year</b>         | <b>121</b>       | 40               | <b>83</b>              | 113              | <b>204</b>       | 153              |

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 2019 revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of intangible fixed assets.

## 6. Property, plant and equipment

|                               | Short-leasehold property |                  | IT and other equipment |                  | Office fittings  |                  | Total            |                  |
|-------------------------------|--------------------------|------------------|------------------------|------------------|------------------|------------------|------------------|------------------|
|                               | 2018-19<br>£'000         | 2017-18<br>£'000 | 2018-19<br>£'000       | 2017-18<br>£'000 | 2018-19<br>£'000 | 2017-18<br>£'000 | 2018-19<br>£'000 | 2017-18<br>£'000 |
| Cost at start of year         | <b>1,137</b>             | 1,137            | <b>2,703</b>           | 2,693            | <b>81</b>        | 81               | <b>3,921</b>     | 3,911            |
| Additions                     | <b>11</b>                | 0                | <b>61</b>              | 10               | <b>0</b>         | 0                | <b>72</b>        | 10               |
| Disposals                     | <b>(505)</b>             | (0)              | <b>(0)</b>             | (0)              | <b>0</b>         | 0                | <b>(505)</b>     | (0)              |
| <b>At end of year</b>         | <b>643</b>               | 1,137            | <b>2,764</b>           | 2,703            | <b>81</b>        | 81               | <b>3,488</b>     | 3,921            |
| Depreciation at start of year | <b>1,072</b>             | 964              | <b>2,386</b>           | 2,149            | <b>81</b>        | 79               | <b>3,539</b>     | 3,192            |
| Charge for the year           | <b>44</b>                | 108              | <b>208</b>             | 237              | <b>0</b>         | 2                | <b>252</b>       | 347              |
| Adjustment on disposal        | <b>(505)</b>             | (0)              | <b>(0)</b>             | (0)              | <b>0</b>         | 0                | <b>(505)</b>     | (0)              |
| <b>At end of year</b>         | <b>611</b>               | 1,072            | <b>2,594</b>           | 2,386            | <b>81</b>        | 81               | <b>3,286</b>     | 3,539            |
| Net book value                |                          |                  |                        |                  |                  |                  |                  |                  |
| At start of year              | <b>65</b>                | 173              | <b>317</b>             | 544              | <b>0</b>         | 2                | <b>382</b>       | 719              |
| <b>At end of year</b>         | <b>32</b>                | 65               | <b>170</b>             | 317              | <b>0</b>         | 0                | <b>202</b>       | 382              |

Trustees have considered the current cost values of property, plant and equipment. A review of the current cost values at 31 March 2019 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 also note 4 on page 47).

## 7. Trade and other receivables

|                                | 2018-19<br>£'000 | 2017-18<br>£'000 |
|--------------------------------|------------------|------------------|
| Prepayments and accrued income | <b>3,121</b>     | 3,317            |
| Loans                          | <b>50</b>        | 51               |
| Other receivables              | <b>1,865</b>     | 51               |
| Staff advances                 | <b>26</b>        | 33               |
|                                | <b>5,062</b>     | 3,452            |

The loan is with a heritage organisation and is repayable in two tranches in 2018 and 2023. No interest is being charged on the loan. The first tranche of £50,000 was received on schedule in March 2018.

There were no sums due in more than one year (2017-18: £0) with the exception of the loan.

Of the above sums, £2,755,000 was owed by central government bodies. At the year-end, 30 members of staff had outstanding payroll advances (at 31 March 2018 there were 38).

## 8. Investments

Movement in balances at the NLDF:

|   | 2018-19<br>£'000 | 2017-18<br>£'000 |
|---|------------------|------------------|
| Current cost at start of year             | <b>406,811</b>   | 496,757          |
| Income received from the National Lottery | <b>320,002</b>   | 327,017          |
| Funds drawn down by NHMF                  | <b>(390,300)</b> | (417,908)        |
| NLDF investment return                    | <b>1,640</b>     | 945              |
| <b>Current cost at end of year</b>        | <b>338,153</b>   | 406,811          |

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.

## 9. Payables: amounts falling due in one year

|   | 2018-19<br>£'000 | 2017-18<br>£'000 |
|---|------------------|------------------|
| Operating payables                                    | <b>880</b>       | 711              |
| Other payables including taxation and social security | <b>513</b>       | 451              |
| Accruals and deferred income                          | <b>2,316</b>     | 1,221            |
|   | <b>3,709</b>     | 2,383            |

None of the liabilities of NHMF was secured. The operating and other payables balances can be analysed as follows:

|                                       | 2018-19<br>£'000 | 2017-18<br>£'000 |
|---------------------------------------|------------------|------------------|
| Balances owing to central government  | <b>593</b>       | 465              |
| Balances owing to local authorities   | <b>4</b>         | 1                |
| Balances owing to public corporations | <b>0</b>         | 0                |
| Balances external to government       | <b>796</b>       | 696              |
|                                       | <b>1,393</b>     | 1,162            |

## 10. Grant liabilities

|                                       | 2018-19<br>£'000 | 2017-18<br>£'000 |
|---------------------------------------|------------------|------------------|
| Brought forward at start of year      | <b>999,301</b>   | 1,004,124        |
| New liabilities created in the year   | <b>332,109</b>   | 416,021          |
| Liabilities no longer recognised      | <b>(31,271)</b>  | (23,185)         |
| Grant payments                        | <b>(363,702)</b> | (397,659)        |
| <b>Carried forward at end of year</b> | <b>936,437</b>   | 999,301          |

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

|                         | 2018-19<br>£'000 | 2017-18<br>£'000 |
|-------------------------|------------------|------------------|
| In one year             | <b>324,473</b>   | 339,007          |
| In two years            | <b>232,784</b>   | 258,355          |
| In three years          | <b>138,090</b>   | 163,923          |
| In four years           | <b>74,557</b>    | 91,740           |
| In five years           | <b>40,171</b>    | 48,744           |
| In more than five years | <b>126,362</b>   | 97,532           |
|                         | <b>936,437</b>   | 999,301          |

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

|                                       | 2018-19<br>£'000 | 2017-18<br>£'000 |
|---------------------------------------|------------------|------------------|
| Balances owing to central government  | <b>85,262</b>    | 102,690          |
| Balances owing to local authorities   | <b>342,948</b>   | 392,936          |
| Balances owing to public corporations | <b>777</b>       | 88               |
| Balances owing to NHS trusts          | <b>83</b>        | 10               |
| Balances external to government       | <b>507,367</b>   | 503,577          |
|                                       | <b>936,437</b>   | 999,301          |

## 11. Contingent liabilities

### Commitments

|   | 2018-19<br>£'000 | 2017-18<br>£'000 |
|---|------------------|------------------|
| Brought forward at start of year              | <b>495,369</b>   | 661,109          |
| Commitments made                              | <b>122,539</b>   | 309,223          |
| De-commitments                                | <b>(68,823)</b>  | (58,942)         |
| New liabilities created in the year           | <b>(262,667)</b> | (416,021)        |
| <b>Balance carried forward at end of year</b> | <b>286,418</b>   | 495,369          |

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 year as Trustees reduced their grant budget as part of a policy of improving reserves and because the existing Strategic Funding Framework was coming to an end.

**Notes to the accounts**  
for the year ended 31 March 2019

## 12. Lease commitments

Total future minimum operating lease payments incurred by NHMF's National Lottery distribution activities are as follows:

|   | 2018-19<br>£'000 | 2017-18<br>£'000 |
|---|------------------|------------------|
| <b>Short-leasehold property</b>                   |                  |                  |
| Not later than one year                           | 953              | 1,348            |
| Later than one year but not later than five years | 1,356            | 3,744            |
| Later than five years                             | 0                | 1,262            |
|   | <b>2,309</b>     | <b>6,354</b>     |
| <b>Other operating leases</b>                     |                  |                  |
| Not later than one year                           | 38               | 38               |
| Later than one year but not later than five years | 38               | 75               |
| Later than five years                             | 0                | 0                |
|   | <b>76</b>        | <b>113</b>       |

Our lease for Holbein Place, London, was subject to a rent review at 30 September 2014. This increased the rent to £850,000 per annum. In March 2019, we gave notice to the landlord that we would be leaving before the end of September 2019 when a second rent review was due. In tandem with this, we signed a sub-lease for premises in St Katharine Docks in London. This is for approximately three-and-a-half years at £418,000 per annum, although that sum was mitigated by the receipt of a reverse premium. We are in discussion with the ultimate landlord with a view to extending the lease.

During 2017-18 we left our existing Cambridge and Manchester offices when the leases expired. Both teams moved to serviced offices. In 2018-19, we re-located our teams in Belfast, Leeds and Edinburgh to serviced offices.

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 operating leases refer to photocopiers and franking machines.

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

## 13. Notes to the statement of cash flows

### a) Reconciliation of operating deficit to cash inflow/(outflow) from operating activities

|   | 2018-19<br>£'000 | 2017-18<br>£'000 |
|---|------------------|------------------|
| Operating deficit   | <b>(2,930)</b>   | (86,629)         |
| Add back non-cash items:  |                  |                  |
| – depreciation and amortisation   | 340              | 555              |
| – 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   | <b>(62,865)</b>  | (4,823)          |
| – decrease in balance at NLDF   | <b>68,658</b>    | 89,946           |
| Increase in non-interest receivables  | <b>(1,610)</b>   | (814)            |
| Increase/(decrease) in non-capital payables                                     | <b>1,327</b>     | (349)            |
| Net cash inflow/(outflow) from operating activities                             | <b>2,920</b>     | (2,114)          |

### b) Capital expenditure

|   | 2018-19<br>£'000 | 2017-18<br>£'000 |
|---|------------------|------------------|
| Payments to acquire intangible fixed assets       | 139              | 71               |
| Payments to acquire property, plant and equipment | 72               | 10               |
|   | <b>211</b>       | <b>81</b>        |

### c) Analysis of changes in net funds

|              | At<br>1 April<br>2018<br>£'000 | Cash flows<br>£'000 | At<br>31 March<br>2019<br>£'000 |
|--------------|--------------------------------|---------------------|---------------------------------|
| Cash at bank | 388                            | 2,709               | <b>3,097</b>                    |

## 14. 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 two entities for which DCMS is regarded as the sponsor department – the Big Lottery Fund (now referred to as The National Lottery Community Fund) and Arts Council England.

We signed a lease with DCMS in March 2015 for the occupation of our office in Birmingham to May 2018. We remain in occupation, with the intention of taking over the lease from DCMS, but the legal documentation had not been signed by the end of the financial year. At the year-end, we owed DCMS approximately £26,000 for rent and £13,000 for service charges.

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 £2,893,139, representing £119,036 for Parks for People operating costs and £2,774,103 for its share of Parks for People grant payments. We also paid the National Lottery Community Fund for a number of activities in the year, most notably the provision of legal and procurement services; we paid it around £147,000 during the year and we owed £1,000 at the year-end.

We made contributions totalling £17,465 to Arts Council England for some costs associated with the Great Place joint grant programme and for administrative support to the Lottery Forum – a grouping of all the National Lottery distributors. £7,465 was outstanding at the year-end. Arts Council England also repaid us for Great Place grant payments we made on their behalf. At the year-end it owed us £1,303,008.

There have also been material transactions with the Cabinet Office to the value of £6,129 for carrying out pension administration on our behalf; 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, Scottish Enterprise, Highlands & Islands Enterprise and Historic Environment Scotland). Billing totalled £40,300 in the year and £15,313 was owed by them at the year-end. We also billed Sport Scotland for

their share of grants and administration for the Year of Young People grant programme, £146,976; nothing was owed at the year-end.

In May 2011, the Committee on Climate Change signed an underlease for most of the first floor of NHMF's offices, at 7 Holbein Place, London. In August 2016 the area occupied by the Committee on Climate Change was reduced by about a half with a commensurate reduction in rent and contribution to service charges. The Committee on Climate Change is a non-departmental public body, 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. In March 2019, NHMF gave notice under a break clause in the lease contract that it would be leaving the property by the end of September 2019. We kept the Committee on Climate Change fully informed during our decision-making period and they have indicated to us that they will seek alternative accommodation in the period to September 2019. Therefore, we will continue to receive rental income from the Committee until the end of September 2019, which will amount to £38,000. In addition, the Committee on Climate Change will make contributions towards the cost of running Holbein Place of approximately £19,000 for the period April to September 2019. During 2018–19, we charged the Committee on Climate Change £75,000 for rent and £36,000 for service charges. At 31 March 2019, we owed the Committee on Climate Change £1,000 for service charges, most of which is reflected in these accounts and a small portion in our grant-in-aid accounts.

As set out on pages 52 to 55, Trustees of NHMF had interests in bodies to which NHMF made National Lottery grants. Similarly, members of country and regional 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

## Notes to the accounts

### for the year ended 31 March 2019

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 2018–19 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.

### Board of Trustees

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#### **Norfolk County Council (Norfolk Museums Service)**

A grant of £745,500 (89%) – Norfolk Journeys: empowering young people to develop their own pathways into Norfolk’s heritage.

Steve Miller declared a conflict of interests in his capacity as Head of Norfolk Museums Service, the applicant.

A grant of £8,756,800 (66%) – Norwich Castle: Gateway to Medieval England.

Steve Miller declared a conflict of interests as he was Head of Norfolk Museums Service, the grantee.

#### **National Museums Wales**

A grant of £820,500 (87%) – Hands On Heritage

Kay Andrews declared a conflict of interests as she is a Board member of the applicant organisation.

#### **The National Trust**

A grant of £1,609,700 (52%) – Runnymede Explored

David Stocker declared a conflict of interests in his capacity as a member of the Council of the National Trust, the applicant.

Tom Tew declared a conflict of interests as he had recently been announced as a Trustee of the applicant organisation.

#### **The National Trust**

A first round pass of £1,373,600 and a development grant of £128,900 (55%) – Skell Valley Project: revealing, restoring and celebrating the river and its heritage.

David Stocker declared a conflict of interests in his capacity as a member of the Council of the National Trust, the applicant.

Tom Tew declared a conflict of interests as he had recently been announced as a Trustee of the applicant organisation.

#### **Canal & River Trust**

A grant of £10,577,200 (56%) – Unlocking the Severn for People and WildLIFE.

Maria Adebawale-Schwarte declared a conflict of interests as she was a board member of the Environment Agency, which was a partner in the project.

#### **Nottingham City Council – Heritage and Urban Design**

A grant of £1,479,500 (46%) – The People’s Hall Enterprise Hub.

Jim Dixon declared a conflict of interests as his brother was involved in delivering the project.

#### **Grand Opera House Trust**

A grant of £4,557,300 (39%) – Heritage take Centre Stage at Northern Ireland’s Grand Opera House.

Anna Carragher declared a conflict of interests as she was the former Chair of the Grand Opera House Trust and a Board member of the Arts Council of Northern Ireland who were a funder of the Opera House.

### Committee members

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#### **Royal Society for the Protection of Birds**

A first round pass of £637,700 and a development grant of £91,900 (81%) – Upland Skies: Birds of Prey in the Peak District & Sheffield.

Geoff Nickolds declared a conflict of interests as he had been a member of the Peak National Park Authority until 2015 and chaired the Peak Park Birds of Prey initiative until March 2018.



### **Hungerhill Developments Ltd**

A grant of £67,300 (90%) – St Ann's Allotments: Growing a Sustainable Future.

Maureen Cooper declared a conflict of interests as she worked at the allotments, employed by STAA Ltd. who held a service level agreement with the grantee. She left in 2016 but continued to volunteer for the project.

### **Gainsborough's House Society**

A grant of £4,453,100 (65%) – Reviving an Artist's Birthplace: A National Centre for Gainsborough.

Helen Wilson declared a conflict of interests through her close association with the grantee who also sat on the Cultural Board which she chaired.

### **Norfolk County Council**

A grant of £8,756,800 (66%) – Norwich Castle: Gateway to Medieval England.

Helen Wilson declared a conflict of interests as she was a member of the Norfolk Museum Development Foundation Board who were very supportive of the application.

### **Durham Wildlife Trust**

A first round pass of £507,400 and a development grant of £93,300 (88%) – Naturally Native.

Jim Cokill declared a conflict of interests as the applicant was his employer.

### **Identity on Tyne**

A grant of £54,900 (100%) – Wayfinding: Diversity, Equity and Inclusion in the Great Outdoors.

Jim Cokill declared a conflict of interests as Durham Wildlife Trust (his employer) provided information and advice that were included in the final project submission.

### **Northumberland Wildlife Trust Ltd**

A grant of £85,300 (89%) – 2020 Vision: Securing a future for nature in a climate of change.

Lynn Turner declared a conflict of interests as she is Director of Kielder Water & Forest Park Development Trust, of which the grantee is a member, and she provided a letter of support for the project.

### **Holy Trinity Church of Ireland, Aghalee**

A first round pass of £173,600 and a development grant of £14,400 (80%) – Aghalee Parish Development Project.

Sheila McClelland declared a conflict of interests as she is both a member of the congregation and the Select Vestry.

### **RSPB Scotland**

A first round pass of £375,300 and a development grant of £30,300 (90%) – SCALE: Saving Corncrakes through Advocacy, Land Management and Education.

Stuart Housden declared a conflict of interests as he used to be Director of RSPB Scotland and Executive Director of RSPB UK Wide.

### **RSPB Scotland**

A grant of £3,488,000 (48%) – Orkney Native Wildlife Project.

Stuart Housden declared a conflict of interests as he used to be Director of RSPB Scotland and Executive Director of RSPB UK Wide.

### **Braemar Community Ltd**

A first round pass of £480,000 and a development grant of £100,000 (67%) – Braemar's Community Castle: Raising the Standard.

Alice Mayne declared a conflict of interests as the project was located in the Cairngorms National Park and had received funding both from Cairngorms LEADER and Cairngorms National Park Authority, both of which she use to work for.

### **Wild Things!**

A first round pass of £475,700 and a development grant of £49,700 (63%) – Silver Saplings: Wild and Well.

Alice Mayne declared a conflict of interests as the applicant organisation had received LEADER funding during her employment and she had a close relationship with the organisation.

## Notes to the accounts

for the year ended 31 March 2019

### The National Trust

A grant of £1,609,700 (52%) – Runnymede Explored.

Emily Brennan declared a conflict of interests as she worked for the organisation and was very involved in the development of the project.

### The Landmark Trust

A grant of £486,600 (39%) – Saving Winsford Cottage Hospital.

Sarah Staniforth declared a conflict of interests as she was a Trustee of the applicant organisation.

### Priest's House Museum

A grant of £982,200 (60%) – Priest's House Revival.

Wilbert Smith declared a conflict of interests as he was a custodian of and one of two officers with direct responsibility for the Museum. His employer East Dorset District Council Committee had a direct interest in the Museum.

### Plantlife International

A grant of £433,700 (62%) – Building Resilience in South West Woodlands.

Evelyn Stacey declared a conflict of interests as she was a member of the Exmoor National Park Authority who was a project partner.

### Sensory Trust

A first round pass of £191,600 and a development grant of £49,000 (94%) – More Than Words: making heritage accessible through co-designed inclusive sensory-rich interpretation.

Evelyn Stacey declared a conflict of interests as Wheal Martyn was a beneficiary and she was current Non-Executive Director for Wheal Martyn Enterprises Limited.

Tamsin Daniel declared a conflict of interests as Cornwall Council were responsible for heritage sites involved in the application.

### Tamar Valley Area of Outstanding Natural Beauty

A first round pass of £2,277,600 including a development grant of £180,400 (66%) – Tamara Landscape Partnership.

Tamsin Daniel declared a conflict of interests as Cornwall Council funded the Tamar Valley AONB.

### Cranborne Chase and West Wiltshire Downs AONB

A grant of £1,676,600 (63%) – Cranborne Chase Landscape Partnership.

Wilbert Smith declared a conflict of interests as he was a member of the Cranborne Chase AONB Partnership Panel.

### Blaenavon PACT Youth Panel

A first round pass of £201,100 and a development grant of £19,900 (66%) – World Heritage Youth Ambassadors.

James Davies declared a conflict of interests through his work and research on World Heritage Education through the Ironbridge Institute; he had supported this project from the outset including attending events and providing a letter of support for their Kick the Dust application.

### Monmouthshire County Council

A grant of £10,000 (91%) – Discovering Lives, the volunteer nurses at Gwy House Red Cross Hospital Chepstow and their patients.

Megan de Silva declared a conflict of interests as she worked for the grantee.

### Ironbridge Coracle Trust

A grant of £333,100 (69%) – Ironbridge Coracle Heritage.

Jude Walker declared a conflict of interests as she was Secretary for the Trust.

Marion Blockley declared a conflict of interests as she prepared the activity plan for the bid.

Alan Taylor declared a conflict of interests as he was a Trustee for the organisation.

### Black Country Living Museum

A grant of £9,400,000 (41%) – Black Country Living Museum: Forging Ahead – creating a world-class visitor attraction in the Black Country.

Marion Blockley declared a conflict of interests as she prepared the activity plan for the bid.

## Hull Kingston Rovers Community Trust

A grant of £186,200 (88%) – The Heritage of Hull Kingston Rovers.

Tony Collins declared a conflict of interests as he was Director of the grantee organisation.

### Peter Neal

Peter Neal, a member of the London 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 & South region 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 2018–19, we spent £23,152 with his company, Peter Neal Consulting Limited.

## Staff

### North York Moors National Park Authority

A grant of £1,834,800 – Ryevitalise.

David Renwick, Area Director: North, declared a conflict of interests as he previously worked for the applicant organisation and was involved with the project during the development stage.

## 15. Financial instruments

### Financial instruments

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

In 2018–19, £320million (99.4%) 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 £1.6million (0.6%) 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 2019. 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 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.

## 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 £338million. We are informed by DCMS that funds at the NLDF earned on average 0.67% in the year (2017–18: 0.35%). 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 interest rate of 0.62% in the year. The sharp decline in market interest rates in

## Notes to the accounts

### for the year ended 31 March 2019

2008, coupled with the small cut in 2016–17, has had a significant impact on investment returns but as there is little room for rates to fall further the risk is small. The small rises in base rates in November 2017 and August 2018 improved the average return slightly. The cash balance at the year-end was £3.1million. 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.

|  | 2018–19<br>£'000 | 2017–18<br>£'000 |
|--|------------------|------------------|
| Cash balances                          |                  |                  |
| – sterling at floating interest rates  | <b>3,097</b>     | 388              |
| – sterling at a mixture of fixed rates | <b>338,154</b>   | 406,811          |
|  | <b>341,251</b>   | 407,199          |

### 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, all had been paid by the time of signing the accounts with the exception of a loan that is not due for repayment for a number of years. 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

|  | 2018–19<br>£'000 | 2017–18<br>£'000 |
|--|------------------|------------------|
| Assets per the statement of financial position |                  |                  |
| – investments available for sale               | <b>338,153</b>   | 406,811          |
| – cash and cash equivalents                    | <b>3,097</b>     | 388              |
| – loans and receivables                        | <b>5,062</b>     | 3,452            |
|  | <b>346,312</b>   | 410,651          |

### Financial liabilities by category

|   | 2018–19<br>£'000 | 2017–18<br>£'000 |
|---|------------------|------------------|
| Liabilities per the statement of financial position |                  |                  |
| – other financial liabilities                       |                  |                  |
| • grant payables                                    | <b>936,437</b>   | 999,301          |
| • operating payables                                | <b>880</b>       | 711              |
| • other payables                                    | <b>513</b>       | 451              |
| • accruals  | <b>2,316</b>     | 1,221            |
|   | <b>940,146</b>   | 1,001,684        |

### 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 2019.

### Financial assets at 31 March 2019

|                          | Book value<br>£'000 | Fair value<br>£'000 |
|--------------------------|---------------------|---------------------|
| Cash <sup>1</sup>        | <b>3,097</b>        | <b>3,097</b>        |
| Investments <sup>2</sup> | <b>338,153</b>      | <b>338,153</b>      |
| Receivables <sup>3</sup> | <b>5,062</b>        | <b>5,062</b>        |
|                          | <b>346,312</b>      | <b>346,312</b>      |

### Financial assets at 31 March 2018

|                          | Book value<br>£'000 | Fair value<br>£'000 |
|--------------------------|---------------------|---------------------|
| Cash <sup>1</sup>        | 388                 | 388                 |
| Investments <sup>2</sup> | 406,811             | 406,811             |
| Receivables <sup>3</sup> | 3,452               | 3,452               |
|                          | 410,651             | 410,651             |

### Financial liabilities at 31 March 2019

|                                 | Book value<br>£'000 | Fair value<br>£'000 |
|---------------------------------|---------------------|---------------------|
| Grant payables <sup>4</sup>     | <b>936,437</b>      | <b>936,437</b>      |
| Operating payables <sup>5</sup> | <b>880</b>          | <b>880</b>          |
| Other payables <sup>5</sup>     | <b>513</b>          | <b>513</b>          |
| Accruals <sup>5</sup>           | <b>2,316</b>        | <b>2,316</b>        |
|                                 | <b>940,146</b>      | <b>940,146</b>      |

## Financial liabilities at 31 March 2018

|                                 | Book value<br>£'000 | Fair value<br>£'000 |
|---------------------------------|---------------------|---------------------|
| Grant payables <sup>4</sup>     | 999,301             | 999,301             |
| Operating payables <sup>5</sup> | 711                 | 711                 |
| Other payables <sup>5</sup>     | 451                 | 451                 |
| Accruals <sup>5</sup>           | 1,221               | 1,221               |
|                                 | <b>1,001,684</b>    | <b>1,001,684</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 Digital, Culture, Media and Sport. 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 one long-term loan.
- 4 While we disclose £612million 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

|  | 2018–19<br>£'000 | 2017–18<br>£'000 |
|--|------------------|------------------|
| In less than one year                    | <b>940,146</b>   | 1,001,684        |
| 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>940,146</b>   | 1,001,684        |

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.

## 16. Statement of losses and special payments

The National Lottery Heritage Fund made losses through the write-off of 13 grants totalling £200,370 in the year (2017–18: 35 grants totalling £369,764). There were no special payments that require disclosure in the accounts (2017–18: £0)

## 17. Events after the reporting period

There were no events that occurred after 31 March 2019 up until the date the Accounting Officer signed these accounts that need to be disclosed. The financial statements were authorised for issue on 12 July 2019 by the Trustees and Accounting Officer on the date they were certified by the Comptroller and Auditor General.

## 18. Staff costs

Staff costs for 2018–19 were as follows:

|                            | 2018–19<br>£'000 | 2017–18<br>£'000 |
|----------------------------|------------------|------------------|
| Salaries                   | <b>10,346</b>    | 9,906            |
| Employer's NI payments     | <b>893</b>       | 920              |
| Payments to pension scheme | <b>1,929</b>     | 1,965            |
| Temporary staff costs      | <b>700</b>       | 285              |
|                            | <b>13,868</b>    | 13,076           |

## 19. IFRS 16

IFRS 16 requires us to take account of the impact of operating lease commitments on our Statement of Financial Position. It will affect our reporting for financial years 2019–20 and beyond. However, we are also required to demonstrate what the impact will be on our figures for 2018–19.

Just before the end of 2018–19, we took over an operating lease for part of International House in the borough of Tower Hamlets, London. The lease has a further three-and-a-half years to run. 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 we expect to sign one soon. As with other joint overhead costs, the

## **Notes to the accounts**

### **for the year ended 31 March 2019**

accounts of the National Heritage Memorial Fund reflect 1% of the cost with the other 99% being disclosed within our National Lottery distribution accounts. We set out below what the impact would have been on our 2018–19 figures if IFRS 16 had been in place for that year.

Total comprehensive expenditure for 2018–19 before IFRS 16: £2,930,000

IFRS 16 adjustment (£109,000)

Total comprehensive expenditure for 2018–19 after IFRS 16: £3,039,000

Balance on Income and Expenditure account at 31 March 2019 before IFRS 16: £593,428,000

IFRS16 adjustment (£12,000)

Balance on Income and Expenditure account at 31 March 2019 after IFRS 16: £593,440,000

There is no impact on our cash flows.

We do not consider any of our other operating leases to be material and so they have not been included in this analysis.

# 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. This information covers both our grant-in-aid and National Lottery distribution activities. We have apportioned joint costs between The National Lottery Heritage Fund and the National Heritage Memorial Fund in the ratio 99:1.

## Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

|  |    |
|--|----|
| Number of employees who were relevant union officials during the relevant period | 23 |
| Full-time equivalent employee number   | 23 |

## Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent :

- a) 0%,
- b) 1%–50%,
- c) 51%–99% or
- d) 100% of their working hours on facility time?

| Percentage of time | Number of employees |
|--------------------|---------------------|
| 0%                 | 1                   |
| 1–50%              | 22                  |
| 51%–99%            | 0                   |
| 100%               | 0                   |

## Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

|   |              |
|---|--------------|
| Provide the total cost of facility time | £31,958*     |
| Provide the total pay bill              | £12,872,000* |

Provide the percentage of the total pay bill spent on facility time, calculated as:  
 (Total cost of facility time ÷ Total pay bill) x 100

0.25%

\* Includes pension and NI

## Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100

100%

# Policy directions

The government issues The National Lottery Heritage Fund with policy directions under the 1993 Act. The directions for which we are reporting against took effect in 2008. As before, these are matters to be taken into account when distributing money. At the same time, the National Assembly for Wales issued policy directions related to money distributed in Wales, and in 2011 the Scottish government issued directions for money distributed in Scotland. These complement the UK-wide directions and are reproduced in full on pages 67 to 69.

In November 2018 new policy directions were issued for the UK and for England by the Department for Digital, Culture, Media and Sport (DCMS). The Scottish Government and National Assembly for Wales will also issue new policy directions for Scotland and Wales respectively in 2019. We will report against these for the first time in the annual report for 2019–2020.

## a) Needs of the heritage

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**“HLF’s (as was) assessment of the needs of the national heritage and their priorities for addressing them.”**

In 2018–19 demand for National Lottery funding for heritage remained high. In the context of reduced National Lottery income we were able to commit £332.1million in awards, against applications worth £703million (down by 41% on 2017–18, due in part to a moratorium on larger applications for the final quarter while we made the transition to a new Strategic Funding Framework).

This was the sixth and final year of operation under the Strategic Framework for 2013–2019. We have continued to support the sector in a challenging operating environment, whilst developing and launching our current Strategic Funding Framework in January 2019. Our extensive consultation with both the public and organisations with an interest in heritage enabled us to assess the needs of national heritage and priorities for addressing them in our new Strategic Funding Framework 2019–2024.

Programmes such as Resilient Heritage and the Great Place Scheme have continued to address the need to build greater resilience in heritage organisations, to embed culture in local plans and

decision making, and to support growth. Great Place projects were announced in Scotland, Wales and Northern Ireland addressing specific needs in each country. We have also committed to funding a £1million campaign to attract high-quality projects to build the heritage sector’s digital capacity as part of DCMS’s Culture is Digital project.

Public and media interest in the Centenary of the First World War continued. The Fund has awarded over £98million to 2,321 projects marking the Centenary including large grants to the National Museum of the Royal Navy for HMS Caroline (£15,086,100), Imperial War Museums (£16.5million), the 14–18 NOW cultural programme (£10million), the Tank Museum (£2,709,600) and Snowdonia National Park Authority for the conservation of the Yr Ysgwrn, home of Hedd Wyn (£2,972,500). At the end of the small grants programme, First World War: Then and Now, we had awarded £15.3million to 1,819 projects with 57% of organisations receiving an National Lottery Heritage Fund grant for the first time compared with 41% across all programme. We have funded Centenary projects in 98% of UK’s local authority areas.

The new responsive measures we started in 2016–17 to meet increasing need and our priorities for a more inclusive heritage sector closed this year, but projects continue to be in delivery. These include the Resilient Heritage programme, the Heritage Endowments and Skills for the Future programmes, and a young people’s programme, Kick the Dust. We closed all of our targeted programmes and will continue to address all areas of heritage need through our open programme and through campaigns focusing on key priorities over the next five years.

Our online communities were a focus for sharing learning and good practice across the sector. In 2018–19 we held live chats on issues such as disability access and inclusion, fundraising and endowments, contemporary heritage and women in non-traditional roles. We continued a Great Place Scheme forum and programme-specific forums on Landscape Partnerships, young people and heritage, skills and resilience to provide a focus for those with shared interests around these themes.



## b) Public involvement

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### **“The need to involve the public and local communities in making policies, setting priorities and distributing money”**

Extensive consultation with wide-ranging stakeholders including the National Lottery-playing public informed our new Strategic Funding Framework launched in January. Our consultation with National Lottery players revealed a strong appetite and enthusiasm for public involvement in our work and the projects that we support.

All members of our committees in all areas of England, Northern Ireland, Scotland and Wales have been appointed through open recruitment. In 2018–2019 we did not appoint any new members due to our transition into a new regional structure.

We also ask organisations we fund to demonstrate how they have involved their local community and other partners in developing their plans. In our new Strategic Funding Framework we have committed to exploring and trialling other options for involving the public in our work over the next five years.

Throughout the year we gathered views on application materials and processes with customers at all levels of grant to inform changes that were implemented with the new Strategic Funding Framework in 2019. We will continue to do this in the coming year to inform development of a new investment management system which will deliver a dramatically improved customer experience from 2020.

## c) Access and participation

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### **“The need to increase access and participation for those who do not currently benefit from the heritage opportunities available in the United Kingdom.”**

As The National Lottery Heritage Fund continues to champion inclusion as a core strategic priority, we are delighted to see an increase in disability-led projects. Since 1994 the Fund has awarded more than £45million to 978 projects where disabled people contribute skills, expertise and knowledge.

Highlighting the contributions of disabled people, including the experience of people using mental health services, to UK culture, past and present

has been an increasing focus for the Fund.

Building on the success of Hidden Now Heard by Mencap Cymru in 2016, learning disabled people are again taking the lead in a project Our Social Networks, exploring the role of friendships and intimate relationships in the lives of learning disabled people in Wales.

Across England, 2018–19 saw the successful launch of Sensing Culture, a partnership project with RNIB and five partner museums in South East England, while Heritage Ability took place at over 20 destinations across Devon, Dorset, Cornwall, Somerset and Gloucester. Led by Living Options in Devon, disabled people and British Sign Language users developed accessible and engaging experiences with the places that we all love. Easy Read guides, large print formats and BSL tours were some of the resources used to enable people to take part in a very wide range of heritage sites.

Led by Accentuate in Folkestone, History of Place developed stunning exhibitions, resources and accessible tools across England, exploring 800 years and eight sites in the history of deaf and disabled people. Involving young deaf and disabled people as researchers and in developing resources, enabled the project to reach a very wide range of audiences visiting arts centres, festivals and museums. There was a huge positive response to the accessibility of the History of Place website and many enthusiastic comments on the participation opportunities ahead.

Recognising that using a creative range of learning styles widens access and increases greater participation has meant that the complexity of heritage lives on and is explored by communities in constantly evolving and imaginative ways, often dependent on local context. For example, this has meant theatre, animation, film and other creative skills have been used to research, explore and share heritage. In 2018, all these methods were used in showcasing women's experiences across generations, past and present and across the United Kingdom during the 100th anniversary of women's suffrage in 1918.

Textiles, fabric recycling and craft skills were central to Worn Stories, a community-led project

## Policy directions

in Bradford, led by Hive community arts charity and artist Claire Wellesley-Smith. The project explored the legacy of textile history in Yorkshire through beautiful, low cost techniques and involved hundreds of local people. Culminating in an exhibition at Bradford Industrial Museum, Worn Stories involved women from local minority ethnic communities, archivists, volunteers with charity shop experience and many more in sharing practical craft skills, personal experiences and professional textile knowledge. The inspirational results of this project have meant many participants continue to meet, share textile skills and increasingly use local heritage resources with more knowledge and confidence.

### d) Children and young people

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**“The need to inspire children and young people, awakening their interest and involvement in the activities covered by the heritage good cause.”**

Through Kick the Dust, our £10.4million investment in work with young people aged 11–25, all 12 consortia projects of heritage and youth organisations have begun the delivery phase. The projects are ambitious and large scale, seeking to increase the quality of young people's engagement with heritage.

The Kick the Dust projects have started to deliver a wide range of activities across cultural, natural and industrial heritage, spanning diverse ways to engage young people, from 3D printing and augmented reality to axe throwing, shadow puppetry to habitat management, and many more creative chances to develop an interest in heritage. Each of the 12 projects have established opportunities for young people to engage and explore heritage to make it relevant to them. Importantly all projects are supporting young people to become co-producers, leaders and decision makers within each project and in wider heritage.

Kick the Dust has impacted young people who engage with the programme just as much as heritage organisations and how they work with young people and the youth sector both now and in the future. The challenge and learning for the heritage sector will endeavour to bring about

long-term change to the culture and practice of heritage organisations.

Heritage Ambassadors – the “#Dustkickers” – completed an evaluation of their involvement with the Fund and the role that they played within Kick the Dust. Some Heritage Ambassadors have gone on to provide advice and support to individual Kick the Dust projects; one Heritage Ambassador has become a trustee of Kids in Museums.

Our Young Roots programme, awarding grants of £10,000 to £50,000, has continued to support a wide range of youth-work focused projects this year. In 2018–19 we have invested over £3.2million in 157 projects across the UK. As a result thousands of young people have learnt about heritage, developed new skills and confidence and made a difference in their local community.

### e) Communities

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**“The need to foster initiatives which bring people together, enrich the public realm and strengthen communities.”**

In the context of current social and political divisions across the UK and internationally, the role of heritage in bringing communities together who have differing experiences remains crucial. We know through the extensive responses by National Lottery players to the funding framework consultation, that the role of heritage in achieving social impact and benefits for communities is immensely important. In 2018, the 70th anniversary of the arrival of the ‘Empire Windrush’ was celebrated by over 25 projects marking the contributions of thousands of British Caribbean men and women to the United Kingdom, both in the past and within contemporary British life. Projects marking this significant anniversary ranged from an intergenerational project led by the African Community Centre in Swansea, to a broader exploration of race and identity There IS Black in the Union Jack led by the Black South West Network.

Heritage projects are well placed to use community experience and local knowledge to explore histories of migration and widen discussions of national identities, exploring complex areas of experience with nuance, enabling reflection and benefiting us all in the

process. Partnerships developed in this process often continue after the project is completed, leading to new alliances across generations or between communities.

Liberal Judaism has led a number of fascinating, high quality heritage projects with National Lottery Heritage Fund support which build our knowledge and understanding of each other. A wide range of people are involved in planning and delivering thoughtful exhibitions across a range of national venues and online, bringing very different communities together to explore shared and differing experiences of faith, identity and heritage. Throughout 2018, the national tour and events programme of Rainbow Pilgrims explored the rites and passages of LGBTQI migrants, showing at university sites, museums, archives and community centres. The evaluation of this project demonstrates wide benefits to communities of all ages, including contributions to positive mental health, contemporary and creative challenges to stigma and a wider awareness of the complexity of identity and heritage. Overall, 19 projects highlighting LGBT heritage were funded in 2018–19, bringing people together and strengthening the overall experience of community life across the United Kingdom.

## f) Volunteers

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**“The need to support volunteers, and encourage volunteering activity, in heritage.”**

Volunteers are central to the sustainability of the heritage sector, and the majority of projects we have funded over the last year involve volunteers. We have supported projects which have encouraged a wider range of people to volunteer, opened up a broad range of volunteering opportunities for people of all ages, and helped volunteers to develop new interests and skills. We provide best practice guidance to ensure volunteers are properly managed and supported, including travel and expenses, and recognition of the difference that they make. We have also funded a wide range of volunteer-led organisations, and supported capacity building to deliver heritage projects.

In 2018–19, we piloted a micro-grants programme, with grants awarded under £3,000. Many of the grantees were volunteer-led groups, including

Friends groups. Following this pilot, we have included smaller grants in our new Strategic Funding Framework. Any application to us for more than £10,000 under National Lottery Grants for Heritage may now include a community grants scheme, which can give small-scale conservation and activity grants. We hope this new approach will enable organisations to respond to local need. This will help to support activity by volunteers and small voluntary organisations where there is not the capacity to apply for or deliver larger projects.

## g) Skills

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**“The need to encourage innovation and excellence and help people to develop their skills.”**

The final cohort of 18 Skills for the Future projects (Cohort 3) continue to deliver innovative approaches to inclusive recruitment and excellence in skills delivery. The Boiler & Engineering Skills Training Trust have been awarded the Worshipful Company of Carmen’s Herbert Crow Award for addressing the decline of skilled engineers in heritage steam. Museums Galleries Scotland (MGS) won the Creative Choices Award at this year’s Creative & Cultural Skills Awards for their Skills for Success programme. In addition, Skills for Success and the Skills for the Future project delivered by Next Step Initiative have been identified as best practice in the Skills Investment Plan for Scotland’s Historic Environment launched on 25 March 2019. In addition, Uchelgais Diwyllianol/Cultural Ambition is part of the Welsh Government’s Fusion: Creating Opportunities through Culture programme, and Ulster Wildlife Trust’s success in supporting trainees into employment was highlighted in our Changing Lives campaign in May.

Skills projects are well placed to support our ambitions around inclusive heritage and supporting a more diverse workforce: 20% of Cohort 3 trainees were unemployed before starting their paid traineeship; 13% of trainees identify as deaf, disabled or as someone with a long-term health condition; 62% are aged under 25 and 82% of trainees identify as white. New guidance and case studies have also been developed, highlighting the opportunity that skills projects can contribute to our inclusion priority.

## Policy directions

### h) Public value

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**“The need to ensure that money is distributed for projects which promote public value and which are not intended primarily for private gain.”**

Our National Lottery philosophy is grounded in funding what people value, and our assessment of applications takes account of the outcomes that projects will deliver for heritage, people and communities. We give priority to not-for-profit organisations and since 2002 half of our funding by value (50%) has gone to voluntary and church organisations.

We provided some support for heritage in private ownership through the Our Heritage programme in our strategic framework for 2013–2019 (grants of £10,000–£100,000) provided that applicants could demonstrate that there is clear public enthusiasm for a project and a genuine need for National Lottery investment. This approach is continuing and expanding in our new funding framework as private owners can now apply for both £3,000–£10,000 and £10,000–£100,000 grants if they meet the same criteria. Under our Heritage Enterprise programme, the case for Lottery funding depends on there being a ‘conservation deficit’ (where a building’s current value and the cost of bringing it back into use are greater than its post-project value). These approaches are designed to ensure that public benefits from the projects we invest in will outweigh private gain.

### i) Sustainable development

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**“The need to further the objectives of sustainable development.”**

We have not changed our approach to sustainable development this year under Strategic Framework 2013–2019. All applicants submitting applications for funding of more than £2million were covered by our carbon footprinting policy, which requires them to undertake a carbon footprint assessment of the project proposal during the development stage. These assessments became an integral part of the overall process of project appraisal for more projects during 2016–17 as they reach second round.

Since 2008 we have required applicants to tell us how they will address a range of resource use issues, including energy efficiency, renewable energy, water, building materials, waste, soil, sustainable timber procurement, biodiversity and visitor transport, and have offered guidance to help applicants plan and design their projects.

One of the weighted outcomes for grants over £100,000 in our open programmes under Strategic Framework 2013–2019 was that “negative environmental impacts will be reduced”.

In the new Strategic Funding Framework we are offering practical guidance on adopting environmentally responsible measures. We have a new collaboration with Fit for the Future, an environmental sustainability network that supports people to make good decisions about integrating environmental measures into their projects. Projects receiving small grants of under £10,000 can think about simple steps, such as making a commitment to minimising waste and using recycled or biodegradable materials. We also ask that all projects, as part of environmental sustainability, focus on doing more for nature which is one of our key priorities in the Strategic Funding Framework. Large capital projects will be expected to take a much more focused approach and to consider sustainability holistically across a much broader range of issues.

### j) Economic and social deprivation

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

Over one-third (38%) of all funding has been committed in the 25% most deprived areas in each of the four countries of the UK (based on the most recent indices of multiple deprivation for England, Wales, Scotland and Northern Ireland).

Under Strategic Framework 2013–2019, development teams in our local offices across England, Northern Ireland, Scotland and Wales encouraged good quality applications from areas that have been less well represented in our funding to date. Under the new funding framework, the new area and country teams are developing strategies to increase funding to 13 areas of

focus across England, Scotland and Wales. The 13 local authority areas were chosen based on both spend per capita and standard indices of deprivation.

As a measure of equitable spread of funding we review the number of local authorities that have received significantly less than the UK average, in terms of the per capita value of grant awards. The number of local authorities where the value of per capita grant awards is less than a quarter of the UK average is now 45 (12% of the total).

## k) Joint working

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**“The desirability of working jointly with other organisations, including other distributors, where this is an effective means of delivering the Fund’s strategy.”**

The Tailored Review and Museums Review continued to create important context for the Fund’s work in 2018–19. This year we worked in partnership to develop and deliver activities in a number of policy areas:

- **Heritage Impact Fund** – We have developed a new £7million partnership with the Architectural Heritage Fund, Historic England, Cadw and Historic Environment Scotland to offer charities, social enterprises and community businesses across the UK a social investment loan fund for historic buildings projects and enterprises.
- **Future Park Accelerator** – We have teamed up with the National Trust to enable eight places across the UK to develop ambitious solutions to secure and enhance the future of public parks and greenspaces for long term public benefit.
- **Rethinking Parks** – We have partnered with the National Lottery Community Fund and Nesta to invest £1.5million in supporting eleven pioneering parks projects to develop the most promising and innovative operating models for parks.
- **High Streets Heritage Action Zones** – We have agreed to partner with Historic England to fund, plan and deliver a cultural programme as part of the wider £40million high street regeneration programme announced in the Budget.

- **Cultural Development Fund** – We have worked with ACE and others to shape the distribution of £20million to five areas.
- **ACE/HLF Memorandum of Understanding** – We have delivered the first year of our joint Mendoza action plan including a new protocol for intelligence sharing to support our decision-making and development of a Collections at Risk protocol. Our Chief Executives and Boards have been appraised of each other’s respective strategic plans and work on aligning processes and messaging to the museums sector commenced in April 2019.
- **DCMS Culture is Digital** – Together with ACE we have agreed to ensure that funded organisations get better at collecting, using and sharing audience data; pilot the use of a Digital Maturity Index for the cultural sector; and create a Digital Culture Code. We also committed to funding a £1million campaign to attract high-quality projects to build the heritage sector’s digital capacity in 2019–2020.

We continued to work closely with DCMS, Arts Council England (ACE), Historic England and others to deliver proposals in the Culture White Paper such as Great Place. The results of a survey on the impact of the crowdfunding pilot six months on were published in August 2018.

We work with government, Imperial War Museums and many other bodies continued on activities to mark the Centenary of the First World War. With Arts Council England we continued to jointly fund the UK’s major cultural programme, 14–18 NOW. We continue to work in collaboration with the Arts and Humanities Research Council. Its funding enabled five university engagement centres to provide expert research support to community groups and cultural organisations undertaking National Lottery Heritage Fund centenary projects. Subjects range from the home front and the experiences of women to medical and technological advances, and the contribution of soldiers from the British Empire to the war.

We are implementing a major piece of work with the National Lottery family, including all Lottery distributors, Camelot and the National Lottery Promotions Unit, to build the National Lottery

## Policy directions

brand and promote good causes through One National Lottery. Our name change was a result of this work. We have continued to work with other Lottery distributors to ensure continued close coordination of activities and to thank National Lottery players. We continued to work in partnership with the National Lottery Community Fund to deliver our Parks for People programme in England.

### **l) Acknowledgement**

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**“The need to include a condition in all grants to acknowledge Lottery funding using the common Lottery branding.”**

We have placed increased importance on the benefits of raising awareness of Lottery funding and require all applicants to acknowledge our grants publicly for the duration of during the project and after completion. Our guidance ‘How to acknowledge your grant’ forms part of our standard terms of grant and this year we increased our focus on this by asking applicants to tell us, as part of their application, how they plan to promote the contribution of the National Lottery to their project.

In January 2019 we re-branded the organisation as The National Lottery Heritage Fund using the highly recognisable crossed-fingers logo to reinforce the link between National Lottery play and the good causes. All new grantees will receive acknowledgement materials using the new branding.

### **m) Partnership funding**

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**“The need to 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.”**

The consultation for our Strategic Funding Framework asked for views on whether the levels required in our framework should be changed. As a result we have maintained our minimum requirement of 5% in cash or kind for grants up to £1million, and a minimum of 10% on grants over £1million. For grants up to £100,000 there is no minimum cash partnership funding requirement.

### **n) Decisions**

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**“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.”**

We did not change our approach to this for our Strategic Framework 2013–2019 or the new strategic framework.

- 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 outcomes for heritage, people and communities, 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.

### **o) Project planning and management**

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**“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 Office of Government Commerce’s Gateway Review Standards”**

- a) Under Strategic Framework 2013–2019, the application form for our Heritage Grants programme continued to require applicants to set out their second round applications in a business plan format, with supplementary information contained in an activity plan, cash flow forecasts and an income and spending table. For grants over £2million, we asked for a project business plan. We asked conservation projects to include sound plans for maintaining heritage in the long term in order to ensure that it has a viable future, and to protect our investment through better long-term management. 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 and we published guidance on how to produce this.

In the new Strategic Funding Framework 2019–2024, we require all large projects (over £250,000) to provide a business plan at the development phase and then an improved business plan by the delivery phase. The business plan should be for the organisation rather than the project, which reflects our growing interest in organisational resilience.

- b) Under Strategic Framework 2013–2019 we required all applicants to demonstrate that their projects will be well managed, and meet relevant standards regarded as good practice for the area for which the grant was given. For capital projects we include formal review points in our assessment and monitoring processes (corresponding to RIBA Plan of Work stages). We employ external monitors on all major projects to ensure that projects deliver 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.

In the new strategic framework, the requirements for management, maintenance and conservation plans are no longer linked to grant request but are now based on what the project is doing.

## Policy directions in relation to Wales

Policy direction (b) requires HLF (as was; now The National Lottery Heritage Fund) to take account of “the need to promote and support the Welsh language and reflect the bilingual nature of Wales, including the principle of equality between the English and Welsh languages in the Fund’s activities in Wales, in line with the guidance set out in the Welsh Language Board’s publication\*, and monitored in accordance with agreed procedures”.

Our Welsh Language Scheme sets out our commitment to treating the Welsh and English languages on the basis of equality in delivery of service and to ensure that policies and initiatives meet the standards set out in the scheme. This covers administrative actions for providing a bilingual public service in Wales, the organisation’s public face, including corporate identity, application forms, guidance notes and the website, press and marketing activity, assessment and monitoring of applications, staffing and recruitment, and consultation exercises and research. We monitor our performance annually through our commitment to an Equality Scheme and have produced guidance to support applicants in Wales in developing bilingual approaches: ‘Incorporating the Welsh language into your project’.

### **Directions issued to the Trustees of NHMF under section 26(1) and (2) of the National Lottery etc. Act 1993**

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 NHMF (“the Fund”) pursuant to section 26(5), hereby give the following directions to the Fund:

1. In these Directions any reference to a section is a reference to a section of the National Lottery etc. Act 1993, as amended.
2. In exercising any of its functions, the Fund shall take into account the following matters in determining the persons to whom, the

## Policy directions

purposes for which and the terms and conditions subject to which they may make grants or loans, and the process used to determine what payments to make in distributing any money under section 25(1):

- a) The need to 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, and the desirability of encouraging public service bodies to work together wherever it will result in better outcomes for people and heritage.
- b) The need to promote and support the Welsh language and reflect the bilingual nature of Wales, including the principle of equality between the English and Welsh languages in the Fund's activities in Wales, in line with the guidance set out in the Welsh Language Board's publication\*, and monitored in accordance with agreed procedures.
- c) The need to ensure an outcome-focused approach, working closely with appropriate partners for the benefit of communities and heritage across Wales, where this is an effective means of achieving the Fund's strategy.
- d) The need to encourage the conservation, preservation, presentation, promotion and interpretation of all aspects of the heritage of Wales.
- e) The need to encourage the financial sustainability of the heritage assets of Wales.
- f) The need to provide opportunities for people, especially young people and the disadvantaged parts of society, to gain the skills required to conserve and preserve the heritage of Wales.
- g) The need to encourage the use of appropriate professional standards in all projects.
- h) The need to provide opportunities for people of all ages and all backgrounds, especially children and young people and

the disadvantaged parts of our society, to have access to, to learn about, to enjoy and thereby promote the diverse heritages of Wales, where appropriate.

\* **Awarding Grants, Loans and Sponsorship: Welsh Language Issues**, March 2007.

## Policy directions in relation to Scotland

### **Directions issued to the Trustees of NHMF under section 26(2) as read with section 26A(2)(b) of the National Lottery etc. Act 1993**

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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\*\*, 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 have regard to the interests of Scotland as a whole and the interests of different parts of Scotland, taking account of the diverse demographic and deprivation patterns in the different parts of Scotland, and the desirability of encouraging public service bodies to work together wherever it will result in better outcomes for people and heritage.
  - b) The need to ensure an outcome focused approach, working closely with appropriate partners for the benefit of communities and heritage across Scotland, using the following principles:



## **Engagement**

The development of programmes should be based on the active engagement of appropriate partners.

## **Greener**

People have better and more sustainable services and environments.

## **Healthier**

People and communities are healthier.

## **Safer and stronger**

Communities work together to tackle inequalities.

## **Smarter**

People having better chances in life.

## **Solidarity and cohesion**

Ensuring that individuals and communities across Scotland have the opportunity to contribute to, participate in, and benefit for a more successful Scotland.

## **Sustainability**

To improve Scotland's environment today and for future generations while reducing Scotland's impact on the global environment.

## **Wealthier and fairer**

A flourishing and sustainable economy.

- c) The need to encourage the conservation, preservation, presentation, promotion and interpretation of, and access to, all aspects of the heritage of Scotland.
- d) The need to promote and support throughout Scotland the cultural significance of the Gaelic and Scots languages.
- e) The need to encourage the financial sustainability of the heritage assets of Scotland including those that are of the national importance to the people of Scotland.
- f) The need to provide opportunities for people, especially young people and the disadvantaged parts of society, to gain the skills required to conserve and preserve the heritage of Scotland.

g) The need to encourage the use of appropriate professional standards in projects.

h) The need to provide opportunities for people of all ages and all backgrounds, especially children and young people and the disadvantaged parts of our society, to have access to, to learn about, to enjoy and thereby promote the diverse heritage of Scotland, where appropriate.

i) The need to encourage heritage projects that sustain a cultural legacy arising from international events in Scotland.

j) The need to keep Scottish Ministers informed of the development of policies, setting priorities and the making of grants in Scotland.

\*\*The function conferred on the Secretary of State was transferred to the Scottish Ministers by virtue of Schedule 1 to the Scotland Act 1998 (Transfer of Functions to the Scottish Ministers etc.) Order 1999 (S.I. 1999/1750).

## Progress on projects over £5million

The following table shows the progress on projects involving £5million or more of Lottery funding.

| Project title  | Region or country | Applicant  | Total project cost (£) | Grant amount (£)/ award date  |
|--|-------------------|--|------------------------|---|
| Aberdeen Art Gallery: Inspiring Art and Music  | Scotland          | Aberdeen City Council – Aberdeen Art Gallery and Museums | 25,236,063             | 126,200 (development)<br>9,997,500 (delivery)<br>September 2014           |
| Acquisition of the Armada Portrait of Elizabeth 1                                    | London            | National Maritime Museum                                 | 10,217,900             | 7,257,700<br>September 2016   |
| Alexandra Palace: Reclaiming the People's Palace                                     | London            | Alexandra Park and Palace Charitable Trust               | 26,737,903             | 844,800 (development)<br>18,850,000 (delivery)<br>March 2015              |
| Aspire (Constable 'Salisbury Cathedral from the Meadows')                            | London            | Tate Britain   | 24,723,455             | 15,800,000<br>April 2013  |
| Auckland Castle Trust  | North East        | Auckland Castle Trust                                    | 20,520,200             | 1,000,000 (development)<br>11,400,000 (delivery)<br>August 2016           |
| Bath Abbey Footprint   | South West        | Bath Abbey Parochial Church Council                      | 19,441,846             | 389,000 (development)<br>10,725,300 (delivery)<br>March 2016              |
| BCLM: Forging Ahead – creating a world-class visitor attraction in the Black Country | West Midlands     | Black Country Living Museum                              | 22,731,496             | 400,000 (development)<br>April 2017<br>9,800,00 (delivery)                |
| Buxton Crescent & Spa  | East Midlands     | Derbyshire County Council and High Peak District Council | 46,709,827             | 497,000 (development)<br>23,853,000 (delivery)<br>July 2002               |
| Courtauld Connects   | London            | Courtauld Institute of Art                               | 34,354,940             | 650,000 (development)<br>April 2016<br>8,850,000 (delivery)<br>March 2018 |
| Creu Hanes – Making History at St Fagan's  | Wales             | National Museums of Wales                                | 24,477,415             | 450,000 (development)<br>12,547,300 (delivery)<br>July 2012               |

| Project status and % of grant paid to 31 March 2019 | Latest report   |
|---|---|
| Delivery<br>85                                      | The 90% payment limit has been reached. Preparation for the installation of displays etc is well underway – although some contractual issues are ongoing. Formal opening is anticipated as autumn 2019.   |
| Delivery<br>95                                      | Conservation is complete and portrait is back in the Queens House. National Outreach Curator was appointed in autumn 2017 and activities are now underway until April 2020.   |
| Delivery<br>94                                      | Capital works are largely complete. The East Court and Victorian Theatre relaunched in December 2019. The project has been received very well by the public and press. Activities continue. The next phase is the delivery of a Sackler Trust funded Learning Hub (the Trust have confirmed commitment to this grant).            |
| Delivery<br>99                                      | The painting has completed the touring exhibition and has returned to the Tate.   |
| Delivery<br>58                                      | Restoration of Castle underway. Some delay in programme with main building now scheduled for May 2019. New build Faith Gallery to open October 2019.  |
| Delivery<br>20                                      | Capital works are now well underway and progressing well despite unexpectedly important archaeological finds under the Abbey floors. Activities are also progressing well and new PD ensuring that these are keeping up with capital programme.   |
| Development<br>100                                  | Delivery grant awarded in March 2019. Project to expand and improve visitor experience, with the creation of a new development set in the 1940s to 1960s and with a new visitor entrance. The development phase was successful with good partners and match funding, including LEPs.  |
| Delivery<br>90                                      | Delivery grant increase of £11,320,000 awarded in November 2014. Project now fully funded and work in progress. Pump Rook achieved practical completion in June 2017 and opened to the public as the town's Tourist Information Centre in March 2019. Fit-out of the hotel is well underway and it is due to open in autumn 2019. |
| Delivery<br>0                                       | Delivery grant was awarded in April 2018. Lease negotiations by the grantee have resulted in a delay – permission to start is expected in early April 2019. The grantee has progressed with the decanting of the Institute to Kings Cross – completed in January 2019.  |
| Delivery<br>90                                      | Capital work completed to very high standard. Public opening took place on 18th October 2018. Remaining activities continue. Visitor numbers and progress against Activity Plan continue to exceed targets. GED October 2019 – likely to be extended to allow for full evaluation.  |

## Progress on projects over £5million

| Project title  | Region or country      | Applicant   | Total project cost (£) | Grant amount (£)/ award date   |
|--|------------------------|---|------------------------|--|
| Derby Silk Mill – Museum of Making   | East Midlands          | Derby Museums Trust   | 16,999,900             | 817,300 (development)<br>April 2015<br>8,570,400 (delivery)                |
| Ditherington Flax Mill, Maltings International Heritage site at the heart of the community | West Midlands          | Historic England  | 30,382,488             | 465,300 (development)<br>20,717,500 (delivery)<br>July 2013                |
| First Light at Jodrell Bank  | North West             | University of Manchester  | 19,733,200             | 784,800 (development)<br>April 2015<br>11,362,400 (delivery)<br>March 2018 |
| First World War Centenary Cultural Programme 14–18 NOW)                                    | Cross-territory        | Imperial War Museums  | 50,009,614             | 10,000,000<br>November 2013  |
| Hartlebury Castle  | West Midlands          | Hartlebury Castle Preservation Trust  | 7,239,665              | 413,700 (development)<br>4,975,100 (delivery)<br>September 2014            |
| Hastings Pier  | South East             | Hastings Pier Charity Ltd   | 14,248,352             | 357,400 (development)<br>12,044,000 (delivery)<br>November 2012            |
| HMS Caroline, Belfast  | Northern Ireland       | National Museum of the Royal Navy   | 17,800,732             | 845,600 (development)<br>14,240,500 (delivery)<br>September 2014           |
| Hull: Yorkshire's Maritime City  | Yorkshire & Humberside | Hull City Council   | 27,403,948             | 1,368,400 (development)<br>April 2017<br>14,999,900 (delivery)             |
| Inspired by Knole  | South East             | The National Trust for Places of Historic Interest or Natural Beauty National Trust | 24,181,947             | 7,750,000<br>July 2013   |

| Project status and % of grant paid to 31 March 2019 | Latest report   |
|---|---|
| Delivery<br>20                                      | Grant awarded September 2017. Project funding is in place. Contractors appointed through Integrated Project Insurance (IPI) – a new Government approach to procurement. Building works are underway. Activities include The Markory, a mobile museum delivering outreach across the 'Vital Valley' as part of Derwent Valley Mills World Heritage Site Great Place Scheme.  |
| Delivery<br>28                                      | Permission to start was authorised in April 2017. Repair and conservation works to the main mill are complete; stage 2 of capital works are now underway. A strong project team is in place and work to develop the wider site and business plan is progressing well.   |
| Delivery<br>3                                       | Delivery commenced in April 2018 and works are now out to tender. The activity and volunteering programmes are progressing well. Opening is scheduled for January 2021 and project completion by December 2023.   |
| Delivery<br>94                                      | The third and final season of 45 new artistic commissions took place this year. Since the 2018 programme culminated on the Centenary of Armistice, the focus has been on the 2018 season evaluation and the 14–18 NOW book. The book published in March 2019 and the evaluation will be ready for their 'Now the Future' conference in April 2019.  |
| Delivery<br>94                                      | Former Palace of the Bishops of Worcester acquired by the Trust on 27 March 2015. Permission to start was authorised in May 2016. Capital works are complete. Hartlebury formally opened to the public in June 2018. The activity programme is underway and progressing well.   |
| Complete<br>100                                     | The Pier with visitor centre and Pavilion building opened in May 2016 with visitor numbers 400,000 exceeding expectations. It received critical acclaim, winning the RIBA Stirling Prize in October 2017. HPC could not make the business plan work and entered administration in November 2017. The National Lottery Heritage Fund funded the administration so that the pier remained operational while future options could be explored. In June 2018 the administrators sold the pier to a private owner. The pier was operational but closed for the winter season and there was some negative press about the new owner and access. The owner has reopened the pier. The administration was completed in May 2019. The National Lottery Heritage Fund have no contractual control over future operation but we are encouraging positive engagement between the new commercial owner, the local community and Hastings Borough Council to ensure that the pier is open and maintained for the benefit of Hastings. |
| Delivery<br>73                                      | All capital works complete and the Pump House was formally launched on 18 April 2018. It won Large Visitor Attraction of the Year in the 2017 Luxury Travel Guide Awards. Activities are ongoing with good community engagement. The project will complete by 31 March 2021.  |
| Development<br>45                                   | Mid-development review was held on 13 December 2018. Detailed feedback was given and follow up progress meetings arranged. Hull City Council has been very responsive to our advice and review has now been passed. Second-round submission due in May 2019.  |
| Delivery<br>70                                      | The formal launch event took place at Knole on Wednesday 27th February. Some conservation/volunteer activity is yet to be completed and final completion is expected in 2019.   |

## Progress on projects over £5million

| Project title  | Region or country | Applicant                                 | Total project cost (£) | Grant amount (£)/ award date   |
|--|-------------------|---|------------------------|--|
| Inspiring People: Transforming Our National Portrait Gallery       | London            | National Portrait Gallery                 | 36,200,817             | 900,000 (development)<br>April 2017<br>9,400,000 (delivery)<br>July 2015 |
| Kings and Scribes – The Birth of a Nation                          | South East        | Winchester Cathedral                      | 14,693,759             | 475,500 (development)<br>11,017,400 (delivery)<br>July 2013              |
| Kresen Kernow: A new home for the stories of Cornwall              | South West        | Cornwall Council                          | 18,506,591             | 386,800 (development)<br>11,786,500 (delivery)<br>July 2015              |
| Lincoln Castle Revealed  | East Midlands     | Lincolnshire County Council               | 19,982,405             | 227,640 (development)<br>12,000,000 (delivery)<br>March 2012             |
| Lincoln Cathedral Connected  | East Midlands     | Lincoln Cathedral                         | 16,111,266             | 909,700 (development)<br>11,456,100 (delivery)<br>January 2017           |
| Lion Salt Works  | North West        | Cheshire West and Chester Local Authority | 6,962,250              | 5,290,000 (delivery)<br>March 2008                                       |
| Medicine Galleries Project   | London            | Science Museum                            | 20,949,628             | 400,000 (development)<br>7,600,000 (delivery)<br>September 2016          |
| National Army Museum, Building for the Future                      | London            | National Army Museum                      | 23,250,000             | 350,000 (development)<br>11,500,000 (delivery)<br>April 2014             |
| New Life for Old College   | Wales             | Aberystwyth University (Old College)      | 22,711,598             | 849,500 (development)<br>April 2017<br>10,581,800 (delivery)             |
| Newport Transporter Bridge – Repair Restoration and Interpretation | Wales             | Newport City Council                      | 13,206,900             | 1,052,800 (development)<br>9,708,400 (delivery)<br>April 2018            |

| Project status and % of grant paid to 31 March 2019 | Latest report   |
|---|---|
| Development<br>70                                   | Development phase has progressed successfully and is approaching completion. Round two submission is expected by April 2019 for a decision by the Board in September 2019.  |
| Delivery<br>78                                      | The project is close to successful completion later in 2019. The refurbished Education Centre opened in 2014 and the new Learning Centre in 2016. Lead replacement works to the cathedral roof are complete, and high vault and window works are on schedule. The permanent exhibition in the Triforium will open in spring 2019. Successful delivery of the Activity Plan – increased volunteering opportunities and apprenticeships continue.   |
| Delivery<br>79                                      | Grant awarded July 2015, and permission to start granted September 2015. Main contract almost complete on site, and fit-out of building proceeding well. Very successful delivery of activity and engagement elements. Completion of capital project and opening of building due mid 2019.  |
| Delivery<br>90                                      | The Castle has been open since April 2015 and continues to exceed visitor targets. The much delayed snagging works were due to be completed in March 2019 and some decommitment is anticipated when the final claim is submitted.   |
| Delivery<br>13                                      | Grant awarded January 2017, and good progress being made. Archaeological investigations and restoration works to the west front underway. Interpretive design company has been changed.   |
| Delivery<br>100                                     | Completed in October 2018. The final report was extremely positive with visitor numbers above target and income from catering and retail exceeding expectations. A strong volunteering team is in place, as is an effective and mutually supportive partnership between the local authority and the Lion Saltworks Trust. The significant number of awards achieved in conservation, learning and tourism are a reflection of the strong management, operational delivery and partnerships forged throughout the project. |
| Delivery<br>32                                      | Capital works underway. Opening scheduled for November 2019.  |
| Complete<br>100                                     | Completed. Redevelopment of the building at Chelsea complete, including visitor welcome, orientation, way-finding, new galleries, enlarged café/restaurant, shop and learning suite. Reopened to the public March 2017.   |
| Development<br>78                                   | Permission to start granted June 2017. Progress initially delayed but now on track – required review of scope/design towards a more viable use of spaces. Passed Development Review November 2018. Round two submission estimated September 2019.   |
| Development<br>0                                    | Permission to start granted 27 September 2018. Monitor and project management team appointed. Tenders out for design teams and pre-construction stage contractors.  |

## Progress on projects over £5million

| Project title   | Region or country | Applicant                                   | Total project cost (£) | Grant amount (£)/ award date                                     |
|---|-------------------|---|------------------------|--|
| Norwich Castle: Gateway to Medieval England   | East of England   | Norfolk Museums and Archaeology Service     | 13,174,200             | 462,400 (development)<br>April 2016<br>8,756,800 (delivery)      |
| Plymouth History Centre: Plymouth's role in History and History's role in Plymouth                                  | South West        | Plymouth City Council                       | 33,326,900             | 940,300 (development)<br>14,833,200 (delivery)<br>July 2016      |
| Remaking Beamish  | North East        | Beamish Museum                              | 16,699,062             | 603,800 (development)<br>10,891,200 (delivery)<br>September 2016 |
| Restoration of Dreamland Margate  | South East        | Dreamland Trust and Thanet District Council | 11,102,520             | 493,500 (development)<br>5,800,000 (delivery)<br>November 2011   |
| Revealing, Celebrating and Exploring the Heritage of the Royal Academy of Arts                                      | London            | Royal Academy of Arts                       | 30,156,969             | 458,700 (development)<br>12,274,500 (delivery)<br>September 2013 |
| Revisiting Nottingham Castle – 1000 Years of History  | East Midlands     | Nottingham City Council                     | 24,750,158             | 599,500 (development)<br>13,883,400 (delivery)<br>November 2016  |
| SeaMore: sharing the newest National Collection   | South East        | National Museum of the Royal Navy           | 17,569,737             | 433,500 (development)<br>April 2016<br>13,421,200 (delivery)     |
| Silverstone Heritage Experience and Collections and Research Centre   | East Midlands     | Silverstone Heritage Ltd                    | 19,121,014             | 446,000 (development)<br>8,664,500 (delivery)<br>November 2016   |
| Sir Anthony Van Dyck: Acquiring and Sharing His Last Self-Portrait  | London            | National Portrait Gallery                   | 10,343,536             | 6,343,500<br>April 2014  |
| Stroudwater Navigation Connected: canal, archives, wildlife regenerating cultural and natural heritage for everyone | South West        | Stroud District Council                     | 23,449,100             | 842,800 (development)<br>9,799,000<br>April 2018                 |



| Project status and % of grant paid to 31 March 2019 | Latest report  |
|---|--|
| Delivery<br>0                                       | Grant awarded September 2018. Permission to start granted January 2019.  |
| Delivery<br>42                                      | Grant awarded July 2016 and permission to start given July 2017. Project progressing well with additional funding secured by the Council and Accreditation secured for the Record Office. Now renamed 'The Box'. Capital works nearing completion with handover of exhibition spaces for fit-out happening in rolling programme over next few months. Opening on track for April 2020. |
| Delivery<br>23                                      | Civils and infrastructure works now substantially complete. Construction works for buildings well underway.  |
| Complete<br>100                                     | Completed in August 2018. The amusement park continues to operate and will reopen for the 2019 season – it is a key plank of Margate regeneration.   |
| Delivery<br>97                                      | Capital works were completed in April 2018 and the RA reopened to the public in May 2018. Delivery of activities has progressed well and completion is expected in July 2019.  |
| Delivery<br>5                                       | Grant awarded November 2016. Archaeological works have been completed and construction of the new visitor centre and repairs to the roof are underway. Interpretation fit-out team recruitment is nearing completion.  |
| Development<br>100                                  | The round two application was unsuccessful in July 2018. National Museum of the Royal Navy is continuing work on plans for the Royal Marines Museum, which was one key element of the larger SeaMore project.  |
| Delivery<br>74                                      | Grant award November 2016. Capital works, which commenced March 2018, are nearing completion and the official opening is due to take place in May 2019.  |
| Complete<br>100                                     | Completed. Painting acquired and activity programme completed in April 2018.   |
| Development<br>9                                    | Development phase progressing well. Second round submission expected November 2019. This is dependent on the Activity Plan being sufficiently developed and acquisitions of land along length of canal being at a sufficiently advanced stage.   |

## Progress on projects over £5million

| Project title  | Region or country      | Applicant   | Total project cost (£) | Grant amount (£)/ award date   |
|--|------------------------|---|------------------------|--|
| Tees-Swale: naturally connected                                  | North East             | North Pennines AONB Partnership                   | 9,326,742              | 414,200 (development)<br>6,137,300 (delivery)<br>April 2018                    |
| The BPMA New Centre Project at Mount Pleasant                    | London                 | Postal Heritage Trust                             | 22,064,557             | 250,000 (development)<br>5,229,300 (delivery)<br>December 2015                 |
| The British Museum World Conservation and Exhibitions Centre     | London                 | British Museum                                    | 37,784,645             | 10,000,000<br>January 2012   |
| The Burrell  | Scotland               | Glasgow Life                                      | 55,000,000             | 1,000,000 (development)<br>May 2015<br>14,000,000 (delivery)                   |
| The Canterbury Journey   | South East             | Canterbury Cathedral                              | 23,150,153             | 930,400 (development)<br>12,849,500 (delivery)<br>September 2016               |
| The Collections Discovery Centre at Dorset Museum                | South West             | Dorset Natural History and Archaeological Society | 15,409,625             | 483,900 (development)<br>April 2015<br>11,349,200 (delivery)<br>September 2017 |
| "The Hold" A Suffolk Archives Service for the 21st Century       | East of England        | Suffolk County Council                            | 20,667,604             | 538,100 (development)<br>April 2016<br>10,363,700 (delivery)<br>March 2018     |
| The North's greatest 'Cathedral of Commerce': Rochdale Town Hall | North west             | Rochdale Borough Council                          | 14,620,178             | 688,700 (development)<br>8,945,400 (delivery)<br>April 2018                    |
| The Piece Hall – Halifax Heritage                                | Yorkshire & Humberside | Calderdale Council                                | 10,770,888             | 239,000 (development)<br>7,000,000 (delivery)<br>July 2012                     |
| The Sill: Unspoilt Landscapes, Inspiring People                  | North East             | Northumberland National Park Authority            | 13,593,300             | 399,200 (development)<br>7,748,000 (delivery)<br>January 2015                  |

| Project status and % of grant paid to 31 March 2019       | Latest report  |
|---|--|
| Development<br>14   | Development progressing as per programme. Issue with agri-environment grants match funding, under discussion with DEFRA .  |
| Delivery<br>98  | The project is complete, with final claim due end of March 2019. Future operations and business plans under review.  |
| Complete<br>100   | Completed in October 2018.   |
| Development<br>90 (final claim received)<br>Delivery<br>0 | Construction started on site in November 2018. Firm proposals and timetables for work to the wider park are awaited, with planning applications for the road works and car park in progress. Work is underway on the two principal exhibition works contractors (fit-out and showcases). Activity work is progressing satisfactorily, with quarterly reports being provided. The building target opening date is December 2020, but may be postponed until Spring 2021, with activities continuing until March 2023. |
| Delivery<br>28  | Good progress on capital and activities. The new Welcome Centre will open in 2019. Roof works and landscaping are well advanced, and interpretation and exhibition planning are underway. Activities, including community outreach, volunteering, work with schools and improved access to cathedral collections are in delivery, with project staff in post and apprentices appointed.  |
| Delivery<br>8   | Grant awarded September 2017. Capital programme has now started and demolitions are underway. Fundraising to cover loans is continuing to be successful. Activity plan and 'meanwhile' activities while the museum is closed have been very successful and engagement with local schools and communities has been very strong.   |
| Delivery<br>11  | Grant awarded March 2018. Construction of new build underway, Activity staff appointed and beginning to engage widely across the county.   |
| Development<br>0  | Permission to start granted in September 2018. Project directors and design team have been appointed. A business planner and exhibition designer are to be appointed in March 2019. Activity planning is being re-tendered. Surveys are underway and/or about to be commissioned. The first claim for grant is expected in April 2019.   |
| Delivery<br>95  | Formally opened 1 August 2017. The project has proved to be very successful with over 2.5 million visitors in the first year of opening. The activity programme is being delivered well. A significant amount of additional investment and regeneration has taken place around the Piece Hall on the back of National Lottery Heritage Fund investment. Future operation and business plans under review.  |
| Delivery<br>90  | Building opened in July 2017. 150,000 visitors already achieved. Activity programme currently being delivered. Retention of final 10% of grant until full completion of activities.  |

## Progress on projects over £5million

| Project title  | Region or country | Applicant                            | Total project cost (£) | Grant amount (£)/ award date                                   |
|--|-------------------|--------------------------------------|------------------------|--|
| Unlocking the Severn for People and Wildlife   | West Midlands     | Canal and Rivers Trust               | 19,432,406             | 233,100 (development)<br>April 2016<br>10,577,200 (delivery)   |
| V&A at Dundee  | Scotland          | Dundee City Council City Development | 84,358,156             | 200,000 (development)<br>13,900,000 (delivery)<br>January 2014 |
| We Are London – collections, galleries and people in a new museum at West Smithfield | London            | Museum of London                     | 46,315,774             | 402,700 (development)<br>5,000,000<br>May 2018                 |
| Windermere Steamboat Museum  | North West        | Lakeland Arts                        | 17,506,514             | 494,000 (development)<br>12,076,400 (delivery)<br>July 2013    |

Project status and  
% of grant paid to  
31 March 2019

Latest report

Delivery  
2

Grant awarded July 2018 – to re-open the River Severn and Teme to all fish species for migration and will be the biggest of its kind in Europe. Permission to start was signed off in November 2018. A strong project management team has been put in place by the Canal & Rivers Trust. A contractor price is being secured for 1st Weir located at Diglis (Worcester) and capital works are anticipated to start in April 2019. Works to the visitor centre at Diglis Island started in February 2019 and works to the Severn Valley play area will start in June 2019. To date project is progressing well.

Delivery  
77

Project and learning programme fully delivered with final claim for the delivery phase due soon. Future operational and business plans are under review and grantee is in discussions with Scottish Government.

Development  
15

Regular progress meetings are being held. We are kept well informed of design decisions and strategic developments. The development phase is likely to take the full two-year period.

Delivery  
99

Practical completion has now been achieved – part funded by a National Lottery Heritage Fund loan. The museum opened to the public in March 2019 to positive reviews. Lakeland Arts will be keeping the financial and operational plans under review. The National Lottery Heritage Fund also awarded a Resilience Heritage grant of £229,000 in September 2018 to facilitate the transition to full operation. This is progressing well with a new Marketing and Development Project Manager in post.









