



Heritage Lottery Fund

National Heritage Memorial Fund Lottery Distribution
Annual Report and Accounts for the year ended 31 March 2015

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Report of the Trustees and Accounting Officer

Strategic report

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 in 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 16⅓% 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.

Principal activities

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.

Aims

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 experienced grant maker and work to ensure our funding achieves great results. As an organisation we are independent, considered and focused on quality.
- We have also 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 £430million available to distribute next year, 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 core values centre on clarity, prioritisation, judgement, recognising diversity, authority and accountability. These core values guide our grant giving work and inform how we work with applicants, grantees and partners. We also work to achieve economy, efficiency and effectiveness.

We aim to be recognisable wherever we work through consistent practice and presentation, while retaining our flexibility to respond to differences and needs across the UK.

We recognise that sometimes there can be a conflict between providing the best service to applicants and grantees and our obligations to achieve value for money. We also recognise that these often require balanced judgements and prioritisation to resolve.

Internally we value our staff as our most important key asset and work collaboratively with respect, recognising the diversity of our workforce and shared contribution. We continue to invest in staff learning and development as a key feature of our commitment to teams and the value we place on professional development.

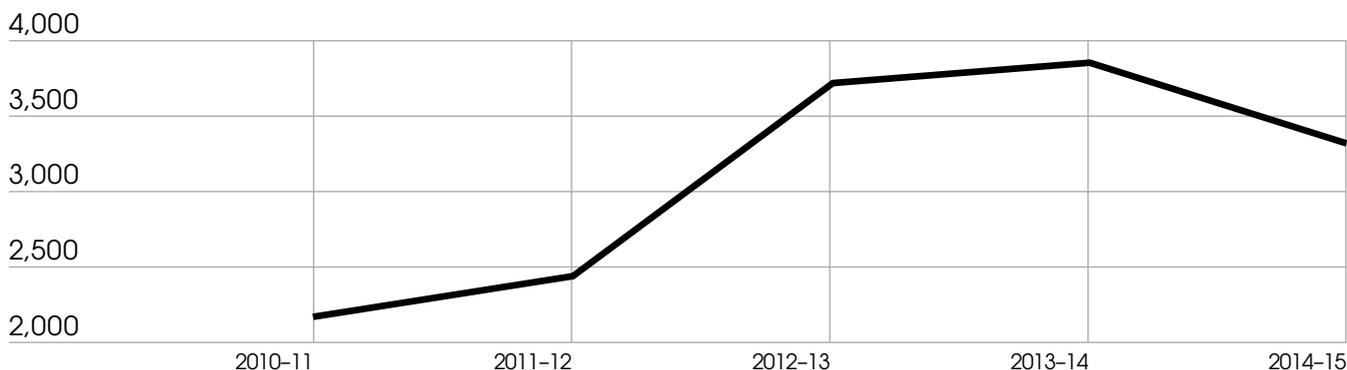
Financial review

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.

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 almost 67,000 applications requesting £15.5billion. We have made over 43,000 awards to a value of £6.7billion. During the year, we had over 3,300 grant applications, requesting £945million. There has been a slight reduction in the number of applications received to our most popular programmes – Our Heritage and Sharing Heritage – and certain one-off programmes were not run in 2014–15 – Catalyst Umbrella, Catalyst Small Grants, Celebrate, and Skills for the Future. Although the figures are less than last year's, it is notable that after 20 years of awarding grants to heritage organisations there is still this high demand.

During the year 2014–15, we received, in addition to our standard share of the income generated by The National Lottery, a portion of the residue funds in the Olympic Lottery Distribution Fund. This sum amounted to £29.7million, but it had already been used to allow us to increase our grant budget in 2013–14. The level of requests in 2014–15 was almost two and a half times our income

Applications to HLF



and means that unfortunately we have to disappoint many of our applicants.

During the course of 2014–15, Trustees signed contracts for £453million of grant awards, which was an 11% rise over 2013–14. This shows the impact of significantly increased grant award budgets over recent years as our income levels rose.

Overall, net income rose from £334million in 2013–14 to around £391million this year. As mentioned above, we received almost £30million from Olympic funds. In addition, in 2013–14, Camelot – with the agreement of the Gambling Commission – was allowed to reduce our income by £11million for additional marketing costs. All this means that the underlying upward trend in income was less marked than at first appears, but Trustees are pleased to see that income levels remain strong, which allows us to increase budgets in future years.

Investment income remained constant at £1.6million in 2014–15. 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 our sponsor department. We receive 20% of the investment returns at the NLDF irrespective of the balance of our funds. The fact that our average balances at the NLDF rose in the year therefore has no impact on our investment income.

The balance of our funds at the NLDF rose from £511million to £566million at the end of the financial year. The increase in the balance was higher than expected as our grant payments fell slightly below forecast (£318million versus a forecast of £324million) and we received funds from the residue of the Olympic Lottery Distribution Fund. Our combined grant and administration budget for 2015–16 is well in excess of forecast income and we hope that this will help to prevent the NLDF balance from rising further. Unfortunately, there is often a long time delay 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 grant recipients cannot accelerate their projects to draw funds down sooner and our aim remains one of funding quality heritage projects.

The Secretary of State issued a new Accounts' Direction during the year. When The National Lottery started, we were required to utilise commitment accounting. This meant that we recorded, on our Statement of Financial Position, all our grant awards at the time the contract was recognised as 'hard' commitments. We are now required to utilise accruals' accounting in common with the rest of the public sector. To this end, we have had to restate our results for 2013–14. However, there has been no change to our results other than a change of designation of our liability on the Statement of Financial

Position. Notes 1 and 2 to the accounts contain fuller details on the impact of the change including information on changes in the treatment of commitments and prior year adjustments.

The table below illustrates the value and type of grant decisions made in the year.

Commitments table

	Stage-one and first-round commitments £m	Liabilities £m
At start of the year	577.7	845.4
Trustees' decisions in the year	461.5	-
Converted in the year	(452.4)	452.4
Newly recognised Catalyst Endowment liabilities	-	4.3
De-commitments	(15.0)	(19.2)
Grant payments	-	(318.8)
At end of the year	571.8	964.1

Stage-one commitments are a relic from our second Strategic Plan (which ended in 2008) where there are still some recipients of these decisions who have yet to return with a stage-two application (these all stem from the Repairs for Places of Worship programme). We are pleased to say that there are very few of them left. First-round commitments refer to initial decisions on applications made under our current Strategic Framework and our third Strategic Plan, where Trustees consider that the applicant's project has merit and we have sufficient funds available under our budget. Taking into account all the stage-one and first-round decisions, as well as recognised liabilities, at the end of the financial year, HLF had committed over £970million more than it had in the NLDF. The balance of contractual liabilities significantly exceeded HLF's net assets during the year, and there was a net deficit on the Statement of Financial Position of almost £400million at 31 March 2015.

We have also inherited over £4million of liabilities under our Catalyst Endowment scheme. This was a joint programme with

DCMS, who agreed to provide £15million of funding towards grant payments. However, this funding was time-limited to 31 March 2015, while grantees had been given until 31 March 2016 to make their claims. We have therefore had to accept liability for the unpaid DCMS share.

Taking into account the above discussed liabilities and commitments, this means that we are over-committed by the equivalent of 2.7 years' expected income. This demonstrates Trustees' determination to try to keep the balance at the NLDF from growing too fast.

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.

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 good-causes money received by NHMF or to change Lottery distributors.

Overall, operating costs rose by 3.4% during the year. The increase was expected and had been incorporated into our operating budget for 2014-15. The increase was inevitable given the huge increase in the numbers of awards and applications over recent years. Despite this rise, the organisation remains a highly efficient distributor of funds from The National Lottery – the evidence is shown in the chart below as demonstrated by holding our costs well within the DCMS target of 8%.

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 an increase 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 2015–16. This is inevitable in an organisation that has a portfolio of over £960million of active heritage projects in delivery and an extra £570million of other commitments.

There was a 2% rise in staff costs. The government's continued restraint in public-sector wages – the overall paybill can only rise by 1% – means that the rise in costs is a result of increases outside our control (such as increased contributions required by our pension fund) as well as a small increase in permanent and fixed-term contract staff.

Depreciation costs rose significantly by 36%. The main reason for this is that the 2013–14 figures were lower than the long-term trend – depreciation in 2012–13 was £796,000. The main cause of the increase is a rise in software amortisation costs. We re-launched our website in 2014–15 to make it more accessible and informative and made significant enhancements to our main application processing software in both 2013–14 and 2014–15 – there have been £550,000 of additions in this area over the last two years. We also started a refresh of our hardware as many of the servers are aged and we were not prepared to accept the increased risk of failure. As a result of these combined improvement works, depreciation costs in 2015–16 are expected to be higher.

Other operating costs rose by 3.5%. The main reason for increases in our costs was a 13% rise in our professional fees where we buy-in expertise that allows us to monitor the projects that we are funding and to mentor the organisations that are delivering the projects. Our communications' costs rose by 12% to set up the successful Heritage Exchange conference that took place in July 2014.

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 fell slightly from £298,000 to £294,000.
- 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 2014–15 they were charged £204,000 (2013–14: £204,000).

Whilst DCMS contributed towards our Catalyst Endowment scheme awards made in 2012–13, it is not making any contribution towards the cost of operating that programme.

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.

The Trustees consider the risks faced by the organisation at monthly Board meetings and through their Audit and Risk Committee. An annual register is created of the highest-level risks, which is reviewed on a regular basis. During the year, Trustees carried out an overhaul of our risk management system resulting in a change to the manner in which risks are identified and monitored. Further information about this and the principal risks is in the Governance Statement.

Key performance indicators
HLF 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. While our costs have risen in 2014–15, Trustees are pleased to note that this year’s operating costs are £9.4million (or 32%) lower than inflation since 2003–04 would have suggested – representing a significant real-terms reduction in operating costs and releasing extra funds for grants. If the Retail Prices Index were used rather than the GDP deflator, costs would be £12million (or 36%) below the 2003–04 level.

Targets have been set by DCMS ministers, which requires Lottery distributors to keep their grant-processing costs below 5% of income and their operating expenditure below 8% of income. Operating expenditure is all that we spend that is not a grant payment. Grant-processing costs are regarded as being purely those costs that NHMF incurs that relate to its processing of Lottery grant applications and its associated operating overhead. To get to a figure for operating costs, we take our operating expenditure and we exclude those costs that relate to us assisting potential applicants – development

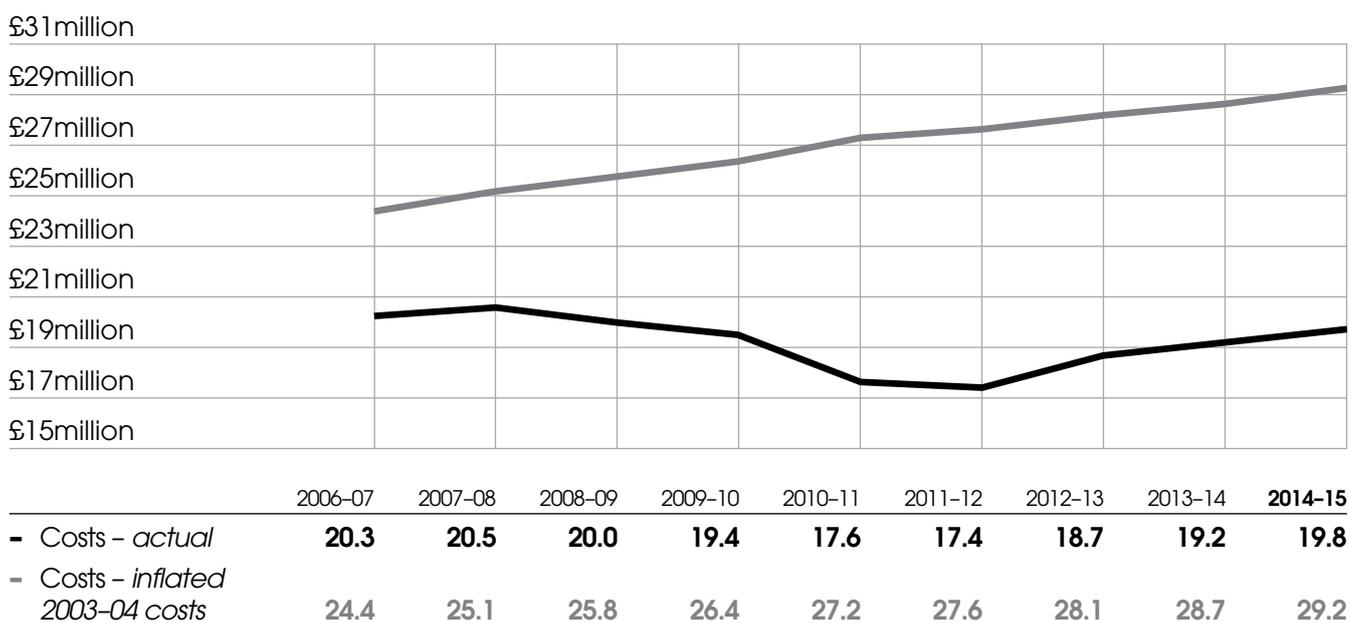
and outreach work, workshops, publications, mentoring and operating a website – as well as our research activities.

In 2014–15, we achieved the following:

	Target	Actual 2014-15	Actual 2013-14	Actual 2012-13	Actual 2011-12
Operating expenditure as a proportion of total income	8%	5.1%	5.7%	4.8%	5.7%
Processing expenditure as a proportion of total income	5%	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.

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)

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 2014–15, £361million (92%) of NHMF's Lottery distribution income derived from The National Lottery. The remaining income derived from a one-off transfer from the residue left in the Olympic Lottery Distribution Fund on its cessation, which was £30million (7.6%). This was to compensate us partially for the funds that we contributed to the Olympics in previous years. Finally, there were some investment returns from the balance held with the NLDF: £1.6million (0.4%), along with a small amount of bank interest and sundry income. The Trustees recognise that their grant liabilities and their other payables significantly exceeded the value of funds in the NLDF at 31 March 2015. 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), as recently as March 2014, that it has no plans to change the Lottery distribution arrangements for the heritage sector. 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 be simply able to 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 £566million. 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 £0.3million. 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.

	2014-15 £'000	2013-14 £'000
Cash balances		
– sterling at floating interest rates	318	1,325
– sterling at a mixture of fixed rates	565,998	511,372
	566,316	512,697

Credit risk

The figure for receivables almost entirely comprises prepayments (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 that 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

	2014-15 £'000	2013-14 £'000
Assets per the Statement of Financial Position		
- investments available for sale	565,998	511,372
- cash and cash equivalents	318	1,325
- loans and receivables	3,250	3,500
	569,566	516,197

Financial liabilities by category

	2014-15 £'000	2013-14 £'000
Liabilities per the Statement of Financial Position		
- provision	0	0
- other financial liabilities		
• grant payables	964,120	845,440
• operating payables	414	764
• other payables	406	393
• accruals	1,646	1,382
	966,586	847,979

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 2015.

Financial assets at 31 March 2015

	Book value £'000	Fair value £'000
Cash ¹	318	318
Investments ²	565,998	565,998
Receivables ³	3,250	3,250
	569,566	569,566

Financial assets at 31 March 2014

	Book value £'000	Fair value £'000
Cash	1,325	1,325
Investments	511,372	511,372
Receivables	3,500	3,500
	516,197	516,197

Financial liabilities at 31 March 2015

	Book value £'000	Fair value £'000
Grant payables ⁴	964,120	964,120
Operating payables ⁵	414	414
Other payables ⁵	406	406
Accruals ⁵	1,646	1,646
	966,586	966,586

Financial liabilities at 31 March 2014

	Book value £'000	Fair value £'000
Grant payables	845,440	845,440
Operating payables	764	764
Other payables	393	393
Accruals	1,382	1,382
	847,979	847,979

Basis of fair valuation

- The figure here is the value of deposits with commercial banks. It is expected that book value equals fair value.
- Investments are controlled by the Secretary of State for Culture, Media and Sport. The Secretary of State provides the Trustees with details of the book value and fair value of our balances at the date of the Statement of Financial Position.
- No provision for bad debt is deemed necessary. None of the debts is long term other than one long-term loan.
- While we disclose £654million 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.
- 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

	2014-15 £'000	2013-14 £'000
In less than one year	966,586	847,979
In more than one year,		
but less than two	0	0
In two to five years	0	0
In more than five years	0	0
	966,586	847,979

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.

For a description of our work in the area of environmental matters, please see the environmental policies and sustainability reporting in the Directors' report below.

Chair and Trustees of NHMF

Chair

Sir Peter Luff *from 30 March 2015*

Dame Seona Reid² *Interim Chair from 1 September 2014 to 29 March 2015*

Dame Jenny Abramsky² *to 31 August 2014*

Trustees

Manon Antoniazzi *to 11 January 2015*

Sandie Dawe¹

Angela Dean¹

Sir Roger De Haan²

Jim Dixon¹ *from 1 October 2014*

Kim Evans² *to 21 July 2014*

David Heathcoat-Amory¹

Perdita Hunt² *from 22 July 2014*

Hilary Lade² *to 30 September 2014*

Steve Miller

Richard Morris

Atul Patel²

Virginia Tandy

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.

The gender split of all our staff and Trustees at 31 March 2015 was as follows:

	Male	Female	Total
Trustees	8	5	13
Directors	1	3	4
Staff	72	219	291

Sir Peter Luff
Chair

Carole Souter
Chief Executive

30 June 2015

Directors' report

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, a Staff Council is in existence. Comprising representatives from each department, it discusses matters of interest to staff with representatives from management. It meets nine times a year.

Equal opportunities

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 currently around 4.7% (2013–14: 5%) of our workforce is made up of people with declared disabilities. All staff are required to co-operate in making this policy work effectively.

During the past year, the Staff Disability Action Group continued to meet and also continued the concept of inviting selected

charities to attend and present to staff. These have been well attended and the format ensures colleagues in the regional and country offices are able to video conference into the session and increase the number of participants. In 2014–15 representatives from MENCAP were invited and, along with other diversity and equality training including refresher training provided by Guide Dogs for the Blind, this has enabled staff to have the confidence to declare a disability.

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 2014–15, the average age of invoices paid was six working days (2013–14: 7 days). Over 96% of invoices were paid within 30 calendar days (2013–14: 94%).

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 2015, the figure was 18 days (2013–14: 30 days).

Environmental policies and sustainability reporting

The Treasury require 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 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 often have to use estimates

for most offices. The situation improves 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 performance

Our emissions have risen in 2014–15. This is for the following reasons:

- staff numbers have increased slightly and so it is inevitable that consumption will have increased;
- the exceptional summer in 2014 caused the usage of air conditioning to increase;
- DEFRA has altered their conversion factors for many of our categories of consumption. Inevitably, this makes year-on-year comparison difficult.

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 conversion factors supplied by the Department for Environment, Food and Rural Affairs (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 to us, and heating that we buy from landlords of our country and regional offices. Information about consumption in kilowatt hours is obtained from our landlords. Kilowatt hours are converted to carbon dioxide equivalent tonnes using a conversion factor supplied by DEFRA. We are reliant on our landlords to improve performance.

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 fallen slightly in 2014–15, 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.

Area	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)	591	489	550	747	594
Estate energy – consumption (million kWh)	1.1	0.9	1.1	1.3	1.3
– expenditure (£)	429,425	445,624	489,638	384,532	358,000
Estate waste – consumption (tonnes)	26	28	24	19	20
– expenditure (£)	14,095	12,400	5,518	6,640	8,000
Estate water – consumption (m ³)	4,889	5,655	3,757	5,223	14,716
– expenditure (£)	11,825	14,182	11,253	18,786	19,000

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

Area per FTE	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	1.9	2.2	3.3	2.5
Estate energy – consumption (kWh)	4,134	3,595	4,249	5,701	5,686
– expenditure (£)	1,639	1,716	1,986	1,679	1,530
Estate waste – consumption (tonnes)	0.1	0.1	0.1	0.1	0.2
– expenditure (£)	54	48	22	29	34
Estate water – consumption (m ³)	19	22	15	23	63
– expenditure (£)	45	55	46	82	81

When preparing the 2014-15 figures we uncovered errors in the calculation of the comparatives for 2013-14. The figures above for that year have been corrected.

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. We will explore more environmentally friendly storage and destruction options in 2015-16.

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 to staff in London. It would be helpful if councils routinely weighed the waste they removed from offices.

Use of resources

Water consumption fell in 2014-15. We fitted a water meter at Holbein Place in 2013-14 and we are confident in the accuracy of the figures. It is obvious that the amounts we were billed by the water company up to the point of meter installation significantly understated our consumption. We are now considering whether to install water meters at our other offices, but this would require the co-operation of our landlords. 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 are installing more efficient toilet facilities in our headquarters.

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

should have remained at a lower level, but we have to accept that the weather has a bigger influence over our consumption than any improvements we can make to our energy efficiency.

Future developments

Projections from DCMS of likely income from The National Lottery suggest that returns will be relatively stable at about £360million per annum for the next three 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 £430million in 2015–16 and £405million in the two following years. We will adjust these budgets if there are changes in our financial environment.

2015–16 will be the midpoint of our 2013–18 Strategic Framework. Within the framework, we set outcomes for our grant programmes. These outcomes are:

Outcomes for heritage

With our investment, heritage will be:

- better managed¹
- in better condition¹
- better interpreted and explained
- better identified and recorded

Outcomes for people

With our investment, people will have:

- learnt about heritage²
- developed skills¹
- changed their attitudes and/or behaviour
- had an enjoyable experience
- volunteered time

Outcomes for communities

With our investment:

- environmental impacts will be reduced²
- more people and a wider range of people will have engaged with heritage²
- 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

1 These outcomes are weighted for grants over £100,000.

2 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 two years of the framework, we launched five new grant programmes:

- Sharing Heritage
- Start-Up Grants
- Transition Funding
- Heritage Enterprise
- Grants for Places of Worship

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, which reflects the flexibility of the framework. The First World War: then and now programme 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 war, were a notable testimony to the strong public interest in this heritage. We also introduced a focus on anniversaries and ran a joint distributor programme (Celebrate 2014!) in Scotland to mark the Commonwealth Games. Last year we also introduced a further special initiative – Re-thinking Parks, in partnership with the Big Lottery Fund and NESTA – as an initial response to the emerging funding position for parks in local authorities.

All of our time-limited special initiatives announced under the Strategic Framework in 2012 – Catalyst, Skills for the Future and

Collecting Cultures – are now closed to applications and are in delivery.

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.

Following the Parks Summit in 2012, we launched the partnership programme Re-thinking Parks and undertook the advocacy campaign around our research – State of the UK Parks.

The Heritage Exchange conference in July 2014 brought together over 200 participants to debate issues facing UK heritage. In March 2015, we launched 20 years in 12 Places – a major piece of research on the social and economic value associated with our work. We will further develop this role, with new opportunities for dialogue within and outside the sector during 2015–16, continuing to use research as a platform for our leadership.

We also made a specific commitment to creating online communities to enable the sector to share learning. Pilot communities were launched in 2013–14 around Landscape Partnerships, Parks for People, Young Roots and Skills for the Future. Catalyst and Collecting Cultures were added in 2014–15. These communities are working well.

Typically, posts have highlighted strong projects across the UK, provided resources and advice on developing practice and evaluation methodologies and provide opportunities for grantees to share digital output from their projects. A further open space for general discussions, for our open programmes, will launch in 2015–16.

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.

Tax arrangements of public sector employees

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

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.

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; local government; and national governments. The Department for Culture, Media and Sport issues UK-wide policy directions (see pages 57 to 65) and controls the NLDF that invests the money received from The National Lottery.

Events after the reporting period

There were no events that occurred after 31 March 2015, up until the date the Accounting Officer signed these accounts, that need to be disclosed. The Accounting Officer signed the accounts on 30 June 2015, and they were authorised for issue on the date the accounts were certified by the Comptroller and Auditor General.

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.

Sickness absence

In 2014–15, 1,012 days were lost due to 388 sickness episodes (2013–14: 946 days in 364 episodes), which continue to represent a modest 1.08% of all working days (2013–14: 0.96%).

Remuneration 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. The Fund met the tax liability on these expenses. Sir Roger De Haan and Sir Peter Luff waived their rights to receive a salary in 2014–15.

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 used 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 2014–15 was £165,102 (2013–14: £196,579). 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

	2014-15 £'000	2013-14 £'000
Sr Peter Luff <i>Chair from 30 March 2015</i>	0	0
Dame Seona Reid <i>Interim Chair from 1 September 2014 to 29 March 2015</i>	30-35	20-25
Dame Jenny Abramsky <i>Chair to 31 August 2014</i>	15-20	40-45
Manon Antoniazzi <i>to 11 January 2015</i>	15-20	20-25
Sandie Dawe <i>from 18 February 2014</i>	5-10	0-5
Angela Dean	5-10	5-10
Sir Roger De Haan <i>from 20 January 2014</i>	0	0
Jim Dixon <i>from 1 October 2014</i>	5-10	0
Kim Evans <i>to 21 July 2014</i>	0-5	5-10
Yinnon Ezra <i>to 3 February 2014</i>	0	10-15
Kathy Gee <i>to 9 September 2013</i>	0	0-5
David Heathcoat-Amory <i>from 20 January 2014</i>	5-10	0-5
Doug Hulyer <i>to 9 September 2013</i>	0	5-10
Perdita Hunt <i>from 22 July 2014</i>	0-5	0
Hilary Lade <i>to 30 September 2014</i>	5-10	10-15
Alison McLean <i>to 17 February 2014</i>	0	5-10
Steve Miller <i>from 18 February 2014</i>	5-10	0-5
Richard Morris	10-15	5-10
Atul Patel	10-15	10-15
Ronnie Spence <i>to 31 December 2013</i>	0	15-20
Virginia Tandy	15-20	10-15
Tom Tew <i>from 20 January 2014</i>	5-10	0-5
Christopher Woodward <i>to 31 October 2013</i>	0	0-5

Remuneration of employees (Audited information)

The remuneration of directors was as follows:

	Salary 2014-15 £'000	Salary 2013-14 £'000	Bonus 2014-15 £'000	Bonus 2013-14 £'000	Real increase in pension and lump sum £'000	Total accrued pension at age 60 and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/03/15 £'000	CETV at 31/03/14* £'000	Real increase in CETV funded by NHMF £'000
Carole Souter <i>Chief Executive</i>	135 to 140	135 to 140	5 to 10	5 to 10	0 to -2.5 and 0 to -2.5 lump sum	75 to 80 plus 230 to 235 lump sum	1,629	1,566	-12
Robert Bewley <i>Director of Operations to 31 December 2014</i>	70 to 75	90 to 95	0 to 5	5 to 10	0 to 2.5 and 0 to 2.5 lump sum	35 to 40 plus 105 to 110 lump sum	773	726	13
Eilish McGuinness <i>Director of Operations from 1 January 2015</i>	20 to 25	0	0 to 5	0	0 to 2.5 and 2.5 to 5 lump sum	15 to 20 plus 45 to 50 lump sum	298	272	24
Judith Cligman <i>Director of Strategy and Business Development</i>	90 to 95	90 to 95	0 to 5	5 to 10	0 to 2.5 and 2.5 to 5 lump sum	35 to 40 plus 105 to 110 lump sum	708	659	16
Robin Seedhouse <i>Acting Director of Finance and Corporate Services from 1 April 2014 to 9 June 2014</i>	15 to 20	0	0 to 5	0	0 to 2.5 with no lump sum	25 to 30 with no lump sum	449	432	14
Colin Bailey <i>Director of Finance and Corporate Services from 9 June 2014</i>	80 to 85	0	0 to 5	0	0 to 2.5 and 2.5 to 5 lump sum	0 to 5 plus 0 to 5 lump sum	18	0	12

* or at date of appointment, if later.

The accrued pension 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.

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 calculated 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.

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 or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement). It 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). Their costs were allocated between HLF and NHMF on the basis of 99%: 1% (2013–14: 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, which takes into account the Finance, Staffing and Resources Committee's (membership of this committee is disclosed on page 10) 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, which 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 highest-paid director in 2014–15 was £140,000 to £145,000. This was almost six times the median remuneration of the workforce, which was £25,888 (2013–14: £24,851). 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 2014–15 (2013–14: one).

Audited information

	2014-15 Number	2013-14 Number
£15,000–£20,000	0	1

Carole Souter
Chief Executive

30 June 2015

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; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Fund will continue in operation.

The Accounting Officer of DCMS has appointed the senior full-time official, the Chief Executive, as the Accounting Officer for the Fund. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for the safeguarding of the Fund's assets and for the keeping of proper records, 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 she ought to have taken to make herself aware of any relevant audit information and to establish that our auditors are aware of that information.

Sir Peter Luff
Chair

30 June 2015

Carole Souter
Chief Executive

Governance Statement

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 NHMF, 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 system of internal control that supports the achievement of NHMF’s policies, aims and objectives, while 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*.

NHMF and the Heritage Lottery Fund (HLF) are operated as a single entity as I believe that this is more efficient. Consequently, there is one governance structure and this statement covers the distribution of grant-in-aid and lottery grants.

Governance structure

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

Board of Trustees

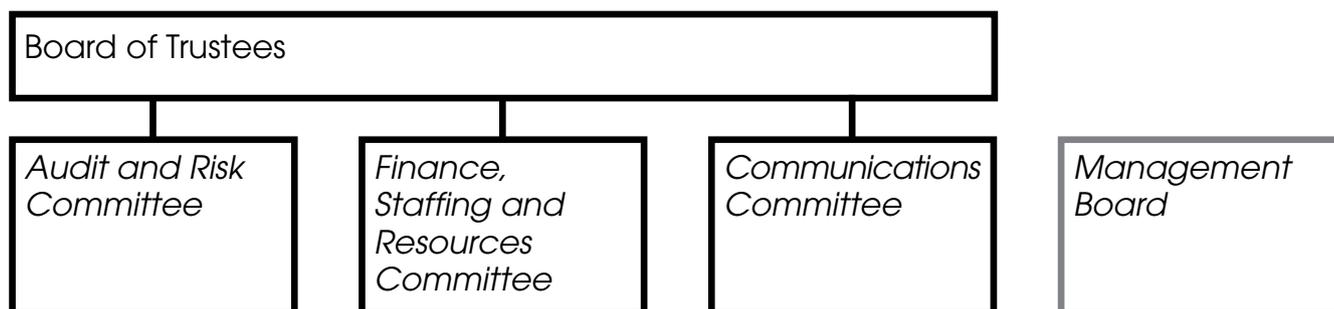
The Board of Trustees is responsible for:

- 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
- 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 myself and the Management Board. All Board meetings held in 2014–15 were quorate. In August 2014, Dame Jenny Abramsky retired as the Chair of the NHMF. For the remainder of the year Dame Seona Reid took up the post of Interim Chair. Throughout this time, I had regular meetings and discussions with the Interim Chair. In March 2015, it was announced that Sir Peter Luff was to be appointed as the new Chair and he took up that post with effect from 30 March 2015. The Board is normally made up of 15 Trustees, including the Chair. Throughout 2014–15 we have awaited the appointment of a new Trustee for Northern Ireland. In the meantime we have put in place temporary arrangements to handle this absence. Since February 2015, we have been without a Trustee for Wales, and have again, put in place arrangements to handle this vacancy.

The overall attendance rate of Trustees at Board meetings was 95%. 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 2014–15 was as follows:

Trustee	Eligible meetings	Meetings attended
Dame Jenny Abramsky <i>to 31 August 2014</i>	4	4
Dame Seona Reid	11	11
Manon Antoniazzi <i>to 11 January 2015</i>	7	7
Sandle Dawe	11	10
Angela Dean	11	11
Sir Roger De Haan	11	10
Jim Dixon <i>from 1 October 2014</i>	6	6
Kim Evans <i>to 21 July 2014</i>	3	3
David Heathcoat-Amory	11	11
Perdita Hunt <i>from 22 July 2014</i>	8	7
Hilary Lade <i>to 30 september 2014</i>	5	5
Steve Miller	11	11
Richard Morris	11	9
Atul Patel	11	9
Virginia Tandy	11	11
Tom Tew	11	11

Of the 16 Trustees who attended the Board throughout the year, 56% were female and 44% were male. One (6%) 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 conflicts of interest. 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 three occasions during the year and was quorate at each meeting. From 2015–16, the Committee will move to quarterly meetings, to better manage its business. It is chaired by a Trustee. There was significant change in the Trustee membership through the year and so, to

support their induction, all Committee members undertook the Audit and Risk Committee training that is provided by the Civil Service College. Several items emerged from the training to further improve the effectiveness of the Committee and these have been, or are being, implemented. This includes in camera meetings with the Fund's external and internal auditors ahead of Committee meetings.

The Committee also undertook a review of its effectiveness and was satisfied that it dealt with all the matters it was required to and handled this effectively.

I attend each Committee meeting with the Director of Finance and Corporate Services – other senior staff attend as required. The Committee is supported and serviced by the Secretariat. The Fund's external auditors (National Audit Office) and internal auditors (Moore Stephens) also attend the meeting.

The Committee agreed a three-year audit strategy with Moore Stephens upon their appointment in April 2014 and the reviews carried out in 2014–15 were reported to the Committee 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:

- assurance sources and mapping
- payroll
- grant giving
- Listed Places of Worship and Heritage Enterprise programmes
- business continuity and disaster recovery

The Committee meeting minutes and formal annual reports are shared with the Board. The Committee Chair orally updates the Board on Committee business and decisions. The Committee also approved a major overhaul of the risk management system (see below).

Attendance at the Audit and Risk Committee meetings throughout 2014–15 was as follows:

Trustee	Eligible meetings	Meetings attended
Angela Dean <i>Chair</i>	3	3
Sandie Dawe	3	3
Jim Dixon <i>from 1 October 2014</i>	2	1
David Heathcoat-Amory	3	3

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. There was significant change in the Trustee membership through the year and specific induction support was given to all new members.

I attend 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 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
- proposals for corporate support strategies in IT, Finance and Human Resources

The Committee approved the proposed budgets for grant programmes and administration for submission to the Board.

The Committee also recommended the 2015–16 Business Plan. The Committee act as the Fund’s Remuneration Committee, approving the overall pay award as well as bonus payments for senior staff.

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 Finance, Staffing and Resources Committee meetings throughout 2014–15 was as follows:

Trustee	Eligible meetings	Meetings attended
Atul Patel <i>Chair</i>	3	3
Dame Jenny Abramsky <i>to 30 July 2014</i>	1	1
Sir Roger De Haan <i>from 14 July 2014</i>	2	2
Kim Evans <i>to 21 July 2014</i>	1	1
Perdita Hunt <i>from 22 July 2014</i>	2	1
Hilary Lade <i>to 30 September 2014</i>	1	1
Dame Seona Reid <i>from 1 August 2014</i>	2	1
Carole Souter	3	3

Communications Committee

The Committee met on two 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:

- Heritage Exchange event
- promotion of the 20th anniversary of The National Lottery
- new website launch
- State of UK Public Parks publication

Attendance at the Communications Committee meetings throughout 2014–15 was as follows:

Trustee	Eligible meetings	Meetings attended
Dame Jenny Abramsky <i>to 30 July 2014</i>	1	1
Sandie Dawe	3	2
Virginia Tandy	3	3
Dame Seona Reid <i>from 1 August 2014</i>	3	3

Delegated grant decision making

The Trustees have delegated their grant decision making responsibilities for certain types and values of grant 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 myself, along with senior staff, twice a year.

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 myself. I am 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. I also hold regular meetings with the Managers' Forum consisting of senior and middle managers and ensure 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.

Structure

I operate a four-department structure of:

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

The Secretariat team reports directly into me.

The annual operating plan – the Business Plan – is developed each year alongside financial budgets and grant programme planning. In this year, we integrated risk management into the business planning process more closely. We found this to be useful and so will continue with this in future years. The Business Plan is discussed with our sponsor department DCMS. DCMS also set policy directions and financial directions that we comply with. The Scottish Parliament and Welsh Assembly have also issued policy directions, with regard to Lottery activities in those countries and we have also complied with these directions.

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.

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 to risk management should not stifle innovation or change to business, where 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, and potential impact, of any risks.

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.

The Management Board carried out a wide assessment of risks facing the NHMF. This was linked into the annual business planning for 2015–16 and early preparations for our next Strategic Framework.

This assessment led to a formal restatement of the NHMF risk appetite and articulated the risk appetite against a series of areas such as legal, regulatory, financial and fraud, and defined the appetite in each of those areas. A new corporate risk register was created identifying the strategic risks to the NHMF and these were mapped against the appetite.

The register and underpinning process assigns a risk owner who is accountable to me for the effective management of that risk. The register also identifies 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.

At the same time as updating the risk appetite, we have updated the risk management process to make it more transparent and to reinforce accountabilities on owning and managing risk. These actions are in line with recommendations from the Internal Audit review of assurance and are consistent with good practice in the sector and guidance from HM Treasury on risk management.

In 2015–16 we will roll out the new risk model to all departments and link this into business planning. In the meantime, all teams continue to report and escalate risk as necessary through the line management routes, and risks are managed accordingly.

The new approach to risk was endorsed by both the Audit and Risk Committee and the Board.

We recognise that 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 that we give grants to 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 ensure there is no suggestion that our assessment and monitoring processes are lax. 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. As a result, I am able to conclude that there is no cause for concern about the level of risk implicit in our grant giving processes. An Internal Audit review last year provided additional assurance on these processes.

In 2014–15 NHMF considered the following to be the most significant areas of risk:

- We are not seen as protecting aspects of the UK's most important heritage.
- Changes in devolution, political arrangements and policy direction require change in our business and operating model.
- Our share/the amount of Lottery income reduces, which means that we cannot service the same level of commitments and/or meet our cost efficiency targets.
- The volume and volatility of workloads may mean our current business model and processes are not sustainable.
- Non-compliance in contract management.

- Wider business impact analysis for business continuity needs improvement.
- Changes in the Chair and Trustees lead to changes in our strategic approach and/or business model.
- Staff turnover leads to impacts on remaining staff in terms of loss of experience and/or resistance to the need to change.
- Reputational risks threaten our 'legitimacy'.

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, in December 2014, and The Budget 2015, the Chancellor of the Exchequer announced that NHMF would administer a grant scheme for listed places of worship across the UK. The total value of the programme in the year was in excess of £25million. Applications were invited by the end of January 2015, assessed in February 2015 and announcements of successful applications were made at the end of March 2015.

To manage the risk of this short delivery timetable the following actions were put in place:

- 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
- additional days from Internal Audit to review the process throughout this period
- 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 phase of the programme. The Chancellor also announced an extension of this programme into 2015–16 and we will use the forthcoming year to improve our readiness for that next stage.

Approach to fraud and information risk
NHMF has a fraud policy that is reviewed on an annual basis. Refresher training for existing staff on risk awareness is also provided.

In 2014–15 we improved risk awareness and intelligence gathering arrangements with other National Lottery distributors and this will continue in 2015–16.

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

We comply with the government guidance on transparency of spend, contracts etc.

Business Critical Models

I consider that 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 to have had its operating lifespan extended. The model has been used against scenarios of different levels of Lottery income, one-off contributions to the London 2012 Olympic Games, and significant new grant programmes. 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 NLDF. We therefore believe that the model and the financial framework provide a robust basis for our grant giving.

The model is updated each year to reflect the latest projections of Lottery income provided by DCMS and with the financial outturn for the previous year. The model 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 the continued oversight of the implementation of Strategic Framework 4 (SF4). This includes applying SF4 to Board decisions. The Board also carried out a mid-cycle review of SF4 and assessed the possible future operating environment and risks emerging over the next few years.

The Board note the success of new programmes like Heritage Enterprise and the popularity of other programmes like Collecting Cultures, which is run periodically.

The rise in National Lottery income in 2012–13 has stabilised, and income continues at around £360million per annum (excluding the return of some of the Olympic funding in 2014–15). The latest DCMS projections suggest that income will continue at around this level. In view of this and in line with the financial framework (including the balance in the NLDF account) the Board agreed to a budget of £430million in 2015–16 and a slightly lower amount as an indicative budget for the following two years.

Nothing of concern emerged from any of the committees supporting the Board. Reports from both the internal and external auditors were satisfactory.

The Board membership changed in 2014–15, although not as much as in the previous year, with four Trustees leaving their role and three being appointed. Throughout this continued period of turnover of Board members, the Board has been able to effectively continue with its duties throughout the year.

The Board carried out an interim review of its effectiveness through a self-assessment model. No major areas of concern were highlighted. The Board will carry out a full, facilitated review of effectiveness in 2015–16. The Board are satisfied that they continue to meet the requirements of the HMT Corporate Governance Code.

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

All newly appointed Trustees receive induction at the time of their appointment, which sets out their obligations and duties as a Trustee, the work of NHMF and its systems/processes. This helps them to 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 was appraised by the Interim 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, and 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, which set out 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 meet weekly and directors of departments also meet every two months.

I have seen the management letter prepared by the external auditors following their audit of the financial statements for the year ended 31 March 2015.

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 produced a three-year audit strategy. 2014–15 was the first year of this period and all intended reviews were undertaken and completed on time. The programme also contained additional reviews that were undertaken in areas that were not known at the start of the year, such as the Listed Places of Worship: Roof Repair Fund. The annual plan is extracted from the audit strategy and linked into the risk register and risk appetite.

This year we introduced new quarterly liaison meetings with the internal auditors to help monitor progress against plan and redirect resources to emerging risks. We also introduced new controls to improve accountabilities on audit reviews and the implementation of recommendations. These have worked well and will be built upon in 2015–16.

All reports of the internal auditors were discussed by the Audit and Risk Committee with senior members of staff in attendance, including those whose departments were reported upon – this gave me and the Committee the opportunity to discuss in detail the findings, recommendation 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. These recommendations are tracked and monitored by the Finance and Corporate Services

department and the internal auditors. That control list is a standing item on the agenda of 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 2014–15. All managers have signed the memorandum and they are aware that I have placed reliance on those assertions in this statement.

From June 2015, I have also introduced a Letter of Delegated Authorities for all directors 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.

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 grant are not adequate.

Carole Souter
Chief Executive and Accounting Officer

30 June 2015

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 National Heritage Memorial Fund's Lottery distribution activities for the year ended 31 March 2015 under the National Lottery etc. Act 1993. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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 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 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 certificate.

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 National Heritage Memorial Fund's Lottery distribution activities' affairs as at 31 March 2015 and of its operating deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration 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 Strategic Report and Directors' 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
- the financial statements and the part of the Remuneration 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

6 July 2015

National Audit Office

157–197 Buckingham Palace Road

Victoria

London SW1W 9SP

Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

	Notes	£'000	2014-15 £'000	2013-14 £'000
Proceeds from The National Lottery	11		360,626	332,037
NLDF investment income	11		1,578	1,552
			362,204	333,589
Add: amount transferred from the Olympic Lottery Distribution Fund by the Secretary of State for Culture, Media and Sport	11		29,734	0
			391,938	333,589
Interest receivable		54		55
Sundry income	3	44	98	120
Total income			392,036	333,764
New grant awards	13	(456,709)		(407,868)
Grant de-commitments	13	19,273		15,124
			(437,436)	(392,744)
Staff costs	4	(10,942)		(10,698)
Depreciation and amortisation	8 and 9	(448)		(330)
Other operating charges	5	(8,421)		(8,139)
			(19,811)	(19,167)
Total expenditure			(457,247)	(411,911)
Operating deficit			(65,211)	(78,147)
Other comprehensive expenditure				
Net gain on revaluation of available for sale financial assets	18		0	0
Total comprehensive expenditure for the year ended 31 March 2015			(65,211)	(78,147)

Comparative figures have been adjusted to take account of a new Accounts' Direction issued during 2014-15. All figures shown relate to continuing activities.

The notes on pages 36 to 56 form part of these accounts.

Statement of Changes in Equity for the year ended 31 March 2015

	Fair value reserve £'000	Income and expenditure account £'000
Balance at 31 March 2013	0	(252,144)
Changes in equity in 2013-14		
Release of fair value reserve to the income and expenditure account	0	0
Net gain on revaluation of investments	0	
Retained deficit		(78,147)
Balance at 31 March 2014	0	(330,291)
Changes in equity in 2014-15		
Release of fair value reserve to the income and expenditure account	0	0
Net gain on revaluation of investments	0	
Retained deficit		(65,211)
Balance at 31 March 2015	0	(395,502)

The fair value reserve relates to the difference between book cost and market value of the balance at the NLDF (see note 11). The difference between book and market value of intangible assets and property, plant and equipment (see notes 8 and 9 to the accounts) is not material. The notes on pages 36 to 56 form part of these accounts.

Statement of Financial Position

as at 31 March 2015

	Notes	2014-15 £'000	2013-14 £'000
Non-current assets			
Intangible fixed assets	8	635	494
Property, plant and equipment	9	883	997
Current assets			
Investments - balance at the NLDF	11	565,998	511,372
Trade and other receivables	10	3,250	3,500
Cash and cash equivalents		318	1,325
		569,566	516,197
Total assets		571,084	517,688
Current liabilities			
Administrative liabilities	12	(2,466)	(2,539)
Grant liabilities within one year	13	(309,716)	(338,176)
Non-current assets plus net current assets		258,902	176,973
Non-current liabilities			
Grant liabilities due in more than one year	13	(654,404)	(507,264)
Assets less liabilities		(395,502)	(330,291)
Represented by:			
Fair value reserve	19	0	0
Income and expenditure account brought forward		(330,291)	(252,144)
Transfer from fair value reserve		0	0
Movement in the year		(65,211)	(78,147)
Income and expenditure account carried forward		(395,502)	(330,291)
		(395,502)	(330,291)

Comparative figures have been adjusted to take account of a new Accounts' Direction issued during 2014-15. The notes on pages 36 to 56 form part of these accounts.

Sir Peter Luff
Chair

Carole Souter
Chief Executive

30 June 2015

Statement of Cash Flows

for the year ended 31 March 2015

	Notes	2014-15 £'000	2013-14 £'000
Operating activities			
Cash drawn down from the NLDF	11	337,313	297,548
Cash from other sources	3	44	120
Cash paid to and on behalf of employees		(10,785)	(10,530)
Interest received on bank accounts		54	55
Cash paid to suppliers		(8,402)	(7,603)
Cash paid to grant and loan recipients	13	(318,756)	(287,521)
Net cash outflow from operating activities	16a	(532)	(7,931)
Investing activities			
Capital expenditure and financial investment	16b	(475)	(656)
Decrease in cash and cash equivalents		(1,007)	(8,587)

Reconciliation of Net Cash Flow to Movement in Net Funds

for the year ended 31 March 2015

	Notes	2014-15 £'000	2013-14 £'000
Decrease in cash and cash equivalents in the period		(1,007)	(8,587)
Changes in cash and cash equivalents	16c	(1,007)	(8,587)
Cash and cash equivalents at 1 April 2014		1,325	9,912
Cash and cash equivalents at 31 March 2015		318	1,325

The notes on pages 36 to 56 form part of these accounts.

Notes to the Accounts

for the year ended 31 March 2015

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 International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The National Lottery Accounts' Direction issued by the Secretary of State specifically excludes the preparation of consolidated accounts and requires the use of accruals' accounting for awards. In previous years, under an earlier Accounts' Direction, we were required to use commitment accounting – note 2 to the accounts details the impact of the change on the results for 2014–15 and 2013–14.

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. However, other than accounting separately for its Lottery distribution activities, which NHMF is required to do under its Lottery Accounts' Direction, Trustees do not believe that their grant-in-aid or their Lottery distribution activities can be divided into separate segments.

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% (2013–14: 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 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 and the percentage of pensionable pay is notified by the Cabinet Office before the start of each financial year. See note 7 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 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 Taxpayers' 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 a note 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. While in these circumstances funding is subject to a second decision, this second decision is 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 our third Strategic Plan (1998–2013), to the Heritage Grants and Parks for People programmes, were not 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 (the 2013–14 comparatives have also been adjusted). See note 14 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), and Catalyst Endowments with DCMS to the end of this financial year), 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. We have therefore only included in these accounts NHMF's share of scheme grant payments as we have passed BLF's or DCMS'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 and DCMS onto suppliers.

2. Effect of change in accounting policy

The Secretary of State issues a new Accounts' Direction during 2014–15, requiring us to switch from commitment accounting to accruals' accounting.

When a 'hard commitment' was created under the old Accounts' Direction, the grantee was notified of the size of their award and the Trustees of the NHMF (or their delegate) signed the grant contract committing HLF to pay the grant as long as the grantee carried out their project. Under the new Accounts' Direction, we consider that the above circumstances create a legal and constructive obligation that should be regarded as an accrual under International

Accounting Standard 37. All our hard commitments at 31 March 2015 are treated as accruals and disclosed as grant liabilities on the Statement of Financial Position. As a result, the change to the Accounts' Direction has had no impact on the numbers reported, but there are changes in designation.

3. Sundry income

	2014-15 £'000	2013-14 £'000
Repayment of grants	44	120

4. Staff costs and numbers

	2014-15 £'000	2013-14 £'000
Salaries	8,635	8,524
Employer's NI payments	587	625
Payments to pension scheme	1,572	1,502
Temporary staff costs	148	47
	10,942	10,698

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

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

2013-14	Grant applications	Finance and Corporate Services	Strategy and Business Development	Communications	Total
Permanent staff	161	33	24.25	18	236.25
Secondees and contract staff	13	3	3	2.5	21.5
Total	174	36	27.25	20.5	257.75

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.

5. Operating deficit

The operating deficit is stated after charging the following:

	2014-15 £'000	2013-14 £'000
Auditor's remuneration	39	39
Payments under operating leases		
- leasehold premises	965	946
- hire of office equipment	1	0

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

	2014-15 £'000	2013-14 £'000
Accommodation	1,597	1,531
Postage and telephone	440	464
Office supplies, print and stationery	666	526
Travel, subsistence and hospitality – Trustees	106	118
Travel, subsistence and hospitality – staff	383	374
Professional fees – grant-related	2,606	2,312
Professional fees – non-grant-related	1,262	1,515
Communications	780	699
Office equipment	300	347
Staff training	161	152
Sundry expenses	120	101
	8,421	8,139

6. 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% (2013–14: 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.

7. Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). 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 and nuvos are increased annually in line with pensions increase legislation. 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 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. 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. 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. The employer makes a basic contribution of between 3% and 12.5% (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 to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement). There are currently five members of staff with a partnership pension account.

No member of staff retired early on health grounds during 2014–15.

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 and 65 for members of nuvos.

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

New Career Average pension arrangements were introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members converted to the new scheme. Further details of this new scheme are available at www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha

Although the schemes are defined as benefit schemes, liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2014–15, employer's contributions of £1,571,959 (2013–14: £1,501,896) were paid to the PCSPS at the rates set out in the table below. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

Salary in 2014-15	% in 2014-15
£22,000 and under	16.7%
£22,001–£44,500	18.8%
£44,501–£74,500	21.8%
£74,501 and above	24.3%

8. Intangible fixed assets

	Website		Information technology		Total	
	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000
Cost at start of year	381	250	1,805	1,466	2,186	1,716
Additions	75	131	213	339	288	470
At end of year	456	381	2,018	1,805	2,474	2,186
Amortisation at start of year	250	250	1,442	1,397	1,692	1,647
Charge for the year	33	0	114	45	147	45
At end of year	283	250	1,556	1,442	1,839	1,692
Net book value						
At start of year	131	0	363	69	494	69
At end of year	173	131	462	363	635	494

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 is the end of the period that our Strategic Framework covers; i.e. the period to 31 March 2018.

A review of the current cost values of intangible fixed assets, at 31 March 2015, revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of intangible fixed assets.

9. Property, plant and equipment

	Short-leasehold property		IT and other equipment		Office fittings		Total	
	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000
Cost at start of year	1,166	1,164	2,104	2,197	81	61	3,351	3,422
Additions	35	2	152	164	0	20	187	186
Disposals	(149)	(0)	(38)	(257)	0	0	(187)	(257)
At end of year	1,052	1,166	2,218	2,104	81	81	3,351	3,351
Depreciation at start of year	774	666	1,517	1,600	63	60	2,354	2,326
Charge for the year	108	108	188	174	5	3	301	285
Adjustment on disposal	(149)	(0)	(38)	(257)	0	0	(187)	(257)
At end of year	733	774	1,667	1,517	68	63	2,468	2,354
Net book value								
At start of year	392	498	587	597	18	1	997	1,096
At end of year	319	392	551	587	13	18	883	997

The Trustees have considered the current cost values of property, plant and equipment. A review of the current cost values at 31 March 2015 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 note 6).

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.

IT and other equipment	2014-15 £'000	2013-14 £'000
Cost at start of year	45	160
Additions	0	0
Disposals	(38)	(115)
At end of year	7	45
Depreciation at start of year	35	141
Charge for the year	9	9
Adjustment on disposal	(38)	(115)
At end of year	6	35
Net book value		
At start of year	10	19
At end of year	1	10

Obligations under finance leases are:

IT and other equipment	2014-15 £'000	2013-14 £'000
Amounts for leases expiring in one year	1	0
Amounts for leases expiring in years two to five	0	10
	1	10

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

10. Trade and other receivables

	2014-15 £'000	2013-14 £'000
Prepayments and accrued income	2,961	3,323
Loans	100	100
Other receivables	153	30
Staff advances	36	47
	3,250	3,500

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 were no other sums due in more than one year (2013-14: £0).

Of the above sums, £2,682,000 was owed by central government bodies. At the year end, 45 members of staff had outstanding payroll advances (at 31 March 2014 there were 51).

11. Investments

Movement in balances at the NLDF:

	2014-15 £'000	2013-14 £'000
Current cost at start of year	511,372	475,331
Income received from The National Lottery	360,626	332,037
Funds drawn down by NHMF	(337,313)	(297,548)
Funds transferred from the Olympic Lottery Distribution Fund	29,734	0
Investment return	1,578	1,552
Unrealised profit on investment	0	0
Current cost at end of year	565,998	511,372

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.

12. Payables: amounts falling due in one year

	2014-15 £'000	2013-14 £'000
Operating payables	414	764
Other payables including taxation and social security	406	393
Accruals and deferred income	1,646	1,382
	2,466	2,539

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

	2014-15 £'000	2013-14 £'000
Balances owing to central government	407	397
Balances owing to local authorities	1	0
Balances owing to public corporations	0	0
Balances external to government	412	760
	820	1,157

13. Grant liabilities

	2014-15 £'000	2013-14 £'000
Brought forward at start of year	845,440	740,217
New liabilities created in the year	452,376	407,868
Liabilities inherited from DCMS re Catalyst	4,333	0
Liabilities no longer recognised	(19,273)	(15,124)
Grant payments	(318,756)	(287,521)
Carried forward at end of year	964,120	845,440

HLF has accepted an additional liability relating to the Catalyst Endowment programme that we co-funded with DCMS. DCMS's involvement ended at 31 March 2015 and there are some awards initially assigned to DCMS that have yet to be paid out.

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

	2014-15 £'000	2013-14 £'000
In one year	309,716	267,000
In two years	248,147	236,000
In three years	155,868	154,000
In four years	83,022	83,000
In five years	43,096	42,000
In more than five years	124,271	63,440
	964,120	845,440

Liabilities at the year end represent amounts owing as follows:

	2014-15 £'000	2013-14 £'000
Balances owing to central government	100,597	92,283
Balances owing to local authorities	365,686	309,860
Balances owing to public corporations	95	260
Balances owing to NHS trusts	13	22
Balances external to government	497,729	443,015
	964,120	845,440

14. Contingent liabilities

Commitments

	2014-15 £'000	Restated 2013-14 £'000
Brought forward at start of year	577,654	579,249
Commitments made	461,486	439,470
De-commitments	(14,947)	(33,197)
New liabilities created in the year	(452,376)	(407,868)
Balance carried forward at end of year	571,817	577,654

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

In previous years, when we have 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. We consider that circumstances have changed and it is now appropriate to include these decisions in the above figures.

15. Lease commitments

The total outstanding commitments incurred by NHMF's Lottery distribution activities under operating leases are as follows:

	2014-15 £'000	2013-14 £'000
Short-leasehold property		
Expiring in one year	1	133
Expiring in years two to five	1,062	996
Expiring thereafter	8,784	8,592
	9,847	9,721
Other operating leases		
Expiring in one year	0	0
Expiring in years two to five	15	0
Expiring thereafter	0	0
	15	0

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 a review of rent on our Edinburgh office.

The lease on our Birmingham office ended at 31 March 2015. We have agreed an extension of the lease for 38 months at a rent of £39,000 per annum.

The lease of our Cambridge office expired at 31 March 2015. We have relocated to another site in Cambridge. We have yet to sign a lease.

In May 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.

16. Notes to the Statement of Cash Flows

a) Reconciliation of operating deficit to cash outflow from operating activities

	2014-15 £'000	2013-14 £'000
Operating deficit	(65,211)	(78,147)
Add back non-cash items:		
– depreciation	448	330
– loss on disposal of intangible fixed assets and property, plant and equipment	0	0
– movement in fair value reserve	0	0
– increase in grant liability reserve	118,680	105,223
– increase in balance at NLDF	(54,626)	(36,041)
Decrease in non-interest receivables	250	803
Decrease in non-capital payables	(73)	(99)
Net cash outflow from operating activities	(532)	(7,931)

b) Capital expenditure

	2014-15 £'000	2013-14 £'000
Payments to acquire intangible fixed assets	288	470
Payments to acquire property, plant and equipment	187	186
	475	656

c) Analysis of changes in net funds

	At 1 April 2014 £'000	Cash flows £'000	At 31 March 2015 £'000
Cash at bank	1,325	(1,007)	318

17. 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, the Arts Council of England and English Heritage.

NHMF operates the Lottery grant programme, Catalyst Endowments. DCMS agreed to contribute £15million of the total £25.5million of awards made under the programme in 2012–13. During 2014–15, we paid £2.1million on behalf of DCMS, all of which had been re-imbursed to us by the year-end. We also 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 nothing owed at 31 March 2015.

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 £2,507,324, representing £87,863 for operating costs and £2,419,461 for their share of grant payments. We also paid the Big Lottery Fund for a number of activities in the year; most notably, the Celebrate grant programme in Scotland, which is operated on behalf of a number of Lottery distributors. We paid them £1,052,377 in the year including £931,000 to re-imburse them for grant payments made on our behalf. We owed them nothing at the year end. We seconded a member of staff to the Big Lottery Fund starting in March 2015; the amount of £4,671 was owed at the year end.

We made two contributions, totalling £8,000, to the Arts Council of England for two pieces of research. No sums were outstanding at the year end.

We used English Heritage to provide expert advice and mentoring services to some of our grants, £16,308 in 2014–15; (£3,823 was owed at the year end). In addition, English Heritage continues to operate our Repair Grants for Places of Worship in England. We re-imbursed them for grant payments made on our behalf. These totalled £17,369,000 in 2014–15. Nothing was owed to them at the year end.

There have also been material transactions with the Cabinet Office, to the value of £5,841, who carried out pension administration on our behalf; nothing was owed to them at the year end.

We have seconded a member of staff to the Welsh Assembly. We have charged them £31,604 during the year and they owed us £8,801 at the year end.

In May 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, which 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 2014–15 price levels. At 31 March 2015, we owed CCC around £20,800 for over-claimed service charges and rent paid in advance.

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 2014–15 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 National Portrait Gallery

A grant of £6,343,500 – Sir Anthony Van Dyck: Acquiring and Sharing His Last Self-Portrait. Kim Evans declared an interest in Sir Anthony Van Dyck: Acquiring and Sharing His Last Self Portrait as she was a trustee of the National Portrait Gallery, the grant applicant.

The Postal Heritage Trust for the British Postal Museum & Archive

A grant of £4,499,300 – British Postal Museum & Archives New Centre Project at Mount Pleasant.

Angela Dean declared an interest in the British Postal Museum and Archives as she was a member of its Finance and Audit Committee.

Norton Priory Museum Trust

A grant of £3,670,000 – Norton Priory – Monastery to Museum.

Virginia Tandy declared an interest in Norton Priory as she was a member of the advisory council to the Granada Foundation, and Norton Priory had, since the site visit, made an application to the foundation.

The South West Peak Landscape Partnership

A grant of £154,300 and a first-round pass of £2,563,600 – South West Peak: A Landscape at a Crossroads.

Jim Dixon declared a conflict of interests in the Landscape Partnerships batch as he was Chief Executive of the Peak District National Parks Authority, the lead partner for the South West Peak application and had been closely involved in its development.

Guildford Cathedral

A grant of £4,631,600 – Securing Guildford Cathedral's future: treasures, memories and stories revealed.

Perdita Hunt declared a conflict of interests as she was a member of its appeals committee.

The Arkwright Society

A grant increase of £1,025,400 to make a total grant of £4,095,400 – The Cromford Mills Creative Cluster and World Heritage Site Gateway Project.

Jim Dixon had indicated that there was a possibility he might take office space at Cromford Mills in the future.

Norfolk Museums and Archaeology Service

A grant of £47,500 – The Rudham Dirk.

Steve Miller declared an interest in the Rudham Dirk as he was Head of Norfolk Museums Service, the grant applicant.

The Borough Council of King's Lynn and West Norfolk

A grant of £1,850,600 – Stories of Lynn.

Steve Miller declared an interest as he is the Head of Norfolk Museums & Archaeology Service and Norfolk Museums were a project partner.

Norfolk Museums and Archaeology Service

A grant of £1,470,000 – Voices from the Workhouse.

Steve Miller declared a conflict as he is the Head of Norfolk Museums & Archaeology Service.

The Norfolk and Norwich Heritage Trust

Approved the change to approved usage – Dragon Hall.

Steve Miller declared a conflict as he is the Head of Norfolk Museums & Archaeology Service and the applicant was Norfolk and Norwich Heritage Trust and Norwich City Council owned the site.

Kids in Museums

A grant of £28,900 – Teen Take – A film by teenagers about what they want in a museum visit.

Steve Miller declared a conflict as he is the Head of Norfolk Museums & Archaeology Service who were a project partner. Sandie Dawe declared a conflict as she was the Chair of Kids in Museums

Creative Collisions

A grant of £38,700 – Crafting History– Researching the History of Craft in Great Yarmouth with Contemporary Practitioners.

Steve Miller declared an interest. The applicant will work with Time and Tide Museum. Steve is the Head of Norfolk Museums Service.

Great Yarmouth Arts Festival CIC

A grant of £9,800 – Sir James Paget project.

Steve Miller declared a conflict of interest as he is the Head of Norfolk Museums & Archaeology Service who had been involved, at some level, in the project via Time and Tide Museum and also had a relationship via the Arts Service.

The National Botanic Garden Wales

A grant of £309,800 and a first-round pass of £3,699,900 – Middleton: Paradise Regained, National Botanic Garden Wales.

Manon Antoniazzi declared a conflict of interest as in her role as Chief Executive Officer – Tourism and Marketing for Wales she had been involved in discussions about the project.

The Archdiocese of Cardiff

A grant of £1,267,700 – Cornerstone – Archdiocese of Cardiff

Manon Antoniazzi declared conflicts of interest because her husband was involved with the applicant body.

Watts Gallery Trust

A grant of £39,300 – Watts in the Red Robe: Bringing Home The Artist's Last Remaining Self Portrait.

Perdita Hunt declared a conflict as she was the Director of the Watts Gallery.

Bede's World

A grant of £10,000 – Groundbreaker.

Richard Morris declared a conflict as he was the former Chair of the Trustees at Bede's World.

Committee members

Luton Culture

A grant of £167,000 and a first-round pass of £1,837,000 – Wardown Park Museum.

Maggie Appleton declared a conflict as she was Chief Executive of Luton Cultural Services Trust.

Bishop Grosseteste University College, Lincoln

A grant of £406,500 – Sandford Learning Cascade Project.

Jean McIntyre declared a conflict as an employee of the applicant organisation.

The Peak District National Park Authority

A grant of £605,100 – Moorland Monitoring – A volunteer based monitoring and research programme in the South Pennine Moors and Dark Peak.

Geoff Nichols declared an interest as the Chair of the Moors for the Future Partnership and Deputy Chair of the Peak District National Park Authority.

Museum of London Archaeology

A grant of £1,416,000 – CITiZAN – the Coastal and Intertidal Zone Archaeological Network.

David Stocker declared an interest as a Trustee of the Council for British Archaeology. Mike

Heyworth declared an interest as Executive Director of the Council of British Archaeology.

Lincoln Archaeology Group for Excavation Education and Research

A grant of £46,600 – Ermine Street Community Dig.

David Stocker declared an interest as he gave advice to the applicant.

Dry Doddington Parochial Church Council

A grant of £73,900 – St James Church Dry Doddington.

David Stocker declared an interest in the project as he gave advice to the applicant.

St James Church, Freiston

A grant of £9,900 – Freiston Forward, First Steps to a Sustainable Future.

David Stocker declared an interest in the project as he gave advice to the applicant.

Nottinghamshire County Council

A grant of £119,700 and a first-round pass of £2,570,100 – From Miner to Major: The Real Sherwood Forest.

John Everitt declared an interest as he was the Chief Executive of the Nottinghamshire Wildlife Trust, one of the partner organisations of the project.

Birklands Ringing Group

A grant of £60,000 – From Sherwood Forest to the Congo and Back!

John Everitt declared a conflict of interest as his employer, Nottinghamshire Wildlife Trust, had been working closely with Birklands Ringing Group on the project.

The National Forest Company

A grant of £770,600 – Black to Green: from coal pits to tree tops – Derbyshire.

John Everitt declared an interest in Black to Green, as the Chief Executive of the National Forest Company.

South Notts Local Group

A grant of £9,500 – Wilwell Farm Cutting and Wilford Claypit Nature Reserves Enhancement and Training Project.

John Everitt declared a conflict of interest as The Local Wildlife group is affiliated to Nottinghamshire Wildlife Trust, of which John is the Chief Executive.

Ordinary Culture

A grant of £25,000 – View From The East.

John Everitt declared a conflict of interest as Nottinghamshire Wildlife Trust was being paid to help with some of the outcomes.

The London Boroughs of Ealing and Hounslow

A grant of £4,671,000 – Gunnersbury Park, Ealing and Hounslow.

Hilary Carty declared a conflict of interest as she had recently written the London Borough of Ealing's Cultural Strategy.

The London Boroughs of Ealing and Hounslow

A grant of £4,110,000 – Gunnersbury Museum.

Hilary Carty declared a conflict of interest as she had recently written the London Borough of Ealing's Cultural Strategy.

Ealing Council

A grant of £4,419,900 – The Renewal of Pitzhanger Manor

Hilary Carty declared a conflict of interest as she had written the London Borough of Ealing's Cultural Strategy and the development of the Manor was a high priority for the borough.

Horniman Museum and Gardens

A grant of £164,600 and a first-round pass of £3,306,000 – Collections Peoples Stories, Horniman Museum.

Hilary Carty declared a conflict of interest as she was a Trustee of the Horniman Museum.

The Ben Uri Gallery

A grant of £353,700 – Art, Identity and Migration: 100 Years of Ben Uri 1915-2015.

Hilary Carty declared a conflict of interest as the Inigo Rooms were part of the Cultural Institute at King's College London for whom she was undertaking paid work.

Francis Crick Institute

A grant of £25,400 and a first-round pass of £299,700 – The Story of the Crick.
Blondel Cluff declared a conflict of interest as she had been a Council Member of King's College London when it set-up the Francis Crick Institute.

Terapia

A grant of £184,600 and a first-round pass of £1,127,200 – The Bothy, Barnet: Imaginative use of listed building to create centre for children's psycho-therapeutic services.
Jon Sheaff declared a conflict of interest as he was the Project Manager for the adjoining Avenue House park restoration project.

Avenue House Trust

A grant of £2,154,700 – Avenue House Restoration Project, Barnet.
Jon Sheaff declared a conflict of interest as he was the project manager for Avenue House and wrote the application.

Sutton's Hospital in the Charterhouse, in partnership with the Museum of London

A grant of £1,586,600 – Revealing the Charterhouse.
Blondel Cluff declared a conflict of interest as her son was registered to attend the Charterhouse School and she had attended the school's steering committee to discuss philanthropic work in London.

Groundwork North East

A grant of £1,889,500 – River Tees Rediscovered.
Susan Antrobus declared an interest as her employer, the Tees Valley Wildlife Trust, was a partner in the project.

The Tees Valley Wildlife Trust

A grant of £425,800 – Tees Valley Wild Green Spaces.
Susan Antrobus declared an interest as she was an employee of the applicant.

The Tees Valley Wildlife Trust

A grant of £45,300 – East Cleveland Batscape.
Susan Antrobus declared an interest as she was an employee of the applicant.

The Tees Valley Wildlife Trust

A grant of £9,900 – Cleveland Coast Wildflowers.
Susan Antrobus declared an interest as she was an employee of the applicant.

Newcastle University

A grant of £2,000 and a first-round pass of £1,364,700 – Capturing our Coast.
Chris Mullin declared an interest, noting that he was a visiting lecturer at Newcastle University and was the Honorary President of the Northumberland Wildlife Trust, a partner in the application.

Northumberland Wildlife Trust

A grant of £417,400 – Dynamic Druridge.
Chris Mullin declared an interest in Dynamic Druridge as he was the President of the Northumberland Wildlife Trust.

Lancashire Wildlife Trust

A grant of £620,900 – The Biodiverse Society, Lancashire.
Steve Garland declared an interest as he was the Chair of Lancashire Wildlife Trust.

The Lancashire Wildlife Trust

A grant of £212,800 and a first-round pass of £2,210,600 – The Carbon Landscape – Restoring Great Manchester Wetlands to the Community.

Steve Garland declared an interest as he was the Chair of the Lancashire Wildlife Trust.

The National Trust (North West)

A grant of £3,880,000 – The Quarry Bank Project.

Tiffany Hunt declared an interest as she was a former employee of the National Trust North West and had previous knowledge of the project.

The Daniel Adamson Preservation Society

A grant of £3,801,900 – The ‘Daniel Adamson’ Maritime Heritage Project.

Ivan Wadeson declared an interest in the Daniel Adamson project, as he was a previous employee of The Audience Agency, who had provided marketing material for the project.

The Dukes Playhouse

A grant of £10,000 – How Did Your Garden Grow – exploring the history of Lancaster’s Storey Gardens.

Ivan Wadeson declared a conflict of interest as the Dukes Playhouse was his employer.

The Royal Commission on the Ancient and Historical Monuments of Scotland

A grant of £1,659,100 – Scotland’s Urban Past.

Eleanor McAllister declared a conflict as she was a board member of the transition advisory board, the body overseeing the merger between RCAHMS and Historic Scotland.

Scottish Natural Heritage

A grant of £973,100 – Wildcat Action (Inverness, Nairn, Badenoch and Strathspey).

Simon Pepper declared a conflict as he was a Board member of Scottish Natural Heritage.

Rivers and Fisheries Trusts of Scotland

A grant of £41,900 and a first-round pass of £1,581,900 – Scottish Invasive Species Initiative.

Simon Pepper declared a conflict as he was a Board member of Scottish Natural Heritage.

New Forest District Council

A grant of £1,379,300 – Eling Tide Mill Learning Centre.

Debbie Tann declared an interest as her organisation, the Hampshire and Isle of Wight Wildlife Trust was a partner in the project.

The Ashmolean Museum of Art and Archaeology

A grant of £644,400 – Acquisition of J M W Turner’s High Street, Oxford.

Susan McCormack declared a conflict in Acquisition of J M W Turner’s High Street, Oxford as she was an employee for the Ashmolean, the applicant organisation.

Dartmoor National Park Authority

A grant of £1,900,000 – Moor than Meets the Eye, Dartmoor.

Evelyn Stacey reported a conflict as South West Lakes Trust, her employer, was a partner in the project.

Tavistock Town Council

A grant of £980,000 – Tavistock Townscape Heritage Initiative Scheme.

Tamsin Daniel declared a conflict in Tavistock THI as Cornwall Council were a project partner.

Butterfly Conservation

A grant of £22,700 and a first-round pass of £338,800 – All the Moor Butterflies – Conserving the South West's threatened butterflies and moths.

Phil Collins declared a conflict as the National Trust (NT) was a project partner and he was General Manager for NT on Exmoor. Evelyn Stacey declared a conflict in her capacity as Chief Executive for the South West Lakes Trust, who were likely to gain an advantage from the project.

Cornwall Council in partnership with King Edward Mine Ltd

A grant of £1,121,400 – King Edward Mine Museum.

Tamsin Daniel declared a conflict as she was employed by the applicant.

Keep Wales Tidy in partnership with the Woodlands Trust

A grant of £74,600 and a first-round pass of £655,900 – The Long Forest: Community engagement to safeguard Welsh hedgerows.

Rhian Thomas declared a conflict of interest as she was a member of Keep Wales Tidy's Board.

Powys County Council, in partnership with Brecon Beacons National Park Authority

A grant of £342,800 – Powys War Memorials Project 2014–2018: A Mark of Respect.

Carys Howell declared a conflict of interest as, until June 2014, she had been a member of the Brecon Beacons National Park Authority, which was a delivery partner for the project.

Newport Memorial Hall Committee

A grant of £44,600 and a first-round pass of £196,100 – Conservation, interpretation Newport's Mediaeval Kiln.

Ted Sangster declared a conflict of interest as he had chaired a meeting of the Pembrokeshire Coast National Park, which had awarded a Sustainable Development Fund grant to the project.

The University of Birmingham

A grant of £1,564,300 – Lapworth Museum of Geology University of Birmingham Redevelopment Project.

Ian Grosvenor declared an interest as an employee of the applicant, the University of Birmingham.

Evesham Town Council

A grant of £43,400 and a first-round pass of £1,398,500 – The Great Big Almonry Project.

Alan Taylor declared an interest in this application as he had taken part in pre-application discussions with the applicant, as part of his English Heritage role.

Compton Verney House Trust

A grant of £2,296,900 – Compton Verney Chapel and Landscape Restoration Project.

Ian Grosvenor declared a conflict of interest as his partner was a Governor of Compton Verney House Trust.

Uttoxeter Heritage Trust

A grant of £643,800 – Redfern's, Museum of Uttoxeter Life.

Ian Grosvenor declared conflict of interest as his partner was/had been advising the applicants as an HLF-appointed mentor and there was a possibility she might continue to be involved in the projects if funding was awarded.

The British Museum

A grant of £792,000 – PaST Explorers: Finds Recording in the Local Community.

Mike Heyworth declared a conflict of interest as a member of the Advisory Panel for Portable Antiquities Scheme, administered by the British Museum.

Chatham Historic Dockyard

A grant of £10,000 – Commemoration of the Loss of the Three Cruisers (22nd September 1914).
Bill Ferris declared a conflict of interest as he was the Chief Executive of Historic Dockyard Chatham.

Ironbridge Coracle Heritage

A grant of £10,000 – Ironbridge Coracle Trust.
Jude Walker declared a conflict of interest as she was running the project.

The National Trust for Places of Historic Interest or Natural Beauty

A grant of £24,900 – Re-discovering Belton's Forgotten Gunners.
Geoff Nickolds declared an interest as he was a member of the National Trust Council.

Castleton Historical Society

A grant of £5,600 – Castleton – At Home and Away.
Geoff Nickolds declared an interest as he was a Member and Deputy Chairman of the Peak District National Park Authority, which was listed as a partner in this project.

Royal Society for the Protection of Birds (RSPB)

A grant of £81,300 – Guardians of the Moor.
Geoff Nickolds declared an interest as he was a Member and Deputy Chairman of the Peak District National Park Authority, which owned the Eastern Moors Estate that the project was based on.

Nottingham City Council

A grant of £599,500 and a first-round pass of £12,988,500 – Revisioning Nottingham Castle – 1,000 Years of History.
Les Sparks declared a conflict of interest as he was asked to act as an advisor to the architectural practice leading this project.

Thames Chase Trust (LB Havering)

A grant of £9,400 – Initiative to enable people to discover the heritage of Barking and Dagenham.
Rachel Hasted declared a conflict of interest as English Heritage, who she recently worked for, stood to benefit from the project.

Skelsmergh PCC, Cumbria

A grant of £5,900 – The Men on the Memorial.
Jenny Cousins declared a conflict of interest as her father and local PCC are the applicant.

Newcastle University

A grant of £7,000 – Intolerably Nameless Names: Chronicling the Fallen of Newcastle and Durham Universities.
Lindsay Allason Jones declared a conflict of interest as she was a visiting lecturer at Newcastle University.

St Anns Allotments

A grant of £17,300 – Dig For History.
Mo Cooper declared a conflict of interest as she had submitted the application on behalf of her employer STAA Ltd and would directly benefit from the project.

National Trust North – Yorkshire and North East

A grant of £61,500 – Revitalising Gibside Walled Garden.
Niall Hammond declared a conflict of interest as he was a member of the National Trust Yorkshire and North East Regional Advisory Board, and also the Trust's advisory Archaeology Panel.

Staff

There were none.

18. Financial instruments

Full disclosure under IFRS 7, 'Financial Instruments: Disclosures', is in the Strategic Report.

19. Fair value reserve

	2014-15 £'000	2013-14 £'000
At start of year	0	0
Realisation of revaluation gain on NLDF balance	0	0
Year-end revaluation gain on NLDF balance	0	0
At end of year	0	0

The reserve relates to the difference between book cost and market value of the balance at the NLDF (see note 11). The difference between book and market value of intangible fixed assets and property, plant and equipment (see notes 8 and 9) is not material.

20. Statement of losses

HLF made losses through the write-off of six grants totalling £282,200 in the year (2013-14: one grant of £15,974). The majority of the write-offs were relatively small amounts, but there was one award to Wakefield Metropolitan District Council where we have had to write-off £235,000. In 1998, we signed a contract with the council for an award of £1,005,000 for a museum building. Without consultation, the council changed the use of the building in 2011 transferring the museum collection elsewhere. Following discussions with the council and taking into account that the museum collections remains easily accessible to the public and the building remains in council ownership, we agreed to reduce the value of the contractual clawback by £235,000 on condition that the council agreed to invest an equivalent sum into an HLF-funded project at Pontefract Castle.

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 63 to 65.

a) Needs of the heritage

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

In 2014–15 demand for Lottery funding for heritage remained high and as a result of continued strong ticket sales we were able to commit £462million in awards, against applications worth £945million.

This was the second year of operation under the Strategic Framework for 2013–2018, *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 and Transition Funding, to address the need to build greater resilience and champion innovation in heritage organisations, to support growth, and to fill identified skills gaps.

In June we launched the report the *State of UK Public Parks 2014: Renaissance to risk?* highlighting the potential risks to parks as a result of current and predicted cuts to public funding, calling on collective action to respond to the new economic climate. As well as seeking continued commitment from local authorities, the report acknowledged that new ways of working and greater community involvement would be needed to sustain parks in the future. In partnership with NESTA and Big Lottery Fund, we are funding 11 projects with grants totalling £1million under the Re-thinking Parks initiative, which aims to stimulate innovation in the development of new models of park management and income generation.

The Centenary of the start of the First World War attracted significant public and media interest this year. Since April 2010, HLF has awarded £71million to 1,200 projects marking the Centenary, including £6.5million for the development of the Imperial War Museum’s new First World War galleries, which opened in July. Since the launch of the small grants programme, First World War: then and now, in May 2013, we have awarded £6.9million to 866 projects supporting communities to explore and commemorate the Centenary.

The Heritage Enterprise programme, which aims to bring neglected historic buildings into sustainable new use, continued to attract strong interest from across the UK in its second year, with new awards to the value of £32,884,800. And we have continued to support museums, libraries and archives to take a strategic approach to building their collections, with 23 awards to the value of £5.1million under a second round of the Collecting Cultures initiative.

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.

In 2014–2015 we launched the results of our research project *20 years in 12 places*, which reported on the general public’s views of heritage and HLF investment since the foundation of The National Lottery in 1994. It reveals that the UK’s heritage helps make us happier about where we live, and puts heritage firmly at the heart of shaping and improving quality of life across the UK, with over three-quarters of Lottery players agreeing that HLF-funded projects in their area offer good or excellent value for money.

We have continued our policy of open recruitment to our committees in all areas of England, and Scotland, Northern Ireland and Wales. These make decisions on grants between £100,000 and £2million, and in 2014–15 we appointed 10 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. All applicants requesting more than £100,000 have to demonstrate how they will encourage greater access and participation through the creation of a targeted, publicly facing activity plan.

Applicants for smaller grants are often voluntary sector organisations and use our investment to widen their reach in local communities. Our Sharing Heritage programme, launched in 2013, is particularly aimed at these organisations. In 2014–15 we funded 659 projects across the UK totalling £5,367,650 in awards under this programme.

Following a review of our development function, our outreach work has increasingly focused on geographical areas where we have seen fewer applications and less spend, and on target audiences such as young people and those from black and minority ethnic communities. This year HLF attended the first Lesbian Gay Bisexual Transgender National History Festival in Manchester, in order to increase awareness of our funding and encourage new applicants. We have a corporate priority to encourage more applications from organisations representing the interests of black, Asian and minority ethnic (BAME) communities. This year we invested in 150 projects led by the BAME community; since 1994 we have awarded more than £180million to over 3,450 projects. We have continued to invest in projects involving other groups included in

the Equality Act and this year have funded 50 projects representing the interests of disabled people and awarded 8 projects to lesbian and gay communities. Our internal Inclusion Practice Group and our Equality Steering Group, chaired by the Chief Executive, monitor and report on the extent to which we are reaching new people with our grant-making.

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.”

Children and young people connect with heritage as a result of the projects we fund. Whether by offering school visits, family trails, youth forums, apps or a variety of other activities, our grantees help young audiences to discover new interests. In 2014, a large number of our projects have enabled young people to take an active part in the First World War Centenary commemorations through carrying out research, creating exhibitions and taking part in performances to share local stories with the wider community.

At a strategic level we continue to work with Arts Council England, Historic England and the British Film Institute as key partners in the Cultural Education Partnership Group (CEPG), taking forward recommendations of the government’s review of Cultural Education in England. This year, the CEPG commissioned evaluation to measure the impact of three cultural education pilots – new collaborations working at a local level to deliver high-quality cultural learning. The evaluation captured critical success factors, which will help inform future developments in local partnership working.

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 1,300 heritage education posts and the creation of more than 800 spaces for learning, including indoor and outdoor classrooms, film theatres and natural play areas.

This year, young people aged 11–25 have continued to lead heritage projects through

our Young Roots programme. Since 2002, we have made over 1,600 Young Roots awards, and over the last 12 months have invested £3.45million in more than 100 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.

This year we developed our online community for Young Roots, providing opportunities for grantees and applicants to share ideas and project outcomes. We have been building new relationships with national youth organisations, 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.”

Several of our grant programmes are primarily aimed at community groups and this year we have funded hundreds of Sharing Heritage, Our Heritage, Young Roots and First World War: then and now projects, which have brought people together at a local level to explore or celebrate their heritage.

Early in 2015 our All Our Stories community programme completed. Over 400 projects, which ran from 2012–14, submitted a digital record of their projects by contributing photographs, videos and documents via the Historypin website, an easily accessible community history platform. We have used this as a development tool to help inspire other community organisations and to encourage them to apply. In particular, this year, we have been working with applicants to our Grants for Places of Worship programme, encouraging them to build community outcomes into their projects, resulting in more heritage-focused community outreach work such as exhibitions, school-led work and craft demonstrations.

Across the UK, the public realm has been improved as the result of our investment: parks, cemeteries and landscapes have been restored, high streets refreshed, and through

our ground-breaking Heritage Enterprise programme, more ‘at-risk’ buildings are being regenerated. Often these projects involve the local community in their delivery – as volunteers or apprentices, for example – and we know from our public survey work that local populations highly value the tangible difference made to their communities and their quality of life.

f) Volunteers

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

Volunteering is embedded in the outcomes framework that we use in assessing grant applications and has therefore continued to feature prominently in the projects we fund across all of our grant programmes.

Volunteering activity and our investment in volunteers has also contributed to other outcomes, for example through providing capacity for heritage to be better managed, by creating opportunities for people to develop skills, or 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 also value volunteer time as an in-kind contribution to project costs.

To promote good practice and ensure volunteers have the best possible experience, we set out clear advice through our guidance and application process, and provide case studies highlighting the achievements and benefits of projects where volunteers from diverse backgrounds make a lasting difference to their communities. With on-going interest in volunteering across the heritage sector, we have been able to promote high-quality work through contributing to a range of conferences, workshops and networks, including the Heritage Volunteering Group, formed this year. We have continued to share the results of our social impact research pointing to the benefits of heritage volunteering at these events.

g) Skills

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

We aim to develop the skills of volunteers, paid staff and new entrants to the heritage workforce to ensure our heritage is secured for the future. Our funding has supported heritage organisations to prioritise training and skills transfer at a time when budgets are constrained, and in doing so to help stimulate economic growth and attract new talent to the sector.

‘People will have developed skills’ is 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 (86%) deliver training for volunteers, with many also providing paid apprenticeships or work-based training opportunities focused on the specialist skills that heritage employers require but that are increasingly difficult to source from mainstream training providers. From the Pioneer Sailing Trust, delivering innovative boat building apprenticeships to young people in Essex, to the Royal Edinburgh Botanic Gardens where craft trainees were involved in a cottage restoration project, our grantees have delivered high-quality experiences across the UK.

Our skills-focused grant programmes have continued to deliver excellence during 2014–15. Training Bursary programme grantees, marking their 10th year of delivery, continued to provide accredited work-based training to new entrants and career changers. Since 2004, our investment in Training Bursaries has supplied the industry with 1,100 individuals trained on-the-job by highly skilled crafts people and environmental specialists. Over 75% have secured jobs in the heritage sector, many retained by the micro-businesses that hosted their training placement but would not have invested in the training without Lottery support. A sample of trainees reported positive views this year about the experiences they have had: 89% thought the quality of their training

placement was good or excellent. Whilst 95% found the training challenging, 99% would recommend it to a friend.

The Skills for the Future programme has been running since 2009 and over 80 projects remained in delivery this year. To date, over 1,200 long-term placements have been created through the programme in a wide range of heritage skills including the conservation of digital media and film archives, horticulture and volunteer management. Over 750 trainees have completed their training and report very high satisfaction rates with the training they have received. Skills for the Future project managers also report that at least three-quarters 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; trained more assessors to help build capacity in the heritage workforce; and, reportedly, learnt a huge amount from the trainees, including digital skills.

This year we launched our own digital project, a new online community to encourage our grantees to share practice with one another and the wider sector. We hope the excellent training practice developed in our targeted skills programmes will help encourage those grantees who are less confident or experienced, to be ambitious. For example, those applying for grants to restore places of worship or community green spaces, which can offer valuable training opportunities.

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 over half of our funding by value (50.2%) 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 2014–15 and more projects will be covered by the requirement during 2015–16 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 (42%) of all HLF funding has been committed in the 25% most deprived local-authority areas of the UK (based on the most recent indices of multiple deprivation for England, Wales, Scotland and Northern Ireland). This proportion is the same as it was last year.

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 61 (15% 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."

Through the Lottery Forum and National Lottery Promotions Unit, we continue to work with other Lottery distributors on joint initiatives and to ensure close coordination of activities. In 2014–15 this included a joint-distributor campaign in Doncaster, 'Dosh for Donnie', to inspire and support local groups to apply for Lottery funding in an area that has received less than others in the past.

In July 2014, we hosted the Heritage Exchange event, a major conference organised in partnership with the Royal Society of Arts, which attracted over 200 participants to debate ideas about heritage and share views about

its role in civil society and place, and how best to ensure its resilience in the future.

We also worked with Government, the 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 to provide expert support and research help to community groups applying to our programme for Centenary projects, First World War: then and now.

With the Arts Council England we delivered the third year of the Catalyst Endowments programme, also jointly funded by DCMS. We continue to work in partnership with the Big Lottery Fund to deliver our Parks for People programme in England and work collaboratively with English Heritage, 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 and we undertake post-completion visits to a sample of projects to ensure that Lottery acknowledgement remains in place.

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).

Corporate Performance

Service level targets

Performance for the year to 31 March 2015

Indicators of service level	Year to March 2015 (average)	Year to March 2014 (average)	Year to March 2013 (average)
1 Decisions will be placed on HLF's website within 10 working days of the meeting	100%	100%	100%
2 Grant payments will be made to the applicant within 10 working days from receipt of the payment request	7 days	6 days	7 days
3 An annual survey of grant applicants will show an 80% satisfaction rating with HLF's service for assessment, and 85% for monitoring	Assessment 80%	Assessment 80%	Assessment 80%
	Monitoring 89%	Monitoring 89%	Monitoring 86%
4 HLF applications will receive a decision within the following timescales (12 weeks plus time to next meeting unless otherwise stated):			
Heritage Grants			
• round 1	14 weeks	14 weeks	15 weeks
• round 2	15 weeks	15 weeks	15 weeks
• major batch round 2	14 weeks	13 weeks	Not applicable
Heritage Enterprise			
• round 1	13 weeks	12 weeks	Not applicable
Landscape Partnerships			
• round 2 – target 16 weeks plus time to next meeting	18 weeks	14 weeks	17 weeks
Grants for Places of Worship			
• round 1	14 weeks	14 weeks	20 weeks
• round 2 – target 16 weeks plus time to next meeting	9 weeks	8 weeks	8 weeks
Skills for the Future			
• round 2 – target 8 weeks plus time to next meeting	Not applicable	10 weeks	Not applicable
Townscape Heritage Initiative			
• round 1	15 weeks	15 weeks	14 weeks
Catalyst Umbrella			
• round 2 – target 8 weeks plus time to next meeting	Not applicable	10 weeks	Not applicable
First World War: then and now			
– target 8 weeks plus time to next meeting	8 weeks	8 weeks	Not applicable
Our Heritage			
– target 8 weeks plus time to next meeting	7 weeks	7 weeks	8 weeks
Sharing Heritage			
– target 8 weeks plus time to next meeting	8 weeks	7 weeks	Not applicable
Young Roots			
– target 8 weeks plus time to next meeting	7 weeks	7 weeks	8 weeks

Commentary on our indicators of service level

The corporate performance indicators show another year of good performance in all areas. Maintaining good customer service in a year when we continued to receive an exceedingly high level of applications – and we received a record number of applications for our exchequer-funded grants – reflects very well on our staff.

Indicator 1

We continued to meet our target of posting decisions on our website in 10 days.

Indicator 2

We made over 7,850 grant payments this year, which was 9% more than last year. The average time taken was in line with the long-term trend and was well below the target of 10 days. Fast payment by HLF is particularly helpful to grantees in the management of their own bill paying and ensures that their contractors can be paid quickly.

Indicator 3

Customer satisfaction with both our assessment and monitoring work, researched by independently conducted telephone surveys, remains very high. The satisfaction of applicants, both successful and unsuccessful, met the target despite the fact that the exceptional number of applications inevitably means that we have to reject many of them. Satisfaction with our service after we have made an award maintained the significant improvement begun last year.

Indicator 4

We have met published processing times for all our grant programmes, despite the significant rise in the number of applications over the past couple of years, because we recognise the importance of this to our applicants.

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 2015	Latest report
Aberdeen Art Gallery: Inspiring Art and Music	Scotland	Aberdeen City Council – Aberdeen Art Gallery and Museums	25,236,063	10,123,700 <i>September 2014</i>	Delivery 0	Project to restore and redevelop the art gallery and museum, and connect it with the War Memorial and Cowdray Hall. Permission to start has been awarded.
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 0	Redevelopment of the TV studios, East Court and Victorian theatre. Permission to start in progress.
Aspire (Constable 'Salisbury Cathedral from the Meadows')	London	Tate Britain	24,723,455	15,800,00 <i>April 2013</i>	Delivery 98	Grant awarded for acquisition and learning and engagement programme. The painting has been touring over the past year. A range of funded events and activities accompany the exhibitions.
Auckland Castle Trust	North East	Auckland Castle Trust	16,793,200	10,000,000 <i>April 2013</i>	Development 53 <i>Development grant £1,000,000</i>	The project aims to develop Auckland Castle as a heritage and tourist attraction and open up the castle and its grounds to the public. Second-round application submitted in February 2015 for decision at May 2015 Board.
Bath Abbey Footprint	South West	Bath Abbey Parochial Church Council	19,441,846	10,429,500 <i>April 2014</i>	Development 0 <i>Development grant £389,000</i>	The project aims to conserve the subsiding floor of the church, and transform the visitor experience. Good progress made with activity planning and interpretation and full professional team now appointed.
Remaking Beamish	North East	Beamish	16,699,062	10,750,000 <i>April 2014</i>	Development 8 <i>Development grant £603,800</i>	Project to improve the displays, review the infrastructure of museum site and develop a range of new exhibits focusing on life in the 1820s and 1950s. Second-round application expected January 2016.
A new museum for Blackpool	North West	Blackpool Council Heritage Service	21,030,800	13,676,800 <i>April 2014</i>	Development 9 <i>Development grant £1,240,200</i>	Project involves creation of a new museum in the Pavilion Theatre in the Winter Gardens complex. Delivery team is in place and development is underway. Second-round application expected in 2015.
Buxton Crescent & Spa	East Midlands	Derbyshire County Council and High Peak District Council	46,709,827	23,853,000 <i>July 2002</i>	Delivery 10.4	Grant increase of £11,320,000 was awarded in November 2014 to reflect increase in the conservation deficit due to buoyant industry inflation. The project is now fully funded, due to start on site summer 2015 once all pre-start conditions are in place.
The Canterbury Beaney: Combined Art Museum and Library	South East	Canterbury City Council	12,364,596	7,015,000 <i>December 2008</i>	Completed 100	Opened to the public in September 2012. The scheme created a new library, reinvigorated museum and gallery, as well as community areas and learning lab. The Beaney has won or been shortlisted for a number of national and regional awards. It celebrated its millionth visitor in December 2014. The project completed in March 2015.
The Canterbury Journey	South East	Canterbury Cathedral	19,357,400	11,904,600 <i>April 2014</i>	Development 4 <i>Development grant of £930,400</i>	The project will carry out urgent repairs including works to the Nave, Great West Towers, lead roofing, stained glass windows and masonry. A new visitor centre will be built. Second-round application expected March 2016.
Cardigan Castle – Unlocking Potential	Wales	Cadwgan BPT	11,583,420	6,258,300 <i>March 2011</i>	Delivery 78	Change of approved purposes and grant increase of £1,558,800 agreed in July 2014. Soft opening in March 2015. Preparing for full operational period from August 2015.
Chiswick House and Gardens Regeneration Project: Phase 1	London	English Heritage	11,887,500	8,100,000 <i>June 2006</i>	Delivery 99	This project sees the gardens restored, paths renewed, trees planted, and conservatory renovated. Scheduled to complete in September 2015.
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 landmark regeneration scheme to restore and redevelop the site. Permission to start not agreed while discussions ongoing on scope of project.
Restoring Dreamland Margate	South East	Dreamland Trust and Thanet District Council	11,102,520	5,800,000 <i>November 2011</i>	Delivery 5	Historic amusement park acquired to repair attractions as working exhibits with learning and interpretation. Compulsory Purchase Order completed but unforeseen delays resulted in cost increases and a grant increase of £2.8million awarded in March 2014 – due to open in part in June 2015.
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 93	The project will help to create one of the largest protected wetlands in the UK. Grant increase of £1,897,700 was awarded in March 2013. Remaining grant relates to activity and restoration elements. Completion scheduled for December 2016.
First World War Centenary Cultural Programme (14–18 NOW)	Cross-Territory	Imperial War Museum	37,420,500	10,000,000 <i>November 2013</i>	Delivery 18	Grant increase of £5million agreed in January 2015 to expand the programme of artistic commissions and increase the reach of the programme in terms of geography and range of audiences.
Hartlebury Castle	West Midlands	Hartlebury Castle Preservation Trust	7,239,665	5,388,800 <i>September 2014</i>	Delivery 39	Hartlebury Castle Preservation Trust, in partnership with Worcestershire County Museum, acquired the former Palace of the Bishops of Worcester in March 2015. The project will create public access to the building, together with its grounds and the renowned Hurd library.

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 2015	Latest report
Hastings Pier	South East	Hastings Pier Charity Ltd	14,248,352	11,550,000 <i>November 2012</i>	Delivery 51	Project to restore and reopen Hastings Pier. Storms delayed progress and the timetable for opening has shifted to 2016.
HMS Caroline, Belfast	Northern Ireland	National Museum of the Royal Navy	12,558,284	11,540,300 <i>September 2014</i>	Delivery 0	Development phase complete. Permission to start delayed as leases are agreed. Planned opening for First World War commemorations of the Battle of Jutland in May 2016.
Inspired by Knole	South East	The National Trust for Places of Historic Interest or Natural Beauty	24,181,947	7,750,000 <i>July 2013</i>	Delivery 8	Contractors are in place for the Conservation Studio and Café, and works well advanced. The east-face section, with volunteer hub, is complete and Gatehouse Tower nearing completion.
Kresen Kernow: A new home for the stories of Cornwall	South West	Cornwall Council	14,755,659	12,172,300 <i>April 2013</i>	Development 19 <i>Development grant £386,800</i>	Creation of a new flagship building on the old Brewery site in Redruth, to include official collections and community archives. Second-round application submitted for decision in July 2015.
Lincoln Castle Revealed	East Midlands	Lincolnshire County Council	19,982,405	12,000,000 <i>March 2012</i>	Delivery 42	The Castle successfully re-opened on 1 April 2015. Capital works are largely complete within budget and final payments pending. Activities will continue for the next two years.
Lion Salt Works	North West	Cheshire West and Chester Local Authority	6,962,250	5,290,000 <i>March 2008</i>	Delivery 53	Base build works have been completed. This included complex conservation and stabilisation work due to the fragile and dilapidated condition of the buildings. Due to open to the public end of May 2015 and final payments imminent.
Making Modern Communications (Information Age)	London	National Museum of Science and Industry, Science Museum London	14,300,000	6,000,000 <i>March 2012</i>	Delivery 90	The new gallery launched in October 2014, celebrating more than 200 years of innovation in information and communication technologies. The total visitor numbers as at 31 January was 232,340. Final payment request expected by Autumn 2015.
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	Grant was for the acquisition of the painting and a series of community outreach events. A number of sessions have been delivered. The project will complete in 2016.
Mary Rose Museum Project	South East	Mary Rose Trust	32,452,000	25,205,000 <i>June 2009</i>	Delivery 91	Project to display Henry VIII's ship within a new purpose-built museum and complete its preservation. In September 2011, the project was awarded a grant increase of £4,135,000 to cover a shortfall in fundraising. Museum reopened in 2013 with preservation ongoing.
Museum of Liverpool	North West	National Museums Liverpool	19,373,633	11,400,000 <i>July 2008</i>	Delivery 97	Project was to provide fit-out for new museum (not HLF funded) to create a new Museum of Liverpool. Museum opened July 2011. Final draw-down pending evaluation report.
National Army Museum, Building for the Future	London	National Army Museum	23,250,000	11,500,000 <i>April 2014</i>	Delivery 7	Plans to instate five state-of-the-art new gallery spaces telling the story of the British Army over 600 years. Project began on-site in December 2014.
Revisiting Nottingham Castle – 1000 Years of History	East Midlands	Nottingham City Council	24,750,158	12,988,500 <i>April 2014</i>	Development 0 <i>Development grant £559,500</i>	The project will conserve Nottingham Castle and enable the Museum & Art Gallery to become a centre for learning about protest and rebellion. Permission to start has been agreed, professional and management team procured and various consultation events held. A second-round application expected December 2015.
The Piece Hall – Halifax Heritage	Yorkshire and The Humber	Calderdale Council	10,770,888	7,000,000 <i>July 2012</i>	Delivery 8	Restoration of Piece Hall to provide cultural opportunities, learning and interpretation and a programme of activities. Contractor on-site with practical completion expected in March 2016. The Piece Hall is due to open in May 2016.
Plymouth History Centre: Plymouth's role in History and History's role in Plymouth	South West	Plymouth City Council	24,746,955	12,873,500 <i>April 2014</i>	Development 8 <i>Development grant £940,300</i>	Project to bring five collections together by refurbishing and developing the museum and library and the adjacent St Luke's Church. Project now making good progress with activity plan and exhibition design underway and professional team procured. Second-round application planned for April 2016.
Regeneration: First World War Centenary Programme	London	Imperial War Museum	25,200,000	6,500,000 <i>November 2013</i>	Completed 100	Refurbish the Imperial War Museum, London, and redisplay collections relating to the First World War. Grant increase of £2million was awarded in November 2013 as a result of survey work uncovering further complications and the need to complete the project in time for the anniversary of the start of the war. The project completed in March 2015. 1,045,600 visits were recorded between July 2014 and March 2015.
Renaissance of the Cotswold Canals	South West	Stroud District Council	19,013,111	12,716,300 <i>July 2014</i>	Delivery 92	This project is to restore 8.7km of the canal, with a towpath and a multi-user trail. In November 2013, some changes were agreed and a grant increase of £792,300 was awarded. All works expected to be complete by December 2015.
Royal Academy of Arts	London	Revealing, Celebrating and Exploring the Heritage of the Royal Academy of Arts	30,156,969	12,274,500 <i>September 2013</i>	Delivery 4	The project will enable Burlington Gardens to become a fully integrated Royal Academy (RA) space with galleries for contemporary exhibitions; a 300-seat arena; an education area; and space to show the RA permanent collection. The project is proceeding according to plans.

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 2015	Latest report
The Sill: Unspoilt Landscapes, Inspiring People	North East	Northumberland National Park Authority	13,593,300	7,748,000 <i>January 2015</i>	Delivery 0	A National Landscape Discovery Centre and youth hostel at Once Brewed will provide a gateway to Northumberland National Park, and deliver a programme of educational and participatory activities. Permission to start documentation being reviewed.
The Temperate House Project	London	Royal Botanic Gardens, Kew	32,330,148	14,690,600 <i>March 2013</i>	Delivery 11	The project will enable conservation of the largest Victorian glasshouse in the world, and will result in a public display and learning and engagement programmes. A grant increase of £960,000 was awarded in July 2014 due to high tender returns and inflation. The project is proceeding well, as planned.
Creu Hanes – Making History at St Fagan’s	Wales	National Museums of Wales	24,477,415	11,550,000 <i>July 2012</i>	Delivery 0	Construction work across site is well advanced. Tenders for fit-out will be let in July 2015. Programme is on-target and the main building is scheduled for completion late summer 2017. Community co-curation and other activities successful to date. Time limited partnership funding was allowed to be spent first as otherwise this would have been lost – the first HLF draw-down expected April 2015.
Silverstone Heritage Live	East Midlands	British Racing Drivers Club	19,121,014	9,110,500 <i>April 2013</i>	Development 0 <i>Development grant £446,000</i>	The project will feature the British Racing Drivers Club (BRDC) archive, a heritage trail and live interactive experiences within a Heritage Hub. Designs and plans are underway. A second-round application expected December 2015.
Stonehenge Environmental Improvements Project	South West	English Heritage	21,619,387	10,000,000 <i>November 2010</i>	Delivery 90	Grant to build a new visitor centre and bring together artefacts for display and interpretation at Stonehenge. Final payment imminent.
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	Purchase made in June 2014. Quarterly payments for the remaining grant are expected to be released towards the delivery of the ongoing activity programme.
V&A Dundee	Scotland	Dundee City Council City Development	84,358,156	14,100,000 <i>January 2014</i>	Delivery 0	Proposal to build new museum displaying Scotland’s heritage of applied arts. A grant increase of £4.5million was agreed in January 2015 due to high-tender returns. This was matched by the Scottish Government and Dundee City Council. Project on-site in March 2015.
Appeal to save the Wedgwood Collection	West Midlands	National Art Collections Fund	15,750,000	5,000,000 <i>November 2014</i>	Completed 100	The Art Fund received a grant for acquisition of the Wedgwood Collection. The grant made a total HLF award of £10.867million towards the purchase when the transfer of HLF’s debenture was taken into account.
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 90	Grant awarded to redisplay the gallery and build a new wing linking surrounding park. Gallery re-opened in February 2015 and had 18,000 visitors in the opening weekend.
Kings and Scribes – The Birth of a Nation	South East	Winchester Cathedral	13,973,581	10,477,300 <i>July 2013</i>	Delivery 27	Education Centre refurbished and re-opened September 2014. External works to new learning centre close to completion. Works to Cathedral Presbytery roof, vaults, windows and stonework expected to start April 2015.
Windermere Steamboat Museum	North West	Lakeland Arts Trust	15,180,131	11,824,300 <i>July 2013</i>	Delivery 7	Development phase complete. Project costs have increased due to higher tenders, inflation and additional VAT requirements. A grant increase request will be considered in May 2015.
The British Museum World Conservation and Exhibitions Centre	London	British Museum	37,784,645	10,000,000 <i>January 2012</i>	Delivery 92	The project was to enhance the British Museum’s facilities for conservation, scientific research, storage and loans. Capital works are now complete, and the Centre is open. The remaining project is the England-wide activity plan, which runs to 2018.
York Minster Revealed	Yorkshire and The Humber	Dean and Chapter of York	18,295,155	9,797,000 <i>September 2010</i>	Delivery 74	Stonework and glazing are currently progressing on-schedule. Works to the Undercroft, and Piazza are complete. Learning, participation and training activities continue to be delivered. Expected completion date March 2016.

Employment Monitoring

1. Under Articles 5(1), 5(2) and 5(3) of the Race Relations Act 1976 (Statutory Duties) Order 2001, the Fund has a duty to monitor, by reference to the racial groups to which they belong, and to report annually:

- a) the numbers of:
 - staff in post; and
 - applicants for employment, training and promotion, from each such group; and
- b) the numbers of staff from each such group who:
 - receive training;
 - benefit or suffer detriment as a result of the Fund's performance assessment procedures;
 - are involved in grievance procedures;
 - are the subject of disciplinary procedures; or
 - cease employment with the Fund.

2. Results of monitoring carried out in 2014-15

2.1 Permanent staff in post as at 10 April 2015

Ethnic origin	Total
African	5
Asian Bangladeshi	1
Asian Indian	4
Asian Pakistani	2
Black African and White	0
Caribbean	5
Oriental Chinese	1
Other Asian	1
Other Mixed Ethnic	1
Other	2
White	274
Grand total	296

2.2 Applications for employment in 2014-15

Monitoring information of job applicants, including internal applicants, who applied through our jobs website online for 49 successfully recruited jobs.

Ethnic origin	Returned applications	Shortlisted for interview	Successful at interview
African	57	4	0
Arab	5	1	0
Bangladeshi	38	4	0
British/English/ Northern Irish/ Scottish/Welsh	1,181	220	36
Caribbean	34	5	0
Chinese	9	1	0
Indian	72	10	2
Irish	30	3	1
Not stated	210	39	8
Other	20	3	0
Other Asian	16	2	0
Gypsy or Irish Traveller	2	0	0
Other Mixed	14	1	0
Other White	49	9	2
Pakistani	28	3	0
White and Asian	9	2	0
White and Black African	8	1	0
White and Black Caribbean	13	5	0
Grand total	1,796	313	49

2.3 Numbers of training days undertaken by staff

The Fund's database on internal training shows that we met our policy aim of ensuring that all staff from all racial groups had equal access to training and development opportunities throughout the year.

2.4 Performance assessment procedures

In 2014, there were 39 white employees whose performances were rated as outstanding and four employees from other racial groups whose performances were rated as outstanding. No employees suffered any detriment as a result of performance assessment procedures.

2.5 Applications for internal promotion

During the year 2014–15 five white employees were permanently promoted internally. Nine white employees and one from other racial groups were temporarily promoted internally.

2.6 Number of employees involved in grievance procedures during 2014–15

No formal grievances were raised by any employees during the reporting year.

2.7 Number of employees subject to disciplinary procedures during 2014–15

No employees were subject to formal disciplinary proceedings during the reporting year.

2.8 Number of employees leaving the Fund's permanent employment in 2014–15

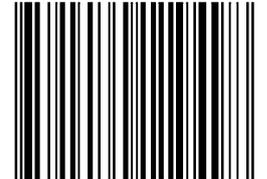
White employees	42
All other racial groups	4

3. Specific duties

The specific duties on employment that the Order places on public authorities, including the Fund, are designed to provide a framework for measuring progress in equality of opportunity in public-sector employment. They are also aimed at providing monitoring information to guide initiatives that could lead to a workforce that is more representative of the communities in which it is based and which it serves.

The Fund 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.

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