



Heritage Lottery Fund

National Heritage Memorial Fund Lottery Distribution
Annual Report and Accounts for the year ended 31 March 2016

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Report of the Trustees and Accounting Officer

Performance Report

Overview

Our performance in 2015–16

- a statement from the interim Chief Executive

2015–16 was a year of significant challenge for us in our Lottery Fund grant distribution role. The fact that we successfully delivered our corporate priorities we set at the start of the year is a testimony to the commitment of the teams who work on the Lottery Fund side of our business alongside the leadership of the Board of Trustees and Management Board.

In terms of our Lottery Fund work we undertook a review of our Strategic Framework 2013–18 during the year and established that the approach we adopted at the start of this period continued to hold good and was flexible to the changing circumstances of the heritage sector. With this in mind, the Board decided to extend the lifecycle for this framework out further into 2019.

Reflective of the changing demands of the sector, the Board agreed to introduce a new Resilient Heritage programme to support heritage organisations in their capacity and capability building. An additional Skills for the Future programme and a new Young Persons' programme are also to be launched in 2017–18.

2015–16 saw the launch of the Culture White Paper – the first in over fifty years. We worked collaboratively with our sponsor department and other lottery distributors to contribute to the White Paper and were pleased to see the recognition of heritage within the wider culture view.

We will continue our collaborative approach with the department as the work from the White Paper takes form in areas such as testing crowd-funding as an option for fundraising, the Great Place initiative and the reviews of museums and church funding.

In our Lottery work we continue to see exceptionally high levels of applications and we have a record number of projects in delivery. Whilst we have deployed additional

resources we recognise the risks of these additional workloads on both applicants/grantees and the Fund itself. We will commission a Business Process Review in 2016–17 to address the implication of both these work volumes and the emerging policy changes.

Shortly after the year end we said farewell to Carole Souter as our Chief Executive. The Fund is deeply in her debt for the remarkable and skilled leadership she has shown over thirteen years and her personal and professional commitment to heritage will be missed. In July 2016 we look forward to the arrival of our new Chief Executive, Ros Kerslake, who brings her own skills from the heritage sector and the commercial sector and we very much look forward to working with her.

Finally, let me thank all the staff who work in our Lottery Fund activities – they are incredibly hard working, truly committed to the aims of the Fund and provide an exceptional service to the nation's heritage, which too often goes unsung.

Our purpose and activities

The National Heritage Memorial Fund (NHMF or 'the Fund') 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. The Fund 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. 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 that proportion of National Lottery proceeds allocated to the 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 Heritage Lottery Fund (HLF) 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 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 and placed by him or her into the NLDF. NHMF applies to the NLDF for funds to meet its liabilities for Lottery grant payments and administration expenses.

Under section 22 of the 1993 Act, the Secretary of State for 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 16 $\frac{2}{3}$ % 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 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:

- a) any land, building or structure which in the opinion of the Trustees is of outstanding scenic, historic, aesthetic, archaeological, architectural or scientific interest;
- b) any object which in their opinion is of outstanding historic, artistic or scientific interest;
- c) 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 the 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 Lottery grant decisions to staff and also to committees containing some members who are not Trustees.

Using money raised by National Lottery players, HLF aims to give grants to sustain and transform our heritage, making a lasting difference for heritage, people and communities:

- Over the last 21 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 £434million to distribute in 2016–17, HLF will be 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

The Lottery Fund has 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.

The Trustees consider the risks faced by the organisation at their 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 below.

The main risks focused on the dangers to our past lottery investment 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 across the various parts of the UK and manifestation of the risk varies in different ways and different timings across the UK. Our operational teams are alert to changes in existing and past projects and early identification and discussion with grant recipients is often key to helping find a solution. Whilst claw-back of grants is usually our last resort, we reserve the right to protect past investment and the funds from National Lottery players.

The ongoing impacts of devolutionary settlements across parts of the UK also present a risk to us in terms of funding, business and operating models. We continue

to monitor developments closely and manage specific implications where these arise on a case-by-case basis whilst retaining the integrity of our central approach to grant giving.

The volume and variability of workloads also presents 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 in 2015–16 and we shall start to use that data in planning resource levels and distribution in 2016–17.

Going concern

The accounts have been prepared on a going concern basis as required by International Accounting Standards and because Trustees have no reason to believe that the government has any plans to change the percentage of Lottery Good Causes money received by NHMF or to change distributors of money derived from the National Lottery.

Performance summary

We continue to perform despite the demands on our resources and the record level of delivery. The details set out below and in the Key Performance Indicators demonstrate that we have met or bettered the substantial majority of our performance measures in 2015–16.

The longer term trend on financial performance is showing greater efficiency levels in terms of cost per grant and £/commitment as well as per application. We will continue to undertake more analysis on this in 2016–17.

Details of our performance on our service level targets is set out below:

Service level targets performance for the year to 31 March 2016

	Year to end March 2016	Year to end March 2015
1 Decisions will be placed on HLF's website within 20 working days of the meeting.	100%	100%
2 Grant payments will be made to the applicant, on average, within nine working days from receipt of the payment request.	83% (average 6 days)	83% (average 7 days)
3 Application process timescales:		
Heritage Grants round 1: 12 weeks + time to next meeting	97% (average 15.3 weeks)	97% (average 14 weeks)
Heritage Grants round 2: 12 weeks + time to next meeting	93% (average 15.9 weeks)	97% (average 14.6 weeks)
Heritage Grants major batch R 2: 12 weeks + time to next meeting	100% (average 13.8 weeks)	100% (average 14.1 weeks)
Heritage Exchange round 1: 12 weeks + time to next meeting	94% (average 14.2 weeks)	97% (average 13.3 weeks)
Heritage Exchange round 2: 12 weeks + time to next meeting	100% (average 14.8 weeks)	83% (average 13.6 weeks)
Landscape Partnerships round 2: 16 weeks + time to next meeting	100% (average 16 weeks)	100% (average 17.6 weeks)
Grants for Places of Worship round 1: 12 weeks + time to next meeting	99% (average 15 weeks)	98% (average 14.3 weeks)
Grants for Places of Worship round 2: 12 weeks + time to next meeting	98% (average 11 weeks)	99% (average 9.3 weeks)
Townscape Heritage round 2: 12 weeks + time to next meeting	85% (average 19 weeks)	100% (average 15 weeks)
First World War: Then and Now: 8 weeks + time to next meeting	96% (average 7.2 weeks)	96% (average 7.6 weeks)
Our Heritage: 8 weeks plus time to next meeting	96% (average 7.1 weeks)	95% (average 7.4 weeks)
Sharing Heritage: 8 weeks + time to next meeting	96% (average 7.2 weeks)	95% (average 7.6 weeks)
Young Roots: 8 weeks + time to next meeting	95% (average 7.2 weeks)	96% (average 7.3 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%.	79.1%	79.7%
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%.	89.6%	87.3%
6 The proportion of applicants that find the HLF website easy to use will be at least 87%.	86% - see note 1 below	85%
7 We will actively promote a wide selection of our awards via the media, to generate awareness amongst potential applicants and National Lottery players.	Met - see note 2 below	Not applicable - new target for 2015-16

1 This measure is reported via our Customer Care Survey, the most recent of which is from September 2015. Last July, we engaged an external company – Numiko – to carry out customer research (both qualitative with four rounds of user testing and quantitative with an online survey which had over 250 respondents) on our website. The results were extremely positive with the mobile experience being deemed appropriate to the site and the site structure to be largely very strong. Almost 90% of survey respondents said they found the site content useful or very useful and 95% found the language easy to understand.

2 Promoting awards is only part of the publicity undertaken by HLF and we also support grantees in delivering publicity about our awards. During 2015-16 we issued 29 national and 128 regional press releases, relating specifically to new awards across the UK. We also supported and contributed to 369 news releases about grant awards, issued by grant recipients. Many of these have also featured in news pieces on the HLF website and associated social media to drive traffic. Grants news therefore features highly in the coverage we generate, which overall, delivers a consumer-reach averaging 155 million per month.

Performance analysis

NHMF operates two funds – its original grant-in-aid fund (NHMF) and its Lottery distribution activities (referred to as HLF). It is required, by the accounts’ direction of the Secretary of State for 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 Lottery distribution activities.

The NHMF receives Lottery applications from thousands of organisations across all communities of the UK and awards grants on the basis of its aims. Since the Lottery started in 1994, we have received over 70,000 applications requesting over £16.4billion. During that time, we have made over 48,000 awards to a value of £7.2billion.

During the year, we had over 3,200 grant applications, requesting £929million. This is a very small reduction on the level received in 2014–15 – a 2% drop in the value of applications. The number of applications received in the past two years is down on the peaks received in 2012–13 and 2013–14, but those years’ numbers were distorted by significant amounts of small applications – we received over 1,000 applications to the All Our Stories programme in 2012–13 and over 500 First World War: Then and Now applications in 2013–14. The actual number of applications to our standard grant programmes has risen and these programmes tend to require more assessment resources.

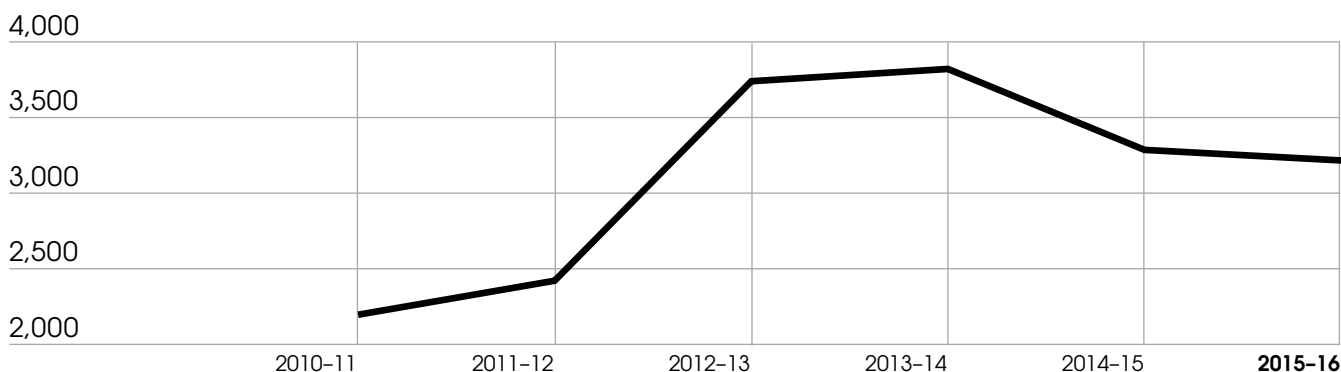
For example, we received 461 Heritage Grant applications in 2015–16, a 6% rise on last year and a 14% rise on 2013–14. Similarly, we received 25% more applications to the Grants for Places of Worship programme when compared with 2013–14.

The level of requests in 2015–16 was 2.4 times our income and means that unfortunately we have to disappoint many of our applicants.

Overall, our income fell slightly from £392million in 2014–15 to around £388million this year. Trustees are pleased to see that income levels remain strong because this allows us to increase grant budgets in future years for the benefit of the UK’s heritage. We received fewer funds from the Lottery in 2015–16 when compared with 2014–15. However, this was due to the one-off transfer in 2014–15 of almost £30million from the residue of the Olympic Lottery Distribution Fund. Therefore, the underlying trend of income derived from the operation of the National Lottery remains on an upward trend and has reached record levels.

Investment income remained constant at £1.6million in 2015–16. 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 the Department for Culture, Media and Sport. We receive 20% of the investment returns at the NLDF irrespective of the balance of our funds.

Applications to HLF



The balance of our funds at the NLDF rose from £566million to £595million at the end of the financial year. The increase in the balance was higher than expected as our grant payments fell slightly below the forecast made at the start of the year (£318million versus a forecast of £324million) and the National Lottery raised more funds than was anticipated (£385million versus £360million).

Our combined grant and administration budget for 2016–17 remains well in excess of forecast income and we believe that over the long-term this will help to prevent the NLDF balance from rising much further. There is often a long time lag between money being paid into the NLDF from the National Lottery and it being drawn-down by our grant recipients. We continue to seek ways to keep our NLDF balance under control, but we cannot and do not want to require grant recipients to accelerate their projects so that they draw funds down sooner – our aim remains one of funding quality heritage projects, not rushed ones.

Therefore, it was disappointing to see the level of net new grant liabilities falling from £437million to £367million with the ultimate outcome being that we had an operating surplus for the first time since 2002. The level of round one passes coming back for round two decisions fell despite the level of over-commitment we have been undertaking in recent years. We are not aware of the cause of this fall and so we are conducting research into the reason why recipients of round one passes are taking longer to return for their round two decision. We will consider the outcome of this research and, where possible, make changes to our procedures to improve the speed of return of our applicants. This will hopefully mean that the decline in new awards will be short-lived.

In order to monitor the impact of our awards on our cashflow, our balance at the NLDF and the level of our over-commitment, we have devised ratios to closely monitor our preparedness to cope with sudden

downturns in Lottery income or other significant changes to our operating environment. Should circumstances suggest that these target ratios will be breached, management are tasked with creating proposals to improve the situation. Taking into account the level of liabilities and commitments we are over-committed by the equivalent of 4.2 years' expected income. This demonstrates Trustees' determination to try to keep the balance at the NLDF from growing too fast.

Despite the disappointing level of new awards, the balance of grant liabilities rose during the year from £964million to £996million. This was simply because new awards exceeded grant payments. Our cash flow model forecasts a significantly higher level of grant payments in 2016–17, but we also expect a rise in round two decisions. This means that our liabilities will probably exceed £1billion early in 2016–17. We can expect a high level of round two decisions because there are £634million of contingent liabilities that will probably become awards in the next 18 months or so. As round two decisions were lower than expected, in the year our round one decisions reached £468million and so the balance rose from £572million to £634million.

Taking into account all the actual and contingent liabilities, at the end of the financial year we had committed over £1.03billion more than we had in the NLDF. The balance of contractual liabilities significantly exceeded our net assets and there was a net deficit on the Statement of Financial Position of £395million at 31 March 2016.

Overall, operating costs rose by 2.4% during the year, a smaller rise than last year's 3.4%. The increase was expected and had been incorporated into our operating budget for 2015–16. The increase was inevitable given the huge increase in the numbers of awards and applications over recent years. Despite this rise, we believe that the organisation

remains a highly efficient distributor of funds from the National Lottery – the evidence is shown in the chart below and our continuing to meet the efficiency targets set by DCMS.

We aim to provide a satisfactory service to all our applicants, whether they are successful or not, and this requires resources. The recent large increases in grant budgets mean that more applications are receiving awards, which again costs us more in terms of resources. The increase in the number of our grants in recent years will result in a bulge in the number of projects being monitored and the number of grant payments made in future years. Therefore, we expect our operating costs to further increase in 2016–17. This is inevitable in an organisation that has a portfolio of almost £1billion of active heritage projects in delivery and with another £634million of other commitments that may soon become awards.

There was a 1.4% rise in staff costs. The government’s continued restraint in public-sector wages – the overall paybill can only rise by 1% – means that the gross increase in costs is a result of staff increases needed to handle the increasing portfolio of work.

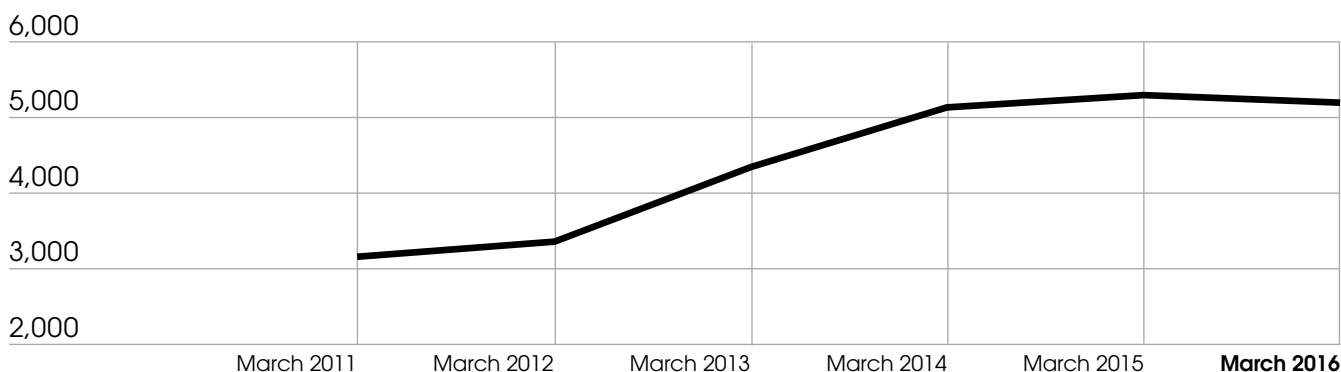
The level of projects under monitoring – those uncompleted projects that have received awards – have risen significantly in recent years. Ensuring that these projects progress

successfully is a major task requiring significant resource input. This helps to explain the increase in our administration costs in recent years.

Depreciation and amortisation costs rose significantly by 31%. The main reason for this is the full-year impact of amortisation on our recently overhauled website and the improvements made to our grant application processing software (known as the grant events management system – GEMS) for the current strategic framework. The new grant programmes created under that framework all required new modules within GEMS. We also replaced many of our IT servers as their age increased the risk that a failure would occur. Any such failure would have reduced the quality of service to our applicants, grantees and our stakeholders.

Other operating costs rose by 2.2%. There has been no significant reason for the increase merely an accumulation of rises in a number of areas – recruitment costs for a replacement Chief Executive, an increased emphasis on staff training, an easing in travel and subsistence limits, the roll-out of mobile phones to many more staff and preparatory IT costs for the roll-out of some new grant programmes.

Projects under monitoring



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

- 1 from the Big Lottery Fund (BLF) towards the cost of running the Parks for People programme, to which they contribute some grant funding. Their contribution rose slightly from £294,000 to £302,000.
- 2 from the Committee on Climate Change (CCC) towards the cost of their occupation of most of the first floor at our London office. CCC has been accommodated since May 2011 and their contribution is in terms of rent and service charges. In 2015–16 they were charged £234,000 (2014–15: £204,000).

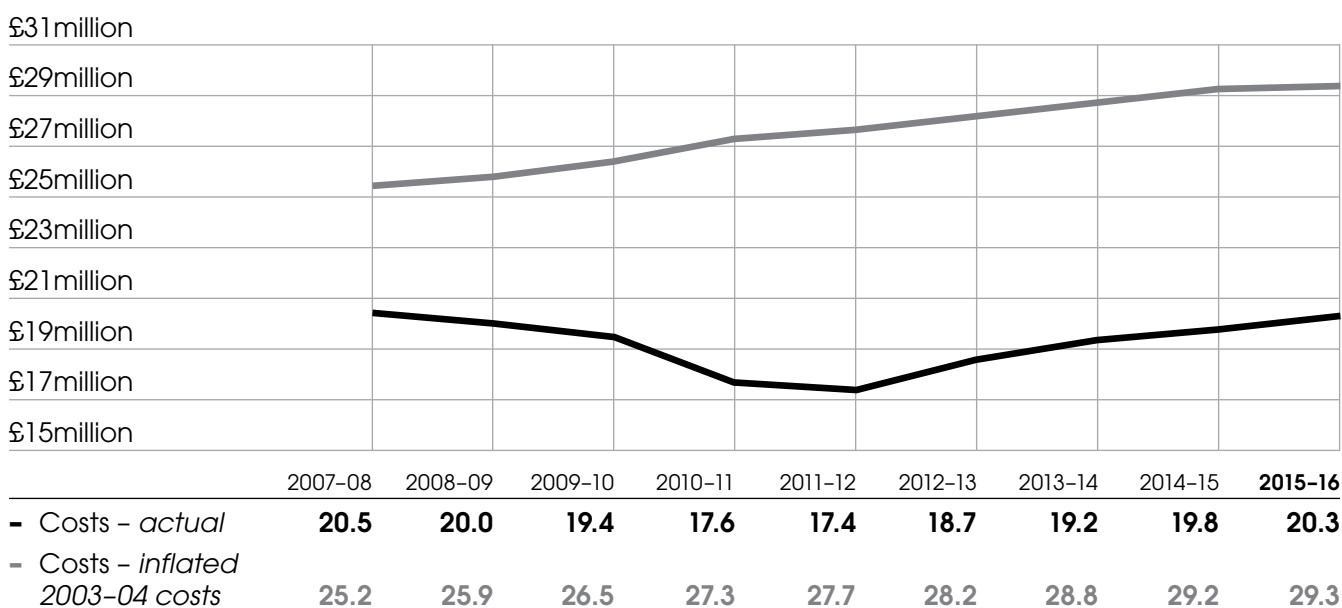
Trustees recognise that being an efficient distributor of Lottery funding should not be achieved at the expense of service to our customers. They are pleased to report that despite the significant increase in applications and awards over recent years we continue to meet our service level targets for both

applicants and grantees. Further information on our service level targets is available elsewhere in this annual report.

Key performance indicators

NHMF has a reputation as an efficient distributor of Lottery funds. The chart below sets out our operating costs in each of the past few years (the black line). The grey line shows the value of operating costs incurred in the year we created our full regional office structure (2003–04) and increased in line with the Treasury’s GDP deflator – an estimate of the general level of inflation in the UK economy. Whilst our costs have risen in 2015–16, Trustees are pleased to note that this year’s operating costs are £9million (or 31%) lower than inflation since 2003–04 would have suggested – representing a significant real-term reduction in operating costs and releasing extra funds for grants. If the Retail Prices Index was used rather than the GDP deflator, costs would be £11.4million (or 56%) higher than they were.

Actual operating costs vs inflated 2003–04 costs



(Please note that operating costs from 2006–07 and earlier were not produced under International Financial Reporting Standards)

In 2015–16, we achieved the following:

	Target	Actual 2015–16	Actual 2014–15	Actual 2013–14	Actual 2012–13	Actual 2011–12
Operating expenditure as a proportion of total income	8%	5.2%	5.1%	5.7%	4.8%	5.7%
Processing expenditure as a proportion of total income	5%	3.7%	3.7%	4.1%	3.8%	4.5%

Trustees are pleased to note that the targets continue to be met despite the increase in our cost base and the high volume of grant applications.

Payables

NHMF adheres to the government-wide standard on bill-paying and the CBI Better Payment Practice Code, which is to settle all valid bills within 30 days. In 2015–16, the average age of invoices paid was five working days (2014–15: 6 days). Over 96% of invoices were paid within 30 calendar days (2014–15: 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 days. At 31 March 2016, the figure was 29 days (2014–15: 18 days).

Environmental policies and sustainability reporting

The Treasury requires all public sector bodies to produce sustainability reports from 2011–12. 2010–11 was a ‘dry run’ for this and from April 2010, NHMF recorded its carbon footprint in terms of business travel undertaken, waste generated and energy consumption. As 2010–11 was the first year of collecting the information, it was not a reliable baseline. In addition, the compilation of this data is unfortunately not an exact science; for example, none of our landlords provide 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 year-end accounts. As the majority of our offices are small minor occupancies with private sector landlords, fully robust reporting is a challenge. This means that we have to use estimates for most offices. In addition, we have signed a fixed-cost contract with the

supplier of water to our head office, this means we no longer receive consumption data. The overall position is improving slightly over time, but we still have to estimate much of our consumption. From 2013–14, we have also started to calculate our carbon dioxide equivalent consumption for water and for waste.

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

Summary of sustainability performance
Our greenhouse gas emissions have risen in 2015–16 on a gross basis, although the rise is minimal on a full-time equivalent basis (FTE). This is for the following reasons:

- staff numbers have increased from an average of 262 to 280 and so it is inevitable that consumption will have increased;
- our travel and subsistence costs have increased by 20% in the year. This partly reflects an increase in the subsistence rates we utilise as they hadn’t changed for a number of years; but we believe that the main reason is increased activity. This reflects the higher level of larger applications processed in the year and the on-going processing of a large portfolio of live projects;
- Department for Environment, Food and Rural Affairs (DEFRA) has altered its conversion factors for many of our categories of consumption. Inevitably, this has an impact on year-on-year comparison.

NHMF has control over only one of the properties that it occupies; the headquarters in London. In 2010–11 we replaced the 25-year-old gas boilers for the heating, the chillers for the air conditioning 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.

In the ten other properties we occupy, we are wholly reliant on the landlord to improve performance and that is unlikely to happen in-between major refurbishments. The room for further improvement in scope 1 and 2 emissions is therefore extremely limited. Over the years, we have re-located some of our regional and country offices into smaller premises, which will have reduced consumption. Since May 2011, we have also rented out most of one of the floors of our head office building with the effect of reducing the consumption that we report.

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 supplied by DEFRA. The carbon dioxide equivalent for emissions from our air conditioning chillers was also calculated using the formula set out in DEFRA's guidance at www.ukconversionfactorscarbonsmart.co.uk

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 a conversion factor supplied by DEFRA. We are reliant on our landlords to improve efficiency.

Area	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Greenhouse-gas emissions – scopes 1, 2 & 3 which incorporates business travel including international air and rail (tonnes CO ₂ equivalent)	635	591	489	550	747	594
Estate energy – consumption (million kWh)	1.1	1.1	0.9	1.1	1.3	1.3
– expenditure (£)	488,361	429,425	445,624	489,638	384,532	358,000
Estate waste – consumption (tonnes)	28	26	28	24	19	20
– expenditure (£)	13,268	14,095	12,400	5,518	6,640	8,000
Estate water – consumption (m ³)	4,350	4,889	5,655	3,757	5,223	14,716
– expenditure (£)	7,413	11,825	14,182	11,253	18,786	19,000

Normalised by average full-time-equivalent (FTE) staff employed in the period

Area per FTE	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Greenhouse-gas emissions – scopes 1, 2 & 3 which incorporates business travel including international air and rail (tonnes CO ₂ equivalent)	2.3	2.3	1.9	2.2	3.3	2.5
Estate energy – consumption (kWh)	4,105	4,134	3,595	4,249	5,701	5,686
– expenditure (£)	1,744	1,639	1,716	1,986	1,679	1,530
Estate waste – consumption (tonnes)	0.1	0.1	0.1	0.1	0.1	0.2
– expenditure (£)	47	54	48	22	29	34
Estate water – consumption (m ³)	16	19	22	15	23	63
– expenditure (£)	26	45	55	46	82	81

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.

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 same tables of conversion factors.

Waste

Waste generation has risen slightly in 2015–16, but, 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 out a practical solution to calculating a reliable figure. Another reason for the small increase is that it is inevitable that the level of waste increases when an office move occurs as the opportunity is taken to dispose of surplus items accumulated over the years.

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 above figures. Only Kensington & Chelsea Council invoice us separately, but we have now started including the cost of removing shredded paper into the figures. We will explore more environmentally friendly storage and destruction options in 2016–17.

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

Kensington & Chelsea Council in London because the council does not tell us the weight of what they remove. We have therefore calculated the amount of waste generated per person based on actual weights in our country and regional offices and applied that ratio to staff in London.

Use of Resources

Water consumption fell in 2015–16. Our landlords provide information about the number of cubic metres of water consumed based on the space we occupy, rather than by individual metering. In 2015–16 we installed more efficient toilet facilities in our headquarters. 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. Consequently, we have used the 2014–15 figure.

We undertook in 2013–14 a review of electricity consumption at our head office in London. This involved an investigation of power usage on each floor through the placement of meters and by undertaking enhanced maintenance to improve the efficiency of our electrical devices. Estate energy consumption fell in 2013–14 and remains at that level on an FTE basis following an anomaly in 2014–15. We have signed contracts to cap gas and electricity costs for our head office for 2016–17 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.

Colin Bailey
Interim Chief Executive
and Accounting Officer

30 June 2016

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 Luff²

Trustees

Sir Neil Cossons OBE *from 31 January 2016*

Sandie Dawe CBE¹

Dr Angela Dean¹

Sir Roger De Haan CBE²

Jim Dixon¹

David Heathcoat-Amory¹

Perdita Hunt OBE²

Steve Miller

Richard Morris OBE

Atul Patel²

Dame Seona Reid

Virginia Tandy *to 31 August 2015*

Dr Tom Tew

Chief Executive

Carole Souter²

¹ Member of Audit and Risk Committee

² Member of Finance, Staffing and Resources Committee (which also covers remuneration)

Details of other senior managers can be found in the remuneration report below.

The gender split of all our Trustees as at 31 March 2016 was as follows:

	Male	Female	Total
Trustees	9	4	13

Register of interests

As a matter of policy and procedure, the Trustees declare any direct interests in grant applications and commercial relationships with NHMF and exclude themselves from the relevant grant appraisal, discussion and decision processes within 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 for public inspection by contacting the Secretary to the Board, 7 Holbein Place, London SW1W 8NR.

Future developments

Projections from DCMS of likely income from the National Lottery suggest that returns will be relatively stable at about £365million per annum for the next few years. On this basis, and in line with the financial framework set by Trustees in December 2014 with the particular aim of preventing the National Lottery Distribution Fund rising too high, the Trustees have proposed a grant award budget of £434million in 2016–17 and £405million in the following year. We will adjust these budgets if there are significant changes in our financial environment.

2016–17 will be the midpoint of our 2013–19 Strategic Framework – the original 2013–18 framework has been extended by one year. Within the framework we set outcomes attached to the grant programmes as follows:

Outcomes for heritage

With our investment, heritage will be:

- better managed*
- in better condition*
- better interpreted and explained
- better identified and recorded

Outcomes for people

With our investment, people will have:

- learnt about heritage**
- developed skills*
- changed their attitudes and/or behaviour
- had an enjoyable experience
- volunteered time

Outcomes for communities

With our investment:

- environmental impacts will be reduced**
- more people and a wider range of people will have engaged with heritage**
- the organisation receiving the grant will be more resilient
- the local economy will be boosted
- the local area and community will be a better place to live, work or visit

* These outcomes are weighted for grants over £100,000

** These outcomes are weighted for all grants

The Strategic Framework sets out the overall positioning, approach to funding and how we will deliver our strategy through policies, programmes and initiatives. Trustees remain satisfied with the robustness of this strategic approach and the delivery to date on the aims and objectives of the framework.

In the first six years of the framework, we launched six new grant programmes:

- Sharing Heritage
- Start-Up Grants
- Transition Funding
- Heritage Enterprise
- Grants for Places of Worship
- First World War: Then and Now

We also continued six programmes from our previous Strategic Plan. We have implemented the outcomes framework in our assessment and decision making.

There have been some additions to the advertised programmes reflecting the flexibility that the framework signalled – First World War: Then and Now was added to the portfolio in response to strong public, media and political interest in the Centenary of the First World War. Events that took place in August 2014, marking the Centenary of the start of the First World War, were a notable testimony to the strong public interest in this heritage.

To ensure we achieve an optimal balance and spread of funding, we made three spending commitments:

- around 75% of funding would be available through ‘open programmes’ (to date this has been achieved)
- £30million a year would go to small grant programmes (under £100,000) (to date this has been achieved)
- delegation of grants up to £2million to country and regional committees/teams (to date this has been achieved)

As part of our Strategic Framework we committed to “speak up for and demonstrate the value of heritage to modern life” and to create “more opportunities for dialogue with people who care about heritage”. We have taken forward this convening role with two major conferences and the associated strategic leadership.

We are also preparing some new grant programmes for launch in the coming months – Resilient Heritage and Young People – and the reintroduction of former programmes such as Catalyst Endowments and Skills for the Future.

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 Lottery distribution activities of Trustees.

Key stakeholders

We work with a wide range of key stakeholders and partners and consult them extensively when developing our strategic framework and grant-making policies and practice. Among them are the Lottery-playing public, applicants and grantees, strategic agencies and lead bodies for heritage and other policy areas relevant to our funding across the UK, elected Members for both local and national governments. The Department for Culture, Media and Sport issues UK-wide Policy Directions (see pages 61 to 68) and controls the NLDF that invests the money

received from the National Lottery. The Scottish Government and Welsh Parliament have also issued Policy Directions.

Events after the reporting period

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made. The Accounting Officer signed the accounts on 30 June 2016 and they were authorised for issue on the date the accounts were certified by the Comptroller and Auditor General. A new Chief Executive and Accounting Officer is expected to be in place on 4 July 2016.

Additionality

In accordance with the Financial Direction of the Secretary of State, 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, it should not be instead of central government funding. As a result, 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 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 Chief Executive's responsibilities

Under section 34(1) of the 1993 Act, 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 Culture, Media and

Sport with the consent of the 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 requirements of the Government Financial Reporting Manual (FREM) and in particular to:

- observe the accounts' direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- 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
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Fund will continue in operation

Following the retirement of the Chief Executive in May 2016, the Principal Accounting Officer of DCMS has appointed the Director of Finance and Corporate Services as Interim Chief Executive and Accounting Officer for the Fund. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for the safeguarding of the Fund's assets and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in *Managing Public Money*.

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

Governance Statement

Foreword

During 2015–16 the Chief Executive, Carole Souter, was Accounting Officer. She retired on 2 May 2016. I was appointed Interim Chief Executive from 3 May 2016 and Accounting Officer from that date. Throughout 2015–16 I was Director of Finance and Corporate Services so I am familiar with the arrangements for stewardship and control in the Fund. In the transition and handover discussions with the outgoing Chief Executive and Accounting Officer I satisfied myself with the application of the system of internal controls operating in the Fund.

On 4 July 2016 Ros Kerslake will take up post as the new Chief Executive and she will be appointed Accounting Officer from that date.

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 2011 Code of Good Practice.

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 Heritage Lottery 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 lottery grants.

Governance structure

The governance structure in NHMF is set out in the diagram below.

Board of Trustees

The Board of Trustees 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; and
- reporting on the stewardship of public funds.



The Board operates as a group and held 11 meetings during the year to set NHMF policy and make decisions in line with that policy. These meetings are attended by the Chief Executive and the Management Board. All Board meetings held in 2015–16 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 Directors.

The Board is normally constituted of 15 Trustees including the Chair. Throughout 2015–16 we have awaited the appointment of a new Trustee for Northern Ireland – the mechanisms for this recruitment have now been agreed and we expect this post to be filled at some point in 2016–17. In the meantime we have temporary arrangements to handle this absence. Since February 2015 we have been without a Trustee for Wales and we also put in place temporary arrangements to cover this absence too. This post has now been appointed and from 1 April 2016 Baroness Kay Andrews has held that role.

The overall attendance rate of Trustees at Board meetings was 97%. Trustees have also delegated some of their tasks to the three Committees shown above – these Committees oversee the activities of management and provide guidance and support to senior staff. The minutes of Committee meetings are standing items at the Board’s meetings. The Committee Chairs also provide a full report on their activities.

Attendance at the Board meetings throughout 2015–16 was as follows:

Trustee	Eligible meetings	Meetings attended
Sir Peter Luff	11	11
Sir Neil Cossons OBE <i>from 31 January 2016</i>	2	2
Sandie Dawe CBE	11	11
Sir Roger De Haan CBE	11	11
Dr Angela Dean	11	11
Jim Dixon	11	10
David Heathcoat-Amory	11	11
Perdita Hunt OBE	11	10
Steve Miller	11	11
Richard Morris OBE	11	10
Atul Patel	11	10
Dame Seona Reid	11	10
Virginia Tandy <i>to 31 August 2015</i>	4	4
Dr Tom Tew	11	11

Board composition

Of the 14 Trustees who attended the Board throughout the year 36% were female and 64% were male. One (7%) came from an ethnic minority background.

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 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. Following the committee’s training in 2014–15 several items have been implemented to further improve the effectiveness of the Committee and these have continued successfully throughout 2015–16 for example in-camera pre-meetings by the Trustees and with the auditors, standing items on Internal Audit recommendations’ completion and procurement exceptions.

The Chief Executive attended each Committee meeting with the Director of Finance and Corporate 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 KPMG) and internal auditors (Moore Stephens) also attend the meeting.

The Committee agreed a three-year audit strategy with Moore Stephens upon their appointment and the reviews carried out in 2015–16 and reported to the Committee were in line with that strategic approach. A detailed one-year plan of internal audit reviews is approved annually.

During the year, the Committee considered reports on:

- the grant application portal
- server IT migration
- Listed Places of Worship (follow up)
- risk Management (follow up)
- monitoring Projects
- governance in decision making
- talent Management and Succession Planning
- strategy Development
- core Financial Controls

In addition the Committee considered two specialist reviews on projects in delivery and post-delivery in the north west of England.

The Committee meeting minutes are shared with the Board as is a formal annual report on business. The Committee Chair 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 Heritage Lottery Fund. During 2015–16 in addition to the above reports and accounts the Committee also considered the following:

- the arrangements for consolidating the new risk management processes at departmental level

- fraud and alleged fraud cases including a successful prosecution
- procurement arrangements including any exceptions to normal procurement tenders
- information assurance and management risks from a specialist report

The principal issues considered in this report included:

- information security, awareness and training needs
- document and information classification system
- information asset ownership
- data protection compliance
- information management processes

Attendance at the Committee meetings throughout 2015–16 was as follows:

Trustee	Eligible meetings	Meetings attended
Dr Angela Dean <i>Chair</i>	4	4
Sandie Dawe CBE	4	4
Jim Dixon	4	3
David Heathcoat-Amory	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 Director of Finance and Corporate Services, and Director of Operations 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 2016–17 Business Plan.

The Committee meeting minutes are shared with the Board, as is a formal six monthly report on business. The Committee Chair orally updates the Board on Committee business and decisions.

Attendance at the Committee meetings throughout 2015–16 was as follows:

Trustee	Eligible meetings	Meetings attended
Atul Patel <i>Chair</i>	3	3
Sir Peter Luff	3	3
Sir Roger De Haan CBE	3	3
Perdita Hunt OBE	3	3
Carole Souter	3	3

Communications Committee

The Committee met on four occasions during the year and was quorate at each meeting. It is chaired by a Trustee. The Committee advises on communications strategy and acts as a sounding board for key initiatives. The Committee reviewed the following during the year:

- National Lottery messaging and positioning
- the work of the National Lottery Promotion Unit

- branding for the Heritage Lottery Fund activities
- the Heritage Index created with the RSA

Attendance at the Committee meetings throughout 2015–16 was as follows:

Trustee	Eligible meetings	Meetings attended
Sir Peter Luff	4	4
Dame Seona Reid	4	3
Jim Dixon	3	3
Virginia Tandy	2	2
Dr Tom Tew	2	2

Delegated grant decision making

The Trustees have delegated their grant decision-making responsibilities for certain types and values of lottery awards to Country and 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 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 2015–16 we undertook one formal induction session for several new members.

Trustees have also delegated grant decision making for grants under £100,000 to staff, specifically Heads of Operations 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.

Management Board

The Board delegate day-to-day management to the Chief Executive. The Chief Executive is supported by a Management Board consisting of all directors and deputy directors. The Management Board meet

weekly to agree management actions and responses on operating matters. Each Departmental Director provides a monthly report to the Board on activities and issues within their remit. The Chief Executive also holds regular meetings with the Managers' Forum consisting of senior and middle managers and ensures Board decisions and directions are communicated directly to key staff. These meetings include verbal reports on activities across all departments as well as discussion of thematic issues affecting all teams, for example risk management and business planning.

Structure

The Chief Executive operates a four-department structure of:

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

The Secretariat team reports directly into the Chief Executive.

The annual operating plan – the Business Plan – is developed each year alongside financial budgets and grant programme planning. Like last year, this year we also integrated risk management into the business planning process more closely. The Business Plan is discussed with our sponsor department DCMS. DCMS also set policy directions and financial directions with which we have complied in our lottery activities. The Scottish and Welsh governments have also issued some policy directions with regard to lottery activities in those countries and we have also complied with those.

We 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.

In 2016–17 we expect to have a Tailored Review of our work led by DCMS. We also expect the Management Agreement to be reviewed as part of the normal cycle of governance.

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 the approach of risk management should not stifle innovation or business change where this is needed. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of policies, aims and objectives and to evaluate the likelihood of those risks being realised and the impact if that realisation occurred.

All policy setting and grant decision-making is informed by the risk management culture and approach of the NHMF. In 2014–15 the Management Board overhauled our risk management approach as part of a wider exercise on assurance across NHMF. In 2015–16 we embedded this further into individual departments – each with their own replicated risk identification and management process. Each department now has its own risk register in support of the corporate risk register.

The 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 2016–17 and maintained that at the level and content of the appetite for 2015–16. The Board also recognised the risks and challenges facing NHMF in 2016–17 especially in its lottery distribution role – these are expected to evolve from the principal risks for 2015–16 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.

To this end we are prepared to accept that some of the organisations to whom we give grants will not subsequently demonstrate 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 2015–16 NHMF considered the following to be the most significant areas of risk:

- we are not seen as effective in protecting heritage across the UK
- past lottery investment is put at risk because of reductions in funding/investment or changes in operating models of grantees

- devolution may require changes to our business model
- volume, variability and volatility of workloads

Each of these risks has a risk owner at the Management Board charged with managing the risk and ensuring appropriate mitigation actions are undertaken.

Listed Places of Worship: Roof Repair Fund

In the Autumn Statement of December 2014 and the March 2015 Budget, the Chancellor of the Exchequer announced that the National Heritage Memorial Fund would administer a grant scheme for Listed Places of Worship across the UK. The original value of the first part of the programme was £30million in 2014–15 and a further £25million was announced for 2016–17.

Applications were invited by the end of February 2016 for this second round and these were successfully managed and received. To continue to manage the risk of this extra programme we have:

- continued with the appointment of a senior, experienced Programme Director to manage the end-to-end process
- close oversight by a Deputy Director Operations to provide additional assurance
- the use of experienced and risk aware staff in support functions to help operational delivery
- a separate Funding Agreement with DCMS
- the replication of existing, well established controls, processes and systems to this programme

This approach allowed us to successfully deliver this Round 2 application stage. Grant announcements and decisions are due in the summer of 2016.

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 in 2015–16 delivered by a specialist assurance team from Moore Stephens

supported by the NHMF Finance Team. This focused on fraud risk in:

- grant giving
- procurements
- 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.

In 2014–15 we improved risk awareness and intelligence gathering arrangements with other National Lottery Distributors and this continued in 2015–16 with better sharing of information, combined resources and consideration of the use of specialist third parties to identify fraud risk.

In 2015–16 we brought a successful prosecution for frauds committed against the Fund in its lottery role. A Proceeds of Crime Order has also been made to recover the sums defrauded. We continue to have a zero tolerance approach to fraud.

In November 2015, NHMF was approached by the Cabinet Office to participate in its Fraud and Error Detection Programme. NHMF agreed that this work would be undertaken by Moore Stephens to complement the Fraud Awareness Training and the Internal Audit programme.

The review sampled from all cases in delivery in 2014 to 2016, identified the main risks of fraud and error, used a monetary unit sampling approach and identified a sample of all cases in all programmes. These were extensively tested.

The main findings were:

- a low level of fraud and error across the sample, providing us with assurance on our existing processes/controls;
- Notwithstanding the above some suggestions on improving the detection of fraud/error cases, which we will implement.

NHMF also has an information risk policy that 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.

During 2015–16 we undertook a specialist review of information assurance and management. Overall the findings were satisfactory but we identified a number of specific issues that we will look to implement in 2016–17.

We also comply with government guidance on matters such as the transparency of spend and contracts. In 2015–16 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 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 2015–16.

The model is updated each year to reflect the latest projections of National Lottery income provided by DCMS and with the

financial outturn for the previously completed year. The model including the Financial Framework is also 'stress tested' against different scenarios using the parameters set out in the Financial Framework.

Board performance and effectiveness

The most significant activity for the Board has been oversight of the continuing roll out of Strategic Framework 4 including the application of SF4 to the Board decisions. The Board also undertook a mid-cycle review of SF4 and a forward look to the possible operating environment and risks emerging over the next few years.

This allowed the Board to decide to:

- Introduce new programmes in 2016–17 to respond to the needs of the heritage sector – including Heritage Endowments (building on the success of previous endowment programmes), Skills for the Future (again building on the previously successful model) and Resilient Heritage (combining previous programmes) designed to build organisational sustainability in the sector.
- Introduce a new Young Persons Programme opening in 2016–17 for decisions in 2017–18.
- The Board also agreed to extend the current Strategic Framework from 2018 for a further year into 2019.

The rise in National Lottery income since 2012–13 has stabilised and income in 2015–16 slightly exceeded expectations at £387million. The latest DCMS projections suggest that income will continue at around this level or just marginally below it. In view of this and in line with the Financial Framework (including the balance in the NLDF) the Board agreed to a continuing approach of oversubscribing the programme grant budget of £434million in 2016–17 but to reduce this to closer to income levels in the following years.

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 2015–16 although not as much as in the previous year with one Trustee leaving their role and one being appointed. This has meant a reduction in the degree of turnover amongst the Trustees.

The Board undertook a full review of its effectiveness through a self-assessment model and facilitated review. The Board are satisfied that they continue to meet the requirements of the HMT Corporate Governance Code.

The main recommendations from the review were:

- Structure, composition and skills:
 - undertake a skills audit for all Board members
 - review the terms of appointments to better manage the replacement cycle
 - continue to explore ways to make the Board more diverse
- Role of Board in strategy and grant making:
 - explore ways to reduce the Board meetings to nine meetings a year
 - support a strategic away day for the Board
 - use external speakers more readily at Board meetings
- Meetings:
 - issue papers earlier and look to the use of different channels
- Leadership:
 - appoint a Senior Independent Director

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. As a result, the Board believes that it can rely on the information and assurance provided by management for its decision making.

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

The 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 (Moore Stephens) 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.

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 Directors on a one-to-one basis throughout the year. Management Board meets weekly and Directors of Departments also meet regularly.

I have seen the Management Letter prepared by the external auditors following their audit of the financial statements for the year ended 31 March 2016.

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

In 2014–15 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 2015–16 and recommendations that were due to be implemented in 2015–16 have been implemented satisfactorily.

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

I also require all senior and middle managers to sign annual memoranda of representation to me, detailing their responsibilities and confirming they have carried out these responsibilities in 2015–16. All 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 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 2015–16.

In 2015–16 following the previous Internal Audit review we undertook an overhaul of our business continuity planning arrangements. We inaugurated a desktop test of our Business Continuity Plans, undertook revised business impact analyses for all sites and combined these into new Business Continuity Plans with complimentary arrangements for our back up sites and supporting arrangements.

To further manage risk we carried out an overhaul of our IT server estate and migrated to a more robust estate with improved resilience and back up arrangements.

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

Remuneration and Staff Report

Remuneration of the Chair and Trustees

All Trustees were entitled to receive an annual salary for the time spent on the activities of NHMF. In addition, NHMF reimbursed travel expenses of certain Trustees 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 these expenses. Sir Roger De Haan CBE waived his right to receive a salary in 2015–16.

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

All Trustees’ remuneration was allocated between NHMF and its Lottery distribution activities on the basis of 1%: 99%. The total remuneration of Trustees in 2015–16 was £162,440 (2014–15: £165,102). 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.

Audited information

	2015-16 £'000	2014-15 £'000
Sr Peter Luff <i>Chair from 30 March 2015</i>	35-40	0
Dame Jenny Abramsky <i>Chair to 31 August 2014</i>	0	15-20
Dame Seona Reid <i>Interim Chair from 1 September 2014 to 29 March 2015</i>	25-30	30-35
Manon Antoniazzi <i>to 11 January 2015</i>	0	15-20
Sir Neil Cossons OBE <i>from 31 January 2016</i>	0-5	0
Sandie Dawe CBE	5-10	5-10
Dr Angela Dean	5-10	5-10
Sir Roger De Haan CBE	0-5	0
Jim Dixon <i>from 1 October 2014</i>	10-15	5-10
Kim Evans <i>to 21 July 2014</i>	0	0-5
David Heathcoat-Amory	5-10	5-10
Perdita Hunt OBE <i>from 22 July 2014</i>	5-10	0-5
Hilary Lade <i>to 30 September 2014</i>	0	5-10
Steve Miller	5-10	5-10
Richard Morris OBE	5-10	10-15
Atul Patel	10-15	10-15
Virginia Tandy <i>to 31 August 2015</i>	5-10	15-20
Dr Tom Tew	10-15	5-10

Remuneration of employees

The accrued pension in the table below is the pension the member is entitled to receive when they reach 60, or immediately on ceasing to be an active member of the scheme if they are already 60. The pension age is 60 for members of classic, premium and classic plus and 65 for members of Nuvos. Members of alpha receive benefits at their normal pension age, which is equal to the member's State Pension Age (or 65 if higher).

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.

Cash Equivalent Transfer Values

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

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

Remuneration of employees (Audited information)

The remuneration of directors was as follows:

	Salary 2015-16 (2014-15) £'000	Bonus 2015-16 (2014-15) £'000	Real increase in pension and lump sum £'000	Total 2015-16 (2014-15) £'000	Total accrued pension at age 60 and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/03/16 £'000	CETV at 31/03/15* £'000	Real increase in CETV funded by NHMF £'000
Carole Souter <i>Chief Executive retired 2 May 2016</i>	135 to 140 (135 to 140)	5 to 10 (5 to 10)	0 to 2.5 and 2.5 to 5 lump sum	155 to 160 (135 to 140)	75 to 80 plus 230 to 235 lump sum	1,742	1,616	9
Eilish McGuinness <i>Director of Operations from 1 January 2015</i>	80 to 85 (20 to 25)	0 to 5 (0 to 5)	2.5 to 5 and 10 to 15 lump sum	165 to 170 (40 to 45)	20 to 25 plus 60 to 65 lump sum	384	291	65
Judith Cligman <i>Director of Strategy and Business Development</i>	95 to 100 (90 to 95)	0 to 5 (0 to 5)	0 to 2.5 and 2.5 to 5 lump sum	125 to 130 (115 to 120)	35 to 40 plus 110 to 115 lump sum	791	708	27
Colin Bailey <i>Director of Finance and Corporate Services</i>	100 to 105 (80 to 85)	0 to 5 (0 to 5)	0 to 2.5 and 0 lump sum	130 to 135 (105 to 110)	0 to 5 plus 0 to 5 lump sum	49	20	20

* or at date of appointment, if later.

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.

All senior employees had permanent contracts of employment and were ordinary members of the Principal Civil Service Pension Scheme (PCSPS) or the Civil Servants and Others Pension Scheme (known as alpha). Their costs were allocated between HLF and NHMF on the basis of 99%: 1% (2014-15: 99%: 1%). The remuneration of senior managers is performance-related. The sum is based on performance against individual objectives and on overall contribution to corporate strategy and goals. Individual objectives for the Chief Executive are set by the Chair of

the Board of Trustees, and the Chief Executive in turn agrees personal objectives with the function directors. Objectives reflect the strategic and operational goals of the Fund and the contribution expected of each individual senior manager to achieving the goals. The Fund has a performance management system, and performance is reviewed in line with this. Performance is reviewed annually in March-April and rated on a scale of four different levels of achievement. There is a bonus scheme for the directors that takes into account the Finance, Staffing and Resources Committee's (membership of this committee is disclosed on page 13) view of the individual's contribution towards the wider success of the organisation, with particular reference to their management of their own department and their impact on other areas; the individual's impact on Trustees and their effectiveness; and any exceptional

contribution or achievement during the year that was not reflected in the key objectives for the year. This policy is expected to continue in future years. Senior management are appointed on open-ended contracts with notice periods of no more than six months. In the event of considering termination payments, the Fund would adhere fully to the rules of the Civil Service Compensation Scheme and any associated guidance from Treasury or DCMS.

Remuneration ratio

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 director and the median remuneration of our workforce.

The banded remuneration of the lowest paid, full time equivalent, member of staff was £10,000 to £15,000. The banded remuneration of the highest-paid director in 2015–16 was £145,000 to £150,000 including bonus. This was about 5.4 times (2014–15: 5.6 times) the median remuneration of the workforce, which was £27,059 (2014–15: £25,888). There were no employees who received remuneration

in excess of the highest-paid director. The highest paid director was subject to the Government's 1% cap on pay increases.

Exit packages

Under the terms of Employer Pensions Notice 296 issued by the Cabinet Office in March 2011, NHMF 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, ex-gratia payments etc. There were none in 2015–16 (2014–15: none).

Staff costs and numbers

	2015-16 £'000	2014-15 £'000
Salaries	8,646	8,635
Employer's NI payments	582	587
Payments to pension scheme	1,740	1,572
Temporary staff costs	129	148
	11,097	10,942

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

2015-16	Grant applications	Finance and Corporate Services	Strategy and Business Development	Communications	Total
Permanent staff	168	37	24	21	250
Secondees, contract staff and apprentices	15	3	1	1	20
Total	183	40	25	22	270

2014-15	Grant applications	Finance and Corporate Services	Strategy and Business Development	Communications	Total
Permanent staff	157	33	23	19	232
Secondees and contract staff	19	3	3	2	27
Total	176	36	26	21	259

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.

The gender split of our Lottery-distribution staff as at 31 March 2016 on a headcount basis was as follows:

	Male	Female	Total
Directors	1	3	4
Staff	71	214	285

Sickness absence

In 2015–16, 1,175 days were lost due to 326 sickness episodes. This continues to represent a modest 1.79% of all working days (2014–15: 1.08%). The Fund continues to support and promote well-being policies through its provision of an employee assistance provider and other related benefits.

Employee consultation

The nature of the operations of the Fund means that grant-application-processing staff work closely with Trustees. Staff are involved in project assessment and monitoring, as well as applicant visits with Trustees. Many members of staff attend meetings of Trustees, which enables them to be aware of thinking about the development of the Fund and its operations. Additionally, senior management ensures – through summaries of Management Board meetings in the monthly core brief, face-to-face meetings and a high level of personal accessibility – that matters of concern to staff can be readily addressed.

It is essential that all staff are given the opportunity to contribute to the development of the Fund as well as achieving their own potential through regular consultation and discussion. To this end, during most of 2015 a Staff Council was in existence. Comprising representatives from each department, it discussed matters of interest to staff with representatives from management. However, in March 2015 a voluntary ballot was conducted among staff on whether they wished management to formally recognise Trade Unions. In a 93% turnout, 62% of staff voted in favour of recognition. Following a period of negotiation with the PCS and FDA Trade Unions, a Joint Agreement was signed ahead of recognition coming into effect as

of 1 January 2016. The Fund also commissioned its first employee engagement survey in March 2016 as it continues to seek the views and opinions of all staff through informal and formal dialogue.

Equal opportunities

Commitment to equality and diversity

The Fund is committed to its legal requirements and obligations under the Disability Discrimination Act 1995; the Disability Equality Duty 2006 and the Equality Act 2010. The Fund proactively works towards increasing equality and diversity in grant-making, governance, and the workforce, through its corporate priority and set out in its Inclusion Action Plan.

As an employer, NHMF abides by equal opportunities legislation. 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. The Fund welcomes job applications from people with disabilities and we continue to subscribe to the Two Ticks Disability Scheme, and currently around 3.3% (2014–15: 4.7%) of our workforce is made up of people with declared disabilities. The Fund also continues in its recruitment advertising to encourage job applications from Black, Asian and minority ethnic groups, recognising that its workforce is not yet fully representative of local or national diversity. All staff are required to co-operate in making this policy work effectively.

During the past year the Staff Disability Action Group met and continued to invite selected charities to present to staff. These have been well attended and the format ensures colleagues in the regional and

country offices are able to attend via video conference. Representatives from the Leonard Cheshire Disability programme presented to the Fund ahead of the London office hosting a Change 100 intern for three months. In January, representatives from Changing Places presented to the Fund after attending the Inclusive Heritage conference on heritage and disability at Tate Modern in October 2015.

Expenditure on consultancy

NHMF spent £477,000 on consultants in 2015–16 (2014–15: £352,000) on its Lottery distribution activities. NHMF has used the definitions of consultancy contained within annex 6.1 of the Cabinet Office controls guidance: version 4.0. Almost all of this consultancy related to research undertaken on our grant programmes and the heritage sector.

Public sector employees tax arrangements

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 regime. All senior staff, all Trustees and all regional and country committee members are on the payroll of NHMF and therefore pay tax and national insurance contributions through the PAYE route. In 2014–15 we identified two contractors who did not meet the HM Treasury guidance and these have now been brought within the guidance. Neither of the contractors occupied senior posts.

Pension liabilities

The Fund makes contributions to the pension schemes of staff. Other than making these payments, the Fund has no pension liabilities. Further information is available in the Notes to the Accounts.

Colin Bailey

Interim Chief Executive
and Accounting Officer

30 June 2016

Parliamentary Accountability and Audit Report

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and Scottish Parliament

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 2016 under the National Lottery etc. Act 1993. The financial statements comprise the Statement of Comprehensive Net Income/(Expenditure), Financial Position, Cash Flows, Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report that is described in that report as having been audited.

Respective responsibilities of the Trustees, Accounting Officer and auditor

As explained more fully in the Statement of Trustees' and Chief Executive'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. My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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. This includes an assessment of: whether the accounting policies are appropriate to the National Heritage Memorial Fund's Lottery distribution

activities circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Heritage Memorial Fund's Lottery distribution activities; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income 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.

Opinion on financial statements

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 affairs as at 31 March 2016 and of its Comprehensive Net Income 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 other matters

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993; and
- the information given in the Performance 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 part of the Remuneration and Staff 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.

Sir Amyas CE Morse
Comptroller and Auditor General

1 July 2016

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

The Financial Statements

Statement of Comprehensive Net Income/(Expenditure) for the year ended 31 March 2016

	Notes	£'000	2015-16 £'000	2014-15 £'000
Proceeds from The National Lottery	9		384,665	360,626
NLDF investment income	9		1,569	1,578
			386,234	362,204
Add: amount transferred from the Olympic Lottery Distribution Fund by the Secretary of State for Culture, Media and Sport	9		0	29,734
			386,234	391,938
Interest receivable		57		54
Sundry income	2	1,264	1,321	44
Total income			387,555	392,036
New grant awards	11	(380,955)		(456,709)
Award de-commitments	11	14,103		19,273
			(366,852)	(437,436)
Staff costs	18	(11,097)		(10,942)
Depreciation and amortisation	6 and 7	(588)		(448)
Other operating charges	3	(8,604)		(8,421)
			(20,289)	(19,811)
Total expenditure			(387,141)	(457,247)
Operating surplus/(deficit)			414	(65,211)
Other comprehensive expenditure				
Net gain on revaluation of available for sale financial assets	17		0	0
Total comprehensive income/(expenditure) for the year ended 31 March 2016			414	(65,211)

All figures shown relate to continuing activities.

The notes on pages 36 to 60 form part of these accounts.

Statement of Changes in Equity for the year ended 31 March 2016

	Fair value reserve £'000	General reserve £'000
Balance at 31 March 2014	0	(330,291)
Changes in equity in 2014-15		
Release of fair value reserve to the general reserve account	0	0
Net gain on revaluation of investments	0	
Retained deficit		(65,211)
Balance at 31 March 2015	0	(395,502)
Changes in equity in 2015-16		
Release of fair value reserve to the general reserve account	0	0
Net gain on revaluation of investments	0	
Retained surplus		414
Balance at 31 March 2016	0	(395,088)

The fair value reserve relates to the difference between book cost and market value of the balance at the NLDF (see note 9). The difference between book and market value of intangible assets and property, plant and equipment (see notes 6 and 7 to the accounts) is not material.

The notes on pages 36 to 60 form part of these accounts.

Statement of Financial Position

as at 31 March 2016

	Notes	2015-16 £'000	2014-15 £'000
Non-current assets			
Intangible fixed assets	6	543	635
Property, plant and equipment	7	951	883
Current assets			
Investments - balance at the NLDF	9	594,904	565,998
Trade and other receivables	8	3,718	3,250
Cash and cash equivalents		3,368	318
		601,990	569,566
Total assets		603,484	571,084
Current liabilities			
Administrative liabilities	10	(2,534)	(2,466)
Grant liabilities within one year	11	(352,518)	(309,716)
Total assets less current liabilities		248,432	258,902
Non-current liabilities			
Grant liabilities due in more than one year	11	(643,520)	(654,404)
Assets less liabilities		(395,088)	(395,502)
Represented by:			
Fair value reserve	17	0	0
General reserve account brought forward		(395,502)	(330,291)
Transfer from fair value reserve		0	0
Movement in the year		414	(65,211)
General reserve account carried forward		(395,088)	(395,502)
		(395,088)	(395,502)

The notes on pages 36 to 60 form part of these accounts.

Sir Peter Luff
Chair

Colin Bailey
Interim Chief Executive

30 June 2016

Statement of Cash Flows for the year ended 31 March 2016

	Notes	2015-16 £'000	2014-15 £'000
Operating activities			
Cash drawn down from the NLDF	9	357,328	337,313
Cash from other sources	2	1,264	44
Cash paid to and on behalf of employees		(10,974)	(10,785)
Interest received on bank accounts		57	54
Cash paid to suppliers		(9,127)	(8,402)
Cash paid to grant and loan recipients	11	(334,934)	(318,756)
Net cash inflow/(outflow) from operating activities	14a	3,614	(532)
Investing activities			
Capital expenditure and financial investment	14b	(564)	(475)
Increase/(decrease) in cash and cash equivalents		3,050	(1,007)

The notes on pages 36 to 60 form part of these accounts.

Reconciliation of Net Cash Flow to Movement in Net Funds for the year ended 31 March 2016

	Notes	2015-16 £'000	2014-15 £'000
Increase/(decrease) in cash and cash equivalents in the period		3,050	(1,007)
Changes in cash and cash equivalents	14c	3,050	(1,007)
Cash and cash equivalents at 1 April 2015		318	1,325
Cash and cash equivalents at 31 March 2016		3,368	318

The notes on pages 36 to 60 form part of these accounts.

Notes to the Accounts

for the year ended 31 March 2016

1. Statement of accounting policies

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

a) Accounting convention

These accounts are drawn up in a form directed by the Secretary of State and approved by the 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 HMT Financial Reporting Manual (FREM), so far as those requirements are appropriate, and Accounts' Direction issued by the Secretary of State for Culture, Media and Sport in December 2014. The accounting policies contained in the FREM apply IFRS as adapted or interpreted for the public sector context. The National Lottery Accounts' Direction issued by the Secretary of State specifically excludes the preparation of consolidated accounts and requires the use of accruals' accounting for awards.

Copies of the Lottery distribution and grant-in-aid accounts' directions may be obtained from the Secretary to the Board, 7 Holbein Place, London SW1W 8NR.

Where the FREM permits a choice of accounting policy, 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 below. 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 Lottery distribution arrangements for the heritage sector and so Trustees assume that they will continue to receive funding from the Lottery.

b) Non-current assets

Non-current assets are defined as those items purchased for the long-term use of NHMF, and its 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 begins in the month after the asset is put into operation.

c) Allocation of costs and segmental reporting

International Financial Reporting Standard 8 requires information to be provided on segmental reporting where this is relevant to the activities of the organisation. Where relevant, senior management would identify separate streams of activity and assign operating costs to them pro-rata based upon the level of grant awarded, unless there was a significant difference in the manner in which applications were processed, in which case ad hoc methods would be utilised.

NHMF accounts separately for its Lottery distribution activities, which we are required to do under our Lottery Accounts' Direction. The accounts for NHMF separate its income and expenditure between our standard NHMF activity and that through operating the Listed Places of Worship: Roof Repair Fund (LPOW).

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 the 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 Lottery distribution activities was 99% (2014–15: 99%).

d) Taxation

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

The regular cost of providing benefits is charged to the Statement of Comprehensive Net Income/(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 the PCSPS or the newly created Civil Service and Other Pensions Scheme and the percentage of pensionable pay is notified by the Cabinet Office prior to the start of each financial year. See note 5 for further details.

f) Leases

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.

g) Balances at the National Lottery Distribution Fund (NLDF)

Balances held in the NLDF remain under the control of the Secretary of State for 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 Culture, Media and Sport as being available for distribution by the Trustees in respect of our current and future liabilities. The fair value reserve is adjusted for any gain or loss on the revaluation of the NLDF balance reported to us by DCMS. The adjustment is 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

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 Culture, Media and Sport, which was issued in October 2002 – the current Accounts' Direction makes no reference to them. Commitments represent an agreement in principle of the Trustees to fund a heritage project. We treat them as a contingent liability in note 12 to the accounts because they represent a significant potential liability that we must take account of when making decisions about the level of resources available. Commitments come in two types:

- 1) where the final decision to award a grant has been made, but there is not yet a signed contract with the grantee. When a grant contract is regarded as being in place, the commitment is treated as a full liability.
- 2) where a first-round pass or a stage-one pass is given to a heritage project. Whilst 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 or stage-one pass as a commitment at this time.

Applications received under the auspices of our third Strategic Plan (1998–2013) to the Heritage Grants and Parks for People programmes were not initially regarded as commitments at the time of the first-round pass. This was because Trustees expected to reject a significant proportion of applications at the second round. Outstanding first-round passes from that period remained unrecognised as commitments until 2014–15. See note 12 for information on the value of these first-round decisions that have yet to be converted to awards or withdrawn.

De-commitments occur when a commitment is not converted into a full liability – normally because the grantee decides not to undertake their project.

i) Loans

Trustees are entitled to make loans to heritage bodies under the National Lottery Financial Directions of the Secretary of State for 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 Big Lottery Fund (BLF)), we do not recognise sums received from these bodies as income. In effect, funds received from these bodies are simply passed onto grantees or suppliers. Thus, we have only included in these accounts NHMF's share of scheme grant payments as we have passed BLF's share onto 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 BLF onto suppliers.

2. Sundry income

	2015-16 £'000	2014-15 £'000
Repayment of grants	1,264	44

We received £800,000 from the Royal Artillery Museum as the grantee moved premises. Birmingham Community Foundation Ltd sold a property that was part of the project we funded and we are clawing back £258,000. Leicestershire County Council paid back £146,000 as they closed a museum that we help to fund. There were nine other small amounts.

3. Operating surplus

The operating surplus is stated after charging the following:

	2015-16 £'000	2014-15 £'000
Auditor's remuneration	39	39
Payments under operating leases		
– leasehold premises	1,171	946
– hire of office equipment	13	–

An analysis of other operating charges, including the above items, is as follows:

	2015-16 £'000	2014-15 £'000
Accommodation	1,522	1,597
Postage and telephone	523	440
Office supplies, print and stationery	561	666
Travel, subsistence and hospitality – Trustees	109	106
Travel, subsistence and hospitality – staff	458	383
Professional fees – grant-related	2,485	2,606
Professional fees – non-grant-related	1,562	1,262
Communications	731	780
Office equipment	303	300
Staff training	216	161
Sundry expenses	134	120
	8,604	8,421

4. Recharged costs

As mentioned in note 1 to these accounts, NHMF is required to disclose separately its Lottery activities in its Lottery distribution accounts. Many of the overhead costs incurred at the head office in London benefitted both our grant-in-aid and Lottery distribution activities. At the end of the financial year, the proportion of joint costs apportioned to Lottery distribution was 99% (2014–15: 99%). All grant-in-aid activities take place at the head office of Holbein Place, London. The costs of operating all other offices are fully recharged to Lottery distribution.

5. Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 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 the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or 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

the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years, and 13 years and 5 months, from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of $\frac{1}{80}$ th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of $\frac{1}{60}$ th 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 in premium. In nuvos a member builds up a pension based on his 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 uprated 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. NHMF makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. 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 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

No members of staff retired early on health grounds during 2015–16.

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 in the Remuneration and Staff Report show pension earned in PCSPS or alpha – as appropriate. Where the director has benefits in both the 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.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge to the PCSPS or alpha. Departments, agencies and other bodies covered by the 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 2015–16, employer’s contributions of £1,740,237 (2014–15: £1,571,959) were paid to the PCSPS and alpha at the rates set out in the table below. Employer contributions are to be reviewed every four years following a full valuation by the actuaries of the schemes. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the schemes.

The employer’s payments were calculated on the basis of salary banding as per the Civil Service Pension Scheme website.

Salary in 2015–16	% in 2015–16
£22,000 and under	20.0%
£22,001–£45,000	20.9%
£45,001–£75,000	22.1%
£75,001 and above	24.5%

6. Intangible fixed assets

	Website		Information technology		Total	
	2015–16 £'000	2014–15 £'000	2015–16 £'000	2014–15 £'000	2015–16 £'000	2014–15 £'000
Cost at start of year	456	381	2,018	1,805	2,474	2,186
Additions	–	75	147	213	147	288
At end of year	456	456	2,165	2,018	2,621	2,474
Amortisation at start of year	283	250	1,556	1,442	1,839	1,692
Charge for the year	69	33	170	114	239	147
At end of year	352	283	1,726	1,556	2,078	1,839
Net book value						
At start of year	173	131	462	363	635	494
At end of year	104	173	439	462	543	635

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. Additions have been amortised over their expected useful lives, which was the originally anticipated end of the period that our strategic framework covered; i.e. to 31 March 2018. The framework’s period has been extended to March 2019, but no adjustment has been made to estimated asset lives as it is expected that much of the software will be replaced in 2018–19 in preparation for the new framework.

A review of the current cost values of intangible fixed assets, at 31 March 2016, revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of intangible fixed assets.

7. Property, plant and equipment

	Short-leasehold property		IT and other equipment		Office fittings		Total	
	2015-16 £'000	2014-15 £'000	2015-16 £'000	2014-15 £'000	2015-16 £'000	2014-15 £'000	2015-16 £'000	2014-15 £'000
Cost at start of year	1,052	1,166	2,218	2,104	81	81	3,351	3,351
Additions	85	35	332	152	-	-	417	187
Disposals	-	(149)	(14)	(38)	-	-	(14)	(187)
At end of year	1,137	1,052	2,536	2,218	81	81	3,754	3,351
Depreciation at start of year	733	774	1,667	1,517	68	63	2,468	2,354
Charge for the year	114	108	230	188	5	5	349	301
Adjustment on disposal	-	(149)	(14)	(38)	-	-	(14)	(187)
At end of year	847	733	1,883	1,667	73	68	2,803	2,468
Net book value								
At start of year	319	392	551	587	13	18	883	997
At end of year	290	319	653	551	8	13	951	883

The Trustees have considered the current cost values of property, plant and equipment. A review of the current cost values at 31 March 2016 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 Lottery distribution activities. This split is currently 99% Lottery and 1% grant-in-aid (see also note 4).

Finance leases

Some of the property, plant and equipment was held under a finance lease, as shown in the table below. The figures are included in the above table.

	2015-16 £'000	2014-15 £'000
IT and other equipment		
Cost at start of year	7	45
Additions	-	-
Disposals	(7)	(38)
At end of year	-	7
Depreciation at start of year	6	35
Charge for the year	1	9
Adjustment on disposal	(7)	(38)
At end of year	-	6
Net book value		
At start of year	1	10
At end of year	-	1

Obligations under finance leases are:

	2015-16 £'000	2014-15 £'000
IT and other equipment		
Amounts for leases expiring in one year	-	1
Amounts for leases expiring in years two to five	-	-
	-	1

These obligations are included in payables (see note 12).

8. Trade and other receivables

	2015-16 £'000	2014-15 £'000
Prepayments and accrued income	3,528	2,961
Loans	100	100
Other receivables	48	153
Staff advances	42	36
	3,718	3,250

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. There is a sum of £12,000 due in more than one year from one supplier (2014-15: £0).

At the year-end, 44 members of staff had outstanding payroll advances (at 31 March 2015 there were 45).

9. Investments

Movement in balances at the NLDF:

	2015-16 £'000	2014-15 £'000
Current cost at start of year	565,998	511,372
Income received from the National Lottery	384,665	360,626
Funds drawn down by NHMF	(357,328)	(337,313)
Funds transferred from the Olympic Lottery Distribution Fund	-	29,734
Investment return	1,569	1,578
Unrealised profit on investment	-	-
Current cost at end of year	594,904	565,998

In 2014-15, we received £29.7million from the Olympic Lottery Distribution Fund representing our share of the residue of money left in that Fund on its winding up. HLF contributed around £160million towards the cost of the London 2012 Olympic Games.

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, who add their 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.

10. Payables: amounts falling due in one year

	2015-16 £'000	2014-15 £'000
Operating payables	690	414
Other payables including taxation and social security	401	406
Accruals and deferred income	1,443	1,646
	2,534	2,466

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

	2015-16 £'000	2014-15 £'000
Balances owing to central government	492	407
Balances owing to local authorities	7	1
Balances owing to public corporations	-	-
Balances external to government	592	412
	1,091	820

11. Grant liabilities

	2015-16 £'000	2014-15 £'000
Brought forward at start of year	964,120	845,440
New liabilities created in the year	380,955	452,376
Liabilities inherited from DCMS re Catalyst	-	4,333
Liabilities no longer recognised	(14,103)	(19,273)
Grant payments	(334,934)	(318,756)
Carried forward at end of year	996,038	964,120

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

	2015-16 £'000	2014-15 £'000
In one year	352,518	309,716
In two years	284,137	248,147
In three years	180,280	155,868
In four years	96,680	83,022
In five years	50,289	43,096
In more than five years	32,134	124,271
	996,038	964,120

Liabilities at the year end represent amounts owing as follows:

	2015-16 £'000	2014-15 £'000
Balances owing to central government	75,135	100,597
Balances owing to local authorities	402,177	365,686
Balances owing to public corporations	-	95
Balances owing to NHS trusts	9	13
Balances external to government	518,717	497,729
	996,038	964,120

12. Contingent liabilities

Commitments

	2015-16 £'000	2014-15 £'000
Brought forward at start of year	571,817	577,654
Commitments made	467,997	461,486
De-commitments	(24,416)	(14,947)
New liabilities created in the year	(380,955)	(452,376)
Balance carried forward at end of year	634,443	571,817

Contingent liabilities represent commitments, which are the value of round one passes given by Trustees. When the applicant returns with the round 2 application, these items will either become grant awards or will be rejected.

In years prior to 2014-15, when we disclosed the level of commitments in the notes to the accounts, we excluded some decisions made during the period of our third Strategic Plan (2008-13) for technical reasons. In 2014-15, we considered that circumstances had changed and it was appropriate to include those decisions in the above comparative figures.

13. Lease commitments

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

	2015-16 £'000	2014-15 £'000
Short-leasehold property		
Not later than one year	1,412	1,230
Later than one year but not later than five years	4,473	4,573
Later than five years	3,096	4,044
	8,981	9,847
Other operating leases		
Not later than one year	8	5
Later than one year but not later than five years	7	10
Later than five years	-	-
	15	15

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. We await the outcome of a review of rent on our Edinburgh and Manchester offices.

The lease of our previous Cambridge office expired at 31 March 2015. We have now relocated to another site in Cambridge. We have a Memorandum of Terms of Occupation (Moto) with HM Revenue and Customs up to 31 March 2018.

In 2011, the Committee on Climate Change (CCC) signed an underlease for most of the first floor of our head office at 7 Holbein Place, London. This underlease was for approximately 13 years and will result in rental payments to NHMF totalling £1.9million – a small part of which will be allocated to NHMF's non-Lottery distribution activities. The expected receipts from CCC have not been deducted from the commitments disclosed in the above table.

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.

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

14. Notes to the Statement of Cash Flows

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

	2015-16 £'000	2014-15 £'000
Operating surplus/(deficit)	414	(65,211)
Add back non-cash items:		
- depreciation	588	448
- loss on disposal of intangible fixed assets and property, plant and equipment	-	-
- movement in fair value reserve	-	-
- increase in grant liability reserve	31,918	118,680
- increase in balance at NLDF	(28,906)	(54,626)
(Increase)/decrease in non-interest receivables	(468)	250
Increase/(decrease) in non-capital payables	68	(73)
Net cash inflow/(outflow) from operating activities	3,614	(532)

b) Capital expenditure

	2015-16 £'000	2014-15 £'000
Payments to acquire intangible fixed assets	147	288
Payments to acquire property, plant and equipment	417	187
	564	475

c) Analysis of changes in net funds

	At 1 April 2015 £'000	Cash flows £'000	At 31 March 2016 £'000
Cash at bank	318	3,050	3,368

15. 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 Lottery distribution activities) has had various material transactions, other than grant awards, with DCMS itself and with three entities for which DCMS is regarded as the sponsor department – the Big Lottery Fund, Sport England and Historic England.

We signed a lease with DCMS in March 2015 to extend the occupation of our office in Birmingham to May 2018. The total expected spend under the agreement is £123,000 and there was £26,925 owed at 31 March 2016.

The Big Lottery Fund contributed towards the grants made under our Parks for People programme and also towards the operating costs of that programme. At the year end, the

Big Lottery Fund owed NHMF £2,808,781, representing £93,879 for operating costs and £2,714,902 for their share of grant payments. We also paid the Big Lottery Fund for a number of activities in the year; most notably, the provision of legal and procurement services; we paid them around £61,000 during the year and we owed them £13,365 at the year end. In addition, BLF operated the Celebrate Scotland grant programme, which is operated on behalf of a number of Lottery distributors. We paid them £9,740 towards the cost of administering it. We seconded a member of staff to the Big Lottery Fund starting in March 2015. We have charged them £58,451 during the year. There was no money owed by them at the year end.

We made a contribution, totalling £11,386, to Sport England for the cost of the Lottery Forum co-ordinator. No sums were outstanding at the year-end.

We used Historic England to provide expert advice and mentoring services to some of our grants, £8,747 in 2015–16; £3,392 was owed at the year end. They also provided us with £5,000 of research on capacity build evaluation. In addition, English Heritage continues to operate our Repair Grants for Places of Worship in England programme. We re-imbursed them for grant payments they made on our behalf. These totalled £4,191,000 in 2015–16. Nothing was owed to them at the year end.

There have also been material transactions with the Cabinet Office to the value of £7,151 – they carried out pension administration on our behalf; nothing was owed to them at the year-end – and the Office of Rail and Road (sponsored by the Department for Transport) for £6,326 – we share our Birmingham office with them and they supplied us with some technical support; again, nothing was owed to them at the year-end.

We have seconded a member of staff to the Welsh Assembly. We have charged them £20,118 during the year. There was no money owed by them at the year end.

We have seconded a member of staff to the British Council. We have charged them £1,285 during the year and they owed us £1,285 at the year end.

In 2011, the Committee on Climate Change (CCC) signed an underlease for most of the first floor of NHMF's offices, at 7 Holbein Place, London. CCC is a non-departmental public body that is jointly-sponsored by the Department of Energy and Climate Change, DEFRA, the Scottish Government, the Welsh Assembly Government and the Northern Ireland Executive. This underlease is for approximately 13 years and will result in rental payments to NHMF totalling £1.9million. In addition, CCC will make contributions towards the cost of running Holbein Place of approximately £70,000 per annum at 2015–16 price levels. At 31 March 2016, we were owed by CCC around £14,800 for service charges.

As set out below, Trustees of NHMF had interests in bodies to which NHMF made Lottery grants. Similarly, members of the country and regional committees had interests in projects to which their committee made Lottery grants or recommendations to the board of Trustees. Trustees and committee members are required to declare any connection with applicants at the start of each meeting and absent themselves from any part of that meeting where that grant application is discussed. They take no part in the decision as to whether a grant is awarded or any subsequent decision made about that grant. 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 the individuals have an influence on the decision-making process.

In 2015–16 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

The Postal Heritage Trust for the British Postal Museum & Archive (BPMA)

Grant increase of £730,000 to make a total grant of £5,229,300 – The BPMA New Centre Project at Mount Pleasant

Dr Angela Dean reported a conflict of interest as a member of their Audit and Finance Committee.

Folkestone Town Council

A grant of £1,950,000 – Folkestone's HEART

Sir Roger De Haan declared a conflict of interest as his charitable foundation had contributed match funding to the project.

The Tate

A grant of £1,510,100 – Acquisition of William Stott of Oldham's Le Passeur

Dame Seona Reid declared a conflict of interest as she was a trustee of The Tate.

Cinema City Ltd

A grant increase of £43,000 to make a total grant of £541,000 – Norfolk at the Pictures

Steve Miller reported a conflict as he was Head of Norfolk Museums Service and the applicant would be inviting a tender from Norfolk Museum for some design planning assistance.

Norfolk County Council

A grant of £36,600 and a first round pass of £448,000 – Marriots Way

Steve Miller declared an interest as he was employed by Norfolk County Council in his position as Head of Norfolk Museum Service.

Norfolk County Council

A grant of £16,200 – Norfolk Trails Heritage Rangers

Steve Miller declared an interest as he was employed by Norfolk County Council in his position as Head of Norfolk Museum Service.

Norfolk Museums & Archaeology Service

A grant increase of £119,700 to make a total grant of £348,700 – SHARED Enterprise: developing business minded museums

Steve Miller declared a conflict of interests as Head of Norfolk Museums Service.

Norfolk Museums Service

A grant of £81,000 – Olive Edis – Britain's First Official Female War Photographer

Steve Miller declared a conflict as he was the Head of Norfolk Museum Services.

YMCA Norfolk

A grant of £47,100 – Y-Heritage Sharing the story of YMCA Norfolk throughout its 160 year history

Steve Miller declared an interest as he was Head of Norfolk Museums Service, which would be helping to support the young people involved and would also provide one of the venues for the exhibition.

Norwich Historic Churches Trust

A grant of £68,400 – Historic Landscape and Contemporary Culture: Exploring Norwich's Medieval Churches Today

Steve Miller declared an interest as the senior archaeologist from his place of work was supporting the applicant via their steering group.

UEA and the Paston Heritage Society

A grant of £13,000 and a first round pass of £328,200 – Paston Footprints
Steve Miller in his capacity as Head of Norfolk Museums Service declared a conflict of interest as Norfolk Record Office was referenced as a project partner.

Argyll and Bute Council

A grant of £109,700 and a first-round pass of £1,999,400 – Rothesay Townscape Heritage
Dr Tom Tew declared a conflict of interest as he owned a property within the area covered by the application.

Kids in Museums

A grant of £28,900 – Teen Take – A film by teenagers about what they want in a museum visit
Sandie Dawe declared an interest as she was the Chair of Kids in Museums.
Steve Miller declared an interest as he was Head of Norfolk Museums Service, which was a partner for this project.

Kids in Museums

A grant of £33,300 – How I See It – Teenagers film what they want in a South East Museum
Sandie Dawe declared an interest as she is the Chair of Kids in Museums.

Canal & River Trust

A grant of £496,600 – The Pocklington Canal – A Gem In The Landscape
Sir Neil Cossons declared an interest as he was Chair of the Canal & River Trust Heritage Advisory Group.

Canal & River Trust

A grant of £680,000 – Carpenter's Road Lock
– Heritage from the shadow of the Queen Elizabeth Olympic Park
Sir Neil Cossons declared an interest as he was Chair of the Canal & River Trust Heritage Advisory Group.

Canal & River Trust

A grant of £74,600 and a first-round pass of £1,552,400 – Restoring and Revealing the Wendover Arm Canal for Local Communities
Sir Neil Cossons declared an interest as he was Chair of the Canal & River Trust Heritage Advisory Group.

Canal & River Trust

A grant of £75,000 – Saul Junction Lock, Gateway to the River Severn
Sir Neil Cossons declared an interest as he was Chair of the Canal & River Trust Heritage Advisory Group.

Canal & River Trust, in partnership with the National Trust

A grant of £225,400 and a first-round pass of £1,998,200 – The Roundhouse, Birmingham
Sir Neil Cossons declared an interest as he was Chair of the Canal & River Trust Heritage Advisory Group.

Canal & River Trust

A grant of £36,300 – 127 Mileposts – A celebration of the Leeds Liverpool Canal Bicentenary 2016
Sir Neil Cossons declared an interest as he was Chair of the Canal & River Trust Heritage Advisory Group.

Committee Members

Lincoln Cathedral

A grant of £909,700 and a first-round pass of £12,365,800 – Lincoln Cathedral Connected
David Stocker declared an interest as he was a member of the Lincoln Cathedral Fabric Advisory Committee and had advised the applicant on the application.

Jean MacIntyre declared an interest as she was an employee of Bishop Grosseteste University, a partner organisation.

The Heritage Trust of Lincolnshire

A grant of £273,400 and a first-round pass of £2,118,500 – Save the Old King's Head, Boston
David Stocker declared a conflict of interest as he was the Chair of the Advisory and Liaison Committee at the Heritage Trust of Lincolnshire.

Ingoldsby PCC

A grant of £125,000 – St Bartholomew's Parish Church, Ingoldsby – repair and heritage project
David Stocker declared an interest as he was aware of the case due to his role as a member of the Lincoln Diocesan Advisory Committee for the Care of Churches, who had discussed the proposals and given advice.

Luton Culture

A grant of £1,822,900 – Wardown Park Museum

Maggie Appleton declared a conflict of interest due to her previous role as Chief Executive for Luton Culture.

WW1 Aviation Heritage Trust

A grant of £9,900 – To Work with Essex Colleges to Research and Recreate a WW1 Pilot Trainer
Maggie Appleton declared an interest due to her role as Chief Executive Officer of the RAF Museum, which has supported the development of the application and will continue to advise on the project.

Beds and Herts Regiment Museum Trust

A grant of £9,400 – The Yellow Devils

Maggie Appleton declared an interest as their gallery is based at Wardown Park Museum in Luton which was part of Luton Culture, her employer.

Norfolk Museums & Archaeology Service

A grant increase of £119,700 to make a total grant of £348,700 – SHARED Enterprise: developing business minded museums

Helen Wilson declared a conflict of interest as a trustee of Norfolk Museums Foundation Board.

The London Borough of Hackney

A grant of £122,400 and a first-round pass of £3,194,100 – Springfield Park restoration project
Jon Sheaff declared a conflict of interest as he had prepared the application for the applicant.

London Wildlife Trust

A grant of £96,100 and a first-round pass of £771,800 – Great North Wood

Jon Sheaff declared a conflict of interest as he is associated with the applicant on a number of other projects.

Terepia Centre

A grant of £942,600 – The Bothy, imaginative use of listed building to create a centre of excellence for children’s psychotherapeutic services

Jon Sheaff declared a conflict of interest as he was the Project Manager for the adjoining Avenue House park restoration project.

Landscape Institute

A grant of £911,100 – Capability Brown Festival

Rachel Hasted declared conflicts of interest as English Heritage was a partner and it was less than two years since she had been employed by English Heritage.

London Borough of Wandsworth

A grant of £1,372,100 – Tooting Common Heritage Project

Jennifer Ullman declared a conflict or interest as she had previously worked for the applicant and at the time managed the staff responsible for the application.

Horniman Museum and Gardens

A grant of £3,297,700 – Collections People Stories Horniman Museum

Jennifer Ullman declared that her niece worked for the Horniman Museum.

Hilary Carty declared a conflict as a Trustee of the Museum.

Newcastle University

A grant of £2,100,700 – Revitalising Newcastle’s Hatton Gallery

Lindsay Allason-Jones declared an interest as she was a Visiting Lecturer at the University.

Newcastle University

A grant of £9,900 – Inspiring Archives: A story of the Civil War in the North East of England

Lindsay Allason-Jones declared an interest as she was a Visiting Lecturer at the University.

Newcastle Diocesan Board of Finance

A grant of £221,900 – Inspired Futures for Heritage Places of Worship in North East England

Lindsay Allason-Jones declared a conflict of interest as a Trustee of the Heart of the City Board and Newcastle Cathedral.

Royal Society of Wildlife Trusts

A grant of £75,400 and a first-round pass of £1,303,500 – Sciuriosity: Red Squirrels United

Chris Mullin declared an interest as he was President of the Northumberland Wildlife Trust, a partner in the application.

North of England Civic Trust

A grant of £10,000 – Keelmen’s Hospital

Chris Mullin declared a conflict of interest as he was a trustee of North of England Civic Trust.

Northumberland Wildlife Trust Ltd,

A grant of £14,000 and a first-round pass of £412,500 – Restoring Ratty: the return of the Water Vole to Kielder Forest

Chris Mullin declared a conflict of interest as he was President of the Northumberland Wildlife Trust Ltd.

Billingham Town Council

Award Grant of £26,700 – Beautiful Billingham Campaign: Harrington’s Pond Restoration

Sue Antrobus declared a conflict of interest as Tees Valley Wildlife Trust, her employer, were one of the project partners.

Tees Valley Wildlife Trust

A grant of £50,700 – Where the Wild Things Were 2

Sue Antrobus declared a conflict of interest as was an employee of the Tees Valley Wildlife Trust.

Friends of the Stockton and Darlington Railway

Award Grant of £10,000 – Sharing Heritage: the Stockton and Darlington Railway

Niall Hammond declared an interest as he is a member of the applicant group.

Durham Wildlife Trust

A grant of £226,000 and a first-round pass of £2,663,500 – BrightWater Landscape Partnership

Niall Hammond declared a conflict of interest as he was a board member of the Brightwater Landscape Partnership.

Askham Bryan College York

A grant of £3,198,500 – The conservation and enhancement of the Central Lodge at Stewart Park, Middlesbrough as a land based education facility

John Williams declared a conflict of interest as he is a Governor at Askham Bryan College York.

The Reader Organisation

A grant of £1,879,200 – The Reader at Calderstones

Ivan Wadson declared a conflict of interest as he was a Board member of the Reader Organisation.

Oldham Borough Council

A grant of £3,379,900 – Oldham Heritage and Arts Centre

Ivan Wadson declared an interest as he had undertaken paid consultancy work on the project.

Yorkshire Dales Millennium Trust

A grant of £99,100 and a first-round pass of £2,018,800 – Ingleborough Dales Landscape Partnership

Steve Garland declared an interest as he had been appointed as the independent Chair of the 'Stories in Stone' element of the project.

Churches Conservation Trust

A grant of £9,500 – WWI: The Untold Stories of St John the Evangelist Leeds

Humphrey Welfare declared an interest as he was a trustee of the Churches Conservation Trust.

Churches Conservation Trust

A grant of £202,800 and a first-round pass of £2,603,900 – The Canny Space at Holy Trinity Sunderland

Humphrey Welfare declared an interest as he was a trustee of the Churches Conservation Trust.

Churches Conservation Trust

A grant of £47,700 – Hidden Secrets: Torbryan Holy Trinity

Humphrey Welfare declared an interest as he was a trustee of the Churches Conservation Trust.

Churches Conservation Trust

A grant of £56,200 – Exploring All Saints

Humphrey Welfare declared an interest as he was a trustee of the Churches Conservation Trust.

Churches Conservation Trust

A grant of £9,300 – Discovering Hidden Somerset

Humphrey Welfare declared an interest as he was a trustee of the Churches Conservation Trust.

Churches Conservation Trust

A grant of £94,100 – The Holy Sepulchre Church

Humphrey Welfare declared an interest as he was a trustee of the Churches Conservation Trust.

Churches Conservation Trust

A grant of £49,100 – St George Reforne, Portland, Dorset

Humphrey Welfare declared an interest as he was a trustee of the Churches Conservation Trust.

Churches Conservation Trust

A grant of £97,100 – St Mary's, Stainburn

Humphrey Welfare declared an interest as he was a trustee of the Churches Conservation Trust.

Churches Conservation Trust

A grant of £96,800 – St Andrew's Church, Hove, East Sussex

Humphrey Welfare declared an interest as he was a trustee of the Churches Conservation Trust.

Mid and East Antrim Borough Council in association with Carrickfergus Regeneration Partnership

A grant of £1,689,200 – Carrickfergus Townscape Heritage Initiative

Sheila McClelland declared a conflict of interest as the former Chief Executive of Carrickfergus Borough Council.

Wasps Studios

A grant of £52,100 and a first-round pass of £755,000 – The Briggait Creation Centre

Eleanor McAlister declared a conflict of interest as she was a Board Member of WASPS Trust and also as a Board Member of Historic Scotland.

Collective Gallery in partnership with Edinburgh City Council

A grant of £1,300,000 – City Observatory Complex

Gillian Findlay reported a conflict of interest as she was employed by Edinburgh Museums and Galleries, part of Edinburgh City Council.

Scottish Women's Aid

A grant of £305,400 – History of Women's Aid in Scotland

Gillian Findlay reported a conflict as she was employed by Edinburgh Museums and Galleries and the Museum of Edinburgh would host the travelling exhibition.

City of Edinburgh Council in partnership with Royal Caledonian Horticultural Society

A grant of £3,799,100 – Saughton Park Restoration Project

Gillian Findlay reported a conflict of interest as she was employed by Edinburgh Museums and Galleries, part of Edinburgh City Council.

The Wasps Trust

A grant of £52,100 and a first-round pass of £755,000 – The Briggait Creation Centre

Eleanor McAlister declared a conflict of interest as she was a board member of the Wasps Trust.

Brewing Heritage Scotland

A grant of £43,800 – The Untold Story of Scottish Brewing

Gillian Findlay declared an interest as she worked for Edinburgh Museums and the Museum of Edinburgh would be hosting the exhibition.

Scottish Wildlife Trust

A grant of £37,800 and a first-round pass of £2,502,000 – Saving Scotland's Red Squirrels Project-Developing Community Action

Simon Pepper declared an interest as he was a board member for Scottish Natural Heritage who will be on the steering group for the project.

Medway Council

A grant of £214,000 and a first-round pass of £1,700,400 – Command of the Heights
Bill Ferris declared a conflict of interest as the Chief Executive of the Chatham Historic Dockyard Trust, which would benefit from the project.

New Forest National Park Authority

A grant of £2,838,000 – Our Past, Our Future: working together for the New Forest
Debbie Tann declared a conflict of interest as Chief Executive of the Hampshire and Isle of Wight Wildlife Trust, one of the project partners.

Helen Jackson declared a conflict of interest as a Trustee of the Hampshire and Isle of Wight Wildlife Trust, one of the project partners.

Isle of Wight Area of Outstanding Natural Beauty Partnership

A grant of £1,547,000 – Down to the Coast – East Wight Landscape Partnership
Debbie Tann declared a conflict of interest as Chief Executive of the Hampshire and Isle of Wight Wildlife Trust, one of the project partners.

Helen Jackson declared a conflict of interest as a Trustee of the Hampshire and Isle of Wight Wildlife Trust, one of the project partners.

Hampshire and Isle of Wight Wildlife Trust

A grant of grant of £129,300 and a first-round pass of £769,600 – Secrets of the Solent
Debbie Tan declared a conflict of interest as she was the Chief Executive of Hampshire & Isle of Wight Wildlife Trust.

South Downs National Park Authority

A grant of £1,451,400 – Heathlands Reunited

Debbie Tann declared a conflict of interest as the Chief Executive of the Hampshire and Isle of Wight Wildlife Trust, which was a project partner.

Helen Jackson also declared a conflict of interest as a Trustee of the Hampshire and Isle of Wight Wildlife Trust, which was a project partner.

Hastings Creative Limited

A grant of £9,800 – Hastings International School for the Arts

Alastair Fairley declared an interest as he had advised the co-ordinators.

Lymington Museum Trust

A grant of £1,782,400 – The Future of St Barbe

Helen Jackson declared a conflict of interest as a Trustee of the Hampshire Cultural Trust, which was a project partner.

Tavistock Town Council

A grant of £48,700 and a first-round pass of £766,500 – Tavistock Guildhall

Tamsin Daniel declared a conflict of interest as there were connections with the Cornwall & West Devon Mining World Heritage Site, for which she was involved through Cornwall Council.

Cornwall Wildlife Trust

A grant of £140,600 and a first-round pass of £2,670,000 – First and Last – Our Living Working Landscape

Tamsin Daniel declared a conflict of interest as she had provided advice to the applicant.

Cornwall Council

A grant of £34,400 and a first-round pass of £934,400 – St Austell Townscape Heritage

Tamsin Daniel declared a conflict of interest as an employee of Cornwall Council.

RSPB South West

A grant of £42,800 and a first-round pass of £774,300 – Isles of Scilly Three Islands Seabird Restoration Project

Tamsin Daniel declared a conflict of interest as she had provided advice to the applicant.

St Pol de Leon Church, Paul, Penzance

A grant of £34,300 and a first-round pass of £293,300 – Celebrating Peace through the restoration of a significant WW1 memorial window

Tamsin Daniel declared a conflict of interest as she had provided advice to the applicant.

Cornwall Council and the Cornwall Heritage Trust

A grant of £253,700 and a first-round pass of £3,480,700 – Luxulyan Valley: saving Joseph Treffry's extraordinary industrial legacy

Tamsin Daniel declared a conflict of interest as she was employed by Cornwall Council.

Evelyn Stacey declared a conflict of interest due to her former position as Chief Executive of Wheal Martyn Trust, which was a potential delivery partner and would benefit if the project went ahead.

Wheal Martyn Trust

A grant of £155,000 and a first-round pass of £832,200 – Clay Works

Tamsin Daniel declared a conflict of interest as an employee for Cornwall Council who provided revenue funding to Wheal Martyn Museum.

Evelyn Stacey reported a conflict of interest in her capacity as Director of the Wheal Martyn Trust's subsidiary company, Wheal Martyn Enterprises and as her previous role of Chief Executive of Wheal Martyn Trust.

Living Options Devon

A grant of £117,200 and a first-round pass of £573,600 – The Heritageability Project

Evelyn Stacey declared a conflict of interest due to her former position as Chief Executive of Wheal Martyn Trust, which was a delivery partner.

Dorset County Council

A grant of £297,600 – Home and Abroad: Opening up the archive of the Bankes family

Sarah Staniforth declared a conflict of interest due to her consultancy work for The National Trust who owned the archive and were a project partner.

Gloucestershire Archives

A grant of £1,105,500 – For the Record

Sarah Staniforth reported a conflict of interest as the National Trust, for whom she was a consultant, had been consulted as a depositor for Gloucestershire Archives.

The Woodland Trust

A grant of £730,000 – Bringing Fingle Woods Back to Life

Sarah Staniforth declared that she was employed as a consultant by the National Trust, which was a project partner.

Phil Collins declared that he was employed by the National Trust, which was a project partner.

Brecon Beacons National Park Authority

A grant of £58,000 and a first-round pass of £717,500 – Explosive Times: Restoration & Celebration of the Glynneath Gunpowder Works

Carys Howell declared a conflict of interest as she was a former member of the Brecon Beacons National Park Authority.

Monmouth County Council

A grant of £16,100 – Rhapsody: The Rockfield and Monmouth Story

Megan De Silva declared an interest as she was employed by Monmouth County Council.

Tamworth Borough Council

A grant of £903,400 – Tamworth Assembly Rooms

Alan Taylor declared conflicts of interest as he dealt with the listed building application for English Heritage and had had numerous discussions with the team.

St Giles Parochial Church Council

A grant of £720,500 – St Giles Churchyard Heritage Project

Alan Taylor declared conflicts of interest as he knew the landscape architects and had seen their proposals.

Wolverhampton City Council

A grant of £864,100 – Queen Street Gateway THI

Marion Blockley declared a conflict of interest as her partner had worked for Wolverhampton City Council Conservation Team until he retired in September 2014.

The Canal and River Trust, in partnership with the National Trust

A grant of £225,400 and a first-round pass of £2,223,600 – The Roundhouse, Birmingham
Marion Blockley declared a conflict of interest as she was a member of the National Trust's Historic Environment Panel and was currently carrying out consultancy for the Canal & River Trust on a different project.

Castle Bromwich Bell Restoration Project

A grant of £34,500 – Castle Bromwich Church Bells

Alan Taylor declared a conflict of interest as he had given the applicant advice regarding the project when employed by English Heritage.

Worcestershire Early Music

A grant of £4,300 – Worcestershire Early Music Croome Four Seasons Project

Alan Taylor declared an interest as he was on the Capability Brown 300 steering group that had encouraged the project.

United Kingdom Historic Building Preservation Trust (UKHBPT)

A grant of £423,000 and a first-round pass of £2,576,700 – Regeneration of the Wedgwood Institute – an innovative enterprise hub for Burslem

Alan Taylor declared a conflict of interest as he had given the applicant advice when employed by English Heritage.

Marion Blockley declared a conflict of interest as she was a consultant for the Prince's Regeneration Trust (of which UKHBPT is a subsidiary company) and worked closely with UKHBPT staff, though not on this application.

Friends of Ingestre Orangery

A grant of £48,900 and a first-round pass of £557,100 – Ingestre Orangery. A Sustainable Restoration project

Alan Taylor declared conflicts of interest as he had worked with the applicant at an earlier stage of the project whilst at English Heritage and has been supporting them over another planning matter in the area during 2015.

Staff

Geffrye Museum Trust

A grant of £425,300 and a first-round pass of £10,580,100 – Unlocking the Geffrye
Eilish McGuinness declared an interest as a personal friend of the architects for the project.

St George's Bristol

A grant of £750,200 – Preserving, recording and widening access to the heritage of St
George's Bristol
Eilish McGuinness declared an interest as a personal friend of the architects for the project.

National Museums Scotland

A grant of £97,100 and a first-round pass of £950,000 – Revealing Cultures
Jo Sohn-Rethel declared a conflict of interest as he was employed part-time by National
Museums Scotland.

Hartshill and Harpfields Occasions

A grant of £10,000 – Hartshill in the First World War: 1916–1917/2016–2017
Elise Turner declared an interest as she used to be part of the group.

16. Financial instruments

Financial instruments

International Financial Reporting Standard 7 'Financial Instruments: Disclosures' (IFRS 7) 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 grant-in-aid-derived funds. 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 2015–16, £385million (99.3%) of NHMF's Lottery distribution income derived from the National Lottery. The remaining income derived from investment returns on the balance held with the NLDF, £1.6million (0.4%), along with a small amount of bank interest and grant repayments. The Trustees recognise that their grant liabilities and their other payables significantly exceeded the value of funds in the NLDF at 31 March 2016. However, Trustees consider that their 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 the Department for Culture, Media and Sport (DCMS), most recently in March 2014, that it has no plans to change the 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 Lottery distribution liabilities are in line with assets, and that Trustees are able to meet their commitments to March 2023, when the fourth Lottery operating licence expires. Even if there were a long-term decline in Lottery income, Trustees would simply adjust annual grant budgets to compensate.

Market and Interest rate risk

The financial assets of the Trustees' Lottery distribution activities are invested in the NLDF, which invests in a narrow band of low-risk assets such as government bonds and cash. The 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 £595million. We are informed by DCMS that funds at the NLDF earned on average 0.5% in the year. 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 0.35% in the year. The sharp decline in market interest rates in 2008 has had a significant impact on investment returns, but, as there is little room for rates to fall further, the risk is small. The cash balance at the year-end was £3.4million. The Trustees consider that their Lottery distribution activities are not exposed to significant interest rate risks. Other financial assets and financial liabilities carried nil rates of interest.

	2015-16 £'000	2014-15 £'000
Cash balances		
– sterling at floating interest rates	3,368	318
– sterling at a mixture of fixed rates	594,904	565,998
	598,272	566,316

Credit risk

The figure for receivables almost entirely comprises prepayments and accrued income (mostly on property leases and business rates) and intra-government balances. The intra-government balances are mostly with bodies that DCMS sponsors and all had been paid by the time of signing the accounts with the exception of a loan, which is not due for repayment for a number of years. Trustees do not consider that their Lottery distribution activities are exposed to significant credit risk.

Foreign currency risk

The Trustees' Lottery distribution activities are not exposed to any foreign exchange risks.

Financial assets by category

	2015-16 £'000	2014-15 £'000
Assets per the Statement of Financial Position		
– investments available for sale	594,904	565,998
– cash and cash equivalents	3,368	318
– loans and receivables	3,718	3,250
	601,990	569,566

Financial liabilities by category

	2015-16 £'000	2014-15 £'000
Liabilities per the Statement of Financial Position		
- provision	-	-
- other financial liabilities		
• grant payables	996,038	964,120
• operating payables	690	414
• other payables	401	406
• accruals	1,443	1,646
	998,572	966,586

Fair values

Set out below is a comparison, by category, of book values and fair values of HLF's financial assets and liabilities as at 31 March 2016.

Financial assets at 31 March 2016

	Book value £'000	Fair value £'000
Cash ¹	3,368	3,368
Investments ²	594,904	594,904
Receivables ³	3,718	3,718
	601,990	601,990

Financial assets at 31 March 2015

	Book value £'000	Fair value £'000
Cash	318	318
Investments	565,998	565,998
Receivables	3,250	3,250
	569,566	569,566

Financial liabilities at 31 March 2016

	Book value £'000	Fair value £'000
Grant payables ⁴	996,038	996,038
Operating payables ⁵	690	690
Other payables ⁵	401	401
Accruals ⁵	1,443	1,443
	998,572	998,572

Financial liabilities at 31 March 2015

	Book value £'000	Fair value £'000
Grant payables	964,120	964,120
Operating payables	414	414
Other payables	406	406
Accruals	1,646	1,646
	966,586	966,586

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 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 Whilst we disclose £644million 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

	2015-16 £'000	2014-15 £'000
In less than one year	998,572	966,586
In more than one year, but less than two	-	-
In two to five years	-	-
In more than five years	-	-
	998,572	966,586

The Statement of Financial Position discloses the above figures 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.

17. Statement of losses

HLF made losses through the write-off of nine grants totalling £107,887 in the year (2014-15: six grants totalling £282,200).

18. Staff costs

	2015-16 £'000	2014-15 £'000
Salaries	8,646	8,635
Employer's NI payments	582	587
Payments to pension scheme	1,740	1,572
Temporary staff costs	129	148
	11,097	10,942

19. Events after the reporting period

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

Policy Directions

The government issues HLF with policy directions under the 1993 Act. The current directions took effect in 2008. As before, these are matters to be taken into account when distributing money.

At the same time, the Welsh Assembly Government 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 69 to 71.

a) Needs of the heritage

“HLF’s assessment of the needs of the national heritage and their priorities for addressing them.”

In 2015–16 demand for Lottery funding for heritage remained high and as a result of continued strong ticket sales we were able to commit £380.9million in awards, against applications worth £929million (down slightly, by 1.7%, on 2014–15).

This was the third year of operation under the strategic framework for 2013–2019, *A lasting difference for heritage and people*. We have continued to support the sector in a challenging operating environment, embedding new programmes and initiatives, including Start-up Grants, Transition Funding and Heritage Enterprise, to address the need to build greater resilience and champion innovation in heritage organisations, to support growth, and to fill identified skills gaps.

The Centenary of the First World War continued to attract significant public and media interest this year. Since April 2010, HLF has awarded £77million to 1,450 projects marking the Centenary, including £1.8million to the National Museum of the Royal Navy to conserve HMS M.33, the sole remaining British veteran of the Gallipoli Campaign in 1915, which opened to the public in summer 2015. Since the launch of the small grants programme, *First World War: Then and Now*, in May 2013, we have awarded £8.8million to more than 1,000

projects supporting a wide range of community organisations to explore and commemorate the Centenary, with many receiving their first HLF grant. HLF has funded Centenary projects in 90% of UK local authority areas.

In the past year we undertook a mid-term review of the current Strategic Framework, which considered whether new approaches or initiatives were needed to meet emerging opportunities and challenges. We believe the approach set out in our current strategic framework remains the right one for the next few years, with sufficient flexibility to introduce changes when needed. In view of a very busy external operating environment, anticipating the publication of the Culture White Paper in March 2015, further developments in Devolution, and a Tailored Review for HLF later in 2016, all of which could have implications for our future strategy, we decided to extend the current strategic framework for a further year to 2019, and undertake full consultation on that during 2017 rather than earlier.

In the mean time we have announced some new responsive measures to meet increasing need and our priorities for a more inclusive heritage sector. These will be delivered in 2016–17 and include the consolidation of current ‘resilience’ funding into a new Resilient Heritage programme, with a larger budget and larger maximum grant (£250,000), a further round of the Heritage Endowments and Skills for the Future programmes, and a new Young People’s programme.

We have also further developed our online communities as a focus for sharing learning and good practice across the sector. In 2015–16 we launched a new open space for applicants and grantees to share information, advice and questions about any kind of heritage project. Our programme-specific forums around Parks, Landscape Partnerships, Young Roots, Skills and Catalyst (private fundraising and resilience) continue to provide a focus for those with shared interests around these themes.

b) Public involvement

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

In developing our funding strategies, we regularly consult customers and the Lottery-playing public for an end-user perspective on our work, to inform policy and practice, and to increase public understanding of what we do. The current strategic framework was shaped by extensive consultation, and all our application materials and processes are tested with customers at all levels of grant. This year we user-tested our website, and responded to positive feedback by making some adjustments. As part of planning for the new Young People’s programme we are developing our approach to youth participation in HLF’s business and will introduce a young people’s panel to advise on that programme.

We have continued our policy of open recruitment to our committees in all areas of England, Scotland, Northern Ireland and Wales. These make decisions on grants between £100,000 and £2million, and in 2015–16 we appointed 18 new committee members.

c) Access and participation

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

Our strategy continues to be focused on ensuring ‘more people and a wider range of people are engaged with heritage’, with this as a weighted outcome in our assessment framework for Heritage Grants over £100,000.

Voluntary sector organisations form the majority of our grantees and have strong reach into local communities. Our Sharing Heritage programme, which awards grants under £10,000, is particularly aimed at community organisations. In 2015–16 we funded over 1,650 projects across the UK totalling £14million in awards under this programme.

Our outreach continues to focus on geographical areas where we have seen fewer applications and less spend, including rural areas, and on target audiences such as young people and those from black, Asian and minority ethnic communities (BAME). We have reviewed our Priority Development Areas this year, introducing new ones in parts of the country where we have achieved successful increased investment in the first half of our strategic framework. This year we also reviewed our corporate priority to encourage more applications from organisations representing the interests of BAME communities and as a result Trustees have agreed to give priority to these groups in decision-making.

To mark the twenty-year anniversary of the Disability Discrimination Act and to promote further ambition in disability and heritage partnerships, we hosted Inclusive Heritage, a conference attended by 130 senior sector leaders, in October 2015. Key note speakers Dr Tom Shakespeare and Esther Fox referred to their own personal and professional experiences of disability and the integral role of heritage in achieving equality. Sir Peter Luff presented inclusion as a corporate priority, committing HLF to the delivery of an annual inclusion-focussed event.

Our Inclusion Practice Group and our Equality Steering Group, chaired by the Chief Executive continue to monitor and report on the ways in which we are increasing access and participation in heritage.

d) Children and young people

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

Through our investment of Lottery players’ money, HLF supports a huge variety of projects that enable children and young people to engage with and explore heritage. We support activities for schools and families; informal learning programmes, as well as those that complement formal, mainstream education; the development of new assets

both physical (learning spaces and equipment) and digital (apps, websites, learning resources); youth panels, family trails, events, and other activities.

Across the UK, we have invested in the capacity of hundreds of local organisations to be able to work with children. Since 1994, we have funded over 1,400 heritage education posts and the creation of more than 830 spaces for learning, including indoor and outdoor classrooms, film theatres and natural play areas. In October 2015, alongside other partners, we launched Space for Learning, a website, guidance document and suite of resources and case studies to support arts and heritage organisations to achieve excellence in the development of such spaces.

Eleven to 25 year-olds have continued to lead heritage projects through our ongoing Young Roots programme. Since 2002, we have made over 1,730 Young Roots awards, and over the last 12 months have invested £4.4million in more than 115 projects across the UK. These projects engage a wide range of young people, including those who are not in education, employment or training, and help build important skills and confidence. Our Online Community for Young Roots has become an active space for grantees and applicants to share ideas and project outcomes.

As a sector champion we have used our influence to effect change for children and young people through strategic initiatives and networks across the cultural and education sectors. We continue to be a member of the national Cultural Education Partnership Group (CEPG), taking forward recommendations of the government's review of Cultural Education in England. Our present and planned programmes for children and young people held a prominent space in the March 2016 Culture White Paper. We are represented on the board of the Cultural Learning Alliance, and the steering group for the Heritage 20:20 Public Engagement strategy, and maintain strong on-going relationships with a wide range of sector bodies including the Group for

Education in Museums (GEM), and the Botanic Gardens Education Network (BGEN).

At the Autumn 2015 Museums Association Conference, our Chair re-stated HLF's commitment to creating opportunities for young people to engage with heritage; this included the announcement of an ambitious new young people's initiative, launching in 2016–17, which will invest £10million in large-scale, consortium-led projects over five years. Linked to this, we have been building new relationships with national youth organisations, the Children and Youth Evidence Hub and the National Citizen Service, focused on areas of shared interest including youth social action, measuring outcomes and engaging more young people with the natural environment.

e) Communities

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

Our open grant programmes, in particular Sharing Heritage (£3–10K) and Our Heritage (£10–100K), have continued to support high quality work led by and involving local community groups across the UK. Our Sharing Heritage evaluation work, for example, demonstrates that over 75% of our smallest grants are awarded to community or faith groups and that our investment is reaching new people: 67% of grants were awarded to organisations applying to HLF for the first time.

We know that grantees are achieving strong outcomes for communities, bringing people together to learn about heritage, develop skills, volunteer and importantly enjoy themselves. Grantees document the relatively big impacts that are achieved through smaller grants especially for small organisations without paid staff: increased confidence to develop and deliver heritage projects and enhanced organisational resilience through having strengthened relationships with partner organisations, an increased profile in the community, and more volunteers.

Our Heritage Grants programme continues to make a positive difference to the public realm, both urban and rural, and improving the quality of life. Buildings once an eyesore or under-utilised have been brought back into use, canals and rivers cleaned up and made more accessible, and parks improved for all to enjoy. Often the success of these projects comes through attracting learners, volunteers and apprentices from a range of backgrounds to be involved.

This year our advocacy work has particularly promoted the value of engaging with nature and the outdoors, in the context of increasingly urbanised communities across the UK. HLF investment in natural heritage is significant in promoting community engagement as well as by improving play and activity spaces and enhancing biodiversity. In particular, we have continued to promote the value of partnerships in widening access to green spaces, including with the health sector.

f) Volunteers

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

Volunteering is embedded in the outcomes framework that we use to assess applications, and has therefore continued to feature prominently in the projects we fund across all of our grant programmes. We estimate that over 97% of our projects include volunteers in some capacity.

Volunteering within HLF projects also contributes to other outcomes, for example through providing capacity for heritage to be better managed; by creating opportunities for people to develop skills; and by making heritage organisations more resilient. Our funding enables high-quality, inclusive volunteering experiences through fully supporting the associated costs: volunteer recruitment, training, travel and expenses, as well as staff posts to co-ordinate and manage volunteers.

We continue to celebrate the transformative impact of volunteering for individuals, organisations and communities through case studies, and volunteers of all backgrounds, and we continue to work closely with regional heritage volunteering bodies, and national partners such as NCVO and the National Trust.

g) Skills

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

Skills development is integral to our outcomes framework. We continue to prioritise developing the skills of volunteers, paid staff and new entrants to the heritage workforce to ensure our heritage is sustained, skills shortages are filled and a diverse pool of talent is attracted to our sector. This year our Chair announced a third round of our influential Skills for the Future programme, which will launch in 2016 with a focus on workforce diversity.

‘People will have developed skills’ continues to be a weighted outcome in our Heritage Grants programme through which a large proportion of our budget is distributed. We know that the majority of Heritage Grants projects deliver training for volunteers, with many also providing paid apprenticeships or work-based training opportunities focused on the specialist skills that heritage employers require. Two major new training centres have been developed using our investment this year: Portsmouth Naval Base Property Trust’s Boatbuilding and Heritage Skills Training Centre and Historic Environment Scotland’s National Conservation Centre.

Organisations funded through our skills-focused grant programmes, Training Bursaries and Skills for the Future, have continued to deliver excellence during 2015–16. This year we commissioned a report on the benefits of Training Bursaries and brought sector leaders to discuss its impact. We have also encouraged sharing of practice through our online community.

Grantees funded through the second round of Skills for the Future in 2012 have continued to deliver high-quality training interventions this year; to date, over 1,700 long-term placements have been created through the programme and 70 projects are ongoing. Over 900 trainees have completed their placement and report very high satisfaction rates with the training they have received. Skills for the Future project managers also report that at least 75% of trainees have gone on to heritage-related jobs or further training as a result of our investment.

In line with the objectives of the programme, project leads have trialled innovative recruitment practices resulting in a more diverse range of candidates, continued to increase the number of heritage qualifications available to the sector and trained more assessors to help build capacity in the heritage workforce. According to our evaluation, 82% of trainers agreed that Skills for the Future had made them more likely to want to be involved in such initiatives in order to develop new entrants to the heritage workforce and 73% of trainers either agreed or strongly agreed that they had increased knowledge in their area of heritage expertise through the projects.

h) Public value

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

Our Lottery philosophy is grounded in funding what people value, and our assessment of applications now 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 almost half of our funding by value (49%) has gone to voluntary and church organisations.

We provide some support for heritage in private ownership through the Our Heritage programme (grants of £10,000–£100,000) provided that applicants can demonstrate that there is clear public enthusiasm for

their project and a genuine need for Lottery investment. 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

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

We have not changed our approach to sustainable development this year. All applicants submitting applications for funding of more than £2million are 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 have become an integral part of the overall process of project appraisal during the course of 2015–16 and more projects will be covered by the requirement during 2016–17 as they reach second round.

Carbon footprinting is only one part of the assessment we make of the likely environmental impacts of projects. 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. For Heritage Grants decisions made by our board of trustees, we provide a summary of how well organisations have addressed these environmental impacts in their applications.

j) Economic and social deprivation

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

Just over two-fifths (44%) of all HLF 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).

We have development teams in our local offices across Scotland, Wales, Northern Ireland and England, to encourage good-quality applications from areas that have been less-well represented in our funding to date. Our development teams are now working in priority areas identified for the current strategic framework period from 2013 to 2018.

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 51 (14% of the total).

k) Joint working

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

This year we continued to work with Government, Imperial War Museums, the Royal British Legion, and many other bodies on activities to mark the Centenary of the First World War. With Arts Council England we are jointly funding the UK’s major cultural programme, 14–18 NOW. We are also working in collaboration with the Arts and Humanities Research Council, whose funding enables five university Engagement Centres to provide expert research support for community groups and cultural organisations undertaking a Centenary project with HLF funding, in subjects ranging from the Home Front and the experiences of women to medical and technological advances, and the contribution of soldiers from the Empire to the war.

As part of our Strategic Framework we committed to “speak up for and demonstrate the value of heritage to modern life” and to create “more opportunities for dialogue

with people who care about heritage”. We took this forward through a convening role in 2015–2016 with a major Inclusive Heritage conference, twenty years on from the Disability Discrimination Act. The proceedings have been widely shared on our website and an online community discussion sharing good practice and promoting ambitious inclusion goals has proved popular. As part of our on-going commitment to inclusive heritage we are planning a series of events over the coming three years.

Following the Heritage Exchange conference in July 2014 we have continued our research with the Royal Society of Arts (RSA) on Heritage, Identity and Place and will hold a further Heritage Exchange event in 2016–17. The Heritage Index, launched by the RSA in September 2015, helps people understand local heritage assets and activities, and access relevant data through a single site. The Index is designed to stimulate debate about what is valued from the past, and how that influences the identity of its current residents. This can help a place achieve its aspirations to grow and prosper, socially and economically. The Index will inform HLF’s future approach to funding in places, in developing our next Strategic Framework, and consideration of where to prioritise targeted support for applicants through the work of our development teams.

We also led a conference on reviving places by re-using industrial heritage in December 2015, in partnership with Historic England and the Prince’s Regeneration Trust and plan a follow-up to our first conference focusing on parks in 2014, with a further State of the UK’s Public Parks conference in 2016–17.

From the autumn onwards we worked closely with the Department for Culture, Media and Sport (DCMS), Arts Council England (ACE), Historic England and others to develop the proposals in the Culture White Paper, published by DCMS on 25 March 2016. These include the Great Place Scheme, a joint initiative to be delivered by ACE and

HLF in 2016–2017 which builds directly on our work with the RSA to embed an influential role for heritage at the heart of local place strategies. Also announced in the White Paper is a matched crowdfunding pilot programme which will be developed jointly by NESTA, ACE, HLF and DCMS in 2016–2017, to explore the potential of this approach for diversifying funding in the cultural sector.

Through the Lottery Forum and National Lottery Promotions Unit, we have also continued to work with other Lottery distributors to ensure continued close coordination of activities. We continue to work in partnership with the Big Lottery Fund to deliver our Parks for People programme in England and work collaboratively with Historic England, Cadw and Historic Scotland on our Grants for Places of Worship programme.

l) Acknowledgement

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

Our approach to this has not changed this year. We place importance on the benefits of raising awareness of Lottery funding and require all applicants to acknowledge our grants appropriately both during project delivery and following completion. Our guidance *How to acknowledge your grant* forms part of our standard terms of grant.

m) Partnership funding

“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.”

We have not changed our approach to this for our current strategic framework. Respondents to our 2011 consultation highlighted anticipated difficulties in raising partnership funding in a period of economic challenge so we have maintained our minimum requirement in our main open programme Heritage Grants of 5% in cash or kind for grants up to £1million, and a

minimum of 10% on grants over £1million. We review this on an annual basis.

n) Decisions

“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 have not changed our approach to this for our current 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

“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) For the current Strategic Framework, the application form for our Heritage Grants programme continues 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 ask for a Project Business Plan. We ask 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 require a Management and Maintenance Plan detailing how the applicant will meet the extra costs of this following completion of their project, and we publish guidance on how to produce this.
- b) We require 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 stages) and all national projects adopt the Office of Government Commerce Review Standards. We employ external monitors on all major projects to ensure that projects deliver the approved purposes as contracted, that the risks to HLF are understood and managed, that best practice is achieved in all critical areas, and that financial reporting and management are sound and transparent.

Policy directions in Wales

Policy direction (b) requires HLF 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 HLF’s 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.

Directions in relation to Wales

2. In exercising any of its functions, the Fund shall take into account the following matters in determining the persons to whom, the 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 the National Heritage Memorial Fund under section 26(2) as read with section 26A(2)(b) of the National Lottery etc. Act 1993

With the agreement of the Secretary of State, the Scottish Ministers, in exercise of the powers conferred by section 26(2) as read with section 26A(2)(b) of the National Lottery etc Act 1993**, 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 focussed 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	Project status and % of grant paid to 31 March 2016	Latest report
A new museum for Blackpool	North West	Blackpool Council Heritage Service	21,030,800	13,676,800 <i>April 2014</i>	Development 63	April 2014 Round 1 award including development grant of £1,240,200 towards the creation of a new museum in the Pavilion Theatre, Blackpool. An extension to the development phase will be needed to allow further work.
Aberdeen Art Gallery: Inspiring Art and Music	Scotland	Aberdeen City Council – Aberdeen Art Gallery and Museums	25,236,063	9,997,500 <i>September 2014</i>	Delivery 9	Grant awarded September 2014. HLF commitment £10,123,700 including development grant. Construction work has begun and procurement of exhibition underway.
Alexandra Palace: Reclaiming the People's Palace	London	Alexandra Park and Palace Charitable Trust	26,737,903	18,850,000 <i>March 2015</i>	Delivery 5	Second Round grant of £18,850,000 awarded in March 2015. Haringey Council has underwritten all partnership funding to allow project to proceed. Tenders for the Enabling Works contract within budget and works underway. Detailed design continues.
Aspire (Constable 'Salisbury Cathedral from the Meadows')	London	Tate Britain	24,723,455	15,800,00 <i>April 2013</i>	Delivery 98	Grant awarded April 2013. The painting has been touring over the past year. It is currently at Oriell Park in Pembrokeshire. A range of funded events and activities accompany the exhibition.
Auckland Castle Trust	North East	Auckland Castle Trust	16,793,200	9,000,000 <i>April 2013</i>	Delivery 0	Second Round award made in May 2015. Permission to Start granted July 2015. Project team recruited. Capital works to begin towards end of 2016.
Bath Abbey Footprint	South West	Bath Abbey Parochial Church Council	19,295,270	10,429,500 <i>April 2014</i>	Delivery 0	Second Round award of £10,725,300 granted in March 2016. Phased permission to start expected to be granted to enable further detailed design work and consultation with Historic England and amenity societies.
Buxton Crescent & Spa	East Midlands	Derbyshire County Council and High Peak District Council	46,709,827	23,853,000 <i>July 2002</i>	Delivery 17	Grant increase of £11,320,000 awarded in November 2014 to reflect an increase in the conservation deficit due to buoyant industry inflation. Project now fully funded, work in progress for the Pump Room and project activities. Main contract planned to start April 2016.
Cardigan Castle – Unlocking Potential	Wales	Cadwgan BPT	11,583,420	6,258,300 <i>March 2011</i>	Delivery 78	Capital works are largely complete. Castle opened to the public Spring 2015. Officers and monitoring team continue to work with grantee to develop visitor offer and ensure a sustainable project. Grant expiry date is 31 December 2016.
Chiswick House and Gardens Regeneration Project: Phase 1	London	English Heritage	11,887,500	8,100,000 <i>June 2006</i>	Complete 99	Grant expiry date has been extended to 30 September 2016 to allow for grant drawdown of the final year of the Gardener and the Apprentice Gardener, appointments were delayed following resignations.
Creu Hanes – Making History at St Fagan's	Wales	National Museums of Wales	24,477,415	11,550,000 <i>July 2012</i>	Delivery 29	Construction work across site is well advanced. Iron Age village is complete and main building scheduled for completion late summer 2017. Community co-curation and other activities successful to date.
Derby Silk Mill – Museum of Making	East Midlands	Derby Museums Trust	16,999,900	9,387,700 <i>April 2015</i>	Development 6	First-round pass awarded in April 2015. A good project team has been recruited and development work is progressing well. Second-round application is planned for April 2017.
Ditherington Flax Mill Maltings, International Heritage site at the heart of the community	West Midlands	Shropshire Council	25,679,400	12,823,300 <i>July 2013</i>	Delivery 0	A grant of £12,823,300 was awarded in July 2013. Following substantially higher than expected tender prices, Historic England have taken on leadership of the project. Work has progressed on buildings outside of the HLF project in order to draw-down EU funds and provide a base for the Friends of Flax Mill Maltings and activity programme. Detailed work on a revised proposal and business case is underway.
Dundee City Council City Development	Scotland	V&A Dundee	84,358,156	13,900,000 <i>January 2014</i>	Delivery 21	January 2015 grant increase of £4.5million agreed due to high tender returns. Additional funding also secured from Scottish Government and Dundee City Council. Fixed price contract now signed and project site started 23 March 2015. Work ongoing to develop museum content and deliver outreach programme. Cofferdam construction successfully completed. £5million Libor fund contribution from UK Government.
Edouard Manet's Portrait of Mademoiselle Claus	South East	Ashmolean Museum of Art & Archaeology	7,929,300	5,999,300 <i>April 2012</i>	Delivery 99	The first community art project, working with young people, was completed last year. An evaluation report showed that the project was successful overall. Another community project is now underway, again working with hard-to-reach groups with a focus on digital content. The project is on track to complete by end of 2016.
First Light at Jodrell Bank	North West	University of Manchester	19,733,200	784,800 (development) <i>April 2015</i> 11,362,400 (delivery)	Development 0	Grant awarded April 2015 – permission to start approved in October. A good project team now in place and a strong grasp of the archive and activity requirements. A second-round submission expected in May 2017.

Progress on Projects Over £5million

Project title	Region or country	Applicant	Total project cost (£)	Grant amount (£)/ award date	Project status and % of grant paid to 31 March 2016	Latest report
First World War Centenary Cultural Programme (14-18 NOW)	Cross-Territory	Imperial War Museum	37,420,500	10,000,000 November 2013	Delivery 36	Grant increase of £5million to expand the programme of artistic commissions and increase the reach of the programme. A limited amount of activity took place in 2015 and the 2016 season of commissions was launched on 22 March. 14-18 NOW have developed a Learning and Engagement strategy, a Legacy strategy and will be incorporating Heritage Quality Metrics within their Evaluation.
Hartlebury Castle	West Midlands	Hartlebury Castle Preservation Trust	7,239,665	4,975,100 September 2014	Delivery 39	Former Palace of the Bishops of Worcester acquired by the Trust on 27 March 2015. Officers are awaiting a revised Business Plan, programme and costs.
Hastings Pier	South East	Hastings Pier Charity Ltd	14,248,352	11,550,000 November 2012	Delivery 51	A major grant of £11,410,000 (80%) was awarded in November 2012, with a £634,000 grant increase awarded in September 2015, making a total award of £12,044,000 (81%). The project is nearing the completion of the restoration works, new capital build and interpretation, and will open to the public in May 2016. The project is scheduled to complete in September 2018.
HMS Caroline, Belfast	Northern Ireland	National Museum of the Royal Navy	12,558,284	11,540,300 September 2014	Delivery 25	A grant of £11,540,300 awarded September 2014. The ship is on track to open in time for the First World War commemorations of the Battle of Jutland on 31 May 2016.
Inspired by Knole	South East	The National Trust	24,181,947	7,750,000 July 2013	Delivery 25	Lead contractor on the barn and hayloft conversion went into receivership, and additional costs met through increased fundraising. Progress overall remains good. New Conservation Studio, learning space, and cafe will be launched in August 2016, with exhibition space launched in June 2016. The new Volunteer Hub and the re-ordering of the east face spaces is complete.
Kings and Scribes - The Birth of a Nation	South East	Winchester Cathedral	14,693,759	11,017,400 November 2015	Delivery 46	Grant increase of £540,100 in November 2015 towards the higher specification of lift required following unexpected archaeological conditions. Education Centre re-opened in September 2014, the new Learning Centre opening April 2016. Works to Cathedral Presbytery are close to completion, with works to the South Transept now underway. Two apprentices, and two officers are in post.
Kresen Kernow: A new home for the stories of Cornwall	South West	Cornwall Council	18,506,591	11,786,500 July 2015	Delivery 1	Grant awarded July 2015, with permission to start granted September 2015, and first payment submitted. Project has been slightly delayed due to ongoing completion of public realm works, but main contractor due to be appointed by September 2016. Activity plan delivery progressing very well.
Lincoln Castle Revealed	East Midlands	Lincolnshire County Council	19,982,405	12,227,640 March 2012	Delivery 42	The Castle re-opened on 1 April 2015. The capital works are largely complete within budget, although snagging issues remain. Activities will continue for a further year. The project has achieved first-year visitor targets and won several awards.
Lincoln Cathedral Connected	East Midlands	Lincoln Cathedral	16,111,266	12,365,800 April 2015	Development 34	A first-round pass was awarded in April 2015. A high quality team is in place and the Development Review was passed in January 2016. Second-round application is expected in November 2016.
Lion Salt Works	North West	Cheshire West and Chester Local Authority	6,962,250	5,290,000 March 2008	Delivery 53	LSW successfully opened to the public in June 2015 and operational performance has been good with visitor numbers exceeding expectations at over 12,000. An activity programme will continue for the next 18 months.
Main Line - Bridging the Nation, Leicester	East Midlands	Great Central Railway plc	17,778,197	9,999,400 April 2015	Development 0	A first-round pass was awarded in April 2015 to establish a world class railway museum in the Midlands. After a slow start, development work is in progress with the procurement of the project team with second-round application planned April 2017.
Making Modern Communications	London	Science Museum, London	14,300,000	6,000,000 March 2012	Delivery 90	This launched in October 2014, and the total visitor numbers as at 31 January were 232,340. Final drawdown pending.
Mary Rose Museum Project	South East	Mary Rose Trust	36,172,338	26,298,000 June 2009	Delivery 91	In September 2015 a £3million grant increase was awarded to cover increased costs of removing the box around the ship now that drying has finished. Final phase works have begun and official opening is planned for summer 2016.
Medicine Galleries Project	London	Science Museum, London	21,585,581	400,000 (development) April 2015 7,600,000 (delivery)	Development 33	Development review under consideration, second-round bid expected June 2016.
Museum of Liverpool	North West	National Museums Liverpool	19,373,633	11,400,000 July 2008	Delivery 97	Museum opened July 2011. Final drawdown pending evaluation report.
National Army Museum, Building for the Future	London	National Army Museum	23,250,000	11,500,000 April 2014	Delivery 49	April 2014 Round 2 award. Project has begun on site in December 2014. First payment made in February 2015 (£854,000).

Progress on Projects Over £5million

Project title	Region or country	Applicant	Total project cost (£)	Grant amount (£)/ award date	Project status and % of grant paid to 31 March 2016	Latest report
Plymouth History Centre: Plymouth's role in History and History's role in Plymouth	South West	Plymouth City Council	26,135,159	12,873,500 <i>April 2014</i>	Development 26	Round 2 application ready to be submitted in April 2016. Development phase has gone well but there has been a large increase in Round 2 costs. PCC committed extra £2.5million to project and a similar amount expected from HLF at second round. A strong case for this increase made due largely to inflationary pressures.
Regeneration: First World War Centenary Programme	London	Imperial War Museum	25,200,000	6,500,000 <i>November 2013</i>	Complete 100	Project completed.
Remaking Beamish	North East	Beamish	16,699,062	603,800 (development) <i>April 2014</i>	Development 77	First-round pass of £10,750,000 in April 2014. Round 2 submission expected April 2016 for decision in July 2016. Development phase proceeding as expected. Potential for some uplift following detailed costing and increased inflation, contingency etc.
Renaissance of the Cotswold Canals	South West	Stroud District Council	19,013,111	12,716,300 <i>July 2014</i>	Delivery 92	Most of the capital contracts now complete. Remainder of volunteer work underway. Monitoring regime is continuing to work well but some delays in progress mean that completion is not now expected until December 2016.
Restoration of Dreamland Margate	South East	Thanet District Council, The Dreamland Trust	11,102,520	5,800,000 <i>November 2011</i>	Delivery 93	The Amusement Park reopens for the 2016 season at Easter. Work to the historic menagerie cages expected to take place over the summer, and other work should be complete by the end of March. Two additional historic fairground rides are being purchased and one ride is being restored - expected to be installed in the 2016 season. Activities stalled last year, but grantee is working on a revised plan for completion.
Restoring our Fenland Heritage - the purchase and restoration of the Holmewood Estate	East of England	Wildlife Trust for Bedfordshire, Cambridgeshire and Northamptonshire	16,851,774	9,101,700 <i>July 2007</i>	Delivery 96	A grant increase of £1,897,700 was awarded in March 2013. Project progressing well. Long-term conservation benefits now visible. Remaining grant relates to activity and restoration elements. Project completion scheduled for December 2016.
Revealing, Celebrating and Exploring the Heritage of the Royal Academy of Arts	London	Royal Academy of Arts	30,156,969	12,274,500 <i>September 2013</i>	Delivery 4	Grant awarded September 2013. HLF commitment to date £12,734,200 including development grant. Project proceeding well under new managerial arrangements. The final design development stage has been successful and the project has proceeded through the first of two tender stages for the main contract works, with the appointment of SISK now confirmed. All activity posts now appointed and the associated activities are proceeding well.
Revisioning Nottingham Castle - 1,000 Years of History	East Midlands	Nottingham City Council	24,750,158	12,988,500 <i>April 2014</i>	Development 47	Round 1 pass with development grant of £599,500 was awarded in 2016. Development review was passed in March 2016. Second-round application planned for August 2016.
Silverstone Heritage Live	East Midlands	British Racing Drivers Club	19,121,014	9,110,500 <i>April 2013</i>	Development 71	April 2013 Round 1 award including development grant of £446,000. Designs and plans are underway and the development review passed in October 2015. Development work was delayed to allow the BRDC to complete an extensive management and organisational restructure and manage the implications of a third-party proposal to purchase elements of the site. Second round is expected in August 2016.
Sir Anthony Van Dyck: Acquiring and Sharing His Last Self-Portrait	London	National Portrait Gallery	10,343,536	6,343,500 <i>April 2014</i>	Delivery 61	April 2014 Round 2 award. Purchase made in June 2014. Accompanying programme of activities currently on-going. First payment towards the purchase made in June 2014 (£6,100,000).
Stonehenge Environmental Improvements Project	South West	English Heritage	21,619,387	10,000,000 <i>November 2010</i>	Complete 100	Project completed. Final payment and completion report submitted December 2015. All engagement targets met or exceeded, and project has been nominated for EU Prize for Cultural Heritage/Europe Nostra Awards 2015.
The 21st Century Gallery in the Park: Extending Access to the Whitworth's Collections	North West	Whitworth Art Gallery, University of Manchester	12,545,059	8,500,000 <i>February 2011</i>	Delivery 100 (although £25,000 has been retained until the final evaluation report has been received)	Gallery re-opened in February 2015. It had 18,000 visitors in the opening weekend and continues to attract high visitor numbers. Awards won including the Museum of the Year Award 2015.
The BPMA New Centre Project at Mount Pleasant	London	Postal Heritage Trust	22,064,557	5,229,300 <i>December 2015</i>	Delivery 11	A grant increase in December 2015 took this project into the over £5million threshold. The grant increase relates to inflationary pressures, changes to the fire safety of the Mail Rail and design development within Calthorpe House, linked to Business Plan development.
The British Museum World Conservation and Exhibitions Centre	London	British Museum	37,784,645	10,000,000 <i>January 2012</i>	Delivery 94	Capital works now complete, and the Centre opened to acclaim. The remaining project is the England-wide Activity Plan which runs to 2018.

Progress on Projects Over £5million

Project title	Region or country	Applicant	Total project cost (£)	Grant amount (£)/ award date	Project status and % of grant paid to 31 March 2016	Latest report
The Canterbury Journey	South East	Canterbury Cathedral	19,357,400	11,904,600 <i>April 2014</i>	Development 68	The first-round grant was awarded in April 2014 to carry out repair work to the Cathedral and create a new Welcome Centre. Extensive planning of works and activities undertaken in development. The second-round application will be submitted in June 2016.
The Collections Discovery Centre at Dorset Museum	South West	Dorset Natural History and Archaeological Society	14,173,837	483,900 (development) 10,392,400 (round 1) <i>April 2015</i>	Development 5	Round 1 pass awarded April 2015. Good progress to date, and strong professional team in place. Good level of communication with HLF.
The Piece Hall – Halifax Heritage	Yorkshire and The Humber	Calderdale Council	10,770,888	7,000,000 <i>July 2012</i>	Delivery 31	The main contract due to be completed in June 2016. The Piece Hall is due to be fully opened to the public in August 2016.
The Sill: Unspoilt Landscapes, Inspiring People	North East	Northumberland National Park Authority	13,593,300	7,748,000 <i>January 2015</i>	Delivery 0	Second-round award made in January 2015. Permission to Start granted in June 2015. The project is progressing well with project on site.
The Temperate House Project	London	Royal Botanic Gardens, Kew	32,330,148	14,690,600 <i>March 2013</i>	Delivery 39	The project will enable conservation of the Grade I listed heritage building, the largest Victorian glasshouse in the world. The project is progressing.
Unlocking the Geffrye	London	Geffrye Museum	15,017,141	425,300 (development) <i>April 2015</i>	Development 73	The project is in development – some cost increases and grantee is considering options.
Windermere Steamboat Museum	North West	Lakeland Arts Trust	16,002,614	12,076,400 <i>July 2013</i>	Delivery 12	A grant increase of £2.7million was awarded in May 2015, due to higher tender returns. Work started on site in November 2015
York Minster Revealed	Yorkshire and The Humber	Dean and Chapter of York	18,295,155	9,797,000 <i>September 2010</i>	Delivery 80	The project successfully completed with a celebration event held on March 31 2016. Final drawdown pending.

Employment Monitoring

Permanent staff in post as at 10 April 2016

Ethnicity	Total
African	6
Asian Bangladeshi	1
Asian Indian	5
Asian Pakistani	2
Asian and White	1
Black African and White	1
Caribbean	5
Oriental Chinese	2
Other	2
White	279
Grand total	304

Gender as in post 15 April 2016

Gender	%
Female	76%
Male	24%

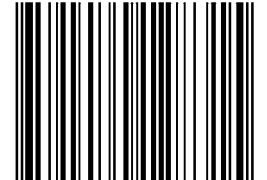
Section 75, Northern Ireland Act 1998

As equality is central to all our work we continue to deliver the requirements of the statutory duties under Section 75 of the Northern Ireland Act 1998. We submitted our equality annual report to the Equality Commission for Northern Ireland in August 2015.

Welsh Language Scheme

We are committed to delivering a bilingual service in Wales through the Fund's Welsh Language Scheme, which was published in 2007. The implementation of the Scheme is monitored and discussed at regular meetings between the Heritage Lottery Fund's Welsh Language Officer and the Welsh Language Commissioner's office. During 2014 we consulted with staff on how compliance with the forthcoming Welsh Language Standards will be enforced. In February 2015 we provided a formal response to the Welsh Language Commissioner's consultation. We look forward to receiving further information on the timetable for implementing the Welsh Language Standards and will work closely with colleagues and the Welsh Language Commissioner's office during this process to ensure that the transition from our Welsh Language Scheme to the Welsh Language Standards is as straightforward as possible.

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