



The National Lottery Heritage Fund

National Heritage Memorial Fund National Lottery Distribution
Annual Report and Accounts for the year ended 31 March 2020

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Report of the Trustees and Accounting Officer

Performance report

Overview

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

Our performance in 2019–20: – a statement from the Chief Executive

2019–20 was a year of significant change and celebration for The National Lottery Heritage Fund.

We took stock of our corporate strategy during the year and honed this to reflect revised key priorities for the remaining two years of the strategy. We continue with our strategic role of inspiring, leading and resourcing the UK's heritage and will do this by:

- maximising the impact and value of heritage as a powerful and positive force on people's lives, places across the UK and our environment
- ensuring our investment, operations and partnerships drive action to tackle the climate and environmental emergency
- ensuring heritage involves a wider range of people and be a safe space to explore our past and create better understanding of the present and future
- heritage across the UK will be in a strong position to take advantage of opportunities and respond to challenges by being enterprising, forward looking and adaptable
- our people here in the Fund will be supported and empowered to deliver the changes we want to see

We also started the year in April with our new Strategic Funding Framework – an ambitious five year investment programme of £1.2billion to

support and enhance heritage across the length and breadth of the UK.

This included the first year of a significant devolution of investment budgets and decision making to the committees for Scotland, Wales and Northern Ireland alongside the committees for our three English areas.

The framework has priorities of supporting greater investment in natural heritage, community involvement in heritage and ensuring that heritage is inclusive for everyone regardless of their background. This has been accompanied by a simpler portfolio of three open programmes (available to all applicants) covering grants from £3,000 to £5million.

The framework and its priorities has been well-received and the support for the new, simpler portfolio also welcomed.

Alongside this new, simpler portfolio we have created a series of campaigns to promote specific areas of heritage across the five-year investment cycle. In 2019–20 we successfully launched our resilience campaign to help build organisational capacity, capability and sustainability. We also launched our digital campaign including a series of digital grants, on-line tools to support digital heritage and investment in digital skills and capabilities across the sector. This campaign helps engage a wide cross-section of heritage organisations and stakeholders as well as meet our commitments from our 2017 Tailored Review. We plan further campaigns in 2020–21 and beyond and will build on the success of these initial campaigns.

The financial year 2019–20 also saw the preliminary stages of our new Heritage Horizon Awards (grants over £5million) aimed at significant, transformational investments in heritage. We expect to make investments of around £50million in these awards in 2020–21.

The year also saw the first investments and income from our wider corporate strategy with £2million investment into the Arts and Culture Impact Fund, alongside Arts Council and private sector finance to create a social impact fund across the wider cultural, arts and heritage sectors.

We have also continued to pioneer new funding and investment models. Our Future Parks Accelerator work alongside the National Trust and other partner bodies demonstrates the appetite and need for this innovative approach.

In November 2019, we celebrated the 25th anniversary of The National Lottery. Alongside the other National Lottery distributors, our sponsor department, the Department for Digital, Culture, Media and Sport (DCMS), and Camelot, we held a series of events across the UK celebrating the successful investment in heritage over that quarter of a century and how that investment has transformed the nation's heritage and provided thousands of jobs, millions of visitors and countless community engagement events over that time. A successful multi-media marketing campaign also celebrated the 25th birthday, which was the culmination of an extensive National Lottery family-wide public relations' exercise. The campaign achieved more than 3,000 pieces of media coverage including BBC television and radio, ITV programmes, and extensive print coverage.

Social media statistics were impressive too, with #NationalLottery25 achieving more than 160 million impressions and trending four times on Twitter. The celebrations also included the biggest ever #ThanksToYou campaign, with 650 offers of free entry or other treats for National Lottery ticket holders at National Lottery funded attractions.

During the year, we continued to develop and improve our website, guidance and online material as well as targeted customer feedback and insight.

The year also saw significant change internally within the Fund too.

We consolidated the organisational design that was created in 2018–19. This went live in April 2019 and provides the design the Fund needs to meet our strategy and objectives in the coming years. Alongside the design work, we have been developing a new culture based around our revised values of Inclusive, Ambitious, Collaborative and Trusted.

We are now translating these values into a behavioural framework for 2020–21 that will help shape our recruitment, performance

management and internal engagement throughout the Fund.

This culture work has also been accompanied by moves to modern offices, with open plan, activity-based workspace supported by new technology, IT platforms and mobile technology. This has allowed for a much more flexible approach to working patterns and styles that suit both our business/customer needs and staff preferences.

Our feasibility and development work on our new investment system continued throughout 2019–20. Importantly, this has been driven by the needs and expectations of our customers and has been extensively tested against those criteria. We have started testing prototype systems with a view to the new system going live in 2020–21.

Let me also take this opportunity to thank all our staff who work on National Lottery grants. They work with great integrity and professionalism, are truly committed to the work of The National Lottery Heritage Fund and provide an exceptional and valued service to the nation's communities and heritage. From December 2019 to 30 April 2020 I have been absent from the Fund as a result of serious illness. It is a tribute to hard work of the Executive Team and the professionalism of its staff that the organisation operated during my absence without any diminution in its support to the sector. I am very grateful to the Board, Committees and staff for their support during this time.

Finally, I should like to pay tribute to Sir Peter Luff who retired as our Chair in December 2019. We will miss his enthusiasm for heritage, inspiring leadership and gentle good humour. We are very grateful to René Olivieri who has stepped in more than capably as interim Chair pending a permanent appointment.

Our purpose and activities

The National Heritage Memorial Fund (NHMF) is vested in, and administered by, a body corporate known as the Trustees of the National Heritage Memorial Fund. This consists of a Chair and not more than 14 other members appointed by the Prime Minister. NHMF was set up on 1 April 1980 by the National Heritage Act 1980 (the 1980 Act) in succession to the National Land Fund as a

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memorial to those who have given their lives for the United Kingdom (UK). It receives an annual grant-in-aid from the government to allow it to make grants. The powers of the trustees and their responsibilities were extended by the provisions of the National Lottery etc. Act 1993 (the 1993 Act), the National Heritage Act 1997 (the 1997 Act) and the National Lottery Act 1998 (the 1998 Act).

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

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

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

Section 23(3) establishes the Trustees of NHMF as distributors of that portion. The percentage allocation was reduced to 16⅔% in October 1997 following the government's creation of the New Opportunities Fund. It reverted to 20% from 1 April 2012, having been 18% for the whole of 2011–12.

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

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

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

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

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

Using money raised by National Lottery players, The National Lottery Heritage Fund will inspire, lead and resource sustainable, thriving UK heritage. Positive and lasting change will be created for people and their communities, now and in the future. We already have a very strong track record of grant-making for heritage, with over 25 years of experience of distributing National Lottery funds and expert teams located across the UK. Through our ambitious funding programmes and partnerships we will:

- continue to invest our resources to protect more heritage assets and create better heritage experiences across the UK
- demonstrate and champion the economic, social and community impact of heritage

- bring together organisations working across heritage to share knowledge and resources
- encourage and lead greater innovation and new income-generating opportunities for heritage

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

Our key issues and risks

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

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

A register is created of the highest level risks, which is reviewed on a regular basis. Details are set out in the governance statement on page 20.

Our principal risk last year was the COVID-19 crisis, although this materialised late within the year the impact was significant and of course the ramifications have continued into the new financial year.

Our initial risk response was to close all of our offices, ask all our staff to work from home in a new virtual environment and invoke our Business Continuity Plan. We were able to successfully implement all of these measures within 48 hours of the UK Government's requirements and we have since then, and throughout the crisis, been able to continue to deliver all of our services to all of our customers with no disruption.

Within the first three weeks of the crisis we commissioned a survey across the sector to identify key issues, financial and operating risks to help inform our immediate response. Within that time we were also able to assemble an immediate £50million emergency funding package for grants up to £50,000 initially and now extended to £250,000 to help grantees with immediate cash injections to help deal with the crisis. Our local business delivery teams mobilised rapidly to

support existing grantees re-align funding and grants as needs be and also supported applicants who were part-way through the application process. Our policy and strategy teams were also able to garner insight and data across the different elements of the sector and across the UK to refine our response and targeted effort.

The emergency response programme is flexible enough to be able to adapt to future needs and requirements across the sector and we keep those under constant review. If further funding does become available, we will be able to offer greater support to the sector through the different phases of the crisis.

Our National Lottery income has stayed pretty strong and stable, after an initial drop, and we continue to work with DCMS, other National Lottery distributors, the Gambling Commission and the National Lottery operator to maintain that position. We will continue to manage this risk with effective analysis and assessment of income, cash payments out and ongoing commitments under investment.

We also continue to offer support to all our staff to ensure their health and well-being is protected in these challenging times; that will then also allow us to continue to deliver our business services.

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

We have also considered the potential risk from proposed de-regulation of society lotteries and the impacts that may have on the returns to good causes from The National Lottery.

We continue to monitor the potential impacts on the sector of the UK's departure from the European Union. This will include preparations for the proposed ending of the transition period in

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December 2020. We have relatively little exposure in terms of staffing, supply chains, data etc. although we continue to monitor and watch these risks.

We have refreshed our corporate strategy and will be revisiting this in the light of the COVID-19 crisis to ensure that this remains fit for purpose as we emerge from the crisis.

As we reinforce our leadership role, corporate strategy and positioning across the sector it is vital that we maximise the leverage of the data we hold and the insight that we gain from that. This will be through sharing that data (on 365Giving platform, for example), more targeted research and applied data and insight in our leadership and advocacy roles.

We will respond to the risk arising from the climate emergency in three ways. First, in terms of redrafting our policies and approach to investment as well as taking on a policy leadership role. Second, in terms of our actual investment and partnerships, to make sure that sustainability and effective environmental management are central parts of those. Finally, in ensuring that our carbon footprint, practices and internal management reflect a better management of this risk.

In 2020–21 we expect to introduce our new investment management system and begin the de-commissioning of our existing grant management system. We will actively risk manage the development of the new system through extensive testing with customers and internal users, manage suppliers and developers accordingly and maintaining effective control of the data integrity, security and protection.

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

Our corporate strategy 2018–2021

The corporate strategy set out our vision for the role of The National Lottery Heritage Fund over the three years from 2018 until 2021. The strategy took further steps towards a stronger leadership position, building on our role as the largest dedicated source of funding for heritage

across the UK. There was a particular focus on opportunities beyond pure grant giving.

We have made strong progress in delivering the corporate strategy in 2019–20. We launched two social investment funds: the Heritage Impact Fund, co-ordinated by the Architectural Heritage Fund in partnership with ourselves, Historic England, CADW and Historic Environment Scotland; and the Arts and Culture Impact Fund in partnership with NESTA, Arts Council England, Esmée Fairbairn, Big Society Capital and Bank of America Merrill Lynch. We secured additional funding for our Kick the Dust programme from DCMS's Youth Accelerator Fund – reflected in the NHMF accounts. The Future Parks Accelerator, a joint venture with the National Trust, is supporting nine locations in England and Scotland to transform the publicly accessible greenspace in their town or city and develop new financial models that will enable parks to be financially sustainable for the next generation. In addition, we are reviewing our legal powers to ensure that we can deliver the ambitions that we set out in the strategy.

In 2019–20 we have refreshed our corporate strategy to align with our Strategic Funding Framework 2019–24; to respond to the changing context in which the Fund operates, particularly the increased urgency of the climate and ecological emergency; and to recognise the internal changes that have been implemented through our business transformation programme. The refreshed strategy was substantially developed before the COVID-19 crisis. We have made some additions to position the strategy in the context of this new and significant global crisis. We acknowledge that some of these priorities will change as a result of COVID-19.

Our revised vision for the Fund is 'we will be recognised for our expertise and leadership across UK heritage. Through our ambitious funding programmes and partnerships, we will inspire, lead and resource sustainable, thriving UK heritage. Positive and lasting change will be created for people and their communities, now and in the future'. The outcomes in the refreshed corporate strategy align more closely with the outcomes and objectives in our Strategic Funding Framework.

Our Strategic Funding Framework 2019–2024

This year marked the first year of operation for our Strategic Funding Framework for all of our investments from 2019 to 2024. The Strategic Funding Framework sets out the vision and principles that will guide our funding for the lifetime of the framework. Our grant programmes have been streamlined into one open programme with three levels of funding. More of our grant making decisions are devolved to Scotland, Wales, Northern Ireland and our three England areas. There is an increased focus on nature and landscapes, community heritage and heritage at risk, as well as inclusion, well-being, organisational resilience, digital skills and place.

The framework has six objectives to support better evaluation of the impact of National Lottery investment. We will:

- continue to bring heritage into better condition
- inspire people to value heritage more
- ensure that heritage is inclusive
- support the organisations we fund to be more robust, enterprising and forward looking
- demonstrate how heritage helps people and places to thrive
- grow the contribution that heritage makes to the UK economy

The emergence of the COVID-19 crisis towards the end of the financial year resulted in our decision to close our open programmes for at least six months while we focus on support for the UK's heritage through the crisis. Our response to the emergency is evolving to ensure that we meet the needs of the sector whilst remaining committed to our overarching outcomes.

Going concern

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

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

Performance summary

The details set out in this section and the key performance indicator on page 14 demonstrate that we have met or bettered the substantial majority of our performance measures in 2019–20. Details of our performance against our service level targets is set out on page 8.

Performance analysis

NHMF operates two funds: its original grant-in-aid fund (NHMF) and its National Lottery distribution activities (The National Lottery Heritage Fund). It is required, by the accounts' direction of the Secretary of State for DCMS, to account for these activities separately and so no consolidated accounts are prepared. This review discusses solely the activities of NHMF's National Lottery distribution work.

NHMF receives National Lottery applications from thousands of organisations across all communities of the UK and awards grants on the basis of its aims. Since The National Lottery started in 1994 we have received over 55,000 applications requesting £23.2billion. During that

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Service level target performance for the year to 31 March 2020

	Year to end March 2020	Year to end March 2019
1 Decisions will be placed on the website of The National Lottery Heritage Fund within 20 working days of the board meeting.	32% See note 1	100%
2 Grant payments will be made to the applicant on average, within nine working days from receipt of the payment request	63% (average 6 days)	87% (average 6 days)
3 Application process timescales: Heritage Grants round 1: 12 weeks + time to next meeting	Not applicable	89% (average 14.0 weeks)
Heritage Grants round 2: 12 weeks + time to next meeting	97% (average 15.1 weeks)	88% (average 15.1 weeks)
Heritage Grants major batch round 2: 12 weeks + time to next meeting	67% (average 17.2 weeks)	100% (average 14.4 weeks)
Heritage Enterprise round 1: 12 weeks + time to next meeting	100% (average 14.8 weeks)	76% (average 13.6 weeks)
Heritage Enterprise round 2: 12 weeks + time to next meeting	100% (average 14.6 weeks)	73% (average 20.3 weeks)
Landscape Partnerships round 2: 16 weeks + time to next meeting	100% (average 15.5 weeks)	100% (average 15.4 weeks)
Grants for Places of Worship round 2: 12 weeks + time to next meeting	93% (average 13.5 weeks)	99% (average 9.9 weeks)
Townscape Heritage round 2: 12 weeks + time to next meeting	100% (average 14.6 weeks)	80% (average 17.3 weeks)
Grants for Heritage – grants £3,000 to £10,000	100% (average 6.5 weeks)	Not applicable
Grants for Heritage – grants £10,000 to £100,000	100% (average 6.4 weeks)	Not applicable
Grants for Heritage – grants £100,000 to £250,000	100% (average 14.4 weeks)	Not applicable
Grants for Heritage – grants £250,000 to £2million	100% (average 13.9 weeks)	Not applicable
Grants for Heritage – grants £2million to £5million	75% (average 7.9 weeks)	Not applicable
First World War: Then and Now: 8 weeks + time to next meeting	Not applicable	97% (average 7.3 weeks)
Our Heritage: 8 weeks + time to next meeting	Not applicable	96% (average 7.3 weeks)
Sharing Heritage: 8 weeks + time to next meeting	Not applicable	95% (average 7.3 weeks)
Young Roots: 8 weeks + time to next meeting	Not applicable	97% (average 7.0 weeks)
4 We will undertake a survey of successful and unsuccessful applicants and aim to maintain customer satisfaction with our assessment processes at no less than 80%.	See note 2	80.3%
5 We will undertake a similar survey of those to whom we have awarded grants and aim to maintain customer satisfaction with our monitoring and post-award processes at no less than 85%.	See note 2	90.4%
6 The proportion of applicants that find The National Lottery Heritage Fund website easy to use will be at least 87%.	See note 2	79%
7 We will actively promote a wide selection of our awards via the media, to generate awareness amongst potential applicants and National Lottery players.	Met (See note 3)	Met

Note 1: This figure is much lower than in previous years and is something that the Fund is working to improve over the next year. Over the last financial year, the Fund has seen significant change through the organisation redesign meaning the process, and people responsible, for publishing decisions has changed. We believe this is why our performance has dropped so significantly. Although we have not been able to consistently meet the 20 working day KPI, the Fund has put in place measures to ensure that all decisions have been published over the last financial year. As of now, all grant decisions made over the last year are published and are accessible through our website.

Note 2: The Fund no longer commissions this research; principally we felt we weren't getting full value for money from the work. It wasn't being used across the organisation to drive change and wasn't a priority during our period of business transformation. We have been looking at options for running something similar in 2020–21, which would see it more tightly integrated with the ongoing grant making process, including some elements of delivery coming in house.

Note 3: We actively promoted a wide selection of our awards – and the impact generated by the money we distributed – via the media and our own digital channels, to raise awareness amongst potential applicants and National Lottery players. During 2019–20 our media coverage reached around 34 million people in a typical quarter – 10 million higher per quarter than 2018–19; our website attracted 95,000 users in a typical quarter, with more than 27,000 of those reading our news and stories content; our corporate Twitter channel reached 8,387,291 impressions over the year and 125,696 engagements. Across all our social media channels we had a combined new follower growth of 18,869 across the year – an average of 4,717 per quarter – and our newsletter achieved an above-industry-standard unique open rate of 28% per month.

time we have made over 38,500 awards with a value just over £8 billion resulting in over 135,000 grant payments to a value of just under £6.8 billion.

During 2019–20, we had just over 2,000 grant applications. This number was 44% down on 2018–19 and is the lowest number for many years. Similarly, the value of those applications was down around 50% of the previous year, at just under £350 million. There are a number of reasons for this: (1) the introduction of a new funding framework at the beginning of the year always has a moderating impact on the number of applications. Inevitably, organisations in need of funding get used to our old award programmes and there is a surge of applications before the old framework ends followed by a lull when the new framework is in place. (2) Our grant budget remains low when compared with the recent past. This perceived lower chance of getting an award dampens demand. (3) Whilst the coronavirus pandemic only appeared right at the end of the financial year, it will have had some impact on the level of applications in February and March 2020.

2015–16 was a record year for National Lottery ticket sales, where our income reached £388 million. In three subsequent years, income was steady at around £325 million. During this period, independent economists commissioned by the Gambling Commission made pessimistic forecasts about the likely level of income in the medium-term. Our policy up to this point had been to maximise grant award budgets, but in the light of this research we felt obliged to cut back budgets in order to protect our existing portfolio of live projects whereby our cash reserves were less than one third of our outstanding grant liabilities. Consequently, it was a pleasant surprise to

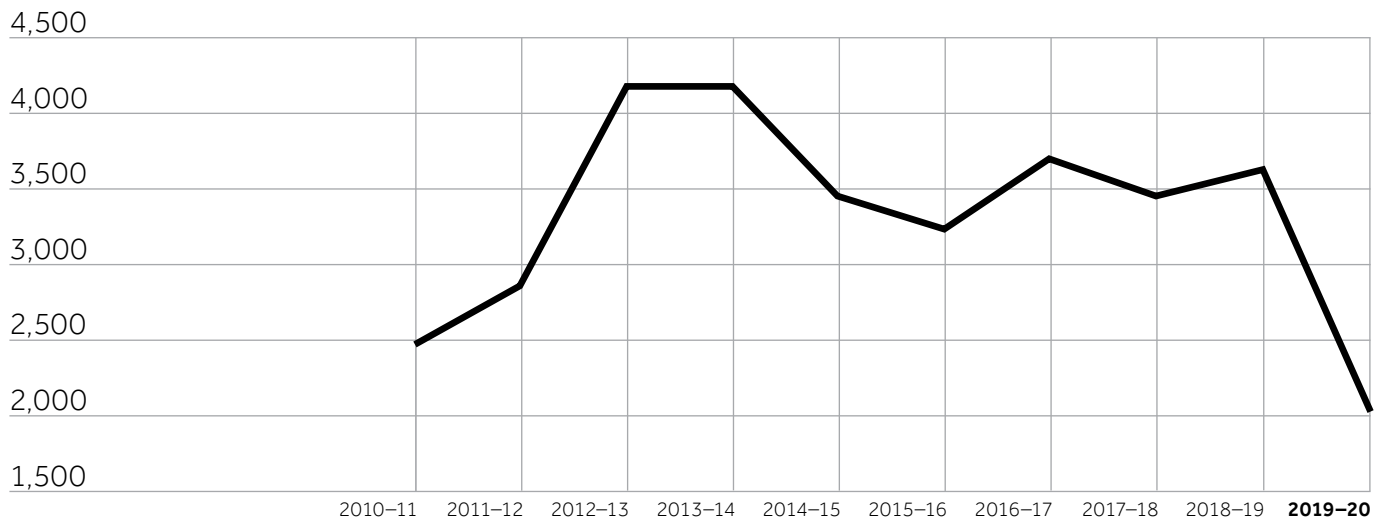
receive income of £357 million from The National Lottery in 2019–20.

Despite this unexpectedly high level of income, we must factor in that grant payments and administration payments in the year exceeded this sum. The end result is that our overall cash balances (cash at bank plus cash at The National Lottery Distribution Fund – NLDF) fell further to £312 million and are well below one year's forecast grant payments. We remain cautious in our outlook as we do not know what level of demand there will be for grant payments in the short to medium term. We still have £850 million of grant liabilities and more than £200 million of round one passes (a round one pass is an indication that we are likely to fund a project when a fully-worked up application is received).

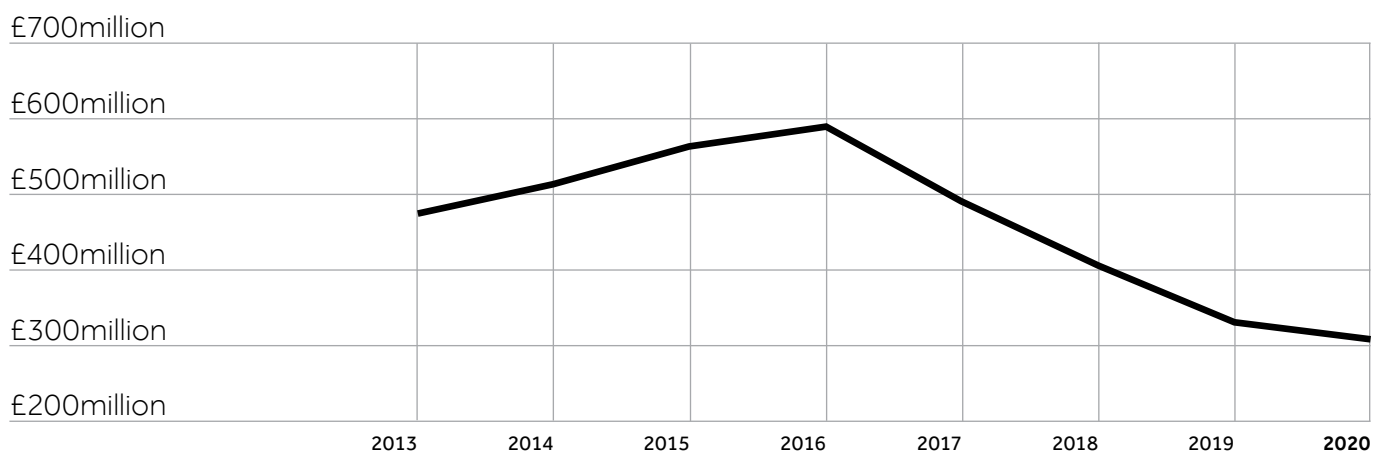
We will continue to monitor income and grant payment patterns to ensure that we can support our liabilities in the medium to long-term as we seek to bring reserves, income and outgoings into line. The chart below detailing our balance at the NLDF shows the extent of the decline in funds available, which coupled with the independent advice that income could fall markedly led trustees to review their approach to making round two awards. Whilst it has always been clear that receipt of a round one pass does not guarantee a round two award, all projects are now subject to a strict quality review at round two and only the stronger projects are approved. Cash flow projections show that our revised policy should result in our cash balances returning to a more healthy level in the medium term. We are also closely monitoring the impact of the coronavirus crisis on income, payments and cash balances.

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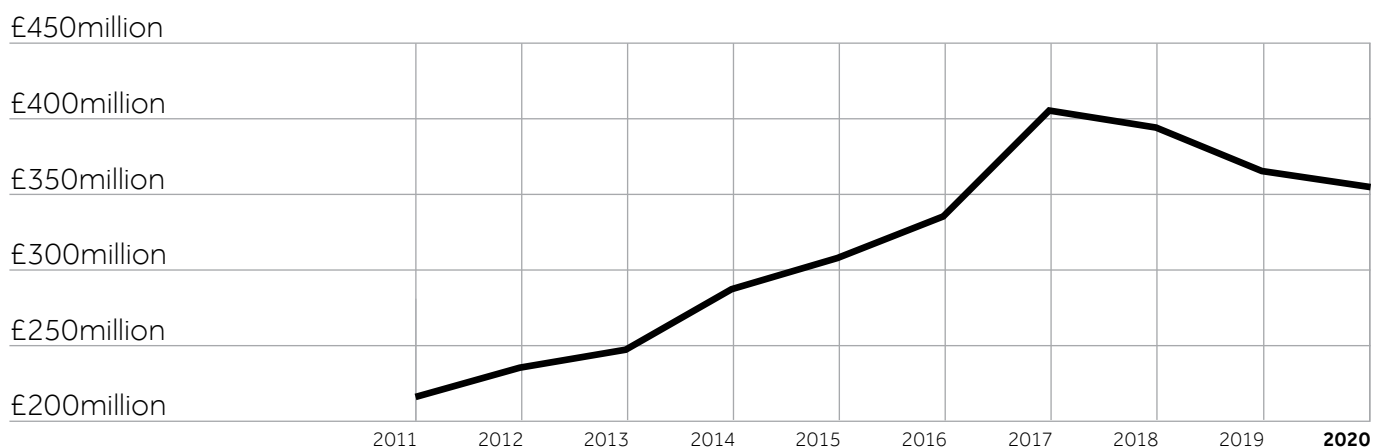
Number of Lottery applications by year



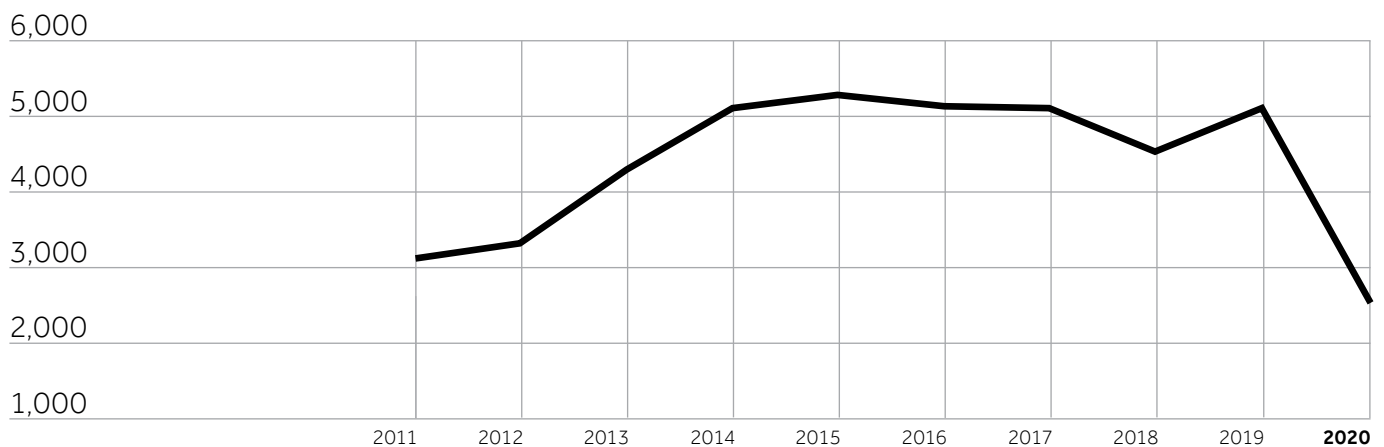
Our balance of funds at the National Lottery Distribution Fund by year



Value of grant payments by year



Projects under monitoring by year (number)



Investment income earned by the NLDF remained constant at around £1.7million. The return on investments at the NLDF was 0.72% whereas it had been 0.67% in 2018–19. The fall in the Bank of England base rate towards the end of the year came too late to have a great impact on the numbers, but we expect 2020–21 to show much reduced investment income.

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

The level of new grant liabilities created fell significantly from £322million to £252million. The fall was expected as our grant award budgets are falling for the reasons given above; however, this is not the sole factor in the level of new liabilities. We had at 31 March 2019 a balance of £286million of contingent liabilities (known historically as round one passes) and whilst they are expected to return within a couple of years of initial decision for their round two decision, we have no control over when this happens. Therefore, we can as we did in 2019–20 have a grant award budget of £225million, but in fact award £252million because the budget controls the level of new projects that we expect to support through round one passes. In 2020–21, our grant budget was initially set at £265million, but this will be revised in the light of the coronavirus pandemic. We have announced an emergency fund of £50million in the short term and then we

will create grant programmes that consider the needs of the heritage sector in the medium term. When we reach this position, an updated budget will be set, but how much is set aside for new projects, how much is utilised for supporting projects in delivery and how much for supporting important heritage organisations is not currently known.

The backlog of £219million of contingent liabilities means that a higher sum than the grant award budget will probably appear in the accounts for 2020–21.

The balance of grant liabilities fell substantially from £936million to £843million. Simply put, this was because the value of net new awards was far less than the value of grant payments. The value of provisions for us not paying out all these liabilities fell significantly as well, making the overall fall in reported liabilities smaller than it actually was. We create provisions which lower the value of outstanding grant liabilities in two circumstances: (1) where we know the grantee will no longer seek some or all of their grant; and (2) where there has been a long period of silence from the grantee that may indicate that the project has come to an end. This is obviously not an exact science, but it is an attempt to ensure that the reported grant liability is closer to the likely amount that we will end up paying.

The level of contingent liabilities (round one passes) given to applicants where we await the second round decision, fell significantly from £286million to £219million. This was not surprising given that we only awarded £125million of new

Report of the Trustees and Accounting Officer

round one passes in the year whilst converting £173million into full awards. A further £20million of contingent liabilities were shed as projects were rejected at the round two decision stage.

Taking into account all the actual and contingent liabilities, at the end of the financial year we had committed over £0.76billion, before provisions, (at 31 March 2019: £0.9billion) more than we had in the NLDF. This level of liabilities and contingent liabilities means we have commitments to the equivalent of 3.0 years' income (at 31 March 2019: 3.8years). The balance of contractual liabilities significantly exceeded our net assets and there was a net deficit on the statement of financial position of £527million at 31 March 2020.

Trustees recognise that monitoring long-term cash flows is of great importance as the projects to which we give grants usually take many years to complete. There is no guarantee to our funding from DCMS and no assurance as to the amount of funds The National Lottery will generate for us. Therefore trustees have devised guidance ratios concerning the level of outstanding commitments, cash and expected income. The sudden unforeseeable dip in income in 2016–17 brought these ratios to the forefront of our planning; the income dip stabilised in subsequent years and partially reversed in 2019–20. The ratios are kept under regular review to ensure that they remain relevant to our way of working and the external environment. See ratios' table below. Most ratios are in a position where we feel comfortable; however, our cash balances remain far below the level where we want them and consequently we will continue with our policy of setting award budgets below the anticipated level of income.

Overall, our operating costs rose by 15% during the year as a result of substantial investment in delivering the corporate strategy. The rise was expected and had been incorporated into our operating budget for 2019–20. As a result of our corporate strategy, which was issued at the start of 2018–19, we knew that we needed to undertake a fundamental restructuring of the organisation in order to deliver on the promises set out in the strategy (known as 'business transformation'). It was inevitable that the restructuring, along with associated changes to our estates and information technology, would result in a short-term increase in our costs. Our ability to continue to deliver a service during the coronavirus pandemic demonstrates the success of our information technology upgrade as it allows us to operate effectively from our homes.

Staff costs rose 12% even though average staff numbers fell 11%. This apparent contradiction can be explained in two ways: (1) whilst the organisation was being transformed, a changeover in staff was oiled through the use of temporary staff; the numbers of which are not included in the average staff numbers. Temporary staff tend to be more expensive than permanent staff reflecting the short-term nature of their appointment and the mark-up applied by their recruitment agencies. (2) transforming from a somewhat reactive organisation simply distributing National Lottery money into one inspiring, leading and resourcing the heritage sector inevitably requires a shift towards higher calibre staff attracting higher salaries. Elsewhere in this report, it is noted that the median staff salary has increased from £29,043 to £36,000 in the year – a rise of 24%.

Ratio	Target range	at 31 March 2020	at 31 March 2019	at 31 March 2018
Total commitments to income	A maximum in the range 4.4:1 to 4.6:1	3.0:1	3.8:1	4.6:1
Net commitments to income (i.e. total commitments less cash)	A maximum in the range 3.0:1 to 3.2:1	2.1:1	2.8:1	3.3:1
Hard commitments to cash	A maximum in the range 2.3:1 to 2.5:1	2.7:1	2.8:1	2.5:1
Cash at the National Lottery Distribution Fund	In the range £400million to £500million	£309million	£338million	£407million

Other operating charges rose by 12% for the reasons given above. Despite spending £27.5million on our administration costs for distributing National Lottery money, we believe that the organisation remains a highly efficient distributor of funds from The National Lottery.

Evidence for this is shown in the chart titled 'Actual operating costs vs inflated 2003–04 costs per year' and by our meeting the efficiency target set by DCMS. We believe we are now in a better position to inspire the heritage sector in a post-coronavirus world.

The number of projects under monitoring (uncompleted projects that have received awards) had risen significantly in recent years. However, the number has dipped significantly in 2019–20 following the ending of the Repair Grants for Places of Worship programme in England (known as 'RPOW England'). The programme had been run on our behalf by Historic England and they confirmed towards the end of the year that no further grants would be claimed by the many thousands of places of worship that we supported through the programme. The ending resulted in over two thousand projects being removed from our total of projects under monitoring. We do not know what the impact of the coronavirus pandemic will be on the number in 2020–21. We have stopped making new standard awards in the first

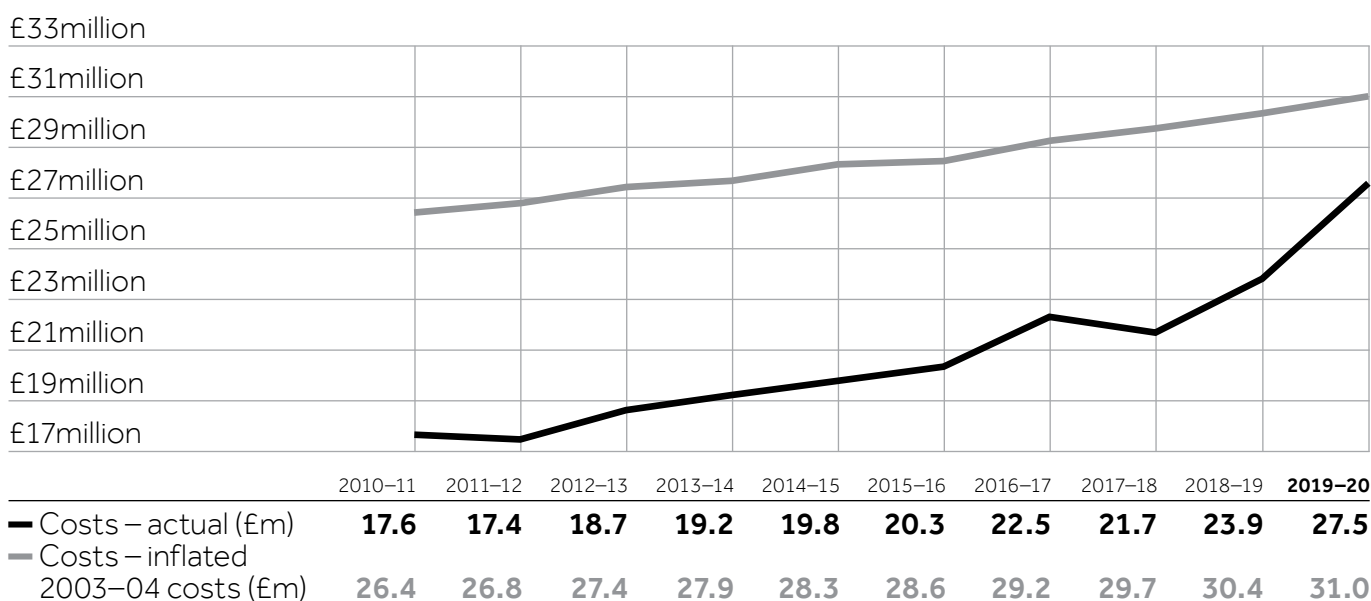
few months of the new financial year – these are being replaced by some short-term emergency awards – but we don't know how many of the existing projects we are currently funding will slow down or be put in mothballs.

Ensuring that projects progress successfully is a major task requiring significant resource in terms of staff and the appointment of mentors and monitors to oversee the work carried out and report back to us on any issues. This helps to explain the levels of our administration costs in recent years.

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

- From The National Lottery Community Fund towards the cost of running the Parks for People programme, to which it contributes some grant funding. Its contribution rose slightly from £220,000 to £234,000. The original Parks for People programme has now ended as the last funded project has come to an end. The second programme is no longer accepting new applications, but there are still sixty-five live projects in the second programme.
- From the Committee on Climate Change towards the cost of its occupation of part of the first floor at our former London office. The Committee on Climate Change was accommodated from

Actual operating costs vs inflated 2003–04 costs by year



Report of the Trustees and Accounting Officer

May 2011 to September 2020 and its contribution was in terms of rent and service charges. During 2019–20 it was charged £57,000 (2018–19: £111,000).

- The DCMS asked us to distribute funds for its Youth Accelerator Fund. As they are not funds derived from The National Lottery, the activity is recorded in the main National Heritage Memorial Fund accounts. £55,000 of administrative costs have been transferred to the accounts of NHMF to reflect the cost of administration.

In 2019–20, our operating costs as a proportion of our income were as follows:

	Target	Actual 2019–20	Actual 2018–19	Actual 2017–18	Actual 2016–17	Actual 2015–16	Actual 2014–15
Operating expenditure as a proportion of total income	8%	7.7%	6.9%	6.6%	6.9%	5.2%	5.1%

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 our targets continue to be met despite the short-term disruption of the business transformation programme. We recognise that many of these targets have remain unchanged for a number of years and we are investigating if other indicators would be more appropriate for disclosure in future years. Further information on our service level targets is available on page 8.

Key performance indicators

NHMF has a reputation as an efficient distributor of Lottery funds. The black line on the chart above sets out our operating costs in each of the past few years. The grey line shows the value of operating costs in the year we created our pre-business transformation programme operating structure (2003–04) in terms of our operating from ten offices around the UK – the sum is increased in line with HM Treasury’s gross domestic product (GDP) deflator, an estimate of the general level of inflation in the UK economy. In 2019–20, we underwent a substantial re-organisation under the auspices of our corporate strategy, but we retained our current office structure. We have an estates’ strategy that could result in a change to the number and size of offices that we occupy and the coronavirus pandemic will also force a

rethink to the strategy. Our costs have risen by 15% for reasons given above. Despite this, trustees note that at £27.5million, the operating costs for 2019–20 are £3.4million (or 11%) lower than inflation since 2003–04 would have suggested, representing a significant real-terms reduction in operating costs and releasing extra funds for grants. If the Retail Price Index was used, rather than the GDP deflator, costs would have been £8million (or 29%) higher than they actually were (or using the Consumer Price Index our costs would have been £4.3million higher).

Trustees are pleased to note that the DCMS target continues to be met. The method of calculating the DCMS target is to include average income over three years (2018–19, 2019–20 and the forecast for 2020–21) and exclude VAT from administrative costs as well as exceptional items. In 2019–20, we excluded some exceptional, one-off, non-recurring costs – we designated these items our ‘business transformation’ costs.

Payables

NHMF adheres to the government-wide standard on bill-paying and the Public Contracts Regulations 2015, which states that all valid bills should be settled within 30 days. In 2019–20 the average age of invoices paid was nine working days (2018–19: six working days). Over 91% of invoices were paid within 30 calendar days (2018–19: 96%).

Sustainability reporting

Area	2019–20	2018–19	2017–18	2016–17	2015–16	2014–15
Greenhouse-gas emissions – scopes 1, 2 & 3 which incorporates business travel including international air and rail (tonnes CO ₂ equivalent)	383	365	410	417	635	591
Estate energy – consumption (mkWh)	1.1	1.1	0.9	0.7	1.1	1.1
– expenditure (£)	588,794	476,020	437,986	486,315	488,361	429,425
Estate waste – amount (tonnes)	150	23	26	23	28	26
– expenditure (£)	47,739	24,421	25,908	19,115	13,268	14,095
Estate water – consumption (m ³)	4,820	3,455	3,927	4,040	4,350	4,889
– expenditure (£)	7,391	5,787	10,703	12,089	7,413	11,825

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

Area per FTE	2019–20	2018–19	2017–18	2016–17	2015–16	2014–15
Greenhouse-gas emissions – scopes 1, 2 & 3 which incorporates business travel including international air and rail (tonnes CO ₂ equivalent)	1.4	1.2	1.4	1.4	2.3	2.3
Estate energy – consumption (kWh)	4,012	3,530	2,899	2,524	4,105	4,134
– expenditure (£)	2,198	1,581	1,470	1,648	1,744	1,639
Estate waste – amount (tonnes)	0.6	0.1	0.1	0.1	0.1	0.1
– expenditure (£)	178	5	87	65	47	54
Estate water – consumption (m ³)	18	11	13	13	16	19
– expenditure (£)	28	19	36	41	26	45

Another way of measuring our commitment to paying suppliers is the ratio of creditor days – the ratio of trade payables at the end of the year to the total value of purchases in the year expressed in terms of calendar days. At 31 March 2020 the figure was 41 days (2018–19: 35 days). The creditor days' figure is much higher at the year-end than at other times of the year because we encourage suppliers to submit their invoices before the year finishes and this results in a surge in invoices being received in early April.

Environmental policies and sustainability reporting

HM Treasury requires all public sector bodies to produce an annual sustainability report. The compilation of this data is unfortunately not an exact science. For example very few of the landlords of our 10 country and area offices are prepared to provide us with figures for kilowatt hours of gas and electricity used or our water consumption. Nor are they able to bill quickly enough after a year-end to provide figures in time for the production of year-end accounts. Furthermore, our estates' policy is to end our

leasehold property occupancies and switch to flexible serviced offices. This will allow us to become more agile in that we can now open smaller offices in a greater number of locations bringing us closer to our customers. However, it is not practical or appropriate for the operators of serviced offices to allocate power usage to their customers on unsupportable bases. This means that we need to use estimates for energy consumption for most of our offices.

The second table (above) reports data on a full-time equivalent basis (FTE), i.e. the level of consumption per member of staff. However, as we also include emissions incurred by non-members of staff, e.g. trustees, committee members and certain suppliers, the comparability of some of these numbers, over the years and with other organisations, is difficult to support. Our FTE number does not include temporary staff and we have utilised a higher number of temporary staff in 2019–20 in both our National Lottery distribution and other activity. Finally, the conversion factors used to calculate the carbon dioxide equivalent of our emissions often vary year on year.

Report of the Trustees and Accounting Officer

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

Summary of performance

Our greenhouse gas emissions have risen slightly in 2019–20 on a gross basis and also when looking at the numbers on an FTE basis.

NHMF had control over only one of the properties that it occupied, which was its headquarters at Holbein Place in London. However, between June – September 2019, London-based staff relocated to a smaller leased floor in St Katharine Docks, also in London. This meant that for the first six months of the year, we were occupying two large offices in London as we made our new office fit for head office staff to move into. Inevitably, this will have had a negative impact on the amount of carbon dioxide equivalent that we generated.

In all of the 11 properties we occupy we are wholly reliant on the landlord (or provider of serviced offices) to improve performance and that is unlikely to happen between major refurbishments. Our room for further improvement in scopes one and two emissions is therefore extremely limited. Over this last year we have relocated a further four of our country and area offices (including our head office) into smaller premises or serviced offices, which will reduce consumption over the medium term – three such moves happened in 2018–19 and this is the reason for the fall in emissions when compared with earlier years. However, our head office move also required fit-out works, resulting in additional waste figures.

As a part of our business transformation programme, we have implemented changes that should result in further reduced carbon emissions. These include a move from on-premise to cloud computing, improved home-working policies; hot-desking where we have fewer desks than staff allowing us to occupy smaller premises; and moving to a flexible location policy for offices and homeworking staff meaning that staff can live nearer to their customers reducing the necessity of travel.

In conjunction with our investment managers, we invest in a fund, the Cazenove Charity Multi-Asset Fund, which targets reduced carbon dioxide equivalent emissions. The Charity Multi-Asset Fund equity portfolio has 20% less carbon emissions than the MSCI world (the benchmark portfolio), which is equivalent to 27 megatonnes of carbon dioxide; our share of that is the equivalent of the energy usage of 143 homes per annum. In line with our corporate priority for 2020–21 and beyond of environmental sustainability, trustees have agreed to shift the investments in our endowment fund to a different Cazenove fund which is more targeted towards responsible investing that will further reduce our impact.

Greenhouse gas emissions

Direct energy emissions related to gas used in boilers operated by NHMF and emissions given off through our use of air conditioning in our London headquarters through part of the year, April – September 2019. Information about gas consumption in kilowatt hours is derived from our suppliers' invoices. Kilowatt hours are converted to carbon dioxide equivalent tonnes using a conversion factor derived from the tables UK Government GHG Conversion Factors for Company Reporting. These tables are available at www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2019. The most recent factors available were published in 2019.

Indirect energy emissions relate to electricity generated by other organisations and sold directly to us as well as heating that we buy from landlords of our offices via their service charges. Information about consumption in kilowatt hours is obtained from our landlords where possible, although their methodologies can vary. Kilowatt hours are converted to carbon dioxide equivalent tonnes using the relevant conversion factor. We are heavily reliant on our landlords to improve efficiency.

Most of our travel is by rail and our main ticket supplier provides us with details of the carbon dioxide equivalent emissions for all journeys undertaken. Similarly, our main car hire supplier provides us with data on these emissions. Staff are required to update department spreadsheets with information about all other journeys undertaken

by staff, trustees, committee members, expert panellists and suppliers on our Register of Support Services (ROSS) (in effect the monitors and mentors that we appoint to oversee projects that we are co-funding). Department heads are tasked to ensure that their staff record all their travel. The information gathered is converted to tonnes of carbon dioxide equivalent using the relevant parts of the same tables of conversion factors.

Waste

Waste generation was significantly higher in 2019–20. This was simply due to the office relocations that took place and the disposal of much of our paper archive (the paper archive has been replaced by digitised records). This was particularly the case in London where we moved from a six-floor building to a much smaller single floored office. The increase was anticipated in last year's annual report and we expect the figure to settle back nearer to the long-term average in 2020–21.

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

NHMF does not generate any hazardous waste. Further analysis of what happened to the waste we generated is not possible. With the exception of a major clear-out related to the changing of our head office, all non-recycled waste is collected by councils local to the offices in which we operate. We do not know what they do with that waste and have made assumptions as to where the waste goes in order to produce the figures on page 15.

Only the Royal Borough of Kensington and Chelsea invoiced us separately (when we were based at Holbein Place), but we also include the cost of securely removing shredded paper into the figures. We strive to reduce the amount of paper that we use and then, inevitably, throw away and our expenditure on photocopying has plummeted in recent years as we have encouraged staff to reduce their usage. This was

done by reducing the number of printers and requiring staff to log on to the machines to obtain their prints. Furthermore, our new offices are smaller and offer far less storage space thereby persuading staff to utilise electronic rather than paper storage. The result was a two-thirds' reduction in paper usage.

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

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

Use of resources

Water consumption rose significantly in 2019–20. For the reasons given above, we were occupying two head offices for half of the year and so higher consumption is to be expected. Where possible we persuade our landlords/serviced office provider to provide information about the number of cubic metres of water consumed, which is normally based on the space we occupy rather than by individual metering.

We have to accept that the weather and for 2020–21 only, I hope, the coronavirus-related lockdown has a bigger influence over our consumption than any improvements we can make to our energy efficiency.



Ros Kerslake OBE

Chief Executive and Accounting Officer

8 July 2020

Report of the Trustees and Accounting Officer

Accountability report Corporate governance report

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

The directors' report

Chair and Trustees of NHMF

Chair

René Olivieri
Interim Chair from 1 January 2020

Sir Peter Luff
to 31 December 2019

Trustees

Maria Adebawale-Schwarte ¹

Baroness Kay Andrews OBE

Anna Carragher
to 6 October 2019

Jim Dixon

Dr Claire Feehily ¹

Sarah Flannigan

Perdita Hunt DL, OBE ¹

Ray Macfarlane
from 1 April 2020

Steve Miller
to 17 February 2020

Dr David Stocker

Dr Tom Tew
to 19 January 2020

Chief Executive

Ros Kerslake OBE

¹ Member of Audit and Risk Committee

Details of other senior managers can be found in the remuneration and staff report on page 31.

The gender split of our staff (including those on fixed term contracts) working on National Lottery-related activities and our trustees at 31 March 2020 on a headcount basis was as follows:

	Male	Female	Total
Executive directors	1	3	4
Staff	74	214	288
Trustees	3	6	9

Register of Trustees' Interests

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

Future developments

The end of the 2019–20 financial year saw the beginning of the COVID-19 pandemic, which has had both immediate and obvious impacts on the heritage world as well as less overt, and long-ranging impacts. These will continue to be felt for the years to come.

Our response to the pandemic has been to temporarily suspend normal grant-making for a number of months in 2020–21 and replace this with an emergency funding package targeted at preserving the heritage that we have supported with our grants over the years. We are setting aside £50million targeted across the spectrum of the heritage sector and launched at different times:

- emergency funding of £3,000 to £50,000 launched in April 2020
- emergency funding of £50,000 to £250,000 launched in May 2020
- soliciting applications for funding from certain key organisations
- utilising the expertise of our register of support services (known as ROSS) to provide guidance for struggling heritage organisations
- being receptive to grant increase requests for projects that face problems brought on by the lockdown
- expanding the use of loans

We will continue to deliver on our National Lottery Strategic Funding Framework which discusses how we will fund heritage projects from 2019 to 2024. We will be introducing our replacement operating system during the coming 12 months allowing us to more efficiently process, oversee and report upon grant applications.

In 2018 we created a corporate strategy, setting out our vision for the future role of the Fund over the three years from 2018 until 2021. We are undertaking much of this work using our National Lottery Heritage Fund brand. We are taking the opportunity to refresh the strategy and develop our planning for the follow-up strategy. We will judge the impact of the pandemic on the heritage sector and use these observations to set a long-term strategy. Using our grant-in-aid, our National Lottery funding and other sources of money we will set a strategy that meets the needs of the sector in supporting the UK's heritage.

Appointment of auditors

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

Key stakeholders

We work with a wide range of key stakeholders and partners and consult with them extensively when developing our strategic frameworks and grant-making policies and practice. Among them are the National Lottery-playing public, applicants and grantees, strategic agencies and lead bodies for heritage and other policy areas relevant to our funding across the UK, as well as elected members for both local and national governments. DCMS issues UK-wide policy directions (see pages 65 to 75) and controls the NLDF that invests the money received from The National Lottery. The Scottish Government and the National Assembly for Wales have also issued policy directions.

Additionality

In accordance with the financial direction of the Secretary of State for DCMS, all National Lottery distributors are required to have regard to additionality principles. Our requirement for National Lottery grants is that our funding should

be in addition to available government funding not instead of it. We will not give grants to projects where we believe that government funding was available at the time of decision. As part of our grant assessment we ask applicants to make a clear case for National Lottery investment including telling us what other sources of funding have been considered.

Personal data

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

Statement of Trustees' and Accounting Officer's responsibilities

Under section 7(3) of the National Lottery etc. Act 1993 Trustees of NHMF are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for DCMS with the consent of HM Treasury. The accounts are prepared on an accruals' basis and must give a true and fair view of the Fund's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

Report of the Trustees and Accounting Officer

inappropriate to presume that the Fund will continue in operation

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

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

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

Governance statement

Foreword

I have been Chief Executive and Accounting Officer since July 2016. During a period of absence from December 2019 to 30 April 2020, Eilish McGuinness acted as Accounting Officer.

Following a Governance Review in 2019–20 we made a number of changes in our governance and internal controls which are set out here. I have satisfied myself that there were robust and proper transitional arrangements that allowed the system of internal controls to operate effectively through this period.

Introduction

This governance statement is a summary of the arrangements for the stewardship of the National Heritage Memorial Fund, including how we manage risk and how we comply with the corporate governance in central government departments: code of good practice, which was issued in 2017 by the Treasury and the Cabinet Office.

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

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

Governance Review

As outlined in the report last year we commissioned an independent review of our internal governance in 2019–20. Following a procurement exercise, we appointed Campbell Tickell to undertake the review. They undertook the review in the first quarter of the year and reported to the Board in July 2019. The Board expressed support for most of the findings and recommendations and the Legal & Governance team prepared an implementation plan for the main recommendations. This has subsequently been reviewed several times by the Board who continue to track the progress in delivering the recommendations.

The main areas of recommendations adopted were:

- move to a smaller number of trustees (9 or 10)
- have trustees chair English area committees so that these have similar arrangements with the Scotland, Northern Ireland and Wales committees

- develop skills' matrices for trustees and committee members covering business, corporate governance and heritage skills
- refresh the terms of reference for the Board and its committees
- review, in conjunction with DCMS, the remuneration of trustees to assist in developing improved plurality and diversity across trustees
- to undertake a similar internal review across committee members with the same objective
- improve stakeholder engagement and mapping and improve the integration of trustees and committee members into these
- improve induction and diversity, equality and inclusion training as well as performance appraisals for trustees and committee members
- close down the Finance, Staffing and Resources Committee and move its functions to the Board and the Executive
- create a Nominations and Remuneration Committee to oversee trustees' roles, remuneration and support appointments
- retain the advisory panel for the Memorial Fund activity

Governance structure

The governance structure in NHMF during 2019–20 is set out in the diagram below. The Board and its sub-committees remained as described, although the Finance, Staffing and Resources Committee ceased to operate from 31 March 2020 following a recommendation in the Governance Review.

The previous Senior Leadership Team was replaced in the year with a new Strategy & Performance Group (see page 24).



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 eight meetings during the year to set NHMF policy and make decisions in line with that policy. These meetings are attended by the Chief Executive and the executive directors. All Board meetings held in 2019–20 were quorate. Sir Peter Luff was Chair of the NHMF until 31 December 2019 and throughout that period regular liaison meetings were held between the chair, the Chief Executive and senior staff. René Olivieri took over as interim Chair from 1 January 2020 – similar arrangements remained in place from that date.

The Board is legally constituted up to a maximum of 15 trustees including the chair. In 2019–20 one new trustee was appointed and four trustees retired.

These changes were approved by our sponsor department – the DCMS and the Prime Minister (as trustees appointments fall within the remit of the Prime Minister).

Following a recommendation from the Governance Review it was decided to reduce the number of trustees (in practice) to nine or ten from 2020–21. Recruitment campaigns will reflect that move over the next year or two.

The overall attendance rate of trustees at Board meetings was 79%. Trustees have also delegated some of their tasks to the two committees shown above – these committees oversee the activities of management and provide guidance and support to senior staff. The minutes of committee meetings are standing items at the Board's meetings. The committee chairs also provide a full report on their activities.

Report of the Trustees and Accounting Officer

Attendance at the Board meetings throughout 2019–20 was as follows:

Trustee	Eligible meetings	Meetings attended
Sir Peter Luff to 31 December 2019	6	6
René Olivieri	8	7
Maria Adebowale-Schwarte	8	7
Baroness Kay Andrews OBE	8	4
Anna Carragher to 6 October 2019	4	4
Jim Dixon	8	8
Dr Claire Feehily	8	7
Sarah Flannigan	8	8
Perdita Hunt DL, OBE	8	6
Ray Macfarlane from 1 April 2020	8	8
Steve Miller to 17 February 2020	6	6
Dr David Stocker	8	8
Dr Tom Tew to 19 January 2020	6	5

Board composition

Of the 13 trustees who attended the Board throughout the year 46% were female and 54% were male. One (8%) came from an ethnic minority.

Board conflicts of interest

At the beginning of each Board meeting all trustees and staff are asked to declare any potential conflict of interest. These are noted in the minutes where the matter is deemed to constitute a conflict and trustees and staff remove themselves from Board discussions on those matters. Trustees and staff are also responsible for ensuring that entries in the Register of Interests are maintained and updated as necessary.

Audit and Risk Committee

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

The Chief Executive attended each committee meeting with the Executive Directors of Business Delivery and Business Services – other senior staff attended as required. The committee is supported and serviced by the Legal & Governance team. The Fund's external auditors (National Audit Office) and internal auditors (BDO)

also attend the meeting. The committee hold in camera sessions themselves before meetings and also private discussions with the auditors before the meetings.

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

During the year BDO were re-appointed as internal auditors in a joint procurement alongside UK Sport and Sport England. The committee agreed a multi-year audit strategy with BDO upon their appointment and the reviews carried out in 2019–20 and reported to the committee were in line with that strategic approach. A detailed one year plan of internal audit reviews is approved annually.

The committee received reports on:

- travel and subsistence
- key financial controls
- the development of the new Investment Management System
- the digital campaign
- general Data Protection Regulation
- succession planning
- culture change

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

The committee also reviews the annual reports and accounts for both the National Heritage Memorial Fund and The National Lottery Heritage Fund. During 2019–20, in addition to the above reports and accounts the committee also considered the following:

- the arrangements for continuing the risk management processes at departmental level
- deep-dive examinations of risk and the delivery of major projects and activities across the Fund
- fraud and alleged fraud cases
- procurement arrangements including any exceptions to normal procurement tenders

In November 2019 our grant management system had an outage for 5 working days. The external

portal for customers remained in operation. The outage was caused by a transition to a cloud-based operating environment. No data was lost or impaired, and no significant disruption to applicants or grantees was experienced. However, we commissioned an independent review of the outage. This was reviewed by the committee and the Board. The recommendations were accepted by the Executive and an implementation plan for these changes adopted.

Attendance at the committee meetings throughout 2019–20 was as follows:

Trustee	Eligible meetings	Meetings attended
Claire Feehily Chair	4	4
Maria Adebawale-Schwarte from 1 February 2019	4	3
David Michael	4	4
Steve Miller to 17 February 2020	4	4
Carole Murray	4	4

Finance, Staffing & Resources Committee

The committee met on three occasions during the year and was quorate at each meeting. It was chaired by a trustee.

The Chief Executive attended each committee meeting as a member. The executive directors of Business Delivery and Business Services attend meetings, and other senior staff attend as required. The committee was supported and serviced by the Legal & Governance team.

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

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

The committee approved the proposed budgets for grant programmes and administration for submission to the Board. The committee also recommended the 2019–20 Business Plan.

The committee also exercised an overview of the Business Transformation programme throughout the year receiving monthly dashboard updates.

The committee meeting minutes were shared with the Board. The committee chair orally updated the Board on committee business and decisions.

Attendance at the committee meetings throughout 2019–20 was as follows:

Trustee	Eligible meetings	Meetings attended
René Olivieri Chair	3	3
Steve Blake	3	2
Sarah Flannigan	3	3
Perdita Hunt DL, OBE	3	2
Sir Peter Luff to 31 December 2019	3	3

Following the recommendation of the Governance Review the committee was wound up in March 2020.

Delegated grant decision making

In 2019–20 the Board delegated some decision making for grants to a subset of trustees acting as Board panels. This covered decisions for the following grant programmes:

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

We expect this arrangement to conclude in 2020–21 when the Parks for People programme ends its decision-making phase – the projects will continue for a number of years.

The trustees have delegated their grant decision making responsibilities for certain types and values of Lottery awards to country and, in England, area committees. Following our internal re-organisation that came into effect on 1 April 2019, there are six of these committees (three countries and three English areas) and each contained a trustee. In addition to making grant decisions, these committees provide advice to the Board on priorities within their area and act as advocates for the organisation's work as a National Lottery distribution body. Chairs of country

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and area committees met with the Board Chair and the Chief Executive, along with senior staff during the year. 2020–21 will continue as a transitional year with new committee members and trustees expected to be appointed. From 2021–22, each country and area committee will be chaired by a trustee.

New members of these committees have a formal induction with the Chief Executive and senior staff throughout the year depending on the recruitment and appointment cycle.

Trustees have also delegated grant decision making for grants under £100,000 to staff, specifically country and area directors. An annual report on the impact of delegated grants across all committees is presented to the Board. All decisions made by committees and staff are reported to the Board.

National Lottery income

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

Following the strategic review by Camelot of their plans and operations in autumn 2017 we continued to work with them and other partners on the practical implementation of their plans where this overlaps in our area; for example, in the promotion of the One National Lottery initiative. We also took advantage of the 25th anniversary of The National Lottery in autumn 2019 to promote the good causes for heritage from The National Lottery.

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

Pleasingly, the actual and projected levels of income have stabilised and the picture improved – indeed 2019–20 saw income increase, and we have greater confidence on income over the next few years. We have, though, continued to prudently factor in some risk into those projections to manage a down-side position if

that were to develop. We continue to monitor the risk of the National Lottery licence competition over the next year or two.

Executive and Strategy & Performance Group (SPG)

The Board delegates day-to-day management to the Chief Executive. Previously the Chief Executive was supported by a Senior Leadership Team. In line with our re-organisation, this changed with effect from April 2019.

An Executive consisting of the Chief Executive and the three executive directors for each department came into effect. This Executive is responsible for wider strategic management issues and it also acts as the Programme Board for the Business Transformation programme (see below). The Executive meets weekly.

The Strategy & Performance Group consists of senior directors and staff across all three departments and has responsibility for horizon scanning, day to day performance management and corporate planning. The SPG met quarterly and in two of these meetings the Executive attended.

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

Organisational design and structure

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

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

The annual operating plan – the Business Plan – is developed each year alongside financial budgets and investment programme planning. Like previous years, this year we also integrated risk management into the business planning process closely. The Business Plan is discussed with our sponsor department DCMS. DCMS also sets policy directions and financial directions with which we have complied in our National Lottery activities. The Scottish and Welsh governments have also issued some policy directions with regard to

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

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

Corporate strategy

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

In 2018 we launched our corporate strategy which provided an 'overarching umbrella' for our activity at a high level. It is supported by a range of other corporate responses which provide more detail in specific operational, strategic and policy areas, including our:

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

The National Lottery will remain our most significant source of income for the next few years, and the focus of most of our activity.

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

In 2019–20 we refreshed the strategy and agreed five outcomes for the successful delivery of the strategy these are:

- maximise the impact and value of heritage as a powerful and positive force on people's lives, places across the UK and our environment
- our investment, operations and partnerships will drive action to tackle the climate and ecological emergency
- heritage will involve a wider range of people and be a safe space to explore our past and create better understanding for our present and future
- the UK's heritage will be in a strong position to take advantage of opportunities and respond to challenges by being enterprising, forward looking and adaptable
- our people in the Fund will be supported and empowered to deliver the changes we want to see

The year also started to see the first stages of diversifying funding – there have been discussions with the Welsh Government for environmental heritage projects – as well as diversifying our investment approaches with the creation of a joint impact fund for arts and culture combining fellow National Lottery distributors and private sector capital.

We also undertook a substantive piece of work on our powers and authorities and we will be working alongside colleagues in DCMS in taking this forward during 2020–21.

Strategic Funding Framework

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

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

Our new approach includes:

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

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three top priorities for people who responded to the consultation

- new models of investment, moving beyond grants to include loans and partnerships, designed to attract others to invest money alongside the National Lottery
- more support for commercial, sustainable approaches to tackling heritage that's in danger of being lost
- investment and support to help heritage organisations to be more financially sustainable
- a mandatory outcome that requires all projects that we fund to demonstrate inclusion
- a requirement for every heritage project that receives funding to be environmentally friendly
- simpler, streamlined and more efficient funding
- greater engagement and support to help 13 deprived communities that have in the past been less successful securing funding
- continued support for large-scale, iconic projects over £5million (although the pandemic has put our plans in this area on hold)

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

- National Lottery Grants for Heritage – an open programme for any type of heritage project from £3,000–£5million
- heritage funding campaigns designed to fulfil strategic needs or funding gaps. The first two campaigns launched in 2019, focusing on helping:
 - organisations build their capacity and organisational resilience
 - to build digital capabilities
- joint funds to deliver strategic initiatives in partnership with other organisations, such as the Future Parks Accelerator partnership with the National Trust
- social investments such as impact funds and loans
- two rounds of major grants of over £5million in 2020–21 (on hold during the COVID-19 pandemic) and 2022–23

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

The response to the framework has been very positive and it has been well received across the sector and the UK. 2019–20 saw the launch of our new digital campaign to provide investment and skills' enhancement across the sector in this crucial area. We will continue to monitor the new framework and campaigns to ensure that they meet the needs of the sector.

Business Transformation programme

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

That environment has changed politically, for example, the departure of the UK from the European Union and the continuing devolutionary arrangements across the UK are some of those changes. The climate and ecology emergency is another. The corporate strategy points us in other directions as well as our core business.

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

We therefore set up a business transformation programme to change the way we work and how we undertake that work. 2018–19 saw preliminary planning and initial delivery for this work and 2019–20 has seen a year of full delivery and implementation.

The programme's goals are to deliver and support:

- the new three-year corporate strategy including a refresh 2019–20
- a simpler, more customer-focused National Lottery Strategic Funding Framework
- a radically improved grant management process and system in 2020–21
- IT transformation that supports operational efficiency and customer satisfaction

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

We aligned the work of the programme into three main work streams. These were:

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

In 2019–20 we delivered:

- new organisational design across the Fund
- IT transformation with the roll out of Office365 technology, new cloud based platforms and agile/flexible working arrangements for all staff
- mobile technology for all staff
- increased investment in new tools, skills and training for our staff
- new governance arrangements across the Fund following our Governance Review
- digitisation of all our hard copy records
- our new branding and identity as The National Lottery Heritage Fund
- refresh of our website, guidance and forms
- moved several office locations to flexible serviced offices
- moved the London office to a new site in St Katharine Docks
- created a new digital team to explore customer insight, understanding and design of our digital services
- continued to move roles and functions out of London to support the government's Place of Growth agenda
- a refresh of our corporate values for support a new behavioural framework which will lead in 2020–21 to a new recruitment framework and performance management system

- a culture team, supported by culture champions, working across the organisation to ensure that our culture reflects our values

Risk management and internal control

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

All policy setting and grant decision making is informed by the risk management culture and approach of the NHMF. A few years ago we overhauled our risk management approach as part of a wider exercise on assurance across NHMF. We have continued to operate this approach in 2019–20.

The risk registers and underpinning process assign a risk owner who is accountable to the Chief Executive for the effective management of that risk. The registers also identify associated risks so that any 'multiplier effect' is taken account of. It also distinguishes between the 'inherent' level of risk (impact and probability) and the 'residual' level of risk so that it is possible to judge the effectiveness of existing controls and mechanism for mitigating the risk. That also permits the risk owner to identify further measures needed to bring the risk within the appetite and the specific dates for those actions.

The Board also reviewed its risk appetite for 2019–20 and continued to reflect greater appetite for business change and transformation. The Board also recognised the risks and challenges facing NHMF in 2019–20 especially in its National Lottery distribution role – these are expected to evolve from the principal risks for 2019–20 as set out below. Effective risk management in the year ahead will be particularly important.

We also recognise that well-thought-through risk-taking and innovation to achieve NHMF objectives

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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. This will be important to ensure that funding from The National Lottery Heritage Fund reaches as widely into the community as possible.

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

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

In 2019–20 NHMF considered the following to be the most significant areas of risk:

- National Lottery income projections and managing the licence renewal in terms of impacts on income
- the challenges posed by the climate and ecological emergency
- developing the new investment management systems
- understanding the implications, opportunities and challenges of the departure of the UK from the European Union
- ensuring our data and insight is used to optimal effect
- maintaining our leadership role in the heritage sector across the UK

- ensuring we achieve cultural changes across the Fund to support the changes we have to deliver

Each of these risks has a risk owner at the executive level charged with managing the risk and ensuring appropriate mitigation actions are undertaken. I believe we have effectively managed those risks throughout 2019–20.

Approach to fraud and information risk

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

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

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

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

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

- Fraud, Bribery and Corruption Policy and Response Plan
- Counter Fraud strategy
- Fraud Risk assessment
- our annual action plan.

We expect to see further embedding of this in 2020–21.

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 of their

induction. We undertook extensive planning and preparations for the new General Data Protection Regulation (GDPR) provisions brought in recently and have satisfactorily met our obligations and received a positive Internal Audit review of these arrangements.

In December 2019 we again achieved Cyber Security Plus accreditation.

We also comply with the government guidance on transparency of spend, contracts etc. In 2019–20 we continued to improve procurement controls and processes.

Business critical models

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

In 2014–15, based on the model, the Board created a Financial Framework setting out grant ratios linked to the total level of commitments, actual grant liabilities, income from The National Lottery and our balance at the National Lottery Distribution Fund (NLDF). We therefore believe that the model and the Financial Framework provide a robust basis for our grant giving. We have continued to use this approach in 2019–20 and indeed used this in modelling for our National Lottery income planning scenarios and assumptions. We reviewed the key ratios in 2019, agreed to adjust these to take into account National Lottery income projections and the need to align income, commitments and reserves.

Board performance and effectiveness

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

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

The Board membership changed in 2019–20, although not as much as in past years, this has meant some reduction in the degree of churn amongst the trustees. We have secured a more diverse set of skills across the Board with knowledge on digital, change management, commercial expertise and governance skills too.

The Board are satisfied that they continue to meet the requirements of 2017 HMT code of good practice.

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

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

The governance year

As Accounting Officer I have responsibility for reviewing the effectiveness of the systems of internal control. My review is informed by the work of the internal auditors (BDO) and senior management within the NHMF who have responsibility for ensuring the effective maintenance and implementation of the internal control framework alongside comments made by

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the external auditors in their management letter and other reports.

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

I have seen the Management Letter prepared by the external auditors following their audit of the financial statements for the year ended 31 March 2020.

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

The internal auditor's year-end report also reported on the perceived "direction of travel" with regard to the number of recommendations deriving from their internal audit work. This suggested a slight deterioration in the standard of our processes. I believe that this is to be expected during a period of considerable re-organisation, but I will be aiming for an improvement in this statistic during 2020–21.

The internal auditors upon re-appointment produced an overall audit strategy. 2019–20 covered the first year of this period and all intended reviews were undertaken and completed on time. The annual plan is extracted from the audit strategy and linked into the risk register and risk appetite.

With BDO we introduced new quarterly liaison meetings with the internal auditors to help monitor progress against plan and redirect resources to emerging risks. These have continued to be used to monitor progress and delivery of the programme. We also introduced

new controls in 2014–15 to improve accountabilities on audit reviews and the implementation of internal audit recommendations. These have continued in 2019–20 and recommendations that were due to be implemented in 2019–20 have been implemented satisfactorily.

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

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

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

The Code was publicised to all staff and placed on our Intranet.

From April 2015, Letters of Delegated Authorities for all executive directors were introduced – setting out their delegated authorities (financial, procurement etc.) to be agreed at the start of the year. This cycle has been completed in 2019–20.

As a result of the above I believe that the Fund's control framework provides me with the level of assurance that I require. There is nothing of which I am aware that leads me to believe that our processes for detecting and responding to inefficiency, for preventing conflicts of interest, for preventing and detecting fraud and for

minimising losses of grant in aid and National Lottery grants are not adequate.

From December 2019 to 30 April 2020 I was absent from the Fund as a result of serious illness. In that period the executive directors, with support from the trustees, undertook my duties as Chief Executive and Eilish McGuinness undertook my duties as Accounting Officer, she received support and induction from colleagues at DCMS as well as the Executive Director (Business Services) in his capacity as Finance Director. I am satisfied that all such duties were performed properly and effectively during my absence.



Ros Kerslake OBE

Chief Executive and Accounting Officer

8 July 2020

Remuneration and staff report

Remuneration of the Chair and Trustees

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

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

The remuneration of trustees, including reimbursement of taxable expenses and the tax thereon, falls into the bands in the table below. All trustees are appointed by the Prime Minister.

They have three-year appointments, which are potentially renewable for a second term. They are not members of the pension schemes used by NHMF. No contributions were made by the Fund to a pension scheme on the trustees' behalf.

Trustees' remuneration was allocated between NHMF and its National Lottery distribution activities on the basis of 1%: 99%. The total remuneration of trustees in 2019–20 was £183,147 (2018–19: £210,289).

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.

2019 saw the Fund introduce of a new organisational structure which brought in three new departments: Business Delivery, Business Services and Business Innovation & Insight. As a result of this, our senior management structure correspondingly also changed with the creation of three new executive director posts reporting directly to the Chief Executive. All other director level posts now report into the new executive directors. We also brought in a new pay and grading structure for all staff and, later in the year, a new pay policy. As a result of these changes we also brought to an end the opportunity for performance based annual pay rises for senior staff due to changed expectations

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Remuneration of the Chair and Trustees (audited information)

	2019–20 £'000	2018–19 £'000
René Olivieri Interim Chair from 1 January 2020	20–25	10–15
Sir Peter Luff Chair to 31 December 2019	30–35	45–50
Maria Adebowale-Schwarte from 16 May 2018	5–10	5–10
Baroness Kay Andrews OBE	20–25	20–25
Anna Carragher to 6 October 2019	10–15	20–25
Sir Neil Cossons OBE to 31 January 2019	0	5–10
Dr Angela Dean to 12 June 2018	0	0–5
Jim Dixon	5–10	5–10
Dr Claire Feehily	10–15	10–15
Sarah Flannigan from 16 May 2018	10–15	5–10
Perdita Hunt DL, OBE	5–10	5–10
Ray McFarlane to 1 April 2019	20–25	0
Steve Miller to 17 February 2020	5–10	5–10
Richard Morris OBE to 16 May 2018	0	0–5
Atul Patel MBE to 16 May 2018	0–5	0–5
Dame Seona Reid DBE to 31 March 2019	0	20–25
Dr David Stocker to 16 May 2018	10–15	5–10
Dr Tom Tew to 19 January 2020	5–10	10–15

of these roles. The decision to consolidate potential bonuses into salaries was also taken in recognition of the new responsibilities that the executive directors took on following the departmental restructuring and the expansion of their duties. The three executive directors, and the Chief Executive Officer, now receive a flat-rate salary, which can only be revalorised as part of the annual Fund pay award. Performance is still assessed annually but not linked to salary review.

Bonuses paid to senior management in the comparative year are disclosed separately. This is in line with Employer Pensions Notice 359 issued by the Cabinet Office in April 2013. Bonuses are no longer being paid to senior management.

Cash equivalent transfer values (CETV)

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

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

Remuneration of employees (audited information)

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

	Salary 2019–20 £'000	Salary 2018–19 £'000	Bonus 2019–20 £'000	Bonus 2018–19 £'000	Pension benefits accrued during 2019–20 £'000	Pension benefits accrued during 2018–19 £'000	Total 2019–20 £'000	Total 2018–19 £'000
Ros Kerslake OBE Chief Executive and Accounting Officer	140–145	135–140	0	5–10	56	53	195–200	195–200
Eilish McGuinness Executive Director Business Delivery	105–110	85–90	0	5–10	182	12	285–290	100–105
Judith Cligman Director of Strategy & Business Development to 31 January 2019	n/a	80–85*	n/a	0	n/a	7	n/a	85–90
Colin Bailey Executive Director Business Services	110–115	100–105	0	5–10	44	41	155–160	150–155
Louise Lane Director of Communications to 31 January 2019	n/a	70–75*	n/a	0	n/a	40	n/a	110–115
Helen Coley-Smith Director of Business Transformation to 31 August 2018	n/a	45–50*	n/a	0	n/a	18	n/a	60–65
Isabel Hunt Executive Director Business Innovation & Insight from 4 November 2019	45–50*	n/a	0	n/a	19	n/a	65–70	n/a

	Real increase in pension and lump sum £'000	Total accrued pension at age 60 and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/03/20 £'000	CETV at 31/03/19* £'000	Real increase in CETV funded by NHMF £'000
Ros Kerslake OBE Chief Executive and Accounting Officer	2.5–5	10–15	209	146	46
Eilish McGuinness Executive Director Business Delivery	7.5–10 and 20–22.5 lump sum	40–45 plus 115–120 lump sum	885	685	165
Judith Cligman Director of Strategy & Business Development to 31 January 2019	n/a	n/a	n/a	1,000	n/a
Colin Bailey Executive Director Business Services	2.5–5	10–15	201	159	27
Louise Lane Director of Communications to 31 January 2019	n/a	n/a	n/a	551	n/a
Helen Coley-Smith Director of Business Transformation to 31 August 2018	n/a	n/a	n/a	41	n/a
Isabel Hunt Executive Director Business Innovation & Insight from 4 November 2019	0–2.5	0–5	15	n/a	11

* The full year equivalent of Helen Coley-Smith's salary in 2018–19 was in the band £110,000 to £115,000. The full-year equivalent of Judith Cligman's salary in 2018–19 was in the band £95,000 to £100,000. The full-year equivalent of Louise Lane's salary in 2018–19 was in the band £85,000 to £90,000. The full-year equivalent of Isabel Hunt's salary in 2019–20 was in the band £120,000 to £125,000

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

Report of the Trustees and Accounting Officer

Bonuses paid to senior management are disclosed separately on an accrued basis. This is in line with Employer Pensions Notice 359 issued by the Cabinet Office in April 2013. Bonuses are no longer being paid to senior management.

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

Real increase in CETV

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

With the exception of Carli Harper-Penman, who was acting Executive Director, Business Innovation & insight until 7 November 2019, all senior staff roles had permanent contracts of employment. With the exception of Carli Harper-Penman, all senior employees were ordinary members of the Principal Civil Service Pension Scheme (PCSPS) or alpha. Their costs were allocated between The National Lottery Heritage Fund and NHMF on the basis of 99%:1% (2018–19: 99%:1%).

In December 2018 Carli Harper-Penman was engaged as interim Executive Director, Business Innovation & Insight. She was not an employee of the Fund; her services were procured through an agency. In engaging her the Fund satisfied itself that it was in compliance with Public Procurement Note (PPN) 8/15 Tax Arrangements of Public Employees. The arrangements followed Section 7 of that PPN and the Fund was also satisfied on the IR35 compliance arrangements before the engagement commenced. The rate paid to the agency was £826 per day giving an annualised sum of £176,764. Carli left on 7 November 2019.

Remuneration ratio (audited information)

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

The annualised banded remuneration of the highest paid executive director in both 2019–20

and 2018–19 including bonus (in 2018–19 only) was £140,000 to £145,000. This was about 4 times (2018–19: 4.9 times) the median remuneration of the workforce, which was £36,000 (2018–19: £29,043). There were no employees who received remuneration in excess of the highest paid executive director. Remuneration ranged from £18,000 to a banding of £140,000 to £145,000 (2018–19: £15,000 to £140,000). The highest paid executive director was subject to the government's pay remit. This restricted the sum available to fund staff pay rises to 2% of the payroll.

From 2019–20, we are also required to disclose the ratio of the Chief Executive's total remuneration as compared to the 25th, 50th and 75th percentile full time equivalent of staff pay. This information is disclosed below.

	Ratio
25th percentile	5.5
50th percentile	4.0
75th percentile	3.5

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

	Ratio
25th percentile	1:6.8
50th percentile	1:4.9
75th percentile	1:4.3

Exit packages (audited information)

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

On 1 April 2019, the Fund implemented a major organisational restructure which saw the creation of new departments, new teams and new roles to better deliver the Fund's services. No redundancies were made but during this period of change a small number of colleagues requested voluntary exits. Staff who left before 1 April 2019 were declared in the Annual Report for 2018–19, but there were a small number of residual restructuring actions that were taken in 2019–20 and these are shown below. All actions were voluntary; i.e. at the request of the individuals themselves, but were judged to be in the interests of the Fund. All requests were approved by the Fund's executive team and the Cabinet Office and managed in accordance with the requirements of the Civil Service Pension Scheme.

Payment details are shown below. Levels are determined by the Civil Service Compensation Scheme not by the Fund. Please also note that all of the costs below will be recovered as a result of wider actions and cost savings achieved as part of the organisational restructuring.

There were nine in 2019–20 (2018–19: seven) in the following bands:

	2019–20 number	2018–19 number
£5,000–£9,999	1	1
£10,000–£14,999	4	0
£30,000–£34,999	1	0
£35,000–£39,999	1	1*
£40,000–£44,999	1	1
£50,000–£54,999	1	1*
£55,000–£59,999	0	1*
£75,000–£79,999	0	1*
£90,000–£94,999	0	1
Total	9	7

* includes compensation in lieu of notice

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

Staff costs and numbers

	2019–20 £'000	2018–19 £'000
Salaries	11,302	10,346
Employer's NI payments	996	893
Payments to pension scheme	2,576	1,929
Temporary staff costs	727	700
Total	15,601	13,868

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

2019–20	Grant applications	Finance and corporate services	Strategy and business development	Communications	Total
Permanent staff	171	36	22	10	239
Secondees, contract staff and apprentices	10	10	4	3	27
Total	181	46	26	13	266

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

Report of the Trustees and Accounting Officer

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

Pensions

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

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

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition a lump sum

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

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

The partnership pension account is a stakeholder pension arrangement. Employer's contributions of £19,161 (2018–19: £18,104) were paid to a panel of appointed stakeholder pension providers. NHMF makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the panel of providers. During 2018–19, the panel was reduced to one supplier, Legal & General.

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

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

One member of staff retired early on health grounds during 2019–20.

Further details about civil service pension arrangements can be found at www.civilservicepensionscheme.org.uk

Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge to PCSPS or alpha.

Departments, agencies and other bodies covered by PCSPS and alpha meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2019–20, employer’s contributions of £2,556,538 (2018–19: £1,910,660) excluding amounts paid to partnership pension schemes were paid to PCSPS and alpha at the rates set out as follows:

Salary in 2019–20	% in 2019–20
£23,000 and under	26.6%
£23,001–£45,500	27.1%
£45,501–£77,000	27.9%
£77,001 and above	30.3%

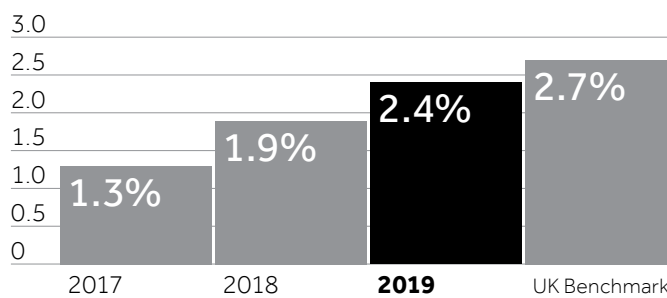
Absence management

Sickness absence levels across the Fund increased in 2019 to 2.4%. This is higher than previous years but still lower than the comparable public sector UK benchmark. A significant proportion of this increase was due to a small number of new long term absences in 2019 (which had a disproportionate impact on overall levels due to the relatively small numbers of staff in the Fund). There was also a small increase in absence related to the introduction of our new organisational restructure in 2019.

The increase in sickness levels is also partly attributable to better absence reporting. In late 2018 we introduced a new HR management information system which made reporting sickness easier for staff and monitoring sickness easier for managers.

The Fund has extensive wellbeing frameworks in place for staff who are unwell – including additional facilities put in place to support staff during our organisational restructuring in 2019. We have expanded this provision further and we have redesigned our wellbeing and attendance management policies which are currently under discussion with our Trade Union representatives. Wellbeing support is one of our core people management pillars and we will be developing this further as part of a new People Strategy in 2020.

Absence levels



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

Employee engagement and consultation

We continue to regularly inform and engage our staff in discussion on our strategic direction and operational performance.

All staff receive daily news digests and weekly newsletters updating them with news across the Fund and we have active, popular social media discussion groups.

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

In 2019 we also initiated monthly informal meetings between the Human Resources’ team and the Trade Unions to improve opportunities for dialogue and joint working.

We chose not to conduct a full staff survey in 2019 because we recognised that a single survey would not allow us to understand the changing views of staff following a period of significant organisational restructuring. Instead we continued to run a number of ‘pulse’ snapshot surveys to help us explore staff views. We also ran a number of surveys to explore ‘lessons learned’ from the restructuring, which we published in March 2020.

In addition, we ran a major series of cultural events in 2019–20 as part of a project to review and revise our values. This involved an extensive campaign of workshops, newsletters, blogs and other actions including staff surveys. Our new revised values were shared with staff as part of the design process to seek their views and were approved by our Board in February 2020. These are being rolled out through various staff immersion events and will be being translated into a new behavioural

Report of the Trustees and Accounting Officer

framework. To support this work we created a new network of Culture Champions to work closely with local managers and act as a key link between local teams and central functions such as Human Resources.

Also, as part of a mid-point review of our corporate strategy, in 2019 we engaged staff across the Fund in a series of discussions, workshops, focus groups and surveys on our strategic goals. These were held to re-evaluate existing priorities and consider new opportunities to better provide our services to support the heritage sector. This work has led to a revised corporate strategy 'refresh' which is being incorporated into our business planning for 2020–21.

Equality and diversity and employment monitoring

'Diversity and inclusion are part of our values'

Through our investment and expert advice the Fund recognises its role as a champion of diversity and we have newly defined strategic ambitions to better embed diversity throughout all areas of our work. We believe that aspirational leadership is crucial in driving this work. We can do this externally by proactive action plans and ensuring inclusion is a key part of our funding assessment, but we also plan to drive this internally by removing barriers to workforce diversity and increasing staff awareness and understanding. In 2019 we launched a new Diversity, Equality and Inclusion

Strategy, a new Workforce Diversity Action Plan and a new Disability Action Plan. We also published a new Workforce Diversity Statement and have designed new policies for Equal Opportunities, Dignity at Work, Dispute Resolution (and more) which are under review with our Trade Union representatives.

In 2019 we also reviewed and refreshed our values. Diversity and inclusion remain central to how we work (see table page below).

Workforce Diversity Analysis

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

We recognise that in some areas our workforce is not diverse compared to national levels and we acknowledge there are under-represented staff groups. We also recognise wider heritage sector trends and barriers to entry, unconscious or conscious, that all impact on the shape of our workforce. It is important we understand our workforce data better and we launched a new HR management information system in 2018 to assist us with this work and allow staff direct access to their personal records so they could see and amend their personal data. Although we already undertake monitoring of our recruitment

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

data, in 2020 we will be launching a new I-Recruit system which will give us greater understanding of candidate data and recruitment trends.

We have developed a new Workforce Diversity Action Plan to improve diversity levels in our workforce and invest in new training and new resources. We aim to be an employer of choice for all people considering careers in the heritage sector and we recognise that to lead the heritage sector, we need a diverse workforce able to meet all the diverse demands of that challenge. We plan to create a workplace where diverse talent thrives, where understanding and promoting diversity becomes embedded and second nature.

We will do this by working towards six core goals:

- Goal 1: To improve diversity in recruitment

- Goal 2: To improve the management of workforce diversity

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

- Goal 4: To improve inclusion through enhanced staff support

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

- Goal 6: To improve workforce diversity governance

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

Expenditure on consultancy

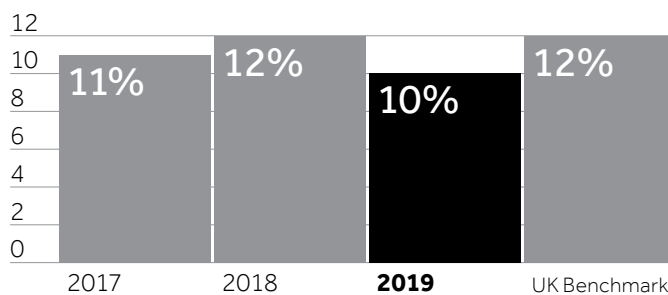
NHMF spent £623,000 on consultants in 2019–20 (2018–19: £249,000) as part of its National Lottery distribution activities. NHMF has used the definitions of consultancy contained within annex 6.1 of the Cabinet Office controls guidance: version 4.0.

The vast majority of this consultancy related to research undertaken on our grant programmes and the heritage sector.

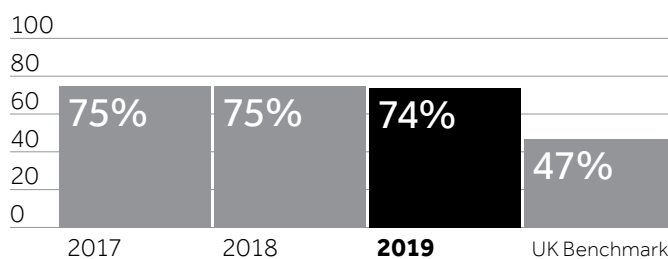
Whistleblowing

The Fund has a clear and accessible Whistleblowing Policy designed to enable staff to raise concerns and to disclose information that the individual

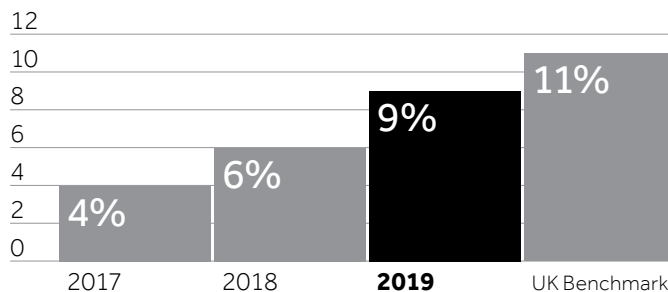
Ethnic diversity: BAME in the workforce



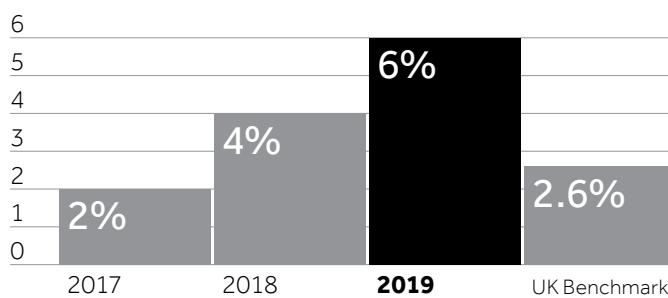
Gender diversity: Women in the workforce



Disability diversity: Disability in the workforce



Sexual orientation diversity: LGBTQ+ in the workforce



Workforce Diversity Statistics

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

Report of the Trustees and Accounting Officer

believes shows malpractice or impropriety. This covers concerns that are in the public interest and includes the following (non-exclusive) matters:

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

Tax arrangements of public sector employees

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

Pension liabilities

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



Ros Kerslake OBE

Chief Executive and Accounting Officer

8 July 2020

Parliamentary accountability and audit report

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

Opinion on financial statements

I certify that I have audited the financial statements of the National Heritage Memorial Fund's Lottery distribution activities for the year ended 31 March 2020 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the National Lottery Heritage Fund's Lottery distribution activities as at 31 March 2020 and of its operating surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the

audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the National Heritage Memorial Fund's Lottery distribution activities in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the National Heritage Memorial Fund's Lottery distribution activities' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the National Heritage Memorial Fund's Lottery distribution activities have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the National Heritage Memorial Fund's distribution activities' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Trustees and Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery Act etc. 1993.

Report of the Trustees and Accounting Officer

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Heritage Memorial Fund's Lottery distribution activities' internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the National Heritage Memorial Fund's Lottery distribution activities' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Heritage Memorial Fund's Lottery distribution activities' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the National Heritage Memorial Fund's Lottery distribution activities to cease to continue as a going concern.

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

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

Other Information

The Trustees and the Accounting Officer are responsible for the other information. The other information comprises information included in the Performance Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993; and
- in the light of the knowledge and understanding of the National Heritage Memorial Fund's Lottery distribution activities and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

14 July 2020

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

Report of the Trustees and Accounting Officer

The financial statements

Statement of comprehensive net income for the year ended 31 March 2020

	Notes	£'000	2019-20 £'000	2018-19 £'000
Proceeds from The National Lottery	10	355,217		320,002
NLDF investment income	10	1,718		1,640
			356,935	321,642
Interest receivable	3	164		114
Sundry income	2	172		20
Total income			357,271	321,776
New grant awards	12	(251,921)		(332,109)
Award de-commitments	12	(8,944)		31,271
Provision against loans to heritage organisations		(2,100)		0
			(262,965)	(300,838)
Staff costs	20	(15,601)		(13,868)
Depreciation and amortisation	6, 7 and 8	(1,069)		(340)
Other operating charges	4	(10,856)		(9,660)
Total administration costs			(27,526)	(23,868)
Total expenditure			(290,491)	(324,706)
Operating surplus/(deficit)			66,780	(2,930)
Total comprehensive income/(expenditure) for the year ended 31 March 2020			66,780	(2,930)

The notes on pages 48 to 63 form part of these accounts.

Statement of changes in equity for the year ended 31 March 2020

	Income and expenditure account £'000
Balance at 31 March 2018	(590,498)
Changes in equity in 2018–19	
Retained surplus	(2,930)
Balance at 31 March 2019	(593,428)
Changes in equity in 2019–20	
Retained surplus	66,780
Balance at 31 March 2020	(526,648)

The notes on pages 48 to 63 form part of these accounts.

Report of the Trustees and Accounting Officer

Statement of financial position as at 31 March 2020

	Notes	2019-20 £'000	2018-19 £'000
Non-current assets			
Intangible fixed assets	6	704	204
Right of use	8	1,297	0
Property, plant and equipment	7	1,638	202
Loans to heritage organisations	9	972	50
Current assets			
Investments – balance at the NLDF	10	308,964	338,153
Trade and other receivables	9	5,501	5,012
Cash and cash equivalents		3,553	3,097
		318,018	346,262
Total assets		322,629	346,718
Current liabilities			
Administrative liabilities	11	(5,853)	(3,709)
Grant liabilities due within one year	12	(316,047)	(324,473)
Non-current assets plus net current assets		729	18,536
Non-current liabilities			
Administrative liabilities	11	(818)	0
Grant liabilities due in more than one year	12	(526,559)	(611,964)
Assets less liabilities		(526,648)	(593,428)

Represented by:

Income and expenditure account brought forward	(593,428)	(590,498)
Movement in the year	66,780	(2,930)
Income and expenditure account carried forward	(526,648)	(593,428)

The notes on pages 48 to 63 form part of these accounts.

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



René Olivieri
Interim Chair



Ros Kerslake OBE
Chief Executive and Accounting Officer

8 July 2020

Statement of cash flows for the year ended 31 March 2020

	Notes	2019-20 £'000	2018-19 £'000
Operating activities			
Cash drawn down from the NLDF	10	386,124	390,300
Cash from other sources including loan repayments	2	172	20
Cash paid to and on behalf of employees		(15,578)	(12,876)
Interest received on bank accounts		141	114
Cash paid to suppliers		(9,714)	(10,936)
Cash paid to grant and loan recipients	12	(357,696)	(363,702)
Net cash inflow from operating activities	15a	3,449	2,920
Investing activities			
Capital expenditure and investing activities	15b	(2,511)	(211)
Financing activities	15c	(482)	0
Increase in cash and cash equivalents		456	2,709

The notes on pages 48 to 63 form part of these accounts.

Reconciliation of net cash flow to movement in net funds for the year ended 31 March 2020

	Notes	2019-20 £'000	2018-19 £'000
Increase in cash and cash equivalents in the period		456	2,709
Changes in cash and cash equivalents	15b	456	2,709
Cash and cash equivalents at 1 April		3,097	388
Cash and cash equivalents at 31 March		3,553	3,097

The notes on pages 48 to 63 form part of these accounts.

Notes to the accounts

for the year ended 31 March 2020

1. Statement of accounting policies

There are no standards and interpretations in issue, but not yet adopted, that the trustees anticipate will have a material effect on the reported income and net assets of NHMF or its National Lottery distribution activities. International Financial Reporting Standard 16 (leases) is new and has an impact on our 2019–20 accounts, particularly those for our National Lottery distribution activities, which are analysed in the accounting policy below and also note 8.

a) Accounting convention

These accounts are drawn up in a form directed by the Secretary of State for DCMS and approved by HM Treasury. They are prepared under the modified historic cost convention. Without limiting the information given, the accounts meet the accounting and disclosure requirements contained in the Companies Act 2006 and the FREM, so far as those requirements are appropriate, and the accounts' direction issued by the Secretary of State for DCMS in April 2019. The accounting treatments contained in the FREM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The National Lottery accounts' direction issued by the Secretary of State for DCMS specifically excludes the preparation of consolidated accounts.

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

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

The accounts have been prepared on a going concern basis because NHMF has no reason to

believe that DCMS has plans to change the National Lottery distribution arrangements for the heritage sector and so trustees assume that they will continue to receive funding from The National Lottery.

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

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

b) Non-current assets

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

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

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

c) Allocation of costs and segmental reporting

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

NHMF accounts separately for its National Lottery distribution activities, which it is required to do under its National Lottery accounts' direction. The accounts for NHMF in recent years separated its income and expenditure between its standard NHMF activity and the Listed Places of Worship: Roof Repair Fund.

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

At the end of the financial year the proportion of joint costs apportioned to our National Lottery distribution activities was 99% (2018–19: 99%).

d) Taxation

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

e) Pension

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

Cabinet Office prior to the start of each financial year. See the remuneration and staff report for further details.

f) Leases

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

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

Note 8 has further details on the impact of the introduction of IFRS 16 on the accounts.

g) Balances at the NLDF

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

h) Grant decisions

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,

Notes to the accounts

for the year ended 31 March 2020

we reduce the value of the outstanding liabilities. All grant liabilities are payable immediately upon receipt of valid payment requests.

Commitments are as defined by an earlier accounts' direction of the Secretary of State for DCMS, issued in October 2002, as the current accounts' direction does not define them. Commitments represent an agreement in principle of the trustees to fund a heritage project. We treat them as a contingent liability in note 13 on page 55 because they represent a significant potential liability that must be taken into account when making decisions about the level of resources available. Commitments come in two types:

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

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

i) Loans

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

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

j) Joint grant schemes

Where NHMF operates a joint grant scheme partly on behalf of other organisations (currently Parks for People with The National Lottery Community Fund; the Great Place programme with Arts Council England; the Year of Young People with The National Lottery Community Fund, Sport Scotland and the Spirit of 2012 Trust) we do not recognise sums received from these bodies as income. In effect, funds received from these bodies are simply passed on to grantees or suppliers. Thus we have only included NHMF's share of scheme grant payments in these accounts as we have passed the other organisations' share on to the grantee. Similarly we have only disclosed NHMF's share of operating expenditure for these schemes and have passed any funding for operating expenditure from the other organisations onto suppliers.

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

k) Apprenticeship levy

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

2. Sundry income

	2019-20 £'000	2018-19 £'000
Repayment of grants	172	20

3. Interest receivable

	2019-20 £'000	2018-19 £'000
Interest received from banks	140	114
Loans to heritage organisations	44	0
Sundry	2	0
Provision against receipt of loan interest	(22)	0
	164	114

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

4. Operating deficit

The operating deficit is stated after charging the following:

	2019-20 £'000	2018-19 £'000
Auditor's remuneration	41	39
Payments under operating leases		
– leasehold premises	1,442	1,328
– hire of office equipment	6	5

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

6. Intangible fixed assets

	Website		Information technology		Total	
	2019-20 £'000	2018-19 £'000	2019-20 £'000	2018-19 £'000	2019-20 £'000	2018-19 £'000
Cost at start of year	582	496	2,249	2,196	2,831	2,692
Additions	0	86	544	53	544	139
At end of year	582	582	2,793	2,249	3,375	2,831
Amortisation at start of year	461	456	2,166	2,083	2,627	2,539
Charge for the year	25	5	19	83	44	88
At end of year	486	461	2,185	2,166	2,671	2,627
Net book value						
At start of year	121	40	83	113	204	153
At end of year	96	121	608	83	704	204

	2019-20 £'000	2018-19 £'000
Accommodation	1,562	2,008
Postage and telephone	635	439
Office supplies, print and stationery	53	51
Travel, subsistence and hospitality – trustees	75	85
Travel, subsistence and hospitality – staff	653	512
Professional fees – grant-related	1,694	1,805
Professional fees – non-grant-related	2,974	2,272
Communications	560	494
Office equipment	2,109	1,102
Staff training	208	208
Sundry expenses	333	684
	10,856	9,660

5. Recharged costs

As mentioned in note 1 on page 48, NHMF is required to disclose separately its National Lottery activities in its National Lottery distribution accounts. Many of the overhead costs incurred at the head office in London benefited both our grant-in-aid and National Lottery distribution activities. At the end of the financial year the proportion of joint costs apportioned to National Lottery distribution was 99% (2018-19: 99%). All grant-in-aid activities took place at the head office of Holbein Place, London and subsequently St. Katharine Docks, London. The costs of operating all other offices are fully recharged to National Lottery distribution.

Notes to the accounts for the year ended 31 March 2020

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

A review of the current cost values of intangible fixed assets at 31 March 2020 revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of intangible fixed assets.

7. Property, plant and equipment

	Short-leasehold property		IT and other equipment		Office fittings		Total	
	2019-20 £'000	2018-19 £'000	2019-20 £'000	2018-19 £'000	2019-20 £'000	2018-19 £'000	2019-20 £'000	2018-19 £'000
Cost at start of year	643	1,137	2,764	2,703	81	81	3,488	3,921
Additions	817	11	1,091	61	59	0	1,967	72
Disposals	(308)	(505)	(2,762)	(0)	(81)	0	(3,151)	(505)
At end of year	1,152	643	1,093	2,764	59	81	2,304	3,488
Depreciation at start of year	611	1,072	2,594	2,386	81	81	3,286	3,539
Charge for the year	178	44	343	208	10	0	531	252
Adjustment on disposal	(308)	(505)	(2,762)	(0)	(81)	0	(3,151)	(505)
At end of year	481	611	175	2,594	10	81	666	3,286
Net book value								
At start of year	32	65	170	317	0	0	202	382
At end of year	671	32	918	170	49	0	1,638	202

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

Trustees have considered the current cost values of property, plant and equipment. A review of the current cost values at 31 March 2020 revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of property, plant and equipment. The value of property, plant and equipment represents a proportionate split of the assets used by both NHMF's grant-in-aid and its National Lottery distribution activities. This split is currently 99% Lottery and 1% grant-in-aid (see also note 5 on page 51).

8. Right of use asset (IFRS 16) – change in accounting policy

IFRS 16 (Leases) has been adopted from 1 April 2019. This standard replaces International Accounting Standard 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 has been adopted using the modified retrospective approach, which does not require restatement of comparative information. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. It requires the recognition of

a right of use asset on the statement of financial position representing the right to use the underlying leased asset together with a corresponding lease liability representing the obligation to make future lease payments.

The right of use assets on recognition at 1 April 2019 were measured at an amount equal to the lease liability. The right of use asset and lease liability recognised in the statement of financial position were initially measured at the present value of future lease payments. Depreciation of right of use assets and interest on lease liabilities have been recognised in the statement of comprehensive net income.

Rentals under operating leases were previously charged to the statement of comprehensive net income on a straight-line basis.

In March 2019, we took over an operating lease for part of International House in the borough of Tower Hamlets, London. The lease had a further three-and-a-half years to run at that point. We also had leases, with more than one year to run, for our offices in Cardiff, Newcastle and Nottingham – we currently have no lease for our office in Birmingham, but we expect to sign one soon. As with other joint overhead costs, the accounts of the National Heritage Memorial Fund reflect 1% of the cost of St. Katharine Docks with the other 99% being disclosed within our National Lottery distribution accounts. The following reconciliation explains the movements from operating lease commitments disclosed at 31 March 2019 (applying the previous policy IAS 17) to the opening balance for lease liabilities as at 1 April 2019 (applying IFRS 16).

Lease commitments disclosed in the accounts for 2018–19	2,385
Leases not meeting the definition of IFRS 16	(510)
Effect from discounting at the incremental borrowing rate as of 1 April 2019*	(84)
Lease liability recognised at the date of initial application of IFRS 16	1,791

* The weighted average incremental borrowing rate for lease liabilities initially recognised as at 1 April 2019 was 1.99%

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

Right of use asset:

	2019–20 £,000	2018–19 £,000
Balance at start of the year	0	0
Creation of right to use asset	1,791	0
Amortisation	(494)	0
Balance at close of year	1,297	0

9. Trade and other receivables

	2019–20 £'000	2018–19 £'000
Prepayments and accrued income	3,572	3,121
Loans to heritage organisations	972	50
Other receivables	1,911	1,865
Staff advances	18	26
Total	6,473	5,062

There were no sums due in more than one year (2018–19: £0) with the exception of the loans, all of which are due in more than one year.

Of the above sums, £4,983,000 was owed by central government bodies. At the year-end, 24 members of staff had outstanding payroll advances (at 31 March 2019 there were 30).

During the year, we gave three loans to two heritage bodies – Lakeland Arts of Abbot Hall Art Gallery (one loan of £1.2million for the restoration and re-opening Windermere Jetty Museum of Boats, Steam and Stories) and Silverstone Heritage Limited (two loans totalling £1.8million).

Lakeland Arts

This is an interest-free loan repayable in amounts equivalent to 50% of the excess cashflow over £100,000 per annum until the full amount is repaid; with the first repayment due on 23 April 2024. It soon became apparent that the problems the loan recipient was suffering that led it to seek the loan were on-going. Hence, we consider it prudent to make a 100% provision against repayment. We

Notes to the accounts

for the year ended 31 March 2020

will continue to work with the loan recipient to help them bring about the best possible outcome for their project in order to obtain repayment of the loan under the terms of the loan agreement.

Silverstone Heritage

These are two separate loans (£1.3million and £500,000) to Silverstone Heritage Limited for the Silverstone Heritage Experience and Collections and Research Centre. Both loans attract an interest rate of 5%. The first loan of £1.3million is due for repayment in 2029–30. The second loan of £500,000 is due to be mostly repaid in 2020–21, with the remainder (including the interest) to be repaid by 2029–30. When considering the likelihood of repayment, we have to consider the impact of the coronavirus pandemic and the probability that any British Grand Prix in 2020 will only take place without spectators, which obviously means that there will be very few visitors to the heritage site. Consequently, we have decided to make a 50% provision against this loan.

Dickens House

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

Loans	2019–20 £'000	2018–19 £'000
Loans at start of year	50	50
New loans	3,000	0
Loan repayments	0	0
Accrued Interest added to loan	44	0
Provision against loan	(2,100)	0
Provision against accrued interest	(22)	0
Loans after provision	972	50

10. Investments

Movement in balances at the NLDF:

	2019–20 £'000	2018–19 £'000
Current cost at start of year	338,153	406,811
Income received from The National Lottery	355,217	320,002
Funds drawn down by NHMF	(386,124)	(390,300)
NLDF investment return	1,718	1,640
Current cost at end of year	308,964	338,153

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

11. Payables

	2019–20 £'000	2018–19 £'000
Operating payables	1,503	880
Other payables including taxation and social security	563	513
Accruals and deferred income	4,605	2,316
	6,671	3,709

None of the liabilities of NHMF was secured. Of the sums disclosed above, £818,000 relates to long term payables representing liabilities for property leases.

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

	2019–20 £'000	2018–19 £'000
Balances owing to central government	633	593
Balances owing to local authorities	0	4
Balances owing to public corporations	0	0
Balances external to government	1,433	796
	2,066	1,393

12. Grant liabilities

	2019–20 £'000	2018–19 £'000
Brought forward at start of year	936,437	999,301
New liabilities created in the year	251,921	332,109
Liabilities no longer recognised	8,944	(31,271)
Grant payments	(354,696)	(363,702)
Carried forward at end of year	842,606	936,437

Liabilities no longer recognised would normally be expected to reduce the value of grant liabilities.

The reason for the increase in 2019–20 is due to a large reduction in the underlying provision estimating grant awards that will not be paid. Without the large movement in the provision, the level of liabilities no longer recognised would have been £21,608,000.

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

	2019–20 £'000	2018–19 £'000
In one year	316,047	324,473
In two years	223,096	232,784
In three years	136,704	138,090
In four years	74,733	74,557
In five years	41,226	40,171
In more than five years	50,800	126,362
	842,606	936,437

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

	2019–20 £'000	2018–19 £'000
Balances owing to central government	83,772	85,262
Balances owing to local authorities	321,294	342,948
Balances owing to public corporations	1,187	777
Balances owing to NHS trusts	35	83
Balances external to government	436,318	507,367
	842,606	936,437

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

13. Contingent liabilities Commitments

	2019–20 £'000	2018–19 £'000
Brought forward at start of year	286,418	495,369
Commitments made	125,113	122,539
De-commitments	(20,034)	(68,823)
New liabilities created in the year	(172,636)	(262,667)
Balance carried forward at end of year	218,861	286,418

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

The balance of contingent liabilities has fallen significantly in the past two years as trustees have reduced their grant budget as part of both (1) a policy of improving reserves, (2) because the old Strategic Funding Framework was coming to an end, and (3) it is normal for the level of applications in the first year of a new framework to be relatively low. It is too early to say what the impact of the Covid-19 pandemic will be on the value of these contingent liabilities. It is possible that some projects will not come to fruition or will be changed significantly before returning to Trustees for a second round opinion. We have made no adjustment to the value of contingent liabilities because we have no way of knowing if there will be a financial impact.

Notes to the accounts
for the year ended 31 March 2020

14. Lease commitments

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

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

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

	2019-20 £'000	2018-19 £'000
Short-leasehold property		
Not later than one year	69	953
Later than one year but not later than five years	207	1,356
Later than five years	0	0
	276	2,309
Other leases		
Not later than one year	24	38
Later than one year but not later than five years	0	38
Later than five years	0	0
	24	76

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

Other leases refer to photocopiers and franking machines.

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

15. Notes to the statement of cash flows

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

	2019-20 £'000	2018-19 £'000
Operating surplus/(deficit)	66,780	(2,930)
Add back non-cash items:		
– depreciation and amortisation	1,069	340
– loss on disposal of intangible fixed assets and property, plant and equipment	0	0
– movement in fair value reserve	0	0
– decrease in grant liability reserve	(93,831)	(62,865)
– decrease in balance at NLDF	29,189	68,658
Increase in non-interest receivables	(1,411)	(1,610)
Increase in non-capital payables	1,653	1,327
Net cash inflow from operating activities	3,449	2,920

b) Capital expenditure and investing activities

	2019-20 £'000	2018-19 £'000
Payments to acquire intangible fixed assets	544	139
Payments to acquire property, plant and equipment	1,967	72
	2,511	211

c) Financing activities

	2019-20 £'000	2018-19 £'000
Leasing liabilities	482	0

d) Analysis of changes in net funds

	At 1 April 2019 £'000	Cash flows £'000	At 31 March 2020 £'000
Cash at bank	3,097	456	3,553

16. Related party transactions

NHMF is a non-departmental public body sponsored by DCMS. DCMS is regarded as a related party. During the year, NHMF (including its National Lottery distribution activities) has had various material transactions, other than grant awards, with DCMS itself and with five entities for which DCMS is regarded as the sponsor department – The National Lottery Community Fund, Sport England, UK Sport, Historic England, and Arts Council England.

We signed a lease with DCMS in March 2015 for the occupation of our office in Birmingham to May 2018. We remain in occupation, with the intention of taking over the lease from DCMS, but the legal documentation had not been signed by the end of the financial year. At the year-end, we owed DCMS approximately £47,000 for service charges.

The National Lottery Community Fund contributed towards the grants made under our Parks for People programme and also towards the operating costs of the programme. At the year-end The National Lottery Community Fund owed NHMF £3,789,689, representing £65,541 for Parks for People operating costs and £3,715,051 for its share of Parks for People grant payments. There was a further amount due for the secondment of a member of our staff to the Lottery Forum. We also paid The National Lottery Community Fund for a number of activities in the year – the provision of legal and procurement services and a contribution to the National Lottery Promotion Unit. We paid it around £235,000 during the year and we owed £24,000 at the year-end.

Arts Council England repaid us for Great Place joint grant programme grant payments we made on their behalf. At the year-end it owed us £1,019,998 which also included a small amount due for the secondment of a member of our staff to the Lottery Forum.

There were a number of transactions to a value of £48,641 with Historic England representing the secondment of two members of their staff. Nothing was owed at the year end.

There were transactions with Sport England and UK Sport representing the secondment of a member of our staff to the Lottery forum. At the year-end, Sport England owed us £2,792 and UK Sport £1,053.

Outside the DCMS family of central Government sponsored bodies, there have also been material transactions with the Cabinet Office to the value of £29,503 for the inward secondment of a member of staff and for carrying out pension administration on our behalf; nothing was owed at the year-end.

We recharged the costs of monitoring and mentoring certain grant-aided projects to arms of the Scottish government (Creative Scotland and Historic Environment Scotland). Billing totalled £8,595 in the year and £7,570 was owed by them at the year-end.

In May 2011, the Committee on Climate Change signed an underlease for most of the first floor of NHMF's offices, at 7 Holbein Place, London. In August 2016 the area occupied by the Committee on Climate Change was reduced by about a half with a commensurate reduction in rent and contribution to service charges. The Committee on Climate Change is a non-departmental public body, which is jointly-sponsored by the Department for Business, Energy and Industrial Strategy, Department for Environment, Food and Rural Affairs, the Scottish government, the National Assembly for Wales and the Northern Ireland Executive. The Committee on Climate Change vacated the office at the same time as we did (September 2019) and so we continued to receive rental income from the committee until that date. This amounted to £37,000 for rent and £21,000 for other costs. At 31 March 2019, we were owed £4,000.

As set out on pages 58 to 60, Trustees of NHMF had interests in bodies to which NHMF made National Lottery grants. Similarly, members of country and area committees had interests in projects to which their committee made National Lottery grants or provided comments and made recommendations to the Board. Trustees and committee members are required to maintain a register of interests in heritage bodies, which is updated every year in conjunction with our

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for the year ended 31 March 2020

Legal & Governance team. At the start of each committee or Board meeting, trustees and committee members declare any connection with applicants and absent themselves from any part of the meeting where that grant application is discussed. They take no part in the decision as to whether a grant is awarded nor are they involved in any discussion about that project prior to or subsequent to that grant decision. There are also strict rules on the circumstances in which trustees and committee members can accept paid work from a grantee. Therefore, trustees are satisfied that in no case did individuals have an influence on the decision-making process for those projects with which they have a connection.

In 2019–20 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

Norfolk Museums Service

A grant of £2,107,000 – A Turner for East Anglia

Steve Miller declared a conflict of interest in his capacity as head of the applicant organisation, Norfolk Museums Service.

Norfolk Record Office

A grant of £217,400 – Community Archives: Skills, Support and Sustainability

Steve Miller declared a conflict of interest as Assistant Director (Culture and Heritage) at Norfolk County Council. Norfolk Record Office is a service provided jointly by Norfolk County Council and several district councils.

National Portrait Gallery

A grant of £8,500,000 – Inspiring People: Transforming Our National Portrait Gallery (NPG)

Steve Miller declared a conflict of interest in his capacity as head of the Norfolk Museums Service, who would be loaned a painting through the project.

Thetford Town Council

A grant of £168,700 – Thetford Guildhall Heritage Hub

Steve Miller declared a conflict of interest in his capacity as head of the Norfolk Museums Service, who are project partners.

University of Leeds

A grant of £530,500 – Dialect and Heritage

Dr David Stocker declared a conflict of interest in his capacity as an honorary visiting professor for the applicant organisation, University of Leeds.

Foundation for Common Land

A grant of £1,906,800 – Our Common Cause: Our Upland Commons – Enabling vulnerable communities to enhance iconic places

Dr David Stocker declared a conflict of interest as a member of the council of the National Trust, a project partner.

Museums Galleries Scotland

A grant of £250,000 – Forum Connections: Building Capacity For Scotland's Museum Forums

Ray Macfarlane declared a conflict of interest in her capacity as Chair of the applicant body, Museums Galleries Scotland.

Committee members

Royal Society for the Protection of Birds

A grant of £375,300 – SCALE – Saving Corncrakes through advocacy, land management and education

Stuart Housden declared a conflict of interest having worked as the Director of the applicant organisation, RSPB, until 2017.

Scottish Natural Heritage

A first round pass of £4,232,100 and a grant of £267,100 – Species on the Edge

Stuart Housden declared a conflict of interest having worked as the Director of the RSBP, a project partner.

Tweed Forum

A first round pass of £2,980,000 and a grant of £299,000 – Destination Tweed – Source to Sea Restoration and Revitalisation

Alice Mayne declared a conflict of interest as an employee of the Environment Agency, a project partner.

Blaenavon PACT Youth Panel

A grant of £201,100 – World Heritage Youth Ambassadors

James Davies declared a conflict of interest as he had supported the project through his work with the Ironbridge Institute.

Monmouthshire County Council

A grant of £176,700 – MonLife Heritage Strategy

Megan de Silva declared a conflict of interest as an employee of Monmouthshire County Council, the applicant organisation.

Holy Trinity Church of Ireland Aghalee

A grant of £185,400 – Aghalee Parish Development Project

Sheila McClelland declared a conflict of interest as a member of the vestry for the applicant organisation.

Trafford Council

A first round pass of £2,798,400 and a grant of £120,000 – Longford Park: People, Place and Nature

Stephen Welsh declared a conflict of interest due to the close proximity of his residence to Longford Park.

National Forest Company

A grant of £2,767,300 – Charnwood Forest Landscape Partnership Scheme

John Everitt declared a conflict of interest in his capacity as the CEO of the applicant organisation, the National Forest Company.

Bradford Live

A grant of £959,500 – Bradford Live – transforming an iconic landmark into a world-class entertainment facility rejuvenating central Bradford

Humphrey Welfare declared a conflict of interest having been involved in discussions around the designation of the Bradford Odeon during his career with English Heritage.

London Borough of Hounslow

A grant of £3,634,600 – Reconnecting Boston Manor Park

Neena Sohal declared a conflict of interest having assisted in the development of the project activity plan.

The Royal Parks

A grant of £4,517,300 – Greenwich Park Revealed

Peter Neal declared a conflict of interest having acted as a consultant for the project prior to his appointment to the London and South Committee.

Thetford Town Council

A grant of £168,700 – Thetford Guildhall Heritage Hub

Helen Wilson declared a conflict of interest in her capacity as a trustee of the Norfolk Museums Service, who are project partners.

Borlase Smart John Wells Trust Ltd

A grant of £319,700 – Renovation and refit of Grade II* Anchor Studio, Newlyn

Tamsin Daniel declared a conflict of interest as an employee of Cornwall Council, a match funder for the project.

Norfolk Museums Service

A grant of £2,107,000 – A Turner for East Anglia

Helen Wilson declared a conflict of interest in her capacity as a trustee for the applicant organisation, Norfolk Museums Service.

Children in Scotland

A grant of £74,100 – Museums and young people working in Partnership

Gillian Findlay declared a conflict of interest as her employer, Culture Perth and Kinross, was named in the application and asked to support it.

Notes to the accounts

for the year ended 31 March 2020

Manchester Art Gallery

A grant of £9,800 – Trading Stations: How Hot Drinks Shape Our Lives – Engagement

Stephen Welsh declared a conflict of interest as Manchester Museum, an ACE NPO with Manchester Art Gallery, was loaned objects from a collection he is responsible for.

Durham Miners Association

A first round pass of £3,847,500 and a grant of £400,000 – Redhills Revealed: A New Life for the Pitsman's Parliament

Niall Hammond declared a conflict of interest as he supported the organisation in preparing their project.

Durham Miners Association

A grant of £47,300 – Durham Miners Association – Resilience & Sustainability

Niall Hammond declared a conflict of interest as he supported the organisation on a recent unsuccessful application.

Durham Heritage Coast

A grant of £2,787,200 – Tyne to Tees, Shores and Seas – Seascape Partnership

Jim Cokill declared a conflict of interest as the director of Durham Wildlife Trust, a project partner.

Peter Neal

Peter Neal, a member of the London and the South Committee, is also on our Register of Support Services (ROSS). ROSS is a competitively tendered list of heritage, conservation and construction experts that we appoint to provide advice and guidance on projects that we support. At the time of his appointment, it was made clear that Peter is required to keep his decision taking and advisory roles completely separate. He cannot take on any ROSS consultancy work for projects in the London and the South area whilst he is a committee member; nor, when his term ends, in those circumstances where he has been a decision taker for either a development or a delivery grant. He can be appointed via ROSS to work in the other parts of the UK. During 2019–20, we spent £26,644 with his company, Peter Neal Consulting Limited.

Staff

Foundation for Common Land

A grant of £1,906,800 – Our Common Cause: Our Upland Commons – Enabling vulnerable communities to enhance iconic places

David Renwick declared a conflict of interest having been previously employed by the North York Moors National Park Authority, who were a partner in earlier iterations of the project.

17. Financial instruments

Financial instruments

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

Liquidity risk

In 2019–20, £355million (99.4%) of NHMF's National Lottery distribution income derived from The National Lottery. The remaining income derived from investment returns on the balance held with the NLDF of £1.7million (0.5%) along with a small amount of bank interest and grant repayments. The trustees recognise that their grant liabilities and other payables significantly exceeded the value of funds in the NLDF at 31 March 2020. However, trustees consider that their National Lottery distribution activities are not exposed to significant liquidity risks as they are satisfied that they will have sufficient liquid resources within the NLDF and the bank to cover all likely grant payment requests in the coming years. Trustees have been informed by DCMS, most recently in March 2014, that it has no plans to change the National Lottery distribution arrangements for the heritage sector. Indeed, DCMS increased the heritage share of National Lottery good causes money to 20% from April

2012. Trustees have set a long-term grant award strategy to ensure that their National Lottery distribution liabilities are in line with assets and that trustees are able to meet in full their commitments. Thus, even if there were a long-term decline in National Lottery income, trustees would simply adjust annual grant budgets to compensate. The impact of the pandemic on National Lottery income has not been significant. An extrapolation of our National Lottery income for the first two months of 2020–21, suggests an annual income around £300million. We accept that this is a small period, but it does not suggest that we need to adjust our planning. We will, of course, continue to monitor the situation.

Market and interest rate risk

The financial assets of NHMF's National Lottery distribution activities are invested in the NLDF, which invests in a narrow band of low-risk assets such as government bonds and cash. Trustees have no control over the investment of these funds. For these two reasons we have not carried out sensitivity analysis on market risks. At the date of the statement of financial position, the market value of our investments in the NLDF was £309million. We are informed by DCMS that funds at the NLDF earned on average 0.72% in the year (2018–19: 0.67%). Our cash balances, which are amounts drawn down from the NLDF to allow us to pay grants and operating costs, are held in instant-access variable-rate bank accounts, which carried an average interest rate of 0.69% in the year. The sharp decline in market interest rates in 2008, coupled with further recent cuts, has had a significant impact on investment returns but as there is little room for rates to fall further the risk is small. The small rises in base rates in November 2017 and August 2018 improved the average return slightly but then there was a significant fall in February 2020 as a response to the COVID-19 pandemic. The cash balance at the year-end was £3.6million. Trustees consider that their National Lottery distribution activities are not exposed to significant interest rate risks. Other financial assets and financial liabilities carried nil rates of interest.

	2019–20 £'000	2018–19 £'000
Cash balances		
– sterling at floating interest rates	3,553	3,097
– sterling at a mixture of fixed rates	308,964	338,154
	312,517	341,251

Credit risk

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

Foreign currency risk

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

Financial assets by category

	2019–20 £'000	2018–19 £'000
Assets per the statement of financial position		
– investments available for sale	308,964	338,153
– cash and cash equivalents	3,553	3,097
– loans and receivables	6,473	5,062
	318,990	346,312

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for the year ended 31 March 2020

Financial liabilities by category

	2019–20 £'000	2018–19 £'000
Liabilities per the statement of financial position		
– other financial liabilities		
• grant payables	842,606	936,437
• operating payables	1,503	880
• other payables	563	513
• accruals	4,605	2,316
	849,277	940,146

Fair values

Set out below is a comparison, by category, of book values and fair values of The National Lottery Heritage Fund's financial assets and liabilities as at 31 March 2020.

Financial assets at 31 March 2020

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

Financial assets at 31 March 2019

	Book value £'000	Fair value £'000
Cash ¹	3,097	3,097
Investments ²	338,153	338,153
Receivables ³	5,062	5,062
	346,312	346,312

Financial liabilities at 31 March 2020

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

Financial liabilities at 31 March 2019

	Book value £'000	Fair value £'000
Grant payables ⁴	936,437	936,437
Operating payables ⁵	880	880
Other payables ⁵	513	513
Accruals ⁵	2,316	2,316
	940,146	940,146

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 DCMS. She or he provides the trustees with details of the book value and fair value of our balances at the date of the statement of financial position.
- No provision for bad debt is deemed necessary. None of the debts is long term other than long-term loans.
- While we disclose £527million 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

	2019–20 £'000	2018–19 £'000
In less than one year	849,277	940,146
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
	849,277	940,146

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

18. Statement of losses and special payments

The National Lottery Heritage Fund made losses through the write-off of six grants totalling £714,891 in the year (2018–19: 13 grants totalling £200,370). Included in the total of six grants are two relating to the Dunkirk Little Ships Restoration Trust resulting in a write-off of £691,200.

Following a change in management at the berthing site, the grantee was advised that the restored boat – the steam tug Challenge – must leave the port by September 2019. The grantee had few resources and was unable to fund the ongoing necessary maintenance work, the cost of moving it to a new berth, or even the annual insurance. The grantee made contact with a for-profit re-development company specialising in reviving derelict urban spaces for retail use, but which also maintained the SS Robin and two additional historic ships, all at Trinity Buoy Wharf in London's Docklands. This company offered to purchase the boat from the grantee for a minimal sum and pay to have her moved to Shoreham for maintenance work and then on to Trinity Buoy Wharf where she will be berthed. As the grantee could not afford to move her or repair her, if the sale did not go through, their only option would be to scrap the boat. NHMF agreed to waive clawback to enable the sale to go through.

19. Events after the reporting period

There were no events that occurred after 31 March 2020 up until the date the Accounting Officer signed these accounts that need to be disclosed. The financial statements were authorised for issue on 8 July 2020 by the trustees and Accounting Officer on the date they were certified by the Comptroller and Auditor General.

20. Staff costs

Staff costs for 2019–20 were as follows:

	2019–20 £'000	2018–19 £'000
Salaries	11,302	10,346
Employer's NI payments	996	893
Payments to pension scheme	2,576	1,929
Temporary staff costs	727	700
	15,601	13,868

The Trade Union (Facility Time Publication Requirements) Regulations 2017

Under this statutory instrument, we are required to disclose information about trade union facility time and relevant employee expenditure for the year 2019–20. This information covers both our grant-in-aid and National Lottery distribution activities.

Paid trade union activities

Hours spent on paid facility time	871
Hours spent on paid trade union activities	Zero
Percentage of total paid facility time hours spent on paid TU activities	0%

Trade Union Facility Time

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

We also have a statutory requirement to disclose information about Trade Union Facility Time and relevant expenditure. This information covers both our grant-in-aid and National Lottery distribution activities.

Trade union representatives and full-time equivalents

Trade union representatives	20
FTE trade union representatives	18.46

Percentage of working hours spent on facility time

Percentage of working hours	Number of representatives
0%	0
1–50%	20
51%–99%	0
100%	0

Total pay bill and facility time costs

Total pay bill	£14,692,000
Total cost of facility time	£19,166

Percentage of pay spent on facility time: 0.13%

Policy directions

UK Government

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

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

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

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

Our Strategic Funding Framework 2019–24 (SFF) was based on consultation with organisations working in heritage, the public and National Lottery players. We will continue to assess needs through our relationships with stakeholders and partners to further understand heritage needs.

The SFF outlines our broad understanding of how heritage might be considered at risk. It includes not only heritage that is designated at risk but heritage that is likely to be lost, damaged or forgotten; decaying or neglected; at risk due to financial difficulty; intangible heritage and cultural practices that might be lost; and important habitats and species in decline.

We continue to work with all UK museum agencies (both UK wide and country specific) on the joint protocol around Collections at Risk. Support centres are focusing on saving the museum as an institution, or failing that, ensuring collections will be transferred into appropriate museums with the required access. Similarly we have taken a more informal approach to archives and heritage libraries, especially through The National Archives, although the number of institutions is fewer than museums. It should be

noted that there is no defined 'at-risk' scheme for the Museums, Libraries and Archives sector.

We are a member of the Natural Environment Funders Group which includes key statutory agencies in England, larger environmental charities such as RSPB, the Wildlife Trusts and Defra. The group shares intelligence on the needs and opportunities across the landscape and natural heritage sectors in order to align funding and highlight potential applications. Over the last twelve months considerable work has been undertaken to strengthen our relationships with Defra, Natural Resources Wales and Scottish Natural Heritage to better share intelligence and align funding opportunities. The Future Parks Accelerator, a joint venture between the Fund and the National Trust has allowed us to build on previous research and gain greater insight into the needs of the urban parks sector to ensure our funding is targeted where it is needed the most.

We are also working with partners across the UK with a focus on built heritage and the historic environment more broadly to enable the effective distribution of funding. We are contributing to the Historic Environment Forum and working together on UK Government initiatives such as the Towns Fund in order to achieve this.

Supporting the heritage sector through COVID-19

Our approach to supporting the heritage sector during the COVID-19 pandemic has been grounded in our assessment of the sector's needs. We gathered information about the impact of COVID-19 through a survey initially targeted at our grant holders who had received over £250,000 in the last 10 years but open to all funded organisations. We also exchanged information through conversations with other funders and heritage stakeholders. We quickly responded to the intelligence we collected to devise our immediate emergency response package of funding and support.

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

Policy directions

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

Our six country and area committees are appointed through open recruitment based on criteria including area and sector knowledge and make decisions on grants over £250,000.

Throughout the period of our current Strategic Funding Framework we are working with 13 areas of focus in England, Scotland and Wales. The areas have received the least funding from the Fund in the past and experience deprivation. Our Engagement Teams are working with partners in each of the areas to develop and promote more participation, community activity and investment in heritage whilst supporting local capacity. Our Engagement Teams are working closely with organisations such as local authorities, community groups, housing associations, health authorities and voluntary sector support agencies to further understand the priorities and needs in each area.

Throughout 2019 we engaged people with lived experience to design the wellbeing campaign. We heard directly from communities leading heritage and wellbeing projects in North West and North East England, including 'Pendle Hill Landscape Partnership Project', 'Going for Independence' and 'Northern Heartlands'. Project participants spoke powerfully about gaining skills and creating wider social connections. Young learning disabled people presented their experiences of volunteer opportunities in Manchester museums, while older blind and partially sighted people explored local landscapes and parks across the North East. These participants noted improved physical health, increased appetite and higher levels of mental wellbeing as a result of engaging with the projects.

We have run country and area events and are working to ensure our new wellbeing outcome and the planned wellbeing campaign are positioned within appropriate country contexts, public interest and local communities. We held a wellbeing and heritage stakeholder event at Glasgow Women's Library which recognised that

heritage funding can contribute to challenging health inequalities in Scotland through cross sector partnerships.

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

The Fund recognises the current under representation in heritage by many people and communities with protected characteristics in Equality Act 2010 legislation. 2019–20 saw 155 projects led by BAME organisations or with significant BAME communities as participants, with a total value of £12,140,400.

This is the highest number of investments in BAME projects since 2014–15, with 75 of these projects focussed on the role and legacies of the 70th anniversary of the arrival of HMT Empire Windrush at Tilbury Docks in 1948. Projects included Windrush Cymru: 'Our Voices, Our Stories, Our History' led by Race Council Cymru and the Young Historians Project researching the role of African women and their contribution to the British health system 1930–2000.

During 2019–20 we invested £1,565,300 in 29 LGBT+ led projects, the largest number of LGBT+ focused heritage projects funded within a year. This included the first large scale project based in Northern Ireland.

Disability-led organisations, or those with significantly disabled people as participants, led 110 projects during 2019–20 to a total value of £12,030,500. Again, this represents the largest number of heritage projects led by disabled people in the 25 years of the Fund. The range of projects funded reflects the lived experiences of disabled people, including changing experiences of mental health, learning disabilities and dementia. A growing number of projects also bring attention to the intersections of experience, including wide ranging experiences of disability, gender and sexuality by people from minority ethnic and refugee communities.

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

We have continued to make awards to youth-led heritage projects, 2019–20 saw were 72 worth £3.2m awarded in 2019–20.

Our major investment programme with young people, Kick The Dust, has demonstrated the invaluable role which heritage and youth organisations can play in awakening the interest and involvement of young people aged 11–25. Across the twelve large-scale UK-wide projects we have seen ambitious projects making heritage more relevant to young people's lives. We secured an addition £1.27m from DCMS's Youth Accelerator Fund for the nine projects in England.

Kick The Dust strives to ensure that more young people from a greater diversity of backgrounds become engaged with heritage. Our evaluation shows that projects have been reaching diverse communities including LGBTQ+ young people, young people who have experienced care or the criminal justice system, who are from black and ethnic minorities or disadvantaged backgrounds (48% have most deprived socio-economic status), young people with mental health issues or disabilities, young homeless people or any combination of the above.

All 12 Kick The Dust projects are testing a variety of different approaches to youth engagement and leadership including involving, consulting, collaborating and empowering young people to lead and produce. Young people participating in the projects have demonstrated that they can be inspired by heritage on a number of levels, if they know the opportunities exist. Our evaluation has shown that 63% of young people taking part in projects consider themselves to be engaged at an 'involved' level. They have also shown leadership, by taking part in youth boards, committees and forums alongside innovative approaches like co-production and co-curation, young commissioners, trustee mentoring and coaching.

From evaluation we know that encouraging young people to engage with heritage can help to

increase learning and understanding of themselves and their wider communities, whilst cultivating an interest in heritage.

Through Kick the Dust, Young people have been tackling challenges around climate change; ensuring heritage is inclusive and reflects the identities of everyone involved; queering and de-colonising collections, and giving voices to those whose stories have been silenced or lost in the passing of time; repurposing heritage spaces; co-ordinating late night events, festivals, photo projects, fashion shows, audio trails, death cafes and much more.

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

The opportunities provided by the heritage sector to bring people together and to share their lived experiences, building community resilience and cohesion, remain crucial in the post-Brexit context. Marking 50th anniversary of the Stonewall riots, we led a very successful, widely shared LGBTQ+ heritage season in June to August 2019. The season included interviews with LGBTQ+ led organisations, providing advice on challenges and shared the learning from current LGBTQ+ heritage projects. A highlight was a blog from two disabled women heritage leaders sharing their expertise and ambition in achieving a more inclusive heritage sector.

We partnered with Historic England to engage communities with their high streets through cultural programming as part of the High Street Heritage Action Zone programme. We are investing £3m in the Cultural Programme, designed alongside Historic England and Arts Council England, which will bring the capital programme strand to life for local communities.

Adapting in the COVID-19 pandemic

The heritage sector has been adapting face to face opportunities, using digital resources and sharing knowledge during the current global COVID-19 pandemic. We launched our Digital Skills for Heritage initiative to increase the contribution heritage makes to the quality of community life, social trust and in tackling challenges. Addressing cross generational issues

Policy directions

of social isolation and loneliness is becoming even more crucial as we respond to the current societal challenges.

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

We remain committed to the outcome, 'People will have developed skills'. We want our investment to help people develop key skills, helping heritage organisations become more resilient or enterprising and make sure that heritage is in better condition. We want to see a wider range of people involved in heritage through the creation of more inclusive training, entry level employment and progression opportunities.

Almost half of all successful awards above £100,000 made through our open grants programme have included a budget for paid training placements within the delivery stage of projects, supporting new routes into the heritage sector and promoting equality of access to employment opportunities. In total, 113 paid traineeships or apprenticeships will be created as part of larger projects as a result of projects funded this year.

The final cohort of 18 Skills for the Future projects, funded under the previous funding framework, continue to deliver innovative approaches to inclusive recruitment and excellence in skills delivery. The learning from these larger scale strategic interventions have shaped the good practice guidance created for the new Strategic Funding Framework.

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

Future Parks Accelerator (FPA) is a £12.5m programme operating in nine locations in England and Scotland, that are home to more than five million people and responsible for more than 20,000 hectares of publicly accessible urban greenspace. FPA has invested in a small cohort of local authorities with the ambition, leadership,

capability and readiness to drive transformational change at pace, both practically and systemically across their towns, cities and communities, in ways that are replicable.

FPA is facilitating and supporting local authorities and their partners to transform the publicly accessible greenspace in their town or city; to put green infrastructure at the heart of civic life, to grow the benefit or value created by these public assets, and develop new financial models that will enable parks to be financially sustainable for the next generation.

In 2019–20, the programme has engaged a wide range of partners and communities in the future design and running of urban greenspace in their area, completed natural capital accounts and valued the ecosystem of services generated by the greenspaces. Projects have started to design new financial models including piloting fundraising techniques and exploring enterprise potential, explored new ways of organising and deploying the workforce including volunteers, started to co-design the model for nature-based social prescribing, and initiated the set up of new 'Parks Foundations'.

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

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

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

9. Further the objectives of sustainable development.

Under our current Strategic Funding Framework we require all projects to follow good environmental sustainability practice stating that all projects should do more to enhance nature. This year we have signed a legal memorandum of understanding (MoU) with Fit for the Future (FftF), a knowledge sharing network operating across the heritage sector focused on improving the environmental performance of heritage organisations and projects.

The MoU means that the organisations we fund can join and benefit from a network of over 120 other heritage organisations, such as Historic England and Historic Environment Scotland, to share knowledge and improve the performance of their projects. With the help of FftF we have redesigned and launched new environmental sustainability guidance on our website and are in the process of creating additional support for our assessment teams via our internal Knowledge Hub to further understanding amongst staff.

In March our Board approved a three point plan to respond to the climate and ecological emergencies which includes; understanding and reducing our own greenhouse gas emissions, improving the sustainability performance of the projects we fund, and considering our future role in convening and leading the heritage sector to tackle some of the key problems in ensuring sustainable development whilst addressing the climate and ecological emergencies.

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

Following the launch of our Strategic Funding Framework, we began to engage our 13 areas of focus as outlined under policy direction 2. We continue to develop new ways to raise awareness and understanding of more active participation and investment in heritage. To monitor and report on progress, we have commissioned a five-year evaluation to provide feedback on process, progress and impact, to identify and share good practice and examples of what works, and support teams to build local capacity.

In 2019–20 just under a third (30%) of all funding has been committed in the 25% most deprived areas in each of the four countries of the UK (based on the most recent indices of multiple deprivation for England, Wales, Scotland and Northern Ireland at local authority level).

97% of our new project funding decisions were made by local decisions makers – committees and senior staff in Scotland, Northern Ireland, Wales and the three areas of England. This includes decisions on project grants between £3,000 and £5million, and on any country or local heritage campaigns, joint funds or social investments that are being funded through delegated budgets. We continue to allocate budgets per capita for all funding not reserved for strategic interventions or UK-wide competition. We also retain a 'country reserve' for Scotland, Wales and Northern Ireland for high-priority cases that cannot be accommodated in the delegated budgets.

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

In October the Lottery Forum (the cross-distributor CEOs group) agreed a focus on place-making as a theme all distributors could contribute to, to maintain the momentum of the 25th Birthday in the public's mind. We also agreed to explore new approaches to collaboration in places to test whether joint interventions would be more effective than working independently. A second objective was to improve data collection and sharing between distributors, starting with understanding better our current levels of data maturity.

Both work streams halted due to the COVID-19 crisis but have been redeveloped: the joint work on place is being taken forward through the Towns Fund group of DCMS ALBs (including Historic England as well as LDBs) through which we will collectively support towns in England to develop strong cultural proposals as part of their MHCLG-funded Town Deals; and the group working on data sharing will now develop a joint approach to data collection and evaluation of the

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£600m National Lottery family investment in emergency support for our sectors through the COVID-19 crisis.

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

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

The National Lottery's 25th Birthday was a landmark moment for the whole of the National Lottery Family to celebrate the extraordinary impact The National Lottery has had across the UK over the last 25 years. An extensive PR campaign raised awareness of the £40billion support for good causes during this time, and said 'thank you' to National Lottery players. The campaign reached a huge audience, including over 6,000 pieces of high quality national, area and local media coverage. From 23 November – 1 December, #ThanksToYou ran as a key part of the 25th Birthday programme with free entry and other special offers for National Lottery ticket holders to some of the UK's top attractions. Many of the UK's heritage attractions took part, including more than 100 National Trust properties. Over 650 offers were available, a 53% increase since 2017.

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

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

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

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

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

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

15. Where capital funding is sought, the need (a) for a clear business plan showing how any running and maintenance costs will be met for a reasonable period, and (b) to ensure that appraisal and management for major projects reflect the Major Projects Authority's Gateway Review Standards.

a) Under our current Strategic Funding Framework 2019–2024, we require all large projects (awards over £250,000) to provide a business plan with their development phase application which is then updated with their delivery phase application. The business plan is for the organisation rather than the project, which reflects our interest in organisational resilience and the organisation's capacity to sustain the benefits of our investment over the long term. We provide a suite of guidance to grantees including building maintenance, conservation planning and the management and maintenance of landscapes, parks and gardens to help inform and influence their business planning.

Projects funded under our Strategic Framework 2013–2019 are monitored in accordance with the information provided within the Grantee's application including any supplementary information contained in an activity plan, cash flow forecasts and an income and spending table. For projects involving over £200,000 worth of capital works we required a management and maintenance plan detailing how the applicant would meet the extra costs following completion of their project.

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

b) All projects go through a permission to start process which provides an appropriate gateway following approval of our investment in the

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

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

During 2019–20 we explored different ways in which we can effectively leverage our investment to attract new funding for heritage and to develop partnerships that help deliver on our Strategic Funding Framework outcomes.

Early in 2019 we invested in the Heritage Impact Fund (HIF), the first time the Fund had embarked on using National Lottery funding for providing social investment for the sector. This dedicated £7m fund, delivered by the Architectural Heritage Fund in partnership with the Heritage Fund, Historic England, CADW and Historic Environment Scotland, provides heritage organisations with loan finance to deliver positive social and economic impact through the re-use of heritage buildings. Since its launch 13 loan offers have been made through the HIF with a healthy pipeline in place for the allocation of the remaining funds.

We launched the Arts Cultural Impact Fund (ACIF) in March 2020, investing £2m into the £20m fund to extend the remit and availability of social finance to heritage organisations across the breadth of the UK. ACIF is delivered in partnership with NESTA, Arts Council England, Esmée Fairbairn, Big Society Capital and Bank of America Merrill Lynch. The fund will run over 10 years with the first three years being the active investing period targeting 40 investments of between

Policy directions

£150,000 – £1,000,000 at interest rates of between 4% and 10% and repayment periods typically between 12 months and 10 years.

These partnerships are informing our wider strategic approach to new models of investment. Through these cross-sector collaborations we are stimulating innovation and supporting the development of new business models which will increase the resilience of the wider heritage sector whilst maximising our investment for the greatest social impact. We have joined the Social Impact Investors Group run by the Association of Charitable Foundations to participate in knowledge sharing and collaboration around impact investing.

In December 2019 the Fund took part in the Big Give's Christmas Challenge as a match-funder for crowdfunding campaigns run by charities. Our contribution to the portfolio of projects totalled £227,620. This match-funding contributed to a total figure of £972,050 raised by the 31 charities that took part. It was reported that 92% of charities who took part received donations from new supporters and 87% of charities reported increased confidence in online fundraising.

In March 2020 we awarded a total of £1.87million, as part of a wider £4.2million package for business support, to two projects that will deliver UK-wide programmes of training and development for the sector. These programmes will aim to support cultural and heritage organisations to adopt social enterprise models in order to reduce their dependence on public subsidy, strengthen their strategic leadership and income-generating skills and put themselves in a position to take advantage of forms of repayable finance.

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

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

The Fund appointed a new Head of Digital Policy in January 2020 to lead on our £1.2m Digital Skills for Heritage initiative which launched in February 2020. This initiative will directly support digital skills development and leadership and focus on providing advocacy and hands on support to drive up digital capabilities across the heritage sector.

The initiative includes a two year 'Leading the Sector' project, sponsoring 30 executives to gain expertise in digital leadership, and the 'Digital Confidence Fund', which will provide mentoring for 20 organisations from our 13 Areas of Focus so that they are able to identify and adopt digital approaches to deliver strategic aims.

We awarded £496,000 to two projects with the aim of significantly increasing the amount of free digital skills events and resources for heritage organisations across the UK. We have also created a new multidisciplinary digital service design team to improve our own use of technology amongst staff, establishing user-centred and agile approaches to our online funding tools and processes.

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

The 2019–20 financial year saw The Fund release grant information as open data, publishing our SF4 grant data covering the awards of over 10,000 grants worth £2.2bn on both our own website and via the 360 Giving GrantNav platform.

As the major funder of heritage across the UK, that we have a duty to be transparent about our funding decisions and improving public access to our grant information. We want the data that we collect and hold to be usable (i.e. consistent and accurate), integrated and fully accessible across the organisation to help us meet our corporate objectives

As of writing we are one of 134 funders to publish our data through the 360 Giving GrantNav Platform. Publishing on the 360 Giving GrantNav platform has the benefit of allowing us to interrogate our data against geographies and organisations funded by other funders and understand better the grant-making picture across the UK, aiding our decision making. We intend to continue the roll out of our data through 2020–21 financial year.

England

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

Policy directions

Scotland

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

With the agreement of the Secretary of State, the Scottish Ministers, in exercise of the powers conferred by section 26(2) as read with section 26A(2)(b) of the National Lottery etc. Act 1993¹, and having consulted with the Trustees of the National Heritage Memorial Fund (the "Trustees"), hereby give the following directions:

1. These directions apply only to Scotland and relate to any distribution made by the Trustees for a purpose which does not concern reserved matters.
2. In determining the persons to whom, purposes for which and the conditions subject to which they apply any money under section 25(4) of the National Lottery etc. Act 1993 in Scotland, the Trustees must take into account the following priorities and other matters:
 - A. The need to support the Scottish Government Purpose of creating a more successful Scotland, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.
 - B. The need to engage effectively with Scottish Ministers in development of policy and related funding programmes, as appropriate, to maximise the benefits which accrue to the people and heritage of Scotland.
 - C. The need to facilitate maximum contributions from the natural and cultural heritage sectors to help manage the transition to a low carbon economy and delivery of Scotland's climate change targets.
 - D. The need to improve community engagement and involvement through projects that promote social inclusion and enhance community engagement and participation.
 - E. The need to support activities that contribute to building a Fairer Scotland for all.
 - F. The need to ensure an outcome focused approach, working closely with appropriate partners for the benefit of communities and the cultural and natural heritage across Scotland, using the following principles:
 - It is our duty to protect and enhance our abundant natural and cultural heritage as essential components in our economy, culture, way of life and the wellbeing of future generations.
 - That to be healthy and happy as a nation we must nurture and protect our local resources, environments and all who live in them.
 - G. The need to work with partners across the public, private and third sectors to help deliver better outcomes for people and the natural and cultural heritage of Scotland guided by the strategic priorities and principles underpinning a series of national strategies that are already operating successfully across Scotland taking into account any future refresh or revision of the strategies in question and, where appropriate, any new national strategies that are developed, for example, The Culture Strategy. The current strategies are:
 - **The National Performance Framework;**
 - **Going Further** – The Strategy for Scotland's Museums and Galleries;
 - **Our Place in Time** – The Historic Environment Strategy for Scotland;
 - **2020 Challenge for Scotland's Biodiversity;**
 - **The National Gaelic Language Plan; The Scots Language Plan;** and,
 - **The Place Principle.**
 - H. The need to demonstrate how The National Lottery Heritage Fund has responded to Scottish Minister's Policy Directions.

Wales

Policy Directions in relation to Wales

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

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

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

1. Encourage the conservation, preservation, presentation, promotion and interpretation of all aspects of the natural, cultural and intangible heritage of Wales for future generations.
2. Have regard to the interests of Wales as a whole and the interests of different parts of Wales, taking account of the diverse demographic and deprivation patterns in the different parts of Wales.
3. Promote and support the Welsh language, reflecting the bilingual nature of Wales, and to work to the principle of not treating the Welsh language less favourably than English in all the Fund's activities in Wales. To operate in line with the Fund's agreed Welsh Language Scheme, and to monitor its implementation according to the agreed procedures.
4. Work strategically with others to maximise the impact of National Lottery funding for people and heritage, encouraging national, regional and local partnerships to do so.
5. Encourage the financial sustainability of the heritage assets of Wales and where viable and appropriate the community use of heritage assets in Wales with special regard to those at risk.
6. Provide opportunities for people, especially young people to gain the skills required to conserve, preserve, present and promote the heritage of Wales.
7. Encourage the use of appropriate professional standards in all projects.
8. Provide opportunities for people from across Wales of all ages and backgrounds, especially children and young people to have access to, to learn about, to enjoy and thereby, promote the diverse heritage of Wales.

Progress on projects over £5million

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

Project title	Country or area	Applicant	Total project cost (£)	Grant amount (£)/ award date	Project status and % of grant paid to 31 March 2020	Latest report
Aberdeen Art Gallery: Inspiring Art and Music	Scotland	Aberdeen City Council – Aberdeen Art Gallery and Museums	29,737,519	126,200 (development) April 2013 9,997,500 (delivery) October 2014	Delivery 90	There was a 24-month delay to the construction programme, and client and contractor are in discussion on final account. The Gallery opened to great acclaim in October 2019. A GED extension to December 2021 was approved to allow delivery of an extensive programme of exhibitions and events. Aberdeen Art Gallery/Cowdray Hall are now closed due to COVID-19.
Acquisition of the Armada Portrait of Elizabeth 1	London	National Maritime Museum	10,217,900	7,257,700 (delivery) September 2016	Delivery 96	The portrait is on display at (temporarily closed) Queens House. Local activities have been successful and the project has received a GED extension to ensure UK-wide outreach initiative can be delivered. This is delayed due to COVID-19, but the situation appears manageable.
Alexandra Palace: Reclaiming the People's Palace	London	Alexandra Park and Palace Charitable Trust	26,737,458	844,800 (development) April 2013 18,850,000 (delivery) February 2017	Delivery 97	The project is complete and up until the COVID-19 crisis was very successful. Heritage-funded activities were coming to an end and the intention was to formally close the project in autumn 2020. The building is now closed due to COVID-19 restrictions. An emergency appeal has been launched.
Aspire (Constable 'Salisbury Cathedral from the Meadows')	London	Tate	24,273,455	15,800,000 (delivery) April 2013	Delivery 100	The project is now complete however, all Tate galleries are closed due to COVID-19 restrictions.
Auckland Castle: Creating Faith in a Better Future	North East	Auckland Castle Trust	20,520,200	1,000,000 (development) April 2013 11,400,000 (delivery) August 2016	Delivery 88	The Castle contract is complete but closed currently due to COVID-19 restrictions. The Faith Museum is still under construction with delays expected. Contractors are still on-site but working at much reduced capacity to maintain social distancing. The programme is expected to extend a further two years minimum.
Bath Abbey Footprint	South West	Bath Abbey Parochial Church Council	19,295,270	389,000 (development) April 2014 10,725,300 (delivery) March 2016	Delivery 54	Capital works were underway and progressing well despite unexpectedly important archaeological finds under the Abbey floors. Site closed and the capital works halted due to COVID-19 restrictions. Activities were also progressing well until the closure of the site.
BCLM: Forging Ahead – creating a world-class visitor attraction in the Black Country	West Midlands	Black Country Living Museum	22,960,000	400,000 (development) April 2017 9,400,000 (delivery) March 2019	Delivery 2	The project will expand and improve visitor experience, with the creation of a new development set in the 1940s-60s and a new visitor entrance. Subject to COVID-19 restrictions works are due to begin in the summer of 2020. Museum is currently closed with most staff furloughed so the programme will be delayed and cost pressures will arise.
Brooklands Aircraft Factory and Race Track Revival	South East	Brooklands Museum	7,865,021	286,500 (development) January 2015 5,181,800 (delivery) June 2017	Delivery 98	Capital works have successfully completed, but due to delays from COVID-19, the project will no longer complete as planned by July 2020.
Buxton Crescent & Spa	East Midlands	High Peak District Council	33,180,338	23,853,000 (delivery) July 2006	Delivery 97	A delivery grant increase of £11,320,000 was awarded in November 2014. The Pump Room is complete (subject to heating and damp challenges) and opened to the public as the Town's Tourist Information Centre in March 2019. Work to the hotel achieved Practical Completion in Feb 2020. Outstanding works are progressing at reduced pace due to Covid-19 restrictions. Opening date was June 2020, but now uncertain due to current lockdown.

Progress on projects over £5million

Project title	Country or area	Applicant	Total project cost (£)	Grant amount (£)/ award date	Project status and % of grant paid to 31 March 2020	Latest report
Courtauld Connects	London	Courtauld Institute of Art	34,354,940	650,000 (development) April 2016 8,850,000 (delivery) March 2018	Delivery 17	Project in construction phase with practical completion expected by end of 2020, although delay anticipated due to COVID-19 restrictions. Opening is currently expected in spring 2021 and activities are on-going, but the timetable has changed due to COVID-19.
Creu Hanes – Making History	Wales	Amgueddfa Cymru – National Museum Wales	26,589,054	450,000 (development) February 2010 12,547,300 (delivery) November 2016	Delivery 90	The capital work has been completed to very high standard. Visitor numbers and progress against Activity Plan continue to exceed targets and the project has been extended to allow for full evaluation and sharing of learning. Currently closed due to COVID-19.
Derby Silk Mill – Museum of Making	East Midlands	Derby Museums	15,480,200	817,300 (development) April 2015 8,570,400 (delivery) September 2017	Delivery 88	The collaborative and partnership approach to the project between client, design team and contractors has yielded significant benefits and financial savings. The project had been fully funded with works 90% complete until forced to stop by COVID-19 lockdown. Soft launch rescheduled to February 2021. Project activities are continuing in digital format.
Ditherington Flax Mill, Maltings International Heritage site at the heart of the community	West Midlands	Historic England	30,382,488	465,300 (development) May 2012 20,717,500 (delivery) July 2017	Delivery 47	Repair and conservation works to the main mill are complete. Stage 2 and 3 of capital works were proceeding well and due to complete at end of April 2020. Work has now halted due to COVID-19. Contractors have since returned. The project team are still working on developing the wider site and the business plan continues to progress.
First Light at Jodrell Bank	North West	University of Manchester	19,841,749	784,800 (development) May 2015 11,362,400 (delivery) March 2018	Delivery 9	Capital delivery began in January 2020 and works are progressing well. The education and volunteering programme has been postponed due to COVID-19 restrictions and the site is currently closed to the public. Opening is now expected in September 2021. The project proposes to complete by December 2023.
First World War Centenary Cultural Programme	London	Imperial War Museums	37,822,583	10,000,000 (delivery) November 2015	Delivery 100	The Future is Now closing conference took place in April 2019, alongside the publication of the evaluation report. 14–18 NOW allocated some of its remaining funds to its co-commissioning partners so that the artworks could continue to reach new audiences. The 14–18 NOW programme wound up in November 2019. Legacy activity has been handed over to the Imperial War Museum.
Gunnersbury Park Museum Regeneration	London	London Borough of Ealing	14,163,430	386,400 (development) July 2012 4,805,000 (delivery) December 2017	Delivery 92	Capital works complete but the museum is currently closed due to COVID-19 restrictions.
Hartlebury Castle	West Midlands	Hartlebury Castle Preservation Trust	7,239,665	413,700 (development) April 2013 4,975,100 (delivery) October 2014	Delivery 97	Capital works are complete and formally opened in June 2018. The activity and education programmes have been progressing well. A new Director joined in 2019 to manage the Castle and develop its potential for commercial income for sustainability. The site is currently closed due to COVID-19 and a Heritage Emergency Fund application is anticipated.
HMS Caroline, Belfast	Northern Ireland	National Museum of the Royal Navy	17,800,732	845,600 (development) April 2013 14,240,500 (delivery) July 2016	Delivery 83	All capital works are complete and the Pump House was formally launched in April 2018. Activities are on-going with good community engagement. HMS Caroline is closed due to COVID-19 restrictions.

Progress on projects over £5million

Project title	Country or area	Applicant	Total project cost (£)	Grant amount (£)/ award date	Project status and % of grant paid to 31 March 2020	Latest report
Hull: Yorkshire's Maritime City	Yorkshire and The Humber	Hull City Council	28,865,200	1,368,400 (development) March 2017 14,999,900 (delivery) October 2019	Delivery 0	The start-up meeting was held in November 2019 and the project team are working towards permission to start, as well as the procurement of contractors. Some project staff have been re-purposed to support the corporate emergency response to COVID-19.
Inspired by Knole	South East	The National Trust	24,181,947	7,750,000 (delivery) July 2013	Complete 100	Project completed in August 2019.
Inspiring People: Transforming Our National Portrait Gallery	London	National Portrait Gallery	33,581,972	900,000 (development) April 2017 8,500,000 (delivery) September 2019	Delivery 1	The gallery closure was brought forward from July 2020 to March 2020 due to COVID-19. Capital works expected to begin in autumn 2020. Activities are on-going and the timetable has changed due to COVID-19 restrictions.
Kings and Scribes – The Birth of a Nation	South East	Winchester Cathedral	15,339,280	475,500 (development) April 2012 11,017,400 (delivery) November 2015	Complete 100	Project completed in November 2019.
Kresen Kernow: A home for Cornwall's archives	South West	Cornwall Council	18,506,591	386,800 (development) April 2013 11,786,500 (delivery) July 2015	Delivery 92	The building opened in November 2019. A very successful delivery of activity and engagement was on-going until late March 2020 when the site and public activity programme closed due to COVID-19 restrictions. Catalogue, information and online exhibitions are still available online and through social media platforms.
Lincoln Castle Revealed	East Midlands	Lincolnshire County Council	19,982,405	227,640 (development) March 2019 12,000,000 (delivery) March 2012	Complete 98	The project is complete to high quality, with final payment made in March 2020. The site is now closed due to COVID-19 restrictions.
Lincoln Cathedral Connected	East Midlands	Lincoln Cathedral	15,020,165	909,700 (development) June 2015 11,456,100 (delivery) March 2017	Delivery 71	Capital works were progressing towards completion in May 2020, although work now halted due to COVID-19 restrictions, social distancing and closure of the Cathedral. The opening of the Old Deanery visitor centre in summer 2020 has accordingly also been delayed.
Medicine Galleries Project	London	Science Museum	21,585,581	400,000 (development) April 2015 7,600,000 (delivery) September 2016	Delivery 63	The galleries opened in November 2019 but are now closed due to the COVID-19 restrictions.
Bywyd Newydd i'r Hen Goleg New Life for Old College	Wales	Aberystwyth University (Old College)	27,619,895	849,500 (development) April 2017 9,732,300 (delivery) December 2019	Delivery 0	Capital works have not yet started. COVID-19 is likely to cause some delays but planning work continues.

Progress on projects over £5million

Project title	Country or area	Applicant	Total project cost (£)	Grant amount (£)/ award date	Project status and % of grant paid to 31 March 2020	Latest report
Newport Transporter Bridge – Repair Restoration and Interpretation	Wales	Newport City Council	13,206,900	1,052,800 (development) April 2018 9,708,400 (delivery)	Development 43	An extension for the development phase has been granted and an additional support consultant provided. Project costs have increased along with the additional match funding required.
Norwich Castle: Gateway to Medieval England	East of England	Norfolk City Council	13,344,289	462,400 (development) April 2016 8,756,800 (delivery) September 2018	Delivery 6	Permission to start was granted in January 2019. Appointment of the main contractor has now been put on hold as a result of COVID-19 impact. Other design work continues.
Plymouth History Centre: Plymouth's role in History and History's role in Plymouth and the South West	South West	Plymouth City Council	33,326,900	940,300 (development) April 2014 14,833,200 (delivery) July 2016	Delivery 90	Project progressing well with additional funding secured by Council and Accreditation secured for the Record Office ('The Box'). Capital works are nearing completion with handover of exhibition spaces for fit-out happening over next few months. The planned opening in May 2020 has been postponed due to COVID-19 now expected in September 2020.
Remaking Beamish	North East	Beamish Museum	17,884,275	603,800 (development) July 2014 10,891,200 (delivery) October 2016	Delivery 34	A number of elements/buildings are now complete and operational. Spains Field Farm is also substantially complete and work on the 1950's Front Street Terrace, Police Houses and Aged Miners Home had begun but ceased due to COVID-19 restrictions. All learning and participation activity was progressing well however, the whole Beamish site is currently closed due to COVID-19.
Revealing, celebrating and exploring the Heritage of the Royal Academy of Arts	London	Royal Academy of Arts	31,138,011	458,700 (development) April 2012 12,274,500 (delivery) September 2013	Complete 100	Project completed in August 2019.
Revisiting Nottingham Castle – 1,000 Years of History	East Midlands	Nottingham City Council	29,358,400	599,500 (development) April 2014 13,883,400 (delivery) December 2016	Delivery 56	Archaeological works have been completed. Construction of the new visitor centre and Ducal Palace are well advanced, and interpretation fit-out and AV elements are in development. Delivery staff recruitment nearing completion. Practical completion and subsequent handover to the Trust expected in October 2020 and opening in February 2021. Main contractor still working on-site, but some sub-contractors have ceased working due to the COVID-19 restrictions so the programme will be delayed.
Silverstone Heritage Experience and Collections and Research Centre	East Midlands	Silverstone Heritage Ltd	21,599,651	446,000 (development) April 2013 9,964,500 (delivery) January 2017 £1.8m over two loans (£1.3m in July 2019 and £500,000 in December 2019)	Delivery 99	Capital works are now complete and the Experience was formally opened by the Duke of Sussex and Lewis Hamilton in March 2020. The site is currently closed due to COVID-19 restrictions. The lockdown has created financial risk through lost income and Silverstone Heritage Ltd is expected to apply to the Heritage Emergency Fund for short-term support.
Stroudwater Navigation Connected: canal, archives, wildlife regenerating cultural and natural heritage for everyone	South West	Stroud District Council	23,449,100	842,800 (development) April 2018 9,799,000 (delivery)	Development 57	The project involves the purchase and reinstatement of a section of canal, known as the 'missing mile'. The project is in the early stage of planning.

Progress on projects over £5million

Project title	Country or area	Applicant	Total project cost (£)	Grant amount (£)/ award date	Project status and % of grant paid to 31 March 2020	Latest report
Tees-Swale: naturally connected	North East	North Pennines AONB Partnership	8,640,266	414,200 (development) May 2018 5,721,700 (delivery)	Development 42	Development phase progressed as per programme and second-round application submitted in April 2020 for decision in June, including a COVID-19 Project Impact Assessment.
The BPMA New Centre Project at Mount Pleasant	London	Postal Heritage Trust	22,064,557	250,000 (development) October 2012 5,229,300 (delivery) December 2015	Complete 100	The project is now complete and the Trust was in negotiations with The Royal Mail and Post Office Ltd regarding outstanding loans and lease arrangements, however, the museum is currently closed due to COVID-19 restrictions and all negotiations are paused for the foreseeable future.
The Burrell Collection Refurbishment Project	Scotland	Glasgow City Council	55,674,083	1,000,000 (development) May 2015 14,000,000 (delivery) October 2017	Delivery 36	The impact of COVID-19 will delay construction work due to be completed this summer, and will have a knock on effect on the exhibition work and completion date. The opening date of spring 2021 is now unlikely to be achieved. Activities development work is focusing on the preparation of programmes to be delivered post-opening.
The Canterbury Journey	South East	Canterbury Cathedral	23,150,153	930,400 (development) April 2014 12,849,500 (delivery) September 2016	Delivery 83	The project is at the mid-way point, with good progress on capital and activities. The new Welcome Centre will open in 2020. Capital works are currently delayed due to COVID-19 restrictions. Activities, including community outreach, volunteering, work with schools and improved access to Cathedral collections are in delivery, with project staff in post and apprentices appointed, however most staff are currently furloughed.
The Citizens Theatre redevelopment	Scotland	Citizens Theatre	18,030,148	500,000 (development) June 2014 4,795,000 (delivery) December 2017	Delivery 0	Phase-two works to the Theatre began in January 2020 but have stopped due to COVID-19. Theatre staff have been furloughed, with only core management staff remaining. Negotiations are ongoing with the main contractor over phase one construction costs and revenue funding will be required for the theatre in the short term, due to lack of income.
"The Hold" A Suffolk Archives Service for the 21st Century	East of England	Suffolk County Council	19,736,843	538,100 (development) April 2016 10,363,700 (delivery) March 2018	Delivery 51	The construction of new archive building on Ipswich Waterfront was due to complete May 2020 and open in the summer, but COVID-19 halted construction for about six weeks. It has now resumed and practical completion is expected in July 2020, and opening in late summer. Activity work is currently paused.
The North's greatest 'Cathedral of Commerce' Rochdale Town Hall: from Co-operation to Commonwealth	North west	Rochdale Borough Council	14,620,178	688,700 (development) May 2018 8,256,700 (delivery)	Development 59	The development phase is almost complete. The second round submission is scheduled for end of May 2020 with a grant decision in September. Project costs have increased and Council is underwriting partnership funding. Permission to start delivery not anticipated before November 2020.
The Piece Hall – Halifax Heritage	Yorkshire and The Humber	Calderdale Council	10,770,888	239,700 (development) February 2010 7,000,000 (delivery) July 2012	Delivery 95	The Piece Hall has exceeded its visitor targets by 56%. The activity programme continues to be delivered well. A significant amount of additional investment and regeneration has taken place around the Piece Hall on the back of our investment. In March 2020, a development grant was awarded to the Piece Hall Trust to sustain this momentum and rapid growth by building capacity and resilience within the team. The site is currently closed with no income being received due to COVID-19.
The Pump Room Gardens	East Midlands	High Peak Borough Council	33,180,338	23,853,000 (delivery) July 2006	Delivery 97	The Pump Room is complete and opened to the public as the Town's Tourist Information Centre in March 2019. Work to the hotel achieved practical completion in February 2020. Outstanding works progressing at reduced pace due to COVID-19 restrictions. Opening date was June 2020, but now uncertain due to lockdown.

Progress on projects over £5million

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The Renewal of Pitzhanger Manor	London	Ealing Council	11,224,399	275,200 (development) May 2014 5,078,600 (delivery) March 2017	Delivery 97	The capital works are complete and the remaining activities are being reconsidered/reprogrammed as the House and Gallery are currently closed due to COVID-19.
The Scottish National Memorial to David Livingstone Trust	Scotland	David Livingstone's Birthplace	7,062,646	334,200 (development) June 2015 4,780,900 (delivery) March 2017	Delivery 62	A grant increase was awarded in November 2019 for cost increases due to unforeseen issues with the building fabric. Despite this the project is progressing well, especially activities and interpretation. The opening was planned for September 2020, however COVID-19 has resulted in closure of the construction site, with the opening likely to now be spring 2021.
The Sill: Unspoilt Landscapes, Inspiring People	North East	Northumberland National Park Authority	13,593,300	399,200 (development) April 2012 7,748,000 (delivery) January 2015	Delivery 95	The building opened in July 2017 and all capital and interpretation works are complete. This project has received several awards. Final elements of the activity programme were being delivered for completion of project by the end of April 2020, however the site is now closed and final activities are postponed due to COVID-19 restrictions.
The Temperate House Project	London	Royal Botanic Garden, Kew	34,250,148	890,900 (development) April 2011 15,650,600 (delivery) July 2014	Delivery 90	Capital works are complete and activities ongoing, although possibly delayed due to lockdown and the impact of COVID-19.
Tomorrow's Museum for Dorset: Re-Imagining Dorset County Museum	South West	Dorset Natural History and Archaeological Society	15,409,625	483,900 (development) May 2015 11,349,200 (delivery) October 2017	Delivery 49	Capital works about mid-way through and contractors are still on-site. The museum is currently closed to the public and it is expected that re-opening will be delayed due to the COVID-19 restrictions.
Unlocking the Geffrye	London	Geffrye Museum Trust	17,630,233	425,300 (development) April 2015 11,941,900 (delivery) March 2017	Delivery 61	The capital works are approaching completion with opening currently anticipated in November 2020. Delays due to COVID-19 restrictions. Activities are on-going, but reduced and delayed because of the restrictions.
Unlocking the Severn for People and Wildlife	West Midlands	Canal & River Trust	18,889,350	233,100 (development) April 2016 10,577,200 (delivery) July 2018	Delivery 27	Permission to start was signed off in November 2018. Construction works started on first and second weir but due to repeated flooding, works were halted until February 2020. Access road to third weir has been established and piling constructed for works to start in May. Contractor price for the fourth weir has been secured, works and activities programme are now on hold due to COVID-19.
Unlocking the UK's Sound Heritage	London	The British Library	18,847,834	215,900 (development) April 2015 9,353,000 (delivery) March 2017	Delivery 31	Project is well underway and progress was good up until the COVID-19 crisis. The majority of project costs are for staff, around 70 staff are employed, and due to the equipment required cannot work from home. There has been some attempt to transfer tasks with limited success. COVID-19 will impact final outputs.
V&A at Dundee	Scotland	Dundee City Council City Development	84,358,156	200,000 (development) April 2012 13,900,000 (delivery) January 2015	Delivery 90	Project now complete and final payment made in April 2020.

Progress on projects over £5million

Project title	Country or area	Applicant	Total project cost (£)	Grant amount (£)/ award date	Project status and % of grant paid to 31 March 2020	Latest report
Windermere Steamboat Museum	North West	Lakeland Arts	12,675,245	494,000 (development) April 2011 12,076,400 (delivery) July 2015	Delivery 100	Practical completion has now been achieved. The museum opened to the public in March 2019. Lakeland Arts are now developing a new vision, financial and strategic plans. They were awarded a Resilient Heritage grant of £229,000 in September 2018 to facilitate the transition to full operation. The museum is now closed due to COVID-19 and 80% of staff across the organisation have been furloughed.

