



# Heritage Lottery Fund

National Heritage Memorial Fund Lottery Distribution  
Annual Report and Accounts for the year ended 31 March 2018

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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 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 2017–18: – a statement from the Chief Executive

2017–18 was a very busy and important year for the Heritage Lottery Fund (HLF) and the National Heritage Memorial Fund (NHMF). The work we undertook during this period has helped us to lay the foundations for the future. The fact that at the same time we successfully delivered the corporate priorities we set at the start of the year is a testament to the commitment of all the teams who deliver our National Lottery distribution business, the leadership of the Board of Trustees (the Board) and the strength of the Leadership Team.

We continued to progress our current strategic framework (strategic framework 2013–2018) and delivered the new initiatives we had planned:

- Kick the Dust, a new heritage programme for young people, was especially successful and attracted a great deal of interest in terms of applications. Several successful awards have since started delivery.
- Skills for the Future, having attracted high quality applications in the previous year, saw further awards made in 2017–18.
- Having initiated the Great Place programme in England in 2016–17 following the publication of the Culture White Paper, we then successfully rolled

out the initiative across Scotland, Wales and Northern Ireland.

- We continue to see demand and great interest in our First World War: Then and Now programme and expect that to continue in the run up to the centenary of the armistice in November 2018.
- Finally, we undertook a small scale pilot for micro-grants in the North West of England and we look forward to using this insight in our future planning.

During 2017–18 we participated in a number of significant Government-instigated reviews. We worked alongside Arts Council England and the Department for Digital, Culture, Media and Sport (DCMS) to help inform the Mendoza Report on museums in England. During 2018–19 we will be working with them on implementing the recommendations.

Alongside colleagues from across the heritage sector we contributed to the Taylor Review on the Sustainability of English Churches and Cathedrals and are committed to working alongside others to secure the future of important ecclesiastical heritage across the nation.

The key review for this organisation was the Tailored Review of NHMF/HLF, led by DCMS, which was published in November 2017. It was especially pleasing to see the strong endorsement for our role and work from a very wide range of stakeholders. There was also a very positive endorsement in the review's report of our direction of travel, which we had already initiated and planned for. We have agreed a sensible and constructive implementation plan for the recommendations, which has been published and we will be putting this into action over the coming months.

2017–18 was also dominated by our preparations for the new HLF Strategic Funding Framework, which will start in 2019. We concluded our detailed consultation with National Lottery players and found that to be very helpful and

insightful in our planning. At the end of the year we began our formal stakeholder and wider public consultation exercises. These reported in the late spring of 2018, leading to decisions on the shape and form of the new funding framework in the summer of 2018, and final preparations in winter 2018–19 with first decisions after April 2019.

We have continued to work with partners across the sector to innovate in several areas of heritage such as building up new types of funding and developing new ideas in our Re-thinking Parks work. We have been working with Nesta and Big Lottery Fund on Re-thinking Parks, which supports parks innovators to replicate and adapt proven models for operating parks, and to test new ways of using digital technology to contribute to sustainability of parks.

We have also had to plan for a potential decrease in National Lottery income and we have moved to align our reserves, income and commitments in a financially secure and sensible manner. Whatever our future level of awards, our current balance of liabilities and contingent liabilities shows that we will deliver well over £1 billion in investment across the UK's heritage over the coming years as existing grantees draw down this sum – and we also have a pipeline for future investment opportunities.

Jointly with the other distributors we have increased our focus on the role of National Lottery funding in benefitting communities across the UK and the contribution that National Lottery players make. In December 2017, with extensive support from current and past recipients of HLF grants, we opened up 425 heritage sites across the UK with special benefits to National Lottery players as part of a wider “Thanks To You” campaign initiated by Camelot and the National Lottery distributors.

We recognise that 2018–19 will be a transition year ahead of the new strategic funding framework and have created a simplified portfolio of programmes

and work for that year while we use our consultation process, Tailored Review and forthcoming revised Policy Directions to shape the new portfolio from April 2019.

We have been working to change the business itself, embedding our new business transformation programme into the Fund while continuing with short-term improvements to our business process from both customer and internal perspectives. We have started some exploratory work on developing a prototype for new business processes with supporting technology; this development work will continue in 2018–19. We have also completed the roll-out of mobile technology to all staff and we plan for further ‘smart working’ initiatives in 2018–19.

This work helped to develop a new corporate strategy for NHMF, which will provide a plan for the Fund to seek further investment into the nation's heritage. For example, attracting and leveraging new investment opportunities to continue the impressive legacy we have built over the last two decades.

Finally, let me thank our staff who work on National Lottery grants. They work with great integrity and professionalism, are truly committed to the work of the HLF and provide an exceptional and valued service to the nation's communities and heritage.

#### **Our purpose and activities**

The National Heritage Memorial Fund (NHMF or ‘the Fund’) is vested in, and administered by, a body corporate known as the Trustees of the National Heritage Memorial Fund. This consists of a Chair and not more than 14 other members appointed by the Prime Minister. The Fund was set up on 1 April 1980 by the National Heritage Act 1980 (the 1980 Act) in succession to the National Land Fund as a memorial to those who have given their lives for the United Kingdom (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 HLF for receipts under the provisions of the 1993 Act.

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

Under section 22 of the 1993 Act, the Secretary of State for Digital, Culture, Media and Sport shall allocate 20% of the sum paid into the NLDF for expenditure on, or connected with, the national heritage. Section 23(3) establishes the trustees of NHMF as distributors of that portion. The percentage allocation was reduced to 16<sup>2</sup>/<sub>3</sub>% in October 1997 following the government's creation of the New Opportunities Fund. It reverted to 20% from 1 April 2012, having been 18% for the whole of 2011–12.

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

Under sections 3 and 3a of the 1980 Act NHMF may make grants and loans for the

purpose of acquiring, maintaining or preserving:

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

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

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

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

- Over the last 23 years we have been trusted by the public, stakeholders and successive governments to distribute National Lottery money wisely, supporting successful heritage projects right across the UK.

- We are an expert grant maker, experienced in ensuring that our funding achieves great results. We are independent, considered and focused on quality.
- We have developed the relationships and skills to work with others to improve heritage and quality of life across the UK.
- Thanks to National Lottery players our investment has had an enormous impact on the nation's heritage, transforming it for people and communities. With around £190million to distribute next year, HLF remains one of the most important sources of funding and will continue to make investments that unlock the huge potential of the UK's heritage.

#### Our key issues and risks

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

Trustees consider the risks faced by the organisation at Board meetings and through the Audit and Risk Committee. A register is created of the highest level risks, which is reviewed on a regular basis. Details are set out in the Governance Statement on page 19.

The principal risk to emerge in the past year is the potential decline in National Lottery funding, which has emerged after some record years of income. We have asked the Department for Digital, Culture, Media and Sport (DCMS), the Gambling Commission and Camelot to provide better strategic analysis of long-term trends, game/product mix and market share to understand this risk better. We welcomed the research shared with National Lottery distributors in summer 2017 and we also welcomed the recent National Audit Office report on the matter. We continue to work closely with the interested parties to understand the latest income projections in both the short and long-term. We have also taken action

to more readily align our commitments, reserves and income. We are also actively managing any potential reputational risk to our external standing in this respect.

One of our main risks is the danger to our existing Lottery investments from changes in the heritage sector in terms of funding, asset ownership and maintenance, organisational capacity and capability and changing business models. This is a complex and complicated risk varying in different ways and different timings across the UK. Our operational teams are alert to changes in existing and past projects and early identification and discussion with grant recipients is often key to finding a solution. While clawback of grants is usually our last resort, we reserve the right to protect past investment and the funds we received from National Lottery players.

We continue to monitor the potential impacts on the sector of the UK's departure from the European Union in March 2019. The likely risk areas here are in terms of partnership funding (i.e. the contributions of other organisations to the projects we fund) or capacity/capability in projects we have funded or are funding. We are capturing details of these risks and assessing the possible outcomes of Brexit on our existing and future investments.

The volume and variability of workloads also presents a risk to us. Understanding the trends and resource implications of these is a key piece of work for us. We have invested in understanding our costing, resourcing and efficiency in much more depth over the past two years and we have started to use that data in planning resources.

This also links into successfully delivering our business transformation programme – changing the way we work and how we operate to become more flexible and responsive in our work. The programme also focuses on reducing our operating costs and diversifying our income streams whilst leveraging more investment into the heritage sectors across the UK. We have

identified and are closely monitoring all the risks in this programme of work.

Finally, in April 2019, we will begin our new Strategic Funding Framework with a new suite of investments and targeted campaigns planned over a five-year cycle to 2024. We have consulted with National Lottery players and are also consulting, extensively, with stakeholders across the heritage sectors in all parts of the UK as well as our own staff. We are building in the recommendations of our Tailored Review (published November 2017) to this work to ensure consistency and reduce risk. We are preparing detailed operational planning for delivery, new guidance, new websites, supported IT changes etc. to help manage the risk for the new framework being published on time and effectively.

#### Going concern

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

#### Performance summary

We continue to perform despite the demands on our resources and the record levels of delivery. The details set out in this section and the key performance indicators on page 11 demonstrate that we have met or bettered the substantial majority of our performance measures in 2017–18. Details of our performance against our service level targets is set out on page 7.

#### Performance analysis

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

NHMF receives National Lottery applications from thousands of organisations across all communities of the UK and awards grants on the basis of its aims. Since the National Lottery started in 1994 we have received over 80,000 applications requesting £22.8billion. During that time we have made over 50,000 awards with a value just over £8billion resulting in over 123,000 grant payments to a value of £6.1billion.

During 2017–18, we had almost 3,500 grant applications. This number was slightly down on last year's 3,700 applications, but that was the highest level since 2013–14 – when the number of applications was distorted by certain one-off high volume programmes such as All Our Stories. The value of the applications was very slightly up from £1.16billion to £1.2billion. This demonstrates that significant demand remains for heritage funding despite our income again being off its peak of two years ago. The management of demand is something that has exercised us during 2017–18 when updated income projections were received from DCMS – see the future developments section below.

Looking at applications to our grant programmes:

- our core Heritage Grants programme saw a 5% increase in applications
- there was a small rise in Grants for Places of Worship
- Landscape Partnerships doubled in popularity
- First World War: Then and Now programme saw a 33% increase

## Service level target performance for the year to 31 March 2018

	Year to end March 2018	Year to end March 2017
1 Decisions will be placed on HLF's website within 20 working days of the board meeting.	<b>100%</b>	100%
2 Grant payments will be made to the applicant, on average, within nine working days from receipt of the payment request.	<b>88%</b> (average 6 days)	84% (average 7 days)
3 Application process timescales:		
<b>Heritage Grants round 1:</b> 12 weeks + time to next meeting	<b>98%</b> (average 14.3 weeks)	99% (average 14 weeks)
<b>Heritage Grants round 2:</b> 12 weeks + time to next meeting	<b>90%</b> (average 16.7 weeks)	94% (average 14.4 weeks)
<b>Heritage Grants major batch round 2:</b> 12 weeks + time to next meeting	<b>86%</b> (average 14.1 weeks)	89% (average 14.7 weeks)
<b>Heritage Enterprise round 1:</b> 12 weeks + time to next meeting	<b>97%</b> (average 13.7 weeks)	100% (average 13.8 weeks)
<b>Heritage Enterprise round 2:</b> 12 weeks + time to next meeting	<b>100%</b> (average 14.1 weeks)	91% (average 14.8 weeks)
<b>Landscape Partnerships round 2:</b> 16 weeks + time to next meeting	<b>100%</b> (average 15.6 weeks)	100% (average 15.9 weeks)
<b>Grants for Places of Worship round 1:</b> 12 weeks + time to next meeting	<b>100%</b> (average 16.4 weeks)	98% (average 15.9 weeks)
<b>Grants for Places of Worship round 2:</b> 12 weeks + time to next meeting	<b>98%</b> (average 9.9 weeks)	96% (average 10.8 weeks)
<b>Townscape Heritage round 2:</b> 12 weeks + time to next meeting	<b>100%</b> (average 15.0 weeks)	100% (average 15.2 weeks)
<b>First World War: Then and Now:</b> 8 weeks + time to next meeting	<b>96%</b> (average 7.3 weeks)	99% (average 7.1 weeks)
<b>Our Heritage:</b> 8 weeks + time to next meeting	<b>98%</b> (average 6.9 weeks)	98% (average 7.1 weeks)
<b>Sharing Heritage:</b> 8 weeks + time to next meeting	<b>97%</b> (average 6.9 weeks)	99% (average 7.3 weeks)
<b>Young Roots:</b> 8 weeks + time to next meeting	<b>98%</b> (average 6.9 weeks)	99% (average 8.7 weeks)
4 We will undertake a survey of successful and unsuccessful applicants and aim to maintain customer satisfaction with our assessment processes at no less than 80%.	<b>85.7%</b>	85.1%
5 We will undertake a similar survey of those to whom we have awarded grants and aim to maintain customer satisfaction with our monitoring and post-award processes at no less than 85%.	<b>88.4%</b>	85.9%
6 The proportion of applicants that find the HLF website easy to use will be at least 87%.	<b>82%</b>	84%
7 We will actively promote a wide selection of our awards via the media, to generate awareness amongst potential applicants and National Lottery players.	<b>Met</b> - see note 1 below	Met

### Note:

1 Promoting awards is only part of the publicity undertaken by HLF and we also support grantees in delivering publicity about our awards. During 2017-18 we issued 67 national and regional press releases, relating to new awards, milestones and openings across the UK. We also supported and contributed to 290 news releases issued by grant recipients. In addition we have developed 207 news pieces on the HLF website and associated social media to drive traffic. Overall coverage delivers a consumer-reach averaging 414 million per month.

- Our Heritage had a 4% rise
- Sharing Heritage applications were down 22%
- Young Roots applications were down 20%
- The most significant rise was for our Resilient Heritage programme. We saw a 97% rise in applications for awards over £10,000 and 53% for smaller awards.

2015–16 was a record year for National Lottery ticket sales. However, our income fell from £388million to £327million in 2016–17, but remained steady at £328million in 2017–18. Econometric modelling commissioned by the Gambling Commission suggests that income levels could decline in the medium-term. If this is the case, the results of 2017–18 slightly buck the trend. With just under £1.5billion in existing liabilities and contingent liabilities and a National Lottery Distribution Fund (NLDF) balance just over a quarter of this level, we cannot ignore this research and so grant budgets will be constrained as we seek to bring income and outgoings into line. We will continue to monitor income and grant payment patterns to ensure that we can support our liabilities in the medium to long-term.

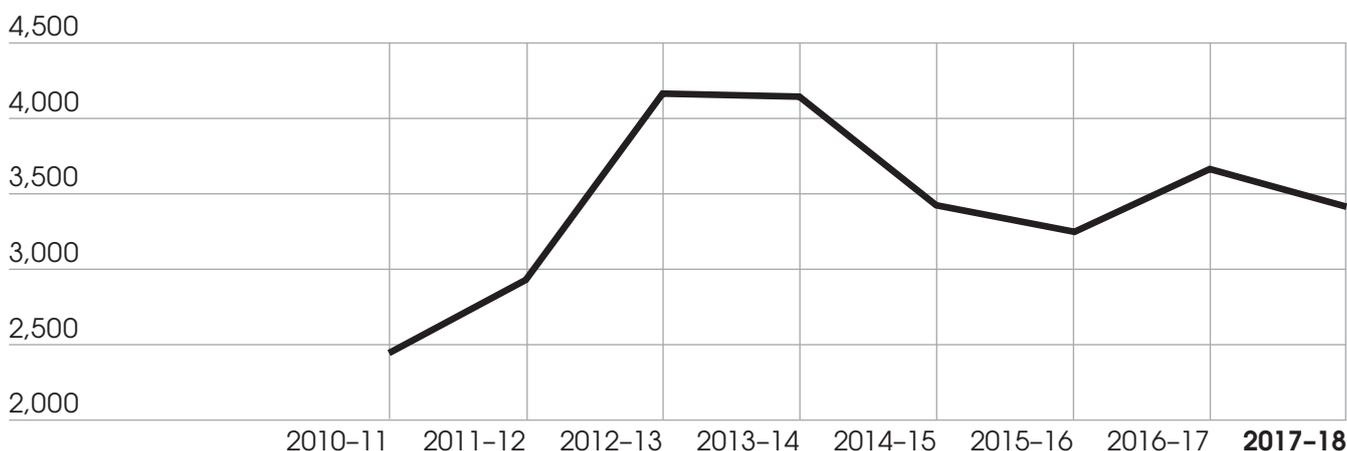
The value of grant requests in 2017–18 was 3.7 times our income (2016–17: 3.5 times) and 4 times our award budget (2016–17: 4 times). This means that unfortunately we

had to disappoint many of our applicants. As our grant award budget has been reduced to £190million in 2018–19, a similar level of application would mean that we were oversubscribed by over six times. Trustees recognise the efforts made by applicants in putting together bids and sympathise with unsuccessful bidders. However, we are entirely reliant on funds generated by the National Lottery and, unless there is a sharp and sustained increase in revenue, tough decisions will have to continue.

Investment income dipped to £0.9million from £1.1million in the previous year despite the rise in base rates during the year. Continuing low gilt yields are the reason for the low investment income returns as the NLDF is invested in a narrow range of low-yield, low-risk investments. Trustees have no influence over the investment policy, which is set by DCMS. We receive 20% of the investment returns at the NLDF irrespective of the balance of our funds. The fact that our average balances at the NLDF fell in the year does not mean that our income should fall by a similar proportion.

The balance of our funds at the NLDF fell from £497million to £407million at the end of the financial year. While our level of grant awards significantly exceeded our income it is unlikely that much of the fall in the balance can be attributed to this; most of our projects take many years to pay out

*Number of Lottery applications by year*



and the amount paid out in year one of an award is usually relatively small. The main cause of the balance decline is that our grant payments for awards made in prior years were much higher than income and remain at record levels. Our grant budget for 2018–19 has fallen to £190million, which should be well below our income, but we expect the balance at the NLDF to fall further as a result of the high level of awards in previous years.

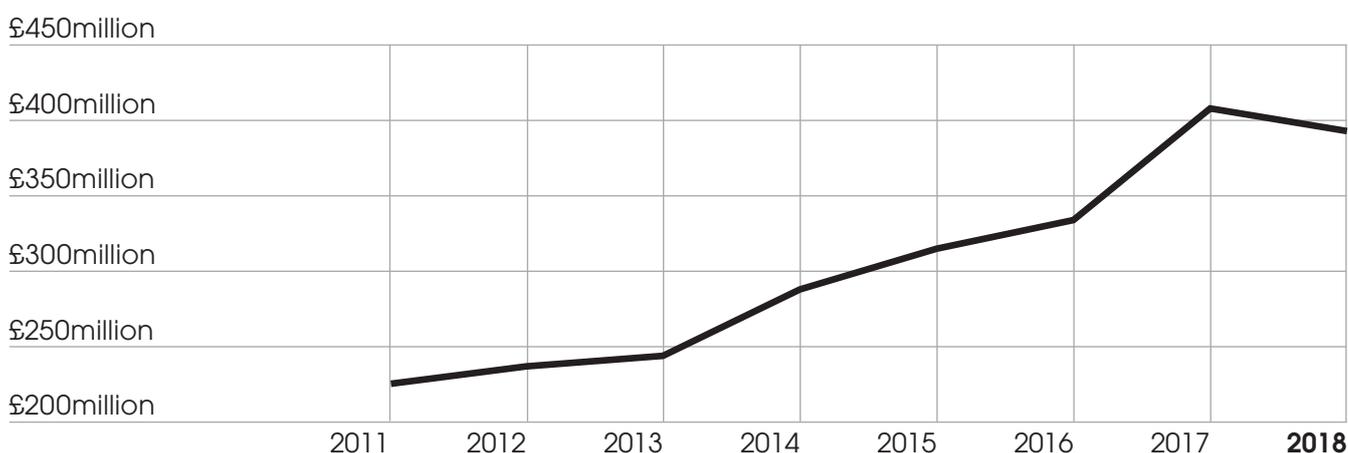
The level of new grant liabilities created fell from £453million to £416million. The fall was not unexpected as our grant award budgets are falling, but this is not the sole factor in the level of awards. We had at 31 March 2017 a balance of £661million of contingent liabilities (known as round one passes) and they are expected to return within a couple of years for their round two decision, but we have no control over when this happens. Therefore, we can as we did in 2017–18 have a grant budget of £300million, but award £416million. Similarly, next year our grant budget is £190million, but the backlog of £495million of contingent liabilities means that a much higher sum than £190million will appear in the accounts for 2018–19.

Despite the continuing high level of grant payments in the year the balance of grant liabilities barely changed falling £5million to £999million. Simply put, this was because

new awards slightly exceeded grant payments. However, this year we had the added complication of a prior year adjustment. We accept that our reporting of de-commitments (sums no longer required by grantees) has been as a result of finished projects not being recorded as concluded on our system. The result is that there is a delay in reporting de-commitments and that this may occur in a subsequent financial year. Following a detailed exercise, we identified over £18million of de-commitments that should have occurred before 31 March 2017 and have made an adjustment to the comparative figures in the accounts. Further information is available in the notes to the accounts.

The level of contingent liabilities, (round one passes) given to applicants where we await the second round decision, fell significantly from £661million to £495million. This was not surprising given that our round one budget was cut from £433million to £300million as a result of falling income and a change in the policy of over-commitment. Approximately £322million of round one passes had round two decisions in 2017–18 and another £49million were de-committed (either withdrawn or the round two decision was less than the value of the round one pass). At the same time only £219million of new round one passes were created – hence the significant fall.

### *Value of grant payments by year*



Taking into account all the actual and contingent liabilities, at the end of the financial year we had committed almost £1.09billion (at 31 March 2017: £1.17billion) more than we had in the NLDF. This level of liabilities and contingent liabilities means we have commitments to the equivalent of 4.6 years' income (at 31 March 2017: 5.1 years). The balance of contractual liabilities significantly exceeded our net assets and there was a net deficit on the statement of financial position of £590million at 31 March 2018.

Trustees recognise that monitoring long-term cash flows is of great importance as the projects to which we give grants can 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 dip in income in 2016–17 brought these ratios to the forefront of our planning and, whilst this dip stabilised in 2017–18, trustees saw independent modelling commissioned by the Gambling Commission suggest that income levels could fall further (see table below). The future developments section of this report gives details of the trustees' response to the implications of this research.

These ratios are:

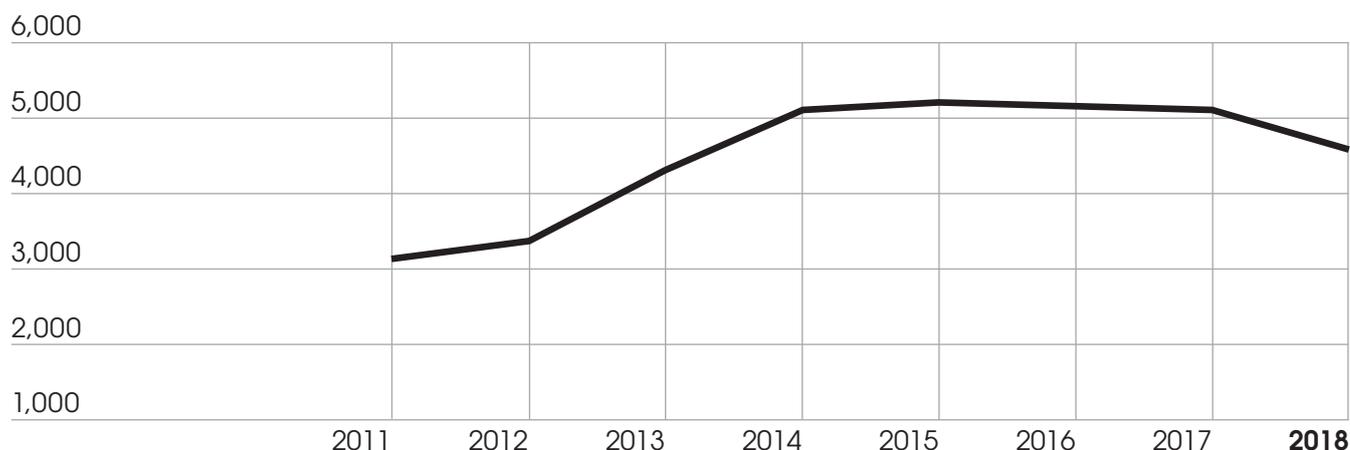
Ratio	Target range	at 31 March 2018	at 31 March 2017	at 31 March 2016
Total commitments to income	A maximum in the range 4.4:1 to 4.6:1	<b>4.6:1</b>	5.2:1	4.3:1
Net commitments to income (ie total commitments less cash)	A maximum in the range 3.0:1 to 3.2:1	<b>3.3:1</b>	3.7:1	2.8:1
Hard commitments to cash	A maximum in the range 2.3:1 to 2.5:1	<b>2.5:1</b>	2.1:1	1.7:1
Cash at the National Lottery Distribution Fund	In the range £500million to £525million	<b>£407million</b>	£497million	£595million

Overall our operating costs fell by 4% during the year. The fall was planned and had been incorporated into our operating budget for 2017–18. Staff costs rose 6% as average staff numbers increased slightly to handle our business transformation projects. Recruitment controls were put in place towards the end of the year when the implications of the Gambling Commission modelling were digested and we anticipate that the average number and cost of staff will fall in future years. Other operating charges fell by 16% with significant falls in research and across many types of professional fees – recruitment, IT support and legal costs.

Despite spending £21.7million 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 efficiency targets set by DCMS despite the recent sharp decline in income.

The number of projects under monitoring (uncompleted projects that have received awards) has risen significantly in recent years; although the number dipped slightly in 2017–18 following an extensive exercise to weed out projects that had come to their

### Projects under monitoring by year (number)



conclusion without being recorded as such on our system. Ensuring that projects progress successfully is a major task requiring significant resource in terms of staff and the appointment of mentors and monitors to oversee the work carried out and report back to us on any issues. This helps to explain the levels of our administration costs in recent years.

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

1. From the Big Lottery Fund towards the cost of running the Parks for People programme, to which it contributes some grant funding. Its contribution fell slightly from £314,000 to £272,000.
2. From the Committee on Climate Change towards the cost of its occupation of part of the first floor at our London office. The Committee on Climate Change has been accommodated since May 2011 and its contribution is in terms of rent and service charges. During 2017–18 it was charged £122,000 (2016–17 £156,000).

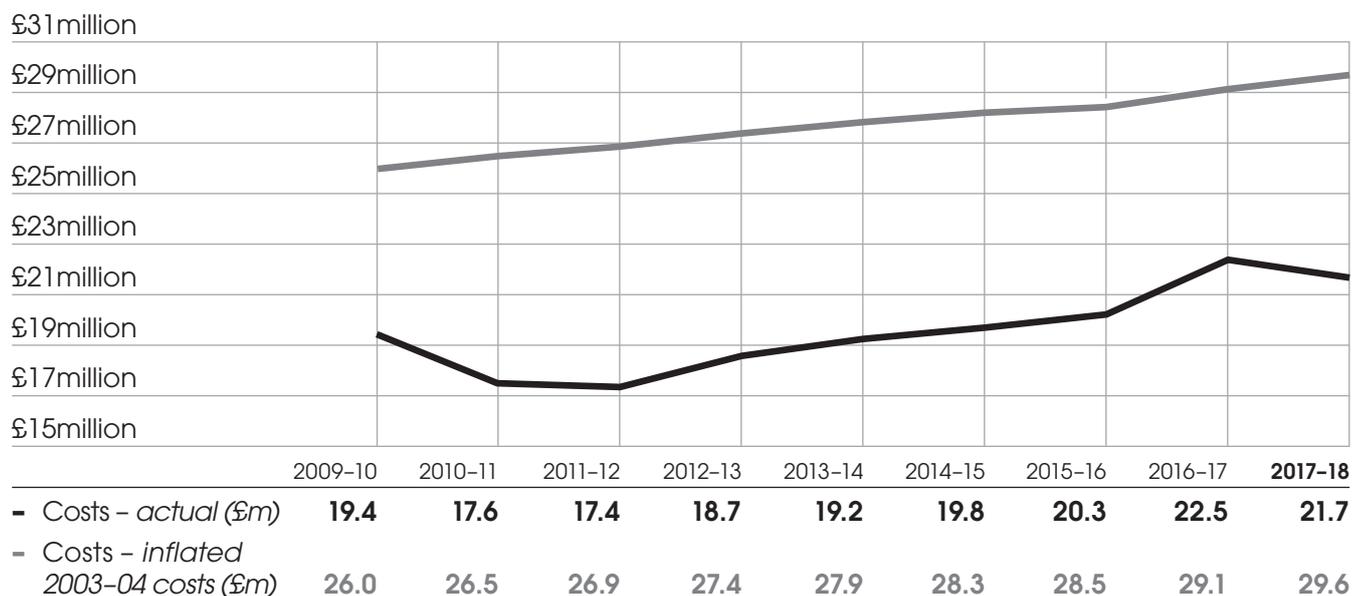
Trustees recognise that being an efficient distributor of Lottery funding should not be achieved at the expense of service to our customers. They are pleased to report that despite the significant increase in applications and awards over recent years we continue to meet our service level

targets for both applicants and grantees. Further information on our service level targets is available on page 7.

#### Key performance indicators

NHMF has a reputation as an efficient distributor of Lottery funds. The black line on the chart on page 12 sets out our operating costs in each of the past few years. The grey line shows the value of operating costs in the year we created our current operating structure (2003–04) and increased in line with HM Treasury’s gross domestic product (GDP) deflator, an estimate of the general level of inflation in the UK economy. Our costs have fallen in 2017–18 and trustees are pleased to note that at £21.7million, the operating costs for 2017–18 are £7.9million (or 27%) lower than inflation since 2003–04 would have suggested, representing a significant real-terms reduction in operating costs and releasing extra funds for grants. If the Retail Price Index was used, rather than the GDP deflator, costs would be £12.1million (or 56%) higher than they were (or using the Consumer Price Index our costs would be £9.4million higher).

Actual operating costs vs inflated 2003–04 costs by year



In 2017–18, our operating costs as a proportion of our income were as follows:

	Target	Actual 2017-18	Actual 2016-17	Actual 2015-16	Actual 2014-15	Actual 2013-14	Actual 2012-13
Operating expenditure as a proportion of total income	8%	6.6%	6.9%	5.2%	5.1%	5.7%	4.8%
Processing expenditure as a proportion of total income	5%	5%	4.8%	3.7%	3.7%	4.1%	3.8%

Trustees are pleased to note that the DCMS targets continue to be met. DCMS has agreed to changes in the targets from 2018–19 onwards. The 5% target has been dropped and changes will be made in the method of calculation to make the results less prone to fluctuations caused by movements in income levels – reporting can now include average income over three years and exclude VAT.

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 2017–18 the average age of invoices paid was five working days (2016–17: five working days). Over 96% of invoices were paid within 30 calendar days (2016–17: 95%).

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 2018 the figure was 30 days (2016–17: 29 days). The figure is much higher at the year-end than at other times of the year because we encourage suppliers to submit their invoices before the year ends.

Environmental policies and sustainability reporting

HM Treasury requires all public sector bodies to produce an annual sustainability report. The compilation of this data is unfortunately not an exact science. For example very few of the landlords of our 10 regional and country offices are prepared to provide us with figures for kilowatt hours of gas or electricity used nor are they able

to bill quickly enough after a year-end to provide figures in time for the production of year-end accounts. As the majority of our offices are small occupancies with private sector landlords, fully robust reporting is a challenge. This means that we have to use estimates for most offices. In addition we have signed a fixed cost contract with the supplier of water to our head office, which means we no longer receive consumption data. The overall position is improving slightly over time but we still have to estimate much of our consumption. From 2013–14 we also started to calculate our carbon dioxide equivalent consumption for water and waste.

The second table (on page 15) reports data on a full-time equivalent basis (FTE), i.e. the level of consumption per member of staff. However, as we also include emissions incurred by non-members of staff, e.g. trustees, committee members and certain suppliers, the comparability of some of these numbers, over the years and with other organisations, is difficult to support.

Finally, the conversion factors used to calculate the carbon dioxide equivalent of our emissions often vary year on year. Normally the changes are relatively small but, for example, the figures for certain refrigerants used in air conditioning rose by around 20% for 2016–17 while others fell.

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 the whole activities of NHMF.

#### Summary of performance

Our greenhouse gas emissions have fallen slightly in 2017–18 on a gross basis and also when looking at the numbers on an FTE basis.

NHMF has control over only one of the properties that it occupies, which is its headquarters at Holbein Place in London. In 2010–11 we replaced the chillers for the air conditioning and the 25-year-old gas

boilers for the heating and installed sensor-controlled lighting that is both movement- and daylight-sensitive. Having undertaken such a major refit there is very little scope for further reducing greenhouse emissions in the one office we control. Specifically we would not consider any significant expenditure for long-term benefits until we had renewed our lease at Holbein Place. A rent review is due in 2019.

In the 10 other properties we occupy we are wholly reliant on the landlord to improve performance and that is unlikely to happen between major refurbishments. Our room for further improvement in scope one and two emissions is therefore extremely limited. Over the years we have relocated some of our regional and country offices into smaller premises or serviced offices, which will have reduced consumption. Since May 2011, we have also rented out part of one floor of Holbein Place with the effect of reducing the consumption that we report; although in 2016–17 the space rented out was reduced. We also expect to reduce the size of future office leases with staff being encouraged to hot-desk and work more flexibly.

#### Greenhouse gas emissions

Direct energy emissions relate to gas used in boilers operated by NHMF and emissions given off through our use of air conditioning in our London headquarters. Information about gas consumption in kilowatt hours is derived from our suppliers' invoices. Kilowatt hours are converted to carbon dioxide equivalent tonnes using a conversion factor derived from the tables *UK Government GHG Conversion Factors for Company Reporting*. These tables are available at [www.gov.uk/government/collections/government-conversion-factors-for-company-reporting](http://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting).

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

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

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

#### Waste

Waste generation has risen slightly in 2017–18 mainly as a result of the relocating of two offices – Cambridge and Manchester – as well as the closure of our main offsite storage base as part of a digitisation project. It is inevitable that the level of waste increases when an office move occurs as the opportunity is taken to dispose of surplus items accumulated over the years.

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. We believe that the 2015–16 figure was higher than the long-term trend as it was impacted by significant office moves.

NHMF does not generate any hazardous waste. Further analysis of what happened to the waste we generated is not possible. All non-recycled waste is collected by councils local to the offices in which we operate. We do not know what they do with that waste and have made assumptions as to where the waste goes in order to produce the figures on page 15. Only the Royal Borough of Kensington & Chelsea invoices us separately, but we also include the cost of securely removing shredded paper into the figures. We strive to reduce the amount of paper that we use and then, inevitably, throw away and the photocopying budget for 2018–19 has been significantly cut. Greater sanction is being placed on teams should they exceed their photocopying budget, electronic devices are being distributed to staff to encourage them to have paper-free meetings and we recognise that new offices will have to be smaller than existing ones when leases expire.

We also aim to digitise most of our archive storage during the coming year. This will inevitably lead to a one-off increase in the amount of paper that we dispose of. However, the long-term cost savings should be substantial.

Our country and regional offices are small enough to weigh the waste they generate. There is no reliable way to measure the much greater volume of waste removed by the Royal Borough of Kensington & Chelsea because the council does not tell us the weight of what they remove. We have therefore estimated the amount of waste generated per person based on an estimate of the weight of a standard sack of waste.

#### Use of resources

Water consumption fell slightly in 2017–18. Where possible we persuade our landlords to provide information about the number of cubic metres of water consumed, which is normally based on the space we occupy rather than by individual metering. In 2015–16 we installed more efficient toilet facilities at our head office. We have also signed a fixed price contract for water supply

## Sustainability reporting

Area	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
Greenhouse-gas emissions – scopes 1, 2 & 3 which incorporates business travel including international air and rail (tonnes CO <sub>2</sub> equivalent)	<b>410</b>	417	635	591	489	550
Estate energy – consumption (mkWh)	<b>0.9</b>	0.7	1.1	1.1	0.9	1.1
– expenditure (£)	<b>437,986</b>	486,315	488,361	429,425	445,624	489,638
Estate waste – amount (tonnes)	<b>26</b>	23	28	26	28	24
– expenditure (£)	<b>25,908</b>	19,115	13,268	14,095	12,400	5,518
Estate water – consumption (m <sup>3</sup> )	<b>3,927</b>	4,040	4,350	4,889	5,655	3,757
– expenditure (£)	<b>10,703</b>	12,089	7,413	11,825	14,182	11,253

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

Area per FTE	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
Greenhouse-gas emissions – scopes 1, 2 & 3 which incorporates business travel including international air and rail (tonnes CO <sub>2</sub> equivalent)	<b>1.4</b>	1.4	2.3	2.3	1.9	2.2
Estate energy – consumption (kWh)	<b>2,899</b>	2,524	4,105	4,134	3,595	4,249
– expenditure (£)	<b>1,470</b>	1,648	1,744	1,639	1,716	1,986
Estate waste – amount (tonnes)	<b>0.1</b>	0.1	0.1	0.1	0.1	0.1
– expenditure (£)	<b>87</b>	65	47	54	48	22
Estate water – consumption (m <sup>3</sup> )	<b>13</b>	13	16	19	22	15
– expenditure (£)	<b>36</b>	41	26	45	55	46

for our head office. This has resulted in a much-reduced charge, but at the expense of the supplier not providing us with details of actual consumption. Consequently we have used the 2014–15 figure for analysis purposes.

Two years ago we undertook a review of electricity consumption at our head office. This involved an investigation of power usage on each floor through the placement of meters and by undertaking enhanced maintenance to improve the efficiency of our electrical devices. Estate energy consumption has fallen since then. We signed contracts to cap gas and electricity costs for our head office for 2016–17 and beyond. However, we have to accept that the weather has a bigger influence over our consumption than any improvements we can make to our energy efficiency.

**Ros Kerslake OBE**

Chief Executive and Accounting Officer

29 June 2018

## Accountability report

### Corporate governance report

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

#### *The directors' report*

##### Chair and Trustees of NHMF

Chair

Sir Peter Luff<sup>2</sup>

Trustees

Baroness Kay Andrews OBE

Anna Carragher

Sir Neil Cossons<sup>1</sup> OBE

Sandie Dawe<sup>1</sup> CBE to 14 August 2017

Dr Angela Dean<sup>1</sup>

Jim Dixon

Dr Claire Feehily<sup>1</sup> from 1 March 2018

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

Steve Miller

Richard Morris OBE

René Olivieri<sup>2</sup> from 1 March 2018

Atul Patel<sup>2</sup> MBE

Dame Seona Reid DBE

Dr Tom Tew

Chief Executive

Ros Kerslake<sup>2</sup> OBE

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

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

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

The gender split of our staff (including those on fixed term contracts) working on Lottery-related activities and our trustees at 31 March 2018 on a headcount basis was as follows:

	Male	Female	Total
Directors	1	5	<b>6</b>
Staff	73	218	<b>291</b>
Trustees	7	7	<b>14</b>

### Register of Trustees' Interests

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

### Future developments

In 2017–18 we created a new Corporate Strategy. It sets out our vision for the future role of NHMF over the three years from 2018 until 2021. We expect to carry out this work using our HLF brand although we anticipate that it will also involve funds from sources other than the National Lottery.

The National Lottery will remain our most significant source of income from 2018 to 2021, and the focus of most of our activity. The Corporate Strategy reinforces the direction we have been taking for several years, setting out our role as the largest dedicated source of funding for heritage across the UK, and taking further steps towards a stronger leadership position, with a particular focus on opportunities beyond pure grant giving.

The Tailored Review recommendations support our ambitions to:

- take a stronger leadership position, setting clearer strategic priorities for heritage across the four countries of the UK within a UK-wide framework;
- develop commercial, financial, digital and inclusion skills in the heritage sector;

- test alternatives to pure grants, such as social investment and other types of repayable finance to increase the sustainability of the sector;
- support the sector in working internationally;
- fund and champion high quality digital projects;
- support the development of the National Lottery brand.

These recommendations provide the context for our Corporate Strategy and next Strategic Funding Framework for our Lottery distribution activities.

Since 1994, our role in distributing National Lottery money has been to make 'a lasting difference for heritage and people in the UK'. We have developed a position as a heritage leader, through our influence and funding; and significant capabilities, expertise and processes supporting grant distribution. In future we want to further recognise the wide-ranging benefits delivered for society through heritage and a broader role for NHMF as an enabler, both in leveraging investment for heritage from others and in developing capacity, skills and resilience in organisations and people.

Our vision is that by 2021, NHMF will be a strong strategic and thought leader for the full breadth of heritage across the UK, demonstrating and championing the impact and benefits to society that heritage achieves and leveraging investment and support from others to strengthen this position. Heritage will be more widely recognised as a vital contributor to GDP, social cohesion, better places and individual well-being.

We will deploy National Lottery income as grants, loans or other financial interventions where they will create most long-term value for society. We will maximise impact through recycling income and taking a share of increased income where appropriate, as well as leveraging non-Lottery investment in heritage from others.

We will be a collaborative investor, developing strategic relationships at scale, for example in place-making. We will champion innovation in business models, and build capacity, skills and resilience in organisations in heritage to enable them to diversify their income and attract new investment. We will leverage our expertise, and access to information, data and research as an enabling leader and support the heritage world to better measure and demonstrate its social impact.

We will enhance our reputation as a highly efficient and effective administrator of National Lottery and Memorial Fund grants and seek to generate more income for NHMF in order to strengthen our business model and deliver benefits for UK heritage.

We can describe this change as moving from:

- simply distributing money raised by the National Lottery or the tax-payer to make a lasting difference for heritage and people in UK;

To:

- inspiring, leading and resourcing the UK's heritage to create positive and lasting change for people and communities, now and in the future.

Our Corporate Strategy was published in spring 2018. Find out more about our Corporate Strategy and Business Transformation Programme on page 25.

Future developments – the Strategic Funding Framework (SFF) 2019–2024

Development of the next Strategic Funding Framework in 2017–18 focused on public and stakeholder consultation, alongside the Government's Tailored Review of NHMF. We held a series of workshops with National Lottery players UK-wide. Their views on heritage and the wide-ranging social and community benefits investment in heritage can offer have shaped our proposals and further consultation.

In April–May 2017, alongside the Tailored Review, we held discussions with stakeholders from across the heritage and other sectors,

to gain early insight into the operating environment, the opportunities and challenges they anticipated, and how this might impact on HLF's next Strategic Funding Framework.

We have also consulted widely during the year with staff and decision makers, holding discussion sessions with teams across the organisation, as well as with the country and English regional committees, to understand their priorities for the next Strategic Funding Framework.

These early phases of consultation fed into the development of a large-scale public survey on attitudes to, and perceptions of, heritage, and an online stakeholder consultation, which ran from January to March 2018. The public survey, run by You Gov, built directly on the research with National Lottery players to understand the extent to which the findings from this research are reflective of the wider population. The stakeholder consultation, run by Com Res, communicated proposals for National Lottery funding for heritage for 2019–2024, to engage stakeholders with direction of travel and proposals and gain insight into their views. Both consultations are reporting to the Board in spring 2018 and the new Strategic Funding Framework will be launched in 2019.

#### Future developments – other

Our long-term forecasts for income, upon which our grant budgets are based, were impacted by projections produced by a firm of independent economists NERA, commissioned by the Gambling Commission. This suggested that, without innovation, a long-term decline in income was inevitable as the National Lottery matured. Trustees had always looked to award as much as they possibly could based upon over 20 years of cash flow monitoring, while maintaining an award model that allowed for rapid retraction should income numbers dip and cash flow modelling throw up concerns. Hence, the grant budget for 2018–19 has been cut significantly to around £190million.

Furthermore, in order to temper the large overhang of contingent liabilities (those round one passes where we await the round two decision), we are re-introducing competition at round two from 2018–19 onwards. Over time, we are planning that the level of rejection will be around 25%, but this will vary depending on income levels. Our actual income in 2017–18 was above the projections produced by the independent firm NERA Economic Consulting, and Camelot is intending to make some changes that it believes should increase income. Therefore, we are hopeful that the 25% rate will not have to increase, but we will continue to monitor the situation.

#### Appointment of auditors

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

#### Key stakeholders

We work with a wide range of key stakeholders and partners and consult 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 68 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 Digital, Culture, Media and Sport, all Lottery distributors are required to have regard to additionality principles. Our requirement for Lottery grants is that our funding should be in addition to available government funding not instead of it. We will not give grants to

projects where we believe that government funding was available at the time of decision. As part of our grant assessment we ask applicants to make a clear case for National Lottery investment including telling us what other sources of funding have been considered.

#### Personal data

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

#### *Statement of trustees' and accounting officer's responsibilities*

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

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

- observe the accounts' direction issued by the Secretary of State for Digital, Culture, Media and Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FREM, have been followed and disclose and explain any material departures in the financial statements; and

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

In July 2016, the Principal Accounting Officer of DCMS appointed Chief Executive, Ros Kerslake OBE as Accounting Officer for NHMF. Her relevant responsibilities as Accounting Officer are set out in the section titled 'Accounting Officers' in *Managing Public Money*. This includes her responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for the safeguarding of the Fund's assets and for the keeping of proper records.

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

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

#### *Governance statement*

##### Foreword

I have been Chief Executive and Accounting Officer since 4 July 2016.

We have made a number of changes in our governance and internal controls in 2017–18 that are set out here. I am satisfied that there was a robust and proper control framework in place that allowed the system of internal controls to operate effectively during the period under review.

##### Introduction

This governance statement is a summary of the arrangements for the stewardship of NHMF including how we manage

risk and how we comply with the 2017 HMT Corporate Governance in Central Government Departments: Code of Good Practice.

As the Accounting Officer for NHMF, I am required by the Accounts Direction issued by the Secretary of State for Digital, Culture, Media and Sport to account separately for our 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*.

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

**Governance structure**

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

**Board of Trustees**

The Board is responsible for:

- giving strategic leadership and direction;
- approving control mechanisms to safeguard public resources;
- approving grant programme and administration budgets;

- supervising the overall management of NHMF activities; and
- reporting on the stewardship of public funds.

The Board operates as a group and held nine meetings during the year to set NHMF policy and make decisions in line with that policy. These meetings are attended by the Chief Executive and the Senior Leadership Team. All Board meetings held in 2017–18 were quorate. Sir Peter Luff is Chair of the NHMF and throughout the year regular liaison meetings were held between the Chair, the Chief Executive and senior staff.

The Board is normally constituted of around 15 trustees including the Chair – this is the maximum permitted. In 2016–17 the number of trustees reduced to 13, this has increased to 14 in 2017–18 following a recent recruitment round in anticipation of several trustees retiring in the spring and summer of 2018. These changes were approved by our sponsor department – the Department for Digital, Culture, Media and Sport and the Prime Minister (as trustees appointments fall within the remit of the Prime Minister).

The overall attendance rate of trustees at Board meetings was 91%. 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.

*Governance structure*



Attendance at the Board meetings throughout 2017–18 was as follows:

Trustee	Eligible meetings	Meetings attended
Baroness Kay Andrews OBE	9	7
Anna Carragher	9	8
Sir Neil Cossons OBE	9	8
Sandle Dawe CBE <i>to 14 August 2017</i>	3	3
Dr Angela Dean	9	9
Jim Dixon	9	7
Dr Claire Feehily <i>from 1 March 2018</i>	1	0
Perdita Hunt DL OBE	9	9
Sir Peter Luff	9	9
Steve Miller	9	9
Richard Morris OBE	9	7
René Olivieri <i>from 1 March 2018</i>	1	1
Atul Patel MBE	9	9
Dame Seona Reid DBE	9	8
Dr Tom Tew	9	9

#### Board composition

Of the 15 trustees who attended the Board throughout the year 46% were female and 54% were male. One (8%) came from an ethnic minority background.

#### Board conflicts of interest

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

#### Audit and Risk Committee

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

The Chief Executive attended each Committee meeting with the Director of Finance and Corporate Services – other senior staff attended as required. The Committee is supported and serviced by the Fund’s Secretariat. The Fund’s external auditors

(National Audit Office) and internal auditors (Moore Stephens) also attend the meeting. The Committee holds in-camera sessions themselves before meetings and also private discussions with the auditors before the meetings.

In 2017–18 the trustees decided to appoint non-executive independent members to supplement the trustees on the Committee. As a result, David Michael and Carole Murray joined the Committee in 2017. Both have considerable experience on risk management, governance and audit. The terms of reference for the Committee were updated to reflect their roles.

The Committee agreed a multi-year internal audit strategy with Moore Stephens upon their appointment and the reviews carried out in 2017–18 and reported to the Committee were in line with that strategic approach. A detailed one-year plan of internal audit reviews is approved annually.

During the year, the Committee received reports on:

- brand acknowledgement;
- health and safety;
- IT project management,
- applications and project monitoring;
- core financial controls and,
- project post completion monitoring.

The Committee meeting minutes are shared with the Board as is a formal annual report on business. The committee chair orally updates the Board on Committee business and decisions.

The Committee also reviews the Annual Reports and Accounts for both NHMF and HLF. During 2017–18, in addition to the above reports and accounts, the Committee also considered the following:

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

- procurement arrangements including any exceptions to normal procurement tendering rules.

Attendance at the Committee meetings throughout 2017–18 was as follows:

Trustee	Eligible meetings	Meetings attended
Dr Angela Dean <i>Chair</i>	4	4
Sir Neil Cossons OBE <i>from 1 September 2017</i>	2	1
Sandie Dawe CBE <i>to 14 August 2017</i>	2	2
Jim Dixon <i>to 31 July 2017</i>	2	0
David Michael <i>non-executive member from 1 June 2017</i>	3	3
Carole Murray <i>non-executive member from 1 June 2017</i>	3	3

#### Finance, Staffing and Resources Committee

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

The Chief Executive attended each Committee meeting as a member. The Director of Finance and Corporate Services, and Director of Operations attend meetings, and other senior staff attend as required. The Committee is supported and serviced by the Secretariat.

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

- management accounts and financial management information (including efficiency targets);
- performance data against operational and service standards;
- other performance management data;
- staffing levels and personnel data such as sickness absence, training and development spending;

- IT investment propositions; and
- functional strategies for IT, Estates, HR and Finance.

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

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

In 2017–18 the trustees decided to appoint a non-executive independent member to supplement the trustees on the committee. As a result, Steve Blake joined the Committee in 2017. He has considerable experience of financial management, business planning and change management. The Terms of Reference of the Committee were updated to reflect the new role.

Attendance at the Committee meetings throughout 2017–18 was as follows:

Trustee	Eligible meetings	Meetings attended
Sir Peter Luff	3	3
Atul Patel MBE <i>Chair</i>	3	3
Perdita Hunt DL OBE	3	3
Steve Blake <i>non-executive member from 1 June 2017</i>	2	1
Ros Kerslake OBE	3	3

#### Delegated grant decision making

In 2017–18 the Board delegated some decision making for HLF grants to a subset of trustees acting as Board panels. These covered decisions for the following grant programmes:

- Kick the Dust;
- Skills for the Future; and
- Parks for People (in England this was a joint panel with the Big Lottery Fund).

The trustees have delegated their grant decision making responsibilities for certain types and values of National Lottery awards

to country and regional committees. There are 12 of these committees and each contains a trustee. In addition to making grant decisions, these committees provide advice to the Board on priorities within their area and act as advocates for the organisation's work as a National Lottery distribution body. Chairs of country and regional committees meet with the board chair and the Chief Executive, along with senior staff, twice a year.

New members of these committees have a formal induction with the Chief Executive and senior staff throughout the year depending on the recruitment and appointment cycle. In 2017–18 we undertook formal induction sessions for several new members.

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

#### **Tailored Review**

As identified in the last Governance Statement, 2017–18 saw DCMS undertake our Tailored Review and this reported in November 2017. The review was a positive endorsement of our work and its breadth, and shows that NHMF is a highly regarded organisation that has transformed communities and heritage across the UK.

Tailored Reviews take place for all non-departmental public bodies every few years and DCMS consulted with our stakeholders to find out their views about how we are working. DCMS concluded that we perform well as an organisation, with 79% of survey respondents seeing us as a 'very' or 'extremely' effective funding body. Our staff are highly regarded as open, helpful and valuable sources of support, and our role as a UK-wide funder with a sole focus on heritage is highly valued.

The review notes that HLF is operating within the context of reducing National Lottery receipts and local authority funding.

As a result, it recommended that HLF should become more strategic, effective and efficient to ensure National Lottery funding continues to support the resilience of the heritage sector, benefits people and preserves heritage for future generations.

The review made a series of recommendations for how we can further strengthen our effectiveness and performance. These include clarifying our priorities in our upcoming Strategic Funding Framework and strengthening our strategic partnerships with other funders, experts and governments across the UK.

The short and medium term recommendations are already being implemented, including strengthening communications, data management, research and evaluation. Longer term recommendations will await our new Strategic Funding Framework due to go live in April 2019.

We published an implementation plan to track and deliver the recommendations. We will continue to work with DCMS and other partners, to ensure maximum value for National Lottery players and the best possible support for the heritage sector.

#### **National Lottery income**

In 2017–18, alongside all other National Lottery distributors, we were presented with projections and analysis of National Lottery income for the next few years. We have continued to work with the Gambling Commission, DCMS and Camelot (the National Lottery operator) to understand the data behind these projections and to assess the risks and opportunities from this work.

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

We welcome the National Audit Office Report (published December 2017) on National

Lottery Funding for Good Causes and endorse its findings. We will continue to work to seek improvements in information and projections for income.

In the light of the decline in income the Board made decisions in December 2017 to ensure effective alignment of income to commitments and reserves. We will continue to carefully and closely monitor this risk throughout 2018–19.

#### Executive and Senior Leadership Team

The Board delegates day-to-day management to the Chief Executive. Previously, the Chief Executive was supported by a Heads of Department Group and a Management Board consisting of all directors and deputy directors. In 2017–18 the roles of these groups was further defined and clarified to improve governance and decision making. The Heads of Department group has been renamed as the Executive Team and the Management Board has been renamed as the Senior Leadership Team. At the same time, the Managers' Forum, comprising all Grade C managers and above, was renamed as the Leadership Team, reflecting the important role of this group.

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

The Senior Leadership Team (the Chief Executive, Directors and Deputy Directors) are now responsible for the day-to-day operations of the Fund as well as preparations for our next Strategic Funding Framework. The Senior Leadership Team meets weekly.

Each departmental director provides a monthly report to the Board on activities and issues within their remit. The Chief Executive also holds regular meetings with the Leadership Team consisting of senior and middle managers and ensures Board decisions and directions are communicated directly to key staff. These meetings include verbal reports on activities across

all departments as well as discussion of thematic issues affecting all teams e.g. risk management and business planning. The Leadership Team have also been involved in helping the senior leaders develop our new corporate strategy – see below.

#### Structure

The Chief Executive operates a four-department structure of:

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

The Secretariat team reports directly into the Chief Executive.

The annual operating plan – the Business Plan – is developed each year alongside financial budgets and grant programme planning. Like previous years, this year we also closely integrated risk management into the business planning process. 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. The Management Agreement was refreshed last year and a new agreement was put in place for 2016 to 2020.

There were no substantive changes to this to report.

#### Corporate Strategy

We recognised 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.

The Corporate Strategy provides for an 'overarching umbrella' for our activity at a high level. It will be supported by a range of other corporate responses, which provide more detail in specific operational, strategic and policy areas, including our:

- Strategic Funding Framework for National Lottery income 2019 to 2024, due to be launched later in 2018;
- Business Plan for 2018–2019 for HLF and NHMF;
- Tailored Review Implementation Plan;
- Business Transformation Programme; and
- Business strategies for individual functional areas, e.g. our Digital Strategy.

The National Lottery will remain our most significant source of income from 2018 to 2021, and the focus of most of our activity. Demand for our funding is growing as other public sources of funding decline, with demand outstripping our budget five times over at some levels, against forecasts of reduced National Lottery revenues in future.

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

We will work through due diligence and viability processes to explore the options to expand NHMF's activities in support of the sectors it works with.

#### **Business Transformation Programme**

Like all organisations, 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.

There have been some external changes that impact on the environment we work within. For example, the referendum to leave the European Union, the continuing devolutionary arrangements across the UK, the impacts of austerity and reduced public sector spending. We are assessing these impacts on our existing and future investments and have addressed other business areas as well as our core business within our Corporate Strategy.

The Tailored Review recognised our achievements over the last two decades, recognising the need for us to adapt and change to respond to this different environment and provide even better value for money for National Lottery players and the communities and sectors we serve.

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

To make HLF 'fit for the future', the programme's goals are to deliver:

- the new three-year Corporate Strategy starting in March 2018;
- a simpler, more customer-focused National Lottery funding framework in 2019;
- a radically improved grant management process and system in 2020;
- IT modernisation that supports operational efficiency and customer satisfaction;
- the corporate infrastructure (skills, structure, support services) to support our strategic direction and,
- more agile ways of working and a stronger, more positive culture.

The programme will have seven work streams covering:

- delivery of the new Corporate Strategy;
- the new Strategic Funding Framework;
- review of business processes;
- governance;
- IT modernisation;
- people and estates; and
- marketing/communications and customer insight.

In 2018–19 we plan to:

- Start a phased implementation of the new corporate strategy looking especially at diversifying income sources and leveraging greater investment into the heritage sector.
- Deliver all the arrangements for the new Strategic Funding Framework including public consultation, portfolio design, new process and guidance.
- Changes to our website, online portal, forms and processes for the changes in April 2019.
- Start implementation of our digital strategy including completing mobilisation of IT for all staff, Office 365 roll out, integrate telephony, reduce paper, develop a proof of concept approach for a potential new grant management system and portal.
- Review our organisational design/estates footprint.
- Identify ways to improve our external communications, marketing and understand our customers better in a way that improves their experience and interactions with us.

#### 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 2017–18.

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

The Board also reviewed its Risk Appetite for 2018–19 and continued to reflect greater appetite for business change and transformation. The Board also recognised the risks and challenges facing NHMF in 2018–19 especially in its National Lottery distribution role – these are expected to evolve from the principal risks for 2017–18 as set out below. Effective risk management in the year ahead will be particularly important.

We also recognise that well thought-through risk-taking and innovation to achieve NHMF objectives should be encouraged. I believe that the Fund demonstrates innovation in its choice of grant awards and does not simply resort to making risk-free decisions. In a time of reducing National Lottery funds this will be even more important to ensure that HLF’s funding reaches as widely into the community as possible.

To this end we are prepared to accept that some of the organisations that we give grants to 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 2017–18, NHMF considered the following to be the most significant areas of risk:

- National Lottery income decline;
- diversification as outlined in the Corporate Strategy is not successful;
- Tailored Review recommendations are not successfully implemented;
- adverse reaction to change and business transformation; and
- Strategic Funding Framework is not successfully implemented.

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

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

NHMF has a fraud policy that is reviewed on an annual basis. All staff in NHMF undertook bespoke fraud awareness training within the last two years, delivered by a specialist assurance team from Moore Stephens supported by the NHMF Finance Team. This focused on fraud risk in:

- grant giving
- procurements
- general fraud areas

The training also identified fraud risk areas for NHMF, how those might be identified and combatted to reduce the risk of fraud. We reinforced this with online training in 2016–17. In 2018–19 we will look at new training and awareness opportunities as part of our response to the Tailored Review.

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.

The Fund has an established whistle-blowing policy (which we have updated recently) which is brought to the attention of staff regularly and available on the Fund's Intranet. The policy is reviewed annually and staff reminded regularly of its existence and application. There were no reported incidents during the year.

NHMF also has an information risk policy, which is compliant with Cabinet Office guidance and the Security Policy Framework. All new staff receive guidance in information security, data protection and Freedom of Information as part their induction. We have undertaken planning and preparations for the new General Data Protection Regulation provisions introduced in May 2018. We also comply with the government guidance on transparency of spend, contracts etc. In 2017–18 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 use one business critical model – the cash flow

forecast used for setting annual grant budgets out of our National Lottery income. We aim to ensure that we award the highest amount possible in terms of the level of grants without the risk of running out of cash or over extending ourselves.

The model was created around 10 years ago and remains largely in its original form other than extending its lifecycle. The model has been employed against scenarios of different levels of National Lottery income, one-off contributions to the Olympics, and significant new grant programmes. We have found that it provides a reasonable forecast of our financial sustainability.

In 2014–15, based on the model, the Board created a Financial Framework setting out grant ratios linked to the total level of commitments, approved actual liabilities, income from the National Lottery and our balance at the National Lottery Distribution Fund (NLDF). We therefore believe that the model and the Financial Framework provide a robust basis for our grant giving. We have continued to use this approach in 2017–18 and used this in modelling for our National Lottery income planning scenarios and assumptions.

#### **Board performance and effectiveness**

The most significant activity for the Board has been oversight of the continuing roll out of Strategic Framework 2013–2018, the implementation and grant giving for those new programmes in 2017–18, such as Skills for the Future and Kick the Dust. In addition, the Board has continued to have oversight for the consultation, planning and preparations for the new Strategic Funding Framework commencing in 2019.

The Board membership changed in 2017–18 – although not as much as in the previous year – this has meant a reduction in the degree of turnover amongst the trustees.

The Board undertook an interim review of its skills in 2016–17 through a self-assessment model. A full review will follow next year. The Board are satisfied that they continue to meet the requirements of the 2017 HMT

Corporate Governance in Central Government Departments: Code of Good Practice. The main findings of that review were to look at improving the balance of skills and competencies across the trustees. We appointed two new trustees (see above) in March 2018 and Maria Adebowale-Schwartz and Sarah Flannigan joined us in May 2018.

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

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. 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. The Board therefore believes that it can rely on the information and assurance provided by management for its decision making.

#### **The governance year**

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

All senior staff have performance agreements set at the beginning of the year articulating

their personal and corporate objectives for the year. These are linked to the Business Plan and our strategy. These are reviewed formally at mid-year and end-year reviews. I also hold informal meetings with directors on a one to one basis throughout the year. As mentioned, the Executive and Senior Leaderships Team 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 2018.

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

The internal auditors upon appointment produced a three-year audit strategy. Last year covered the third year of this period and all intended reviews were undertaken and completed on time. The annual plan is extracted from this audit strategy and linked into the risk register and risk appetite. With Moore Stephens 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 2017–18 and recommendations that were due to be implemented in 2017–18 have been implemented satisfactorily. Three recommendations have been deferred to 2018–19 with the agreement of the Audit and Risk Committee.

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

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

I also require all senior and middle managers to sign annual memoranda of representation to me, detailing their responsibilities and confirming they have carried out these responsibilities in 2017–18. All managers have signed the memorandum and they are aware that I have placed reliance on those assertions in this statement.

From April 2015, Letters of Delegated Authorities for all directors were introduced – setting out their delegated authorities (financial, procurement etc.) to be agreed at the start of the year to complement the memorandum at the year end. This cycle has been completed in 2017–18.

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

**Ros Kerslake OBE**  
Chief Executive and Accounting Officer

29 June 2018

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 regional and country committees with meals when they were holding meetings at their places of employment. The Fund met the tax liability on all of these expenses. Sir Roger De Haan CBE waived his right to receive a salary in 2016–17.

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

Trustees' remuneration was allocated between NHMF and its National Lottery distribution activities on the basis of 1%:99%. The total remuneration of trustees in 2017–18 was £191,969 (2016–17: £203,228). The pay and contracts of trustees are discussed and set by DCMS. Their contracts do not contain any bonus clauses. There were no benefits in kind or non-cash elements paid to trustees or directors.

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

*Remuneration of the Chair and trustees (audited information)*

	2017-18 £'000	2016-17 £'000
Sir Peter Luff <i>Chair</i>	<b>40-45</b>	40-45
Baroness Kay Andrews OBE	<b>20-25</b>	20-25
Anna Carragher	<b>20-25</b>	10-15
Sir Neil Cossons OBE	<b>10-15</b>	10-15
Sandie Dawe CBE <i>to 14 August 2017</i>	<b>0-5</b>	5-10
Dr Angela Dean	<b>5-10</b>	5-10
Sir Roger De Haan CBE <i>to 19 January 2017</i>	<b>n/a</b>	0-5
Jim Dixon	<b>5-10</b>	10-15
Dr Claire Feehily <i>from 1 March 2018</i>	<b>0-5</b>	n/a
David Heathcoat-Amory <i>to 19 January 2017</i>	<b>n/a</b>	5-10
Perdita Hunt DL OBE	<b>5-10</b>	5-10
Steve Miller	<b>5-10</b>	10-15
Richard Morris OBE	<b>5-10</b>	10-15
René Olivieri <i>from 1 March 2018</i>	<b>0-5</b>	n/a
Atul Patel MBE	<b>10-15</b>	15-20
Dame Seona Reid DBE	<b>20-25</b>	20-25
Dr Tom Tew	<b>10-15</b>	10-15

## Remuneration of employees (audited information)

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

	Salary 2017-18 £'000	Salary 2016-17 £'000	Bonus 2017-18 £'000	Bonus 2016-17 £'000	Pension benefits accrued during 2017-18 £'000	Pension benefits accrued during 2016-17 £'000	Total 2017-18 £'000	Total 2016-17 £'000
Ros Kerslake OBE <i>Chief Executive and Accounting Officer (from 4 July 2016)</i>	<b>135-140</b>	100-105*	<b>5-10</b>	0-5	<b>53</b>	39	<b>195-200</b>	140-145
Eilish McGuinness <i>Director of Operations</i>	<b>80-85</b>	80-85	<b>5-10</b>	0-5	<b>9</b>	18	<b>95-100</b>	105-110
Judith Cligman <i>Director of Strategy and Business Development</i>	<b>95-100</b>	95-100	<b>0-5</b>	0-5	<b>4</b>	21	<b>105-110</b>	120-125
Colin Bailey <i>Director of Finance and Corporate Services</i>	<b>100-105</b>	100-105	<b>5-10</b>	5-10	<b>31</b>	30	<b>135-140</b>	140-145
Louise Lane <i>Director of Communications</i>	<b>80-85</b>	80-85	<b>0-5</b>	0-5	<b>6</b>	60	<b>90-95</b>	145-150
Helen Coley-Smith <i>Director of Business Transformation (from 20 April 2017)</i>	<b>100-105*</b>	n/a	<b>0-5</b>	n/a	<b>41</b>	n/a	<b>145-150</b>	n/a

	Real increase in pension and and lump sum £'000	Total accrued pension at age 60 and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/03/18 £'000	CETV at 31/03/17# £'000	Real increase in CETV funded by NHMF £'000
Ros Kerslake OBE <i>Chief Executive and Accounting Officer (from 4 July 2016)</i>	2.5-5	5-10	<b>87</b>	36	40
Eilish McGuinness <i>Director of Operations</i>	0-2.5 and 0-2.5 lump sum	20-25 plus 65-70 lump sum	<b>456</b>	419	7
Judith Cligman <i>Director of Strategy and Business Development</i>	0-2.5 and 0-2.5 lump sum	40-45 plus 120-125 lump sum	<b>907</b>	846	4
Colin Bailey <i>Director of Finance and Corporate Services</i>	0-2.5	5-10	<b>113</b>	82	19
Louise Lane <i>Director of Communications</i>	0-2.5 and 0-2.5 lump sum	20-25 plus 60-65 lump sum	<b>484</b>	462	6
Helen Coley-Smith <i>Director of Business Transformation (from 20 April 2017)</i>	0-2.5	0-5	<b>29</b>	0	21

\* The full year equivalent of Ros Kerslake's salary in 2016-17 was in the band £135,000 to £140,000. The full year equivalent of Helen Coley-Smith's salary in 2017-18 was in the band £110,000 to £115,000.

# or at date of appointment if later.

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

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

**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.

**Real increase in CETV**

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

With the exception of Helen Coley-Smith, all senior employees had permanent contracts of employment. All senior employees were ordinary members of the Principal Civil Service Pension Scheme (PCSPS) or alpha. Their costs were allocated between HLF and NHMF on the basis of 99%:1% (2016–17

– 99%:1%). The Director of Business Transformation, Helen Coley-Smith, was appointed to a Fixed Term Contract in 2017, which was reflective of the time bound nature of her role.

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

*Remuneration ratio (audited information)*

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

The annualised banded remuneration of the highest paid director in both 2017–18 and 2016–17 was £140,000 to £145,000 including bonus. This was about 5.0 times (2016–17: 5.2 times) the median remuneration of the workforce, which was £28,537 (2016–17: £27,100). There were no employees who received remuneration in excess of the highest paid director. Remuneration ranged from £15,000 to £140,000 (2016-17: 15,000-£140,000). The highest paid director was subject to the government’s pay remit. This restricted the sum available for pay rises to 1% of the paybill.

*Exit packages (audited information)*

Under the terms of Employer Pensions Notice 296, issued by the Cabinet Office in March 2011, NHMF is required to publish details of all exit packages agreed in the financial year under review. Falling under the definition of exit packages are compulsory and voluntary redundancies, early retirement, compensation for loss of office, ex-gratia payments etc. There was one in 2017–18 (2016–17: none) in the following band:

	2017-18 number	2016-17 number
£45,001–£50,000	1	0

99% of the cost of this exit package was charged to our National Lottery distribution activities.

### Staff costs and numbers

	2017-18 £'000	2016-17 £'000
Salaries	9,906	9,423
Employer's NI payments	920	887
Payments to pension scheme	1,965	1,847
Temporary staff costs	285	150
	<b>13,076</b>	<b>12,307</b>

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

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

2016-17	Grant applications	Finance and corporate services	Strategy and business development	Communications	Total
Permanent staff	177	36	27	23	263
Secondees, contract staff and apprentices	12	3	4	1	20
<b>Total</b>	<b>189</b>	<b>39</b>	<b>31</b>	<b>24</b>	<b>283</b>

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

### Pensions

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

normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with legislation for pension increases. Existing members of PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in PCSPS after 1 April 2015. Those who were between 10 years from their normal pension age and 13 years and 5 months

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

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of  $\frac{1}{80}$ th 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  $\frac{1}{60}$ th of final pensionable earnings for each year of service. Unlike classic there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as 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 uprated in line with pensions increase legislation.

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

The partnership pension account is a stakeholder pension arrangement. Employer's contributions of £22,773 (2016–17: £19,012)

were paid to two of 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 a panel of providers.

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

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

No member of staff retired early on health grounds during 2017–18.

Further details about Civil Service pension arrangements can be found at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge to PCSPS or alpha. Departments, agencies and other bodies covered by PCSPS and alpha meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2017–18, employer's contributions of £1,942,560 (2016–17: £1,827,838) excluding amounts paid to partnership pension schemes were paid to PCSPS and alpha at the rates set out as follows:

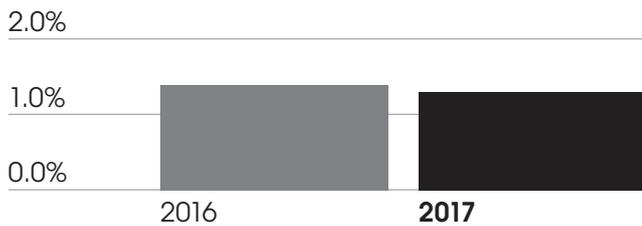
Salary in 2017-18	% in 2017-18
£23,000 and under	20.0%
£23,001–£45,500	20.9%
£45,501–£77,000	22.1%
£77,001 and above	24.5%

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

### *Absence Management*

Staff sickness absence in 2017 remained lower than national benchmarks, with overall levels running at 1.3%, slightly lower than 2016 levels of 1.4%. The Fund continues to support and promote wellbeing policies through its provision of an employee assistance scheme and other related benefits including health screening.

#### *Staff sickness absence levels*



### *Employee Engagement and Consultation*

We continue to regularly consult and inform our staff on our strategic direction and operational progress. This year we have undertaken extensive consultation with staff, customers and stakeholders to help us determine our future Strategic Funding Framework. We have also consulted as part of the development of our new Corporate Strategy 2018–21.

All staff receive weekly newsletters updating them with news across the Fund and we have active social media discussion groups. We held our first 'town hall' event with all staff in 2018 and now schedule these three times per year. We also regularly convene our Leadership Team, gathering our managers from across our regions and corporate services for discussion and consultation.

The Fund also meets every quarter with its Trade Union partners (FDA and PCS) and meeting minutes are published. Additional meetings are scheduled as necessary and Trade Union views are sought on changes to policy, process and structure.

In 2017, we received the outcomes from our employee engagement survey, which achieved an engagement index figure of

72% (marginally down from last year but still well above comparable benchmarks) based on an 85% response rate.

### *Equality and Diversity and Employment Monitoring*

In all of our activities, we continue to maintain our long-standing commitment to equality and inclusion – in our work-force, in appointing decision-makers and in the reach of our investment. We recognise and appreciate the value of having both a diverse staff group and a diverse Board and committees. We continue to champion equality and inclusion through our organisation, including in our recruitment and selection processes. These goals are explicit in our new Corporate Strategy and our ambition is that our organisation and people better reflect the population of the UK. However, we recognise that currently we do not reflect this in our staff diversity. The tables below show that 75% of our staff are women, 11% are from black, Asian and minority ethnic groups, 4% have declared disabilities and 2% have declared as Lesbian, Gay, Bisexual or Transgender (LGBT). However, our data also shows high levels of non-disclosure of personal information and we hope to reduce this in 2018 as part of our drive to recognise and celebrate diversity. Over 50% of our staff have attended equality and diversity training, including our Executive team, and undertaking this is compulsory for all new staff. Actions to address workforce diversity also form a key priority under our HR Plan for 2018–19.

The composition for our decision takers including the Board are: 52% female; 12% black, Asian and minority ethnic groups; 5% declared disability and 8% LGBT. Around 50% of decision takers have participated in an equality and diversity workshop and wider discussion at both board and committee level.

We comply 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 £261,000 on consultants in 2017–18 (2016–17: £478,000) as part of its National Lottery distribution activities. NHMF has used the definitions of consultancy contained within annex 6.1 of the Cabinet Office controls guidance: version 4.0. The vast majority of this consultancy related to research undertaken on our grant programmes and the heritage sector.

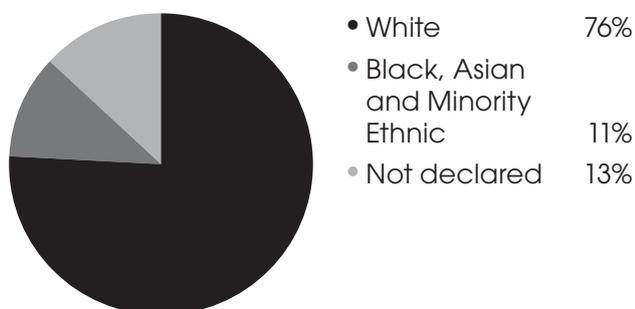
*Whistleblowing*

The Fund has a clear and accessible Whistleblowing Policy designed to enable

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

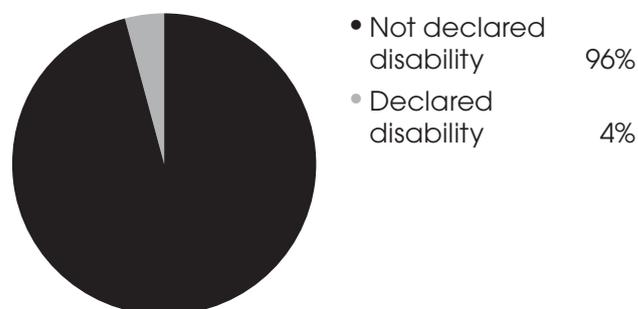
- financial malpractice or impropriety or fraud
- failure to comply with a legal obligation or statutes
- dangers to health and safety or the environment
- criminal activity
- improper conduct or unethical behaviour
- attempts to conceal any of the above

*Staff ethnic origin\**



African	7
Asian	1
Asian Bangladeshi	1
Asian Indian	4
Asian Pakistani	2
Asian and White	2
Black African and White	1
Caribbean	5
Chinese	2
White	230
Other	7
Other Mixed Ethnic	1
Not declared	39
<b>Total</b>	<b>302</b>

*Staff declared disability\**



No Declared Disability	290
Declared Disability	12
<b>Total</b>	<b>302</b>

*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 staff, trustees and regional and country committee members are on the payroll of NHMF and therefore pay tax and national insurance contributions through the PAYE route. We have no contractors that do not meet HM Treasury guidance.

*Pension liabilities*

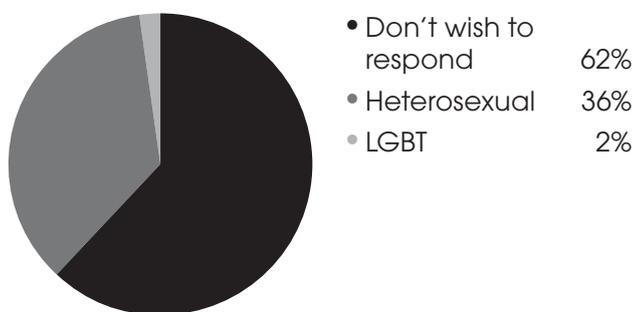
The Fund makes contributions to the pension schemes of staff. Other than making these payments the Fund has no pension liabilities.

**Ros Kerslake OBE**

Chief Executive and Accounting Officer

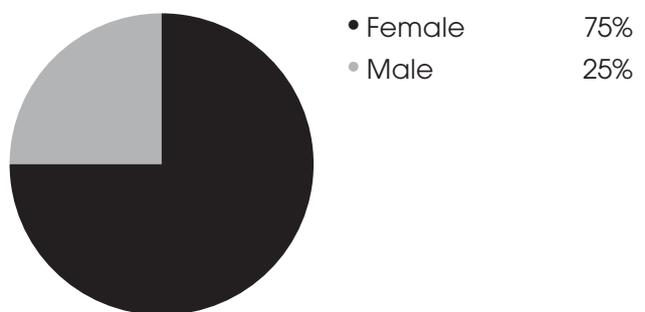
29 June 2018

*Staff sexuality\**



Don't wish to respond	187
Heterosexual	109
LGBT	6
<b>Total</b>	<b>302</b>

*Staff gender\**



Female	228
Male	74
<b>Total</b>	<b>302</b>

\* Data correct at March 2018 and calculated on staff in post headcount (charts contain combined data for staff working on grant-in-aid and Lottery distribution activity)

## Parliamentary accountability and audit report

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

### Opinion on financial statements

I certify that I have audited the financial statements of the National Heritage Memorial Fund's Lottery distribution activities for the year ended 31 March 2018 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the National Heritage Memorial Fund's Lottery distribution activities as at 31 March 2018 and of its operating deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

### Opinion on regularity

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

### Basis of opinions

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

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

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

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Heritage Memorial Fund's Lottery distribution activities' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Heritage Memorial Fund's Lottery distribution activities' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required

to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

#### Other Information

The Trustees and the Accounting Officer are responsible for the other information. The other information comprises information included in the Report of the Trustees and Accounting Officer, 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.

**Sir Amyas CE Morse**

Comptroller and Auditor General

6 July 2018

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

## The financial statements

### Statement of comprehensive net expenditure for the year ended 31 March 2018

	Notes	£'000	2017-18 £'000	Restated 2016-17 £'000
Proceeds from the National Lottery	9		<b>327,017</b>	325,989
NLDF investment income	9		<b>945</b>	1,062
			<b>327,962</b>	327,051
Interest receivable		<b>112</b>		62
Sundry income	3	<b>(163)</b>	<b>(51)</b>	460
<b>Total income</b>			<b>327,911</b>	327,573
New grant awards	11	<b>(416,021)</b>		(453,146)
Award de-commitments	11	<b>23,185</b>		20,500
Prior year adjustment – provision for lapsed commitments	11			18,816
			<b>(392,836)</b>	(413,830)
Staff costs (as per the remuneration and staff report)	19	<b>(13,076)</b>		(12,307)
Depreciation and amortisation	6 and 7	<b>(555)</b>		(642)
Other operating charges	4	<b>(8,073)</b>		(9,575)
Total administration costs			<b>(21,704)</b>	(22,524)
<b>Total expenditure</b>			<b>(414,540)</b>	(436,354)
<b>Operating deficit</b>			<b>(86,629)</b>	(108,781)
Total comprehensive expenditure for the year ended 31 March 2018			<b>(86,629)</b>	(108,781)

The notes on pages 45 to 66 form part of these accounts.

## Statement of changes in equity for the year ended 31 March 2018

	Income and expenditure account £'000
Balance at 31 March 2016	(395,088)
Changes in equity in 2016-17	
Retained deficit	(108,781)
Balance at 31 March 2017	(503,869)
<b>Changes in equity in 2017-18</b>	
Retained deficit	(86,629)
<b>Balance at 31 March 2018</b>	<b>(590,498)</b>

The notes on pages 45 to 66 form part of these accounts.

## Statement of financial position as at 31 March 2018

	Notes	2017-18 £'000	Restated 2016-17 £'000
<b>Non-current assets</b>			
Intangible fixed assets	6	153	290
Property, plant and equipment	7	382	719
<b>Current assets</b>			
Investments – balance at the NLDF	9	406,811	496,757
Trade and other receivables	8	3,452	2,638
Cash and cash equivalents		388	2,583
		<b>410,651</b>	501,978
<b>Total assets</b>		<b>411,186</b>	502,987
<b>Current liabilities</b>			
Administrative liabilities	10	(2,383)	(2,732)
Grant liabilities due within one year	11	(339,007)	(362,039)
<b>Non-current assets plus net current assets</b>		<b>69,796</b>	138,216
<b>Non-current liabilities</b>			
Grant liabilities due in more than one year	11	(660,294)	(642,085)
<b>Assets less liabilities</b>		<b>(590,498)</b>	(503,869)
<b>Represented by:</b>			
Income and expenditure account brought forward		(503,869)	(395,088)
Movement in the year		(86,629)	(108,781)
Income and expenditure account carried forward		(590,498)	(503,869)

The notes on pages 45 to 66 form part of these accounts.

**Sir Peter Luff**  
Chair  
29 June 2018

**Ros Kerslake OBE**  
Chief Executive and Accounting Officer

## Statement of cash flows for the year ended 31 March 2018

	Notes	2017-18 £'000	2016-17 £'000
<b>Operating activities</b>			
Cash drawn down from the NLDF	9	<b>417,908</b>	425,198
Cash from other sources including loans	3	<b>(163)</b>	460
Cash paid to and on behalf of employees		<b>(12,743)</b>	(12,019)
Interest received on bank accounts		<b>112</b>	62
Cash paid to suppliers		<b>(9,569)</b>	(8,585)
Cash paid to grant and loan recipients	11	<b>(397,659)</b>	(405,744)
<b>Net cash outflow from operating activities</b>	14a	<b>(2,114)</b>	(628)
<b>Investing activities</b>			
Capital expenditure and financial investment	14b	<b>(81)</b>	(157)
<b>Decrease in cash and cash equivalents</b>		<b>(2,195)</b>	(785)

The notes on pages 45 to 66 form part of these accounts.

## Reconciliation of net cash flow to movement in net funds for the year ended 31 March 2018

	Notes	2017-18 £'000	2016-17 £'000
Decrease in cash and cash equivalents in the period		<b>(2,195)</b>	(785)
<b>Changes in cash and cash equivalents</b>	14c	<b>(2,195)</b>	(785)
Cash and cash equivalents at 1 April 2017		<b>2,583</b>	3,368
<b>Cash and cash equivalents at 31 March 2018</b>		<b>388</b>	2,583

The notes on pages 45 to 66 form part of these accounts.

# Notes to the accounts

## for the year ended 31 March 2018

### 1. Statement of accounting policies

With one exception, there are no standards and interpretations in issue, but not yet adopted, that the Trustees anticipate will have a material effect on the reported income and net assets of NHMF or its Lottery distribution activities. The anticipated impact of IFRS 9 (Financial Instruments) and 15 (Revenue from Contracts with Customers) is expected to be negligible. IFRS 16 (Leases) will have a significant effect, which will be analysed in the accounts for 2018–19 as it does not become effective until 2019–20.

#### a) Accounting convention

These accounts are drawn up in a form directed by the Secretary of State for Digital, Culture, Media and Sport and approved by HM Treasury. They are prepared under the modified historic cost convention. Without limiting the information given, the accounts meet the accounting and disclosure requirements contained in the Companies Act 2006 and the FREM, so far as those requirements are appropriate, and the accounts' direction issued by the Secretary of State for Digital, Culture, Media and Sport in December 2014. The accounting treatments contained in the FREM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The National Lottery accounts' direction issued by the Secretary of State for Digital, Culture, Media and Sport specifically excludes the preparation of consolidated accounts and requires the use of accruals' accounting for awards. Copies of the Lottery distribution and grant-in-aid accounts' directions may be obtained from the Secretary to the Board, 7 Holbein Place, London SW1W 8NR.

Where the FREM permits a choice, 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 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 Lottery distribution arrangements for the heritage sector. Furthermore, DCMS increased the heritage share of National Lottery good causes money to 20% from April 2012. Finally, the Tailored Review of 2017 made no recommendations to change the percentage of National Lottery funding received by NHMF.

#### b) Non-current assets

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

Short-leasehold property	– the life of the lease;
Office equipment	– 4–10 years;
Office fittings	– 4–10 years;
Grant-assessment and other software	– up to 5 years.

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

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

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

NHMF accounts separately for its Lottery distribution activities, which it is required to do under its Lottery accounts' direction. The accounts for NHMF separate 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% (2016–17: 99%).

#### d) Taxation

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

#### e) Pension

---

The regular cost of providing benefits is charged to the statement of comprehensive net expenditure over the service lives of the members of the scheme on the basis of a constant percentage of pensionable pay. Almost all of our staff are members of PCSPS or the newly-created alpha scheme and the percentage of pensionable pay is notified by the Cabinet Office prior to the start of each financial year. See the remuneration and staff report for further details.

#### f) Leases

---

The annual rentals on operating leases are charged to the statement of comprehensive net expenditure on a straight-line basis over the term of the lease. Where leases take the substance of finance leases, and are material, they will be treated as finance leases. Items under finance leases are capitalised at their estimated cost excluding any interest charged by the lessor. Interest payments due under the terms of the lease agreement are charged to the statement of comprehensive net expenditure at the date of each payment made under the lease.

#### g) Balances at the NLDF

---

Balances held at the NLDF remain under the control of the Secretary of State for Digital, Culture, Media and Sport and trustees have no influence over how these sums are invested. The share of these balances attributable to the trustees of NHMF is as shown in the accounts and, at the date of the statement of financial position, has been certified by the Secretary of State for Digital, Culture, Media and Sport as being available for distribution by the trustees

in respect of our current and future liabilities. A fair value reserve is created and adjusted should there be any gain or loss on the revaluation of the NLDF balance reported to us by DCMS. Any adjustment would be disclosed in the statement of changes in equity. Any profit or loss incurred by the NLDF on disposal of investments is added to the value of the NLDF.

#### h) Grant decisions

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Grant awards are recognised as liabilities in the statement of financial position. When liabilities need no longer be recognised, because the project being funded does not require all the money set aside for it under the grant contract, we reduce the value of the outstanding liabilities. All grant liabilities are payable immediately upon receipt of valid payment requests.

Commitments are as defined by an earlier accounts direction of the Secretary of State for Digital, Culture, Media and Sport, issued in October 2002, as the current accounts' direction makes no reference to them. Commitments represent an agreement in principle of the trustees to fund a heritage project. We treat them as a contingent liability in note 12 on page 52 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 or a stage-one pass is given to a heritage project. While in these circumstances funding is subject to a second decision, this second decision is far more likely to be positive than not and so we feel it is prudent to recognise the first-round or stage-one pass as a commitment at this time.

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

#### i) Loans

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

#### j) Joint grant schemes

---

Where NHMF operates a joint grant scheme partly on behalf of other organisations (currently Parks for People with the Big Lottery Fund and the Great Place programme with Arts Council England) we do not recognise sums received from these bodies as income. In effect funds received from these bodies are simply passed on to grantees or suppliers. Thus we have only included NHMF's share of scheme grant payments in these accounts as we have passed Big Lottery Fund's 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 Big Lottery Fund on to 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 Big Lottery 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 HLF; otherwise the funds are treated as a donation to NHMF even if they end up being assigned to Lottery-funded projects.

#### k) Apprenticeship levy

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

## 2. Prior year adjustment – impact on results

We have reduced the balance of our grant liabilities at 31 March 2017 through a prior year adjustment as we consider that they were overstated. The impact on our reported results for 2016–17 is as follows:

	£,000
Operating deficit reported in the accounts of 2016–17	(127,597)
Prior year adjustment	18,816
Operating deficit after prior year adjustment	(108,781)
Income and expenditure account balance at 31 March 2017	522,685
Prior year adjustment	(18,816)
Income and expenditure account balance after prior year adjustment	503,869

The prior period adjustment has no material impact on the financial statements for 2015–16 so we have not re-presented the 2015-16 comparative balance sheet figures in these accounts.

## 3. Sundry income

	2017–18 £'000	2016–17 £'000
Repayment of grants	<b>(163)</b>	460

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

## 4. Operating deficit

The operating deficit is stated after charging the following:

	2017–18 £'000	2016–17 £'000
Auditor's remuneration	<b>41</b>	39
Payments under operating leases		
– leasehold premises	<b>1,140</b>	1,226
– hire of office equipment	<b>8</b>	8

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

	2017-18 £'000	2016-17 £'000
Accommodation	1,847	1,552
Postage and telephone	427	495
Office supplies, print and stationery	461	528
Travel, subsistence and hospitality – Trustees	85	105
Travel, subsistence and hospitality – staff	417	496
Professional fees – grant-related	2,037	2,614
Professional fees – non-grant-related	1,404	2,213
Communications	418	757
Office equipment	609	412
Staff training	170	173
Sundry expenses	198	230
	<b>8,073</b>	<b>9,575</b>

## 5. Recharged costs

As mentioned in note 1 on page 45, 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 benefitted 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% (2016-17: 99%). All grant-in-aid activities take place at the head office of Holbein Place, London. The costs of operating all other offices are fully recharged to National Lottery distribution.

## 6. Intangible fixed assets

	Website		Information technology		Total	
	2017-18 £'000	2016-17 £'000	2017-18 £'000	2016-17 £'000	2017-18 £'000	2016-17 £'000
Cost at start of year	456	456	2,165	2,165	2,621	2,621
Additions	40	0	31	0	71	0
<b>At end of year</b>	<b>496</b>	456	<b>2,196</b>	2,165	<b>2,692</b>	2,621
Amortisation at start of year	421	352	1,910	1,726	2,331	2,078
Charge for the year	35	69	173	184	208	253
<b>At end of year</b>	<b>456</b>	421	<b>2,083</b>	1,910	<b>2,539</b>	2,331
Net book value						
At start of year	35	104	255	439	290	543
<b>At end of year</b>	<b>40</b>	35	<b>113</b>	255	<b>153</b>	290

The capitalisation of information technology represents the development of electronic application forms and an application assessment management system. The above figures represent costs invoiced to NHMF by software developers. No internally-generated costs have been capitalised. Additions have been amortised over their expected useful lives, which was the originally anticipated end of the period that strategic framework 2013-2018 covered, i.e. to 31 March 2018. The framework's period has been extended to March 2019 but no adjustment has been

made to estimated asset lives as it is expected that much of the software will be replaced in 2018–19 in preparation for the new framework, which will be issued during that year.

A review of the current cost values of intangible fixed assets, at 31 March 2018, 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	
	2017-18 £'000	2016-17 £'000	2017-18 £'000	2016-17 £'000	2017-18 £'000	2016-17 £'000	2017-18 £'000	2016-17 £'000
Cost at start of year	1,137	1,137	2,693	2,536	81	81	3,911	3,754
Additions	0	0	10	157	0	0	10	157
Disposals	(0)	(0)	(0)	(0)	0	0	(0)	(0)
<b>At end of year</b>	<b>1,137</b>	<b>1,137</b>	<b>2,703</b>	<b>2,693</b>	<b>81</b>	<b>81</b>	<b>3,921</b>	<b>3,911</b>
Depreciation at start of year	964	847	2,149	1,883	79	73	3,192	2,803
Charge for the year	108	117	237	266	2	6	347	389
Adjustment on disposal	(0)	(0)	(0)	(0)	0	0	(0)	(0)
<b>At end of year</b>	<b>1,072</b>	<b>964</b>	<b>2,386</b>	<b>2,149</b>	<b>81</b>	<b>79</b>	<b>3,539</b>	<b>3,192</b>
Net book value								
At start of year	173	290	544	653	2	8	719	951
<b>At end of year</b>	<b>65</b>	<b>173</b>	<b>317</b>	<b>544</b>	<b>0</b>	<b>2</b>	<b>382</b>	<b>719</b>

Trustees have considered the current cost values of property, plant and equipment. A review of the current cost values at 31 March 2018 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 49).

## 8. Trade and other receivables

	2017-18 £'000	2016-17 £'000
Prepayments and accrued income	3,317	2,451
Loans	51	100
Other receivables	51	56
Staff advances	33	31
	<b>3,452</b>	<b>2,638</b>

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

There were no sums due in more than one year (2016–17: £9,000 from two suppliers) with the exception of the loan.

Of the above sums, £2,755,000 was owed by central government bodies. At the year end, 38 members of staff had outstanding payroll advances (at 31 March 2017 there were 35).

## 9. Investments

Movement in balances at the NLDF:

	2017-18 £'000	2016-17 £'000
Current cost at start of year	496,757	594,904
Income received from the National Lottery	327,017	325,989
Funds drawn down by NHMF	(417,908)	(425,198)
NLDF investment return	945	1,062
<b>Current cost at end of year</b>	<b>406,811</b>	<b>496,757</b>

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

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

	2017-18 £'000	2016-17 £'000
Operating payables	711	788
Other payables including taxation and social security	451	471
Accruals and deferred income	1,221	1,473
	<b>2,383</b>	<b>2,732</b>

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

	2017-18 £'000	2016-17 £'000
Balances owing to central government	465	506
Balances owing to local authorities	1	0
Balances owing to public corporations	0	0
Balances external to government	696	753
	<b>1,162</b>	<b>1,259</b>

## 11. Grant liabilities

	2017-18 £'000	2016-17 £'000
Brought forward at start of year	1,004,124	996,038
New liabilities created in the year	416,021	453,146
Liabilities no longer recognised	(23,185)	(20,500)
Grant payments	(397,659)	(405,744)
Prior year adjustment – provision for lapsed commitments	-	(18,816)
<b>Carried forward at end of year</b>	<b>999,301</b>	<b>1,004,124</b>

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

	2017-18 £'000	2016-17 £'000
In one year	<b>339,007</b>	362,039
In two years	<b>258,355</b>	291,812
In three years	<b>163,923</b>	185,149
In four years	<b>91,740</b>	99,291
In five years	<b>48,744</b>	51,647
In more than five years	<b>97,532</b>	14,186
	<b>999,301</b>	1,004,124

Liabilities at the year end represent amounts owing as follows:

	2017-18 £'000	2016-17 £'000
Balances owing to central government	<b>102,690</b>	113,093
Balances owing to local authorities	<b>392,936</b>	403,544
Balances owing to public corporations	<b>88</b>	0
Balances owing to NHS trusts	<b>10</b>	4
Balances external to government	<b>503,577</b>	487,483
	<b>999,301</b>	1,004,124

## 12. Contingent liabilities

### Commitments

	2017-18 £'000	2016-17 £'000
Brought forward at start of year	<b>661,109</b>	634,443
Commitments made	<b>309,223</b>	490,945
De-commitments	<b>(58,942)</b>	(11,133)
New liabilities created in the year	<b>(416,021)</b>	(453,146)
<b>Balance carried forward at end of year</b>	<b>495,369</b>	661,109

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

### 13. Lease commitments

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

	2017-18 £'000	2016-17 £'000
<b>Short-leasehold property</b>		
Not later than one year	1,348	1,412
Later than one year but not later than five years	3,744	4,010
Later than five years	1,262	2,148
	<b>6,354</b>	<b>7,570</b>
<b>Other operating leases</b>		
Not later than one year	38	7
Later than one year but not later than five years	75	0
Later than five years	0	0
	<b>113</b>	<b>7</b>

Our lease for Holbein Place, London was subject to a rent review at 30 September 2014. This increased the rent to £850,000 per annum. We await the outcome of a review of rent on our Edinburgh offices.

During 2017-18 we left our existing Cambridge and Manchester offices when the leases expired. Both teams moved to serviced offices.

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. This underlease is for approximately 13 years and will result in rental payments to NHMF totalling £1.4million.

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

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

## 14. Notes to the statement of cash flows

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

	2017-18 £'000	2016-17 £'000
Operating deficit	<b>(86,629)</b>	(108,781)
Add back non-cash items:		
- depreciation and amortisation	<b>555</b>	642
- loss on disposal of intangible fixed assets and property, plant and equipment	<b>0</b>	0
- movement in fair value reserve	<b>0</b>	0
- (decrease)/increase in grant liability reserve	<b>(4,823)</b>	8,086
- decrease in balance at NLDF	<b>89,946</b>	98,147
(Increase)/decrease in non-interest receivables	<b>(814)</b>	1,080
(Decrease)/increase in non-capital payables	<b>(349)</b>	198
Net cash outflow from operating activities	<b>(2,114)</b>	(628)

### b) Capital expenditure

	2017-18 £'000	2016-17 £'000
Payments to acquire intangible fixed assets	<b>71</b>	0
Payments to acquire property, plant and equipment	<b>10</b>	157
	<b>81</b>	157

### c) Analysis of changes in net funds

	At 1 April 2017 £'000	Cash flows £'000	At 31 March 2018 £'000
Cash at bank	2,583	(2,195)	<b>388</b>

## 15. Related party transactions

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

We signed a lease with DCMS in March 2015 to extend the occupation of our office in Birmingham to May 2018. The total expected spend under the agreement is £127,000 and there was nothing owed at 31 March 2018.

The Big Lottery 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 Big Lottery Fund owed NHMF £2,547,609, representing £79,249 for Parks for People operating costs, £2,465,718 for its share of Parks for People grant payments and £2,642 for the Year of Young People website. We also paid the Big Lottery Fund for a number of activities in the year, most notably the provision of legal and procurement services; we paid it around £96,000 during the year and we owed it nothing at the year end.

We made contributions, totalling £43,176, to the Arts Council of England for some costs associated with the Great Place joint grant programme and for administrative support to the Lottery Forum – a grouping of all the Lottery distributors. £6,588 was outstanding at the year end. The Arts Council of England also repaid us for Great Place grant payments we made on their behalf. At the year end it owed us £182,452.

We used Historic England to provide expert advice and mentoring services to some of our grants, paying it £945 in 2017–18; £945 was owed at the year end. It also provided us with £6,300 of research assessing the impact of the Grants for Places of Worship programme. In addition, Historic England continues to operate our Repair Grants for Places of Worship in England programme. We reimbursed it for grant payments made on our behalf. These totalled £164,869 in 2017–18. Nothing was owed to Historic England at the year-end.

There have also been material transactions with the Cabinet Office to the value of £6,068 for carrying out pension administration on our behalf; which was unpaid at the year end.

We recharged the costs of monitoring and mentoring certain grant-aided projects to arms of the Scottish government (Creative Scotland, the Directorate for Culture and Heritage, Scottish Enterprise and Historic Environment Scotland). Billing totalled £54,700 in the year and £14,150 was owed by them at the year end. We also billed Sport Scotland for their share of the cost of creating the Year of Young People website, £2,642; nothing was owed at the year-end.

In May 2011 the Committee on Climate Change signed an underlease for most of the first floor of NHMF's offices at 7 Holbein Place, London. In August 2016, the area occupied by the Committee on Climate Change was reduced by about a half with a commensurate reduction in rent and contribution to service charges. The Committee on Climate Change is a non-departmental public body that is jointly sponsored by the Department for Business, Energy and Industrial Strategy, the Department for Environment, Food and Rural Affairs, the Scottish government, the National Assembly for Wales and the Northern Ireland Executive. This underlease is for approximately 13 years and will result in rental payments to NHMF totalling £1.4million. In addition the Committee on Climate Change will make contributions towards the cost of running Holbein Place of approximately £48,000 per annum at 2017–18 price levels. At 31 March 2018 the Committee on Climate Change owed us around £10,759 for service charges.

As set out on pages 56 to 62, trustees of NHMF had interests in bodies to which NHMF made Lottery grants. Similarly, members of country and regional committees had interests in projects to which their committee made 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 Secretariat 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. Trustees and committee members are required to declare any connection with applicants at the start of each meeting and absent themselves from any part of meetings where that grant application is discussed. They take no part in the decision as to whether a grant is awarded or any subsequent

decision made about that grant. There are also strict rules on the circumstances in which trustees and committee members can accept paid work from a grantee. Therefore, trustees are satisfied that in no case did individuals have an influence on the decision-making process.

In 2017–18 there will also have been related party transactions, in the form of grant payments, relating to awards made and disclosed in previous years. As those related party transactions have been previously disclosed, they are not repeated here.

#### Board of trustees

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##### Lakeland Arts

Agreed change to approved purposes – Windermere Steamboat Museum.

Neil Cossons declared a conflict of interests as he was a patron of Windermere Steamboat Museum.

##### Wildfowl & Wetlands Trust

A grant of £4,071,500 (69%) – Slimbridge 2020.

Anna Carragher declared a conflict of interests as she was a trustee of the applicant organisation.

##### Grand Opera House Trust

A first round pass of £4,800,000 including development grant of £242,700 (53%) – Heritage takes Centre Stage at Northern Ireland's Grand Opera House.

Anna Carragher declared a conflict of interests as she was the former Chair of the applicant organisation and was a member of Arts Council, Northern Ireland, who had also provided funding towards the Grand Opera House.

##### National Theatre of Scotland

A grant of £55,900 (16%) – Shift: celebrating the industrial heritage of North Lanarkshire.

Seona Reid declared a conflict of interests as she was the Chair of the applicant organisation.

##### Norfolk Museums and Archaeology Service

A grant of £45,300 (46%) – Armistice: Legacy of the Great War in Norfolk.

Steve Miller declared a conflict of interests as he was the Assistant Director, Community and Environmental Services (Cultural Services) for Norfolk County Council and Head of Norfolk Museums Service and Norfolk Arts Service.

##### UEA and the Paston Heritage Society

A grant of £374,400 (78%) – 600 Paston Footprints.

Steve Miller declared a conflict of interests as Norfolk Museums Service, his employer, were involved in delivering the Paston Treasure painting exhibition.

##### The Broads Authority

A grant of £2,437,500 (62%) – Water, Mills and Marshes: The Broads Landscape Partnership

Steve Miller declared a conflict of interests as Norfolk County Council, his employer, was a project partner.

##### Norfolk Museums & Archaeology Service

A first round pass of £776,500 including development grant of £31,000 (89%) – Norfolk

Journeys: empowering young people to develop their own pathways into Norfolk's heritage.

Steve Miller declared a conflict of interests as he was the Assistant Director, Community and Environmental Services (Cultural Services) for Norfolk County Council and Head of Norfolk Museums Service and Norfolk Arts Service.

#### **Norfolk and Norwich Festival**

A first round pass of £571,400 including development grant of £41,900 (89%) – Common Ground. Steve Miller declared a conflict of interests as the applicant had received funding from Norfolk County Council, his employer, and SHARE Museums East were listed as one of the delivery organisations.

#### **Committee members**

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#### **Norfolk and Norwich Festival**

A first round pass of £571,400 including development grant of £41,900 (89%) – Common Ground. Joff Whitten declared a conflict of interests as he had previously been employed by the applicant and had been involved in developing the project.

#### **University of Nottingham**

A grant of £49,400 (34%) – Access to Heritage: Vikings and Beyond. David Stocker declared a conflict of interests as he had provided the applicant with academic advice on certain aspects of Viking Age stone sculpture, and agreed to deliver one of their public lectures.

#### **Heritage Trust of Lincolnshire**

A grant of £7,600 (50%) – 2–4 Market Place, Caistor. David Stocker declared a conflict of interests as he was the Chair of the applicant's Advisory Group.

#### **Durham Wildlife Trust**

A grant of £9,700 (99%) – The Natural History of Upper Teesdale. Jim Cokill declared a conflict of interests as he was employed by the applicant.

#### **Durham University**

A grant of £10,000 (100%) – MammalWeb: Engaging citizens in monitoring and managing our mammalian natural heritage. Jim Cokill declared a conflict of interests as he had been asked to become the Director of the company, which would be set up to undertake the project.

#### **Lichfield Cathedral**

A grant of £8,600 (36%) – Consequence of War. Alan Taylor declared a conflict of interests as he was a member of Lichfield Cathedral Fabric Advisory Committee.

#### **Stafford Borough Council**

A grant of £1,716,300 (65%) – Restoration of Victoria Park. Alan Taylor declared a conflict of interests as he was employed by the applicant and had been involved with the application.

#### **Groundwork North East**

A grant of £697,700 (38%) – Land of Oak & Iron Heritage Centre. Jim Cokill declared a conflict of interests as he was the Director of Durham Wildlife Trust, who were a partner in the application.

**London Borough of Barking and Dagenham in partnership with Technical Skills Academy**

A grant of £1,143,700 (67%) – Enhancing Heritage in the Abbey and Barking Town Centre Conservation Area.

Jon Sheaff declared a conflict of interests as the scheme was connected to a masterplan that his consultancy had developed for the adjoining Abbey Green.

**London Borough of Hackney**

A grant of £3,146,000 (76%) – Springfield Park Restoration Project.

Jon Sheaff declared a conflict of interests as his consultancy, Jon Sheaff and Associates, had submitted the original funding application for this project and produced the Conservation Plan.

**The Woodland Trust and National Trust**

A first round pass of £492,900 including development grant of £64,700 (39%) – Reconnecting Grantham to its historic landscape.

David Stocker declared a conflict of interests as he was a Council Member for the National Trust.

Geoff Nickolds declared a conflict of interests as he had been a Council Member for the National Trust until October 2016.

**Scottish Natural Heritage**

A first round pass of £3,552,600, including development grant of £64,600 (52%) – Orkney Native Wildlife Project.

Stuart Housden declared a conflict of interests as his employer, RSPB, were a joint applicant.

**Maritime Archaeology Sea Trust**

First round pass of £442,300 including development grant of £16,400 (62%) – Diving Deep – The HMS Invincible 1744 Project

Bill Ferris declared a conflict of interests as he was Chief Executive of Chatham Historic Dockyard, which was named in the application as a location for an exhibition and project activities.

**Kent Downs AONB Unit**

A grant of £2,109,000 (53%) – Samuel Palmer's Earthly Paradise – the Darent Valley Landscape Partnership

Susan McCormack declared a conflict of interests as she was employed by the Ashmolean Museum, a project partner.

**Durham Heritage Coast**

A first round pass of £2,998,100 including development grant of £201,600 (81%) – Tyne to Tees, Shores and Seas – Seascape Partnership

Jim Cokill declared a conflict of interests as he was the Director of the Durham Wildlife Trust, a project partner.

**The Woodland Trust**

A grant of £1,914,700 (44%) – Smithills – A vision for a resilient landscape

Steve Garland declared a conflict of interests as the Chair of the Lancashire Wildlife Trust, who had submitted a letter of support for the scheme.

**Hampshire and Isle of Wight Wildlife Trust**

A first round pass of £2,207,200 including development grant of £269,400 (69%) – Watercress and Winterbournes – Hampshire's Chalk River Headwaters Landscape Partnership Scheme.

Debbie Tann declared a conflict of interests as she was the Chief Executive of the applicant organisation.

#### **Chatham Historic Dockyard**

A grant of £4,812,000 (55%) – The Fitted Rigging House: Unlocking a sustainable future for the Historic Dockyard Chatham.

Bill Ferris declared a conflict of interests as he was the Chief Executive of the applicant organisation.

#### **Cornwall Council**

A grant of £3,637,800 (72%) – Luxulyan Valley: saving Joseph Treffry's extraordinary industrial legacy.

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

Evelyn Stacey declared an interest as the Wheal Martyn Trust, of which she was the former Chief Executive, would directly benefit from the proposals.

#### **The Hypatia Trust**

A first round pass of £792,100 including a development grant of £70,100 (90%)

– The Gardeners' House – A Community Resource & Learning Centre.

Tamsin Daniel declared a conflict of interests as she had been involved in the development of the bid through her role at Cornwall Council.

#### **OneCornwall Cornwall Council**

A grant of £900,000 (67%) – Austell Townscape Heritage

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

#### **Quantock Hills AONB Service**

A first round pass of £1,902,200 including development grant of £91,300 (90%) – Quantock Hills Landscape Partnership – Reimagining the Manor.

Phil Collins declared a conflict of interests as the National Trust, his former employer, were a partner organisation and he had been involved in the submission of an earlier application.

Sarah Staniforth declared a conflict of interests as the National Trust, who she provided consultation work for, were a partner organisation.

#### **Royal Commission on the Ancient and Historical Monuments of Wales**

A grant of £409,700 (41%) – Commemorating the forgotten U-boat war around the Welsh coast 1914–18: Exploration, Access and Outreach.

James Davies declared a conflict of interests as he had been involved with the scheme since its inception through his role with the Llŷn Maritime Museum.

#### **The Royal Parks**

A first round pass of £4,799,900 including development grant of £282,600 (64%) –

Greenwich Park Revealed.

Jon Sheaff declared a conflict of interests as his consultancy, Jon Sheaff and Associates, had prepared the application on behalf of the Royal Parks.

#### **Northumberland Wildlife Trust Ltd**

A grant of £354,400 (61%) – Kielderhead Wildwood.

Lynn Turner declared a conflict of interests as she was the Director of Kielder Water & Forest Park Development Trust, who worked closely with the applicant. Kielder would also be the beneficiary area of the scheme.

**Natural England Northumbria Team**

A grant of £1,728,400 (54%) – Revitalising Redesdale.

Lynn Turner declared a conflict of interests as she had been involved in the development phase of the scheme and Kielder Water & Forest Park Development Trust, of which she was the Director, would deliver one of the projects.

**National Library of Scotland in partnership with National Galleries of Scotland**

A grant of £350,000 (35%) – 100 Years of Scottish Photography: a Window into our Past.

Martyn Wade declared a conflict of interests as he was the former Chief Executive Officer of the National Library Scotland, one of the joint applicants.

**Borlase Smart John Wells Trust Ltd**

A first round pass of £338,700 including a development grant of £18,000 (49%) – Renovation and Refit of Grade II Anchor Studio.

Tamsin Daniel declared a conflict of interests as she had provided project advice through her role at Cornwall Council.

**Tavistock Town Council**

A grant of £817,800 (50%) – Tavistock Guildhall Gateway Centre.

Tamsin Daniel declared a conflict of interests due to her connection with the Cornwall and West Devon Mining World Heritage Site through her work at Cornwall Council.

**Cornwall Wildlife Trust**

A grant of £2,529,100 (75%) – First and Last – Our Living Working Landscape.

Tamsin Daniel declared a conflict of interests as she had provided project advice through her role at Cornwall Council.

**Hall for Cornwall**

A grant of £2,576,900 (62%) – Revealing City Hall.

Tamsin Daniel declared a conflict of interests as her employer Cornwall Council were providing partnership funding for the project.

**St Elvan Church, Aberdare**

A grant of £786,700 (45%) – St Elvan Community Heritage Project.

James Davies declared a conflict of interests as he had run a consultation workshop to develop the activity plan for the project.

**RSPB Cymru**

A grant of £2,543,200 (68%) – Living Levels Landscape Partnership

Megan De Silva declared a conflict of interests as she was employed by Monmouthshire County Council and worked for Chepstow Museum, both of whom were project partners.

**Ironbridge Coracle Trust**

A first round pass of £420,800 including a development grant of £76,600 (74%) – Ironbridge Coracle Heritage.

Marion Blockley declared a conflict of interests as she was a trustee the Ironbridge Coracle Heritage Trust.

Jude Pilgrim declared a conflict of interests as she was a trustee and Secretary of the Ironbridge Coracle Heritage Trust.

Alan Taylor declared a conflict of interests as he was a member of the Ironbridge Coracle Heritage Trust.

#### **Durham Wildlife Trust**

A grant of £2,637,500 (80%) – The Bright Water Landscape Partnership.

Jim Cokill declared a conflict of interests as he was the Director of the applicant organisation.

Niall Hammond declared a conflict of interests as he was on the project board at first round where he represented the Architectural & Archaeological Society of Durham and Northumberland, a project partner.

#### **National Trust North – Yorkshire and North East**

A grant of £3,700,000 (47%) – Seaton Delaval Hall: The Curtain Rises.

Niall Hammond declared a conflict of interests as he was on the project board as a National Trust volunteer.

#### **The Wildlife Trust for Lancashire, Manchester and North Merseyside**

A first round pass of £1,178,900 including development grant of £90,900 (70%) – Presenting Mesolithic and Modern Man.

Steve Garland declared a conflict of interests as he was the Chair of the Lancashire Wildlife Trust, one of the joint applicants.

#### **The Manchester Museum**

A grant of £4,215,800 (36%) – The Courtyard Project.

Stephen Welsh declared a conflict of interests as he was employed by the applicant and part of the project team.

#### **Hampshire and Isle of Wight Wildlife Trust**

A grant of £640,300 (60%) – Secrets of the Solent.

Debbie Tann declared a conflict of interests as she was an employee of the applicant organisation.

#### **Tamar Bridge & Torpoint Ferry**

A grant of £272,700 (75%) – Bridging the Tamar.

Tamsin Daniel declared a conflict of interests as she was employed by Cornwall Council who were part of the joint project committee.

#### **Wheal Martyn Trust**

A grant of £858,400 (63%) – Clay Works!

Tamsin Daniel declared a conflict of interests as her employer, Cornwall Council, were a revenue client and were likely to underwrite the fundraising target.

Evelyn Stacey declared a conflict of interests as she had been the Chief Executive of the applicant organisation until 2015.

#### **Friends of Ingestre Orangery**

A grant of £1,018,500 (66%) – Ingestre Orangery: A sustainable restoration project.

Alan Taylor declared a conflict of interests as he had a close working relationship with the applicant.

#### **RSPB Scotland**

A grant of £1,354,700 (65%) – Garnock Connections.

Stuart Housden declared a conflict of interests as he had previously been a director of RSPB Scotland until May 2017 and Executive Director of RSPB UK Wide until October 2017.

#### Heritage Trust of Lincolnshire

A grant of £1,987,300 (72%) – Save the Old King’s Head, Boston.

David Stocker declared a conflict of interests as he was the Chair of the Heritage Trust for Lincolnshire’s Advisory and Liaison Committee.

#### Algarkirk Parochial Church Council

A grant of £1,789,100 (68%) – A Victorian vision of medieval majesty

David Stocker declared a conflict of interests as he was the Chair of the Heritage Trust for Lincolnshire’s Advisory and Liaison Committee who were developing the project.

#### Derby Museums

A grant of £8,570,400 (55%) – Derby Silk Mill

Heather Broughton declared a conflict of interests as she was on the Board of the Derby Museums Trust, the applicant.

#### National Forest Company

A first round pass of £2,943,700 including development grant of £176,400 (73%) – The Chronicles of Charnwood

John Everitt declared a conflict of interests as he was the Chief Executive of the National Forest Company, the applicant.

#### Ahmed Iqbal Ullah Education Trust

A grant of £357,000 (86%) – Coming in from the Cold

Nigel De Noronha declared a conflict of interests as he had worked closely with the applicant on a number of projects and had evaluated one of their HLF grants.

#### Cairngorms Capercaillie Project

A first round pass of £2,604,500, including development grant of £346,500 – Cairngorms Capercaillie Project.

Stuart Housden declared a conflict of interests as the former Director of RSPB Scotland and an Executive Director of RSPB UK Wide. The RSPB were a project partner.

#### Staff

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#### North Yorkshire Moors Historic Railway Trust Ltd

A first round pass of £4,609,400 including a development grant of £173,000 (47% of total eligible development costs) – Yorkshire’s Magnificent Journey: equal access, wider engagement and greater sustainability for England’s most dramatic steam railway.

David Renwick declared a conflict of interests as he was previously employed by the applicant.

#### University of Nottingham

A grant of £49,400 (34%) – Access to Heritage: Vikings and Beyond.

Emily Knight declared a conflict of interests as her father was part of the team who had submitted the application.

## 16. Financial instruments

### Financial instruments

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IFRS 7, *Financial Instruments: Disclosures*, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments play a much more limited role in creating or changing risk for NHMF than is typical of the listed companies to which IFRS 7 mainly

applies. NHMF does not have powers to borrow and can only invest funds derived from grant-in-aid. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the organisation.

#### Liquidity risk

In 2017–18, £327million (99.7%) of NHMF's Lottery distribution income derived from the National Lottery. The remaining income derived from investment returns on the balance held with the NLDF of £0.9million (0.3%) 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 2018. However, trustees consider that their Lottery distribution activities are not exposed to significant liquidity risks as they are satisfied that they will have sufficient liquid resources within the NLDF and the bank to cover all likely grant payment requests in the coming years. Trustees have been informed by DCMS, most recently in March 2014, that it has no plans to change the Lottery distribution arrangements for the heritage sector. Indeed, DCMS increased the heritage share of National Lottery good causes money to 20% from April 2012. Trustees have set a long-term grant award strategy to ensure that their Lottery distribution liabilities are in line with assets and that trustees are able to meet in full their commitments. Thus, even if there were a long-term decline in Lottery income, trustees would simply adjust annual grant budgets to compensate.

#### Market and interest rate risk

The financial assets of NHMF's 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 £407million. We are informed by DCMS that funds at the NLDF earned on average 0.35% in the year (2016–17: 0.34%). Our cash balances, which are amounts drawn down from the NLDF to allow us to pay grants and operating costs, are held in instant-access variable-rate bank accounts, which carried an interest rate of 0.55% in the year. The sharp decline in market interest rates in 2008, coupled with the small cut in 2016–17, has had a significant impact on investment returns but as there is little room for rates to fall further the risk is small. The small rise in base rates in November 2017 improved the average return slightly. The cash balance at the year end was £0.4million. Trustees consider that their Lottery distribution activities are not exposed to significant interest rate risks. Other financial assets and financial liabilities carried nil rates of interest.

	2017-18 £'000	2016-17 £'000
Cash balances		
– sterling at floating interest rates	388	2,583
– sterling at a mixture of fixed rates	406,811	496,757
	<b>407,199</b>	499,340

#### 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. All had been paid by the time of signing the accounts with the exception of a loan that is not due for repayment for a number of years. Trustees do not consider that their Lottery distribution activities are exposed to significant credit risk.

## Foreign currency risk

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

## Financial assets by category

	2017-18 £'000	2016-17 £'000
Assets per the statement of financial position		
- investments available for sale	406,811	496,757
- cash and cash equivalents	388	2,583
- loans and receivables	3,452	2,638
	<b>410,651</b>	501,978

## Financial liabilities by category

	2017-18 £'000	2016-17 £'000
Liabilities per the statement of financial position		
- other financial liabilities		
• grant payables	999,301	1,004,124*
• operating payables	711	788
• other payables	451	471
• accruals	1,221	1,473
	<b>1,001,684</b>	1,006,856

\* after prior year adjustment of £18,816,000.

## Fair values

Set out below is a comparison, by category, of book values and fair values of HLF's financial assets and liabilities as at 31 March 2018.

### Financial assets at 31 March 2018

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

### Financial assets at 31 March 2017

	Book value £'000	Fair value £'000
Cash <sup>1</sup>	2,583	2,583
Investments <sup>2</sup>	496,757	496,757
Receivables <sup>3</sup>	2,638	2,638
	501,978	501,978

## Financial liabilities at 31 March 2018

	Book value £'000	Fair value £'000
Grant payables <sup>4</sup>	999,301	999,301
Operating payables <sup>5</sup>	711	711
Other payables <sup>5</sup>	451	451
Accruals <sup>5</sup>	1,221	1,221
	<b>1,001,684</b>	<b>1,001,684</b>

## Financial liabilities at 31 March 2017

	Book value £'000	Fair value £'000
Grant payables <sup>4</sup>	1,004,124	1,004,124
Operating payables <sup>5</sup>	788	788
Other payables <sup>5</sup>	471	471
Accruals <sup>5</sup>	1,473	1,473
	<b>1,006,856</b>	<b>1,006,856</b>

### Basis of fair valuation

- 1 The figure here is the value of deposits with commercial banks. It is expected that book value equals fair value.
- 2 Investments are controlled by the Secretary of State for Digital, Culture, Media and Sport. She or he provides the trustees with details of the book value and fair value of our balances at the date of the statement of financial position.
- 3 No provision for bad debt is deemed necessary. None of the debts is long term other than one long-term loan.
- 4 While we disclose £660million of grant payables as not being due for payment until after one year in the statement of financial position, we have not made a fair value adjustment. Trustees have a contractual obligation to pay these amounts on demand, subject to contract, and so the amounts could be paid within the next 12 months if the underlying heritage projects proceed more quickly than anticipated.
- 5 All payables are due within normal contractual terms, usually 14–30 days, and so no difference exists between book value and fair value.

## Maturity of financial liabilities

	2017–18 £'000	2016–17 £'000
In less than one year	1,001,684	1,006,856
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
	<b>1,001,684</b>	<b>1,006,856</b>

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.

## 17. Statement of losses

HLF made losses through the write-off of 35 grants totalling £369,764 in the year (2016–17: five grants totalling £58,564). The large increase reflects a clear-out of old balances on moribund grant programmes.

## 18. Events after the reporting period

There were no events that occurred after 31 March 2018 up until the date the Accounting Officer signed these accounts that need to be disclosed. The financial statements were authorised for issue on 6 July 2018 by the Trustees and Accounting Officer on the date they were certified by the Comptroller and Auditor General.

## 19. Staff costs

Staff costs for 2017–18 were as follows:

	2017-18 £'000	2016-17 £'000
Salaries	9,906	9,423
Employer's NI payments	920	887
Payments to pension scheme	1,965	1,847
Temporary staff costs	285	150
	<b>13,076</b>	12,307

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

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

## Relevant union officials

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

Number of employees who were relevant union officials during the relevant period	26
Full-time equivalent employee number	4

## Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
0%	13
1-50%	13
51%-99%	0
100%	0

## Percentage of pay bill spent on facility time

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

Total cost of facility time	£24,313.52
Total pay bill	£12,954,000

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

0.2%

## Paid trade union activities

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

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

1107/7280 = 15.2%

## Policy directions

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

At the same time, the National Assembly for Wales issued policy directions related to money distributed in Wales, and in 2011 the Scottish government issued directions for money distributed in Scotland. These complement the UK-wide directions and are reproduced in full on pages 76 to 79.

### a) Needs of the heritage

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

In 2017–18 demand for National Lottery funding for heritage remained high. In the context of reduced National Lottery income we were able to commit £294.6million in awards, against applications worth £918.3million (down by 18.7% on 2016–17).

This was the fifth year of operation under the Strategic Framework for 2013–2019. We have continued to support the sector in a challenging operating environment, whilst developing our next Strategic Framework, which will start in 2019. We have undertaken extensive consultation with both the public and organisations with an interest in heritage to assess the needs of national heritage and priorities for addressing them.

Programmes such as Resilient Heritage and the Great Place Scheme have continued to address the need to build greater resilience in heritage organisations, to embed culture in local plans and decision making, and to support growth. Great Place projects have been announced in Scotland, Wales and Northern Ireland addressing specific needs in each country. We have also committed to funding a £1million campaign to attract high-quality projects to build the heritage sector’s digital capacity as part of DCMS’ Culture is Digital project.

Public and media interest in the Centenary of the First World War continued. HLF has

awarded over £94million to 1,975 projects marking the Centenary including large grants to the National Museum of the Royal Navy for HMS Caroline (£15,086,100), Imperial War Museums (£16.5million), the 14–18 NOW cultural programme (£10million), the Tank Museum (£2,709,600) and Snowdonia National Park Authority for the conservation of the Yr Ysgwrn, home of Hedd Wyn (£2,972,500). Through our small grants programme First World War: Then and Now, launched in May 2013, we have awarded £12.6million to 1,502 projects with many organisations receiving an HLF grant for the first time. The awards have helped a wide range of community organisations to explore and commemorate the Centenary. HLF has funded Centenary projects in 94% of UK local authority areas.

The new responsive measures we started in 2016–17, to meet increasing need and our priorities for a more inclusive heritage sector, are now in delivery. These include the programmes Resilient Heritage, Heritage Endowments, Skills for the Future programmes, and a young people’s programme, Kick the Dust.

We have also further developed our online communities as a focus for sharing learning and good practice across the sector. In 2017–18 we held live chats on issues such as evaluation, engaging young people in heritage, LGBT heritage, museums’ funding and sustainability, and archives. We began a Great Place Scheme forum and continued programme-specific forums on Landscape Partnerships, young people and heritage, skills and resilience. These continue to provide a focus for those with shared interests around these themes.

### b) Public involvement

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

We have conducted extensive consultation with wide-ranging stakeholders including the National Lottery-playing public to inform our next Strategic Funding Framework.

Workshops with National Lottery players across each region and nation of the UK helped to shape the stakeholder consultation we carried out this year, which attracted 1,511 responses. In addition we commissioned a public perceptions survey, which had 1,585 responses. The consultation with National Lottery players demonstrated high levels of interest in the good causes that benefit, and an appetite to know more about them and to be involved.

We are gathering views on application materials and processes with customers at all levels of grant funding to inform changes that will be implemented in 2019.

In June 2017, we trained 16 young Heritage Ambassadors aged 17–24 to help us make decisions on our youth-focused grant programme, Kick the Dust. A sub-group joined trustees to discuss the proposals and influenced 12 grant awards totalling £10.4million.

We have continued our policy of open recruitment to our committees in all areas of England, Northern Ireland, Scotland and Wales. In 2017–18 we appointed 10 new committee members.

### c) Access and participation

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

Our strategy continues to encourage the broadest and most inclusive definition of heritage, which helps drive participation from a wide range of people across the UK. Applicants tell us what they value from the past and want to sustain and hand on to the future. This helps to tell the stories of local communities and of the diverse, shared, heritage of the UK. This year we have supported projects on the heritage of fashion, sport, music and dialects, all providing a means to actively involve people in exploring or celebrating what matters to them. Our research tells us that 81% of the public say heritage is important to them personally.

We continue to promote the wide-ranging benefits of heritage for individuals, however they want to participate. We encourage and support projects that help people train and develop skills, volunteer, learn, explore new ideas and have enjoyable experiences. Our strategy asks organisations to demonstrate how a wider range of people will have engaged with heritage as a result of our funding, challenging applicants to reach beyond their current audience and engage those who are missing. This year, as just two examples, we awarded Heritage Grants to the National Coalmining Museum in Yorkshire and the Govanhill Baths Community Trust Wellbeing Centre, both focused on attracting new people to enjoy and benefit from their heritage.

At a smaller scale, we award grants of less than £10,000 through two of our grant programmes; these projects have most reach into local communities and we commit to making a decision on applications within 8 weeks. In 2017–18 we awarded over £3.2million to 387 Sharing Heritage projects across the UK, and supported 215 First World War: Then and Now projects, many of them with a focus young people. Our evaluation of the ‘Stories, Stones and Bones’ campaign to encourage participation in the Year of History, Heritage and Archaeology in Scotland, demonstrated success in funding a range of new organisations led by disability and ethnic minority communities for the first time. Our £3million investment in Hull City of Culture projects contributed to a marked rise in engagement with heritage and culture by local residents, with 9 in 10 people getting involved in the City of Culture programme, including 56,000 children and young people and 2,400 volunteers.

Our 12 regional and country outreach teams continue to actively promote our funding to new groups and successfully drive greater participation in heritage, especially in areas of the UK that have received less Lottery funding to date. One such area is Barrow-in-Furness in Cumbria,

where this year, our development team have piloted new ways of awarding grants to grass roots and community groups, resulting in £51,000 new investment in the borough.

#### d) Children and young people

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

It was a significant year for our work with young people aged 11–25. Through Kick the Dust, a new grants programme designed to increase the ambition of heritage organisations working with young people, we awarded £10.4million to 12 projects across the UK. The programme was five times over-subscribed, with the quality of applications very high. The successful consortia projects, led by heritage and youth organisations working together to explore industrial, cultural and natural heritage will begin their delivery phase in 2018 and seek to encourage high-quality participation from young people who face disadvantage.

To lead by example, we recruited and trained a group of Heritage Ambassadors, who as well as advising trustees on the funding decisions, proved powerful advocates for heritage, naming themselves the ‘Dust Kickers’. Throughout a busy 2017–18 they have created a range of opportunities, including publishing a DCMS blog, recording films at HLF-supported projects, advising on a National Lottery initiative to support the Scottish Government’s Year of Young People, representing HLF at a Camelot event in Westminster. They also organised their own Heritage Soapbox event, which called for opportunities for a wider range of young people in heritage and better paid training and employment opportunities.

Through our Young Roots programme, which also focuses on young people, we awarded grants of £10,000–£50,000, this has continued to support a wide range of youth-work focused projects this year. As part of a contribution to the government ‘i

will’ campaign, promoting social action among 10–20 year-olds, we invested £2.5million in more than 71 projects across the UK. As a result, thousands of young people have learnt about heritage, developed new skills and confidence, and made a difference in their local community.

#### e) Communities

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

Heritage has wide appeal and is highly valued – our work with National Lottery players in 2017 revealed strong connections with heritage, regardless of the respondents’ background. Heritage is seen to encourage social cohesion: “Heritage leads back to wellbeing... It brings people together”; “It’s about community and a sense of pride.” We know that the public parks we support (with £850million invested since 1997) resonate with a wide range of people. Our State of UK Parks report evidenced that more than half of the UK population visit their local parks at least once a month; for households with children under the age of five this rises to 90%. Black, Asian and minority ethnic residents in particular value parks: 71% use their local park monthly or more, compared to 56% of white residents.

Our open grants programmes – Sharing Heritage (£3,000–£10,000) and Our Heritage (£10,000–£100,000) – have continued to support community ambition to see local places enhanced and people given opportunities to come together to share the heritage they care about, whether as volunteers or visitors. This year our Great Place programme was successfully rolled out in Scotland, Wales and Northern Ireland, with £4.5 million awarded across the three countries. The Great Place Scheme responds to the specific needs of local places, putting heritage at the heart of joined-up thinking to create better places for people to live and visit. The funding will allow communities to work collaboratively to explore how their unique heritage can be

used to shape the future and help tackle wider issues such as poverty, employment, health and education.

Across the UK, our larger grants continue to make a significant difference to the public realm and to the quality of life of urban and rural communities. Landscapes have been restored and the intangible heritage of village communities has been celebrated with our investment of £19.7million in nine Landscape Partnership projects. Across the country, new life has been breathed into museums, and buildings that were uncared for have been given a new purpose. A significant opening this year was the UK's only surviving cloth hall, The Piece Hall in Halifax. Following a £7.2million investment from HLF, this architectural gem opened its doors again in August 2017, to huge local acclaim. Now home to a range of independent businesses, the conserved building has taken back its place at the commercial heart of this important market town.

#### f) Volunteers

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

Volunteers remain vital to the sustainability of the heritage sector and we have continued to support their activity through our Strategic Framework 2013–2019. Our outcomes support the creation of new and inclusive volunteering experiences in projects and our best practice guidance encourages applicants to build in the associated costs, including staff, training, travel and expenses to ensure the widest range of people are encouraged to volunteer. As a result, the majority of the projects we funded across the UK created new opportunities for people to volunteer or developed the capacity and skills of people in volunteer-led organisations.

This year, volunteers have taken on a huge variety of roles, from trustees and decision-makers to walking guides and wildlife recorders. Our evaluation and advocacy

work demonstrates the vital contribution the thousands of volunteers make to our projects each year; in turn, we know the volunteering opportunities our funding creates, can have a profound effect on the well-being, confidence and job prospects of individual volunteers.

The vast majority of the projects we have funded this year, though less targeted than Young Roots, have sought to engage children and young people in some way. Our grantees typically deliver one or more of a range of activities, often employing specialist staff to deliver new work – schools or family visits; resources appropriate to the learning level of the children; informal activity clubs; new learning spaces and equipment; digital tools; youth-appropriate volunteering opportunities – all designed to make engagement with heritage inspiring and long-lasting.

#### g) Skills

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

This year, the 18 Skills for the Future projects we funded in March 2017, have begun recruiting project staff and advertising their first traineeships. We gathered them for the first time as a cohort and discussed the importance of embedding evaluation in projects from the beginning. These projects have a particularly strong focus on workforce diversity and we shared with them the early findings from Skills for the Future programme evaluation to influence their practice moving forward.

Grantees from previous cohorts of Skills for the Future have continued to deliver high-quality training this year. To date, over 2,500 placements have been created through the programme and trainees continue to report very high satisfaction rates with their experience. Our latest evaluation of the programme has endorsed the high quality benefits it achieves: 98% agree the training has improved their prospects of gaining work in the heritage sector and 92% would

recommend it to a friend. An estimated 70% of trainees have gone on to heritage-related jobs or further training as a result of our investment.

'People will have developed skills' is an outcome across all of our programmes and projects. The development of the skills of volunteers, paid staff and new entrants to the heritage workforce remains a priority for us. This outcome has been achieved by hundreds of projects completing this year, either through the creation of formal apprenticeships, for example in stonemasonry or horticulture, or through informal or peer learning. There remains a shortage of many skills within the heritage sector, including digital and fundraising skills, for example, and we are currently consulting on how we might respond to ensure the future sustainability of heritage.

#### h) Public value

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

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

We provide some support for heritage in private ownership through the Our Heritage programme (grants of £10,000–£100,000) provided that applicants can demonstrate that there is clear public enthusiasm for a project and a genuine need for National Lottery investment. Under our Heritage Enterprise programme, the case for Lottery funding depends on there being a 'conservation deficit' (where a building's current value and the cost of bringing it back into use are greater than its post-project value). These approaches are designed to ensure that

public benefits from the projects we invest in will outweigh private gain.

#### i) Sustainable development

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"The need to further the objectives of sustainable development."

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

Carbon footprinting is only one part of the assessment we make of the likely environmental impacts of projects. Since 2008 we have required applicants to tell us how they will address a range of resource use issues, including energy efficiency, renewable energy, water, building materials, waste, soil, sustainable timber procurement, biodiversity and visitor transport, and have offered guidance to help applicants plan and design their projects.

One of the weighted outcomes for grants over £100,000 in our open programmes is that "negative environmental impacts will be reduced".

#### j) Economic and social deprivation

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

Just over two fifths (41%) of all HLF funding has been committed in the 25% most deprived areas in each of the four nations of the UK (based on the most recent indices of multiple deprivation for England, Wales, Scotland and Northern Ireland).

We have development teams in our local offices across England, Northern Ireland, Scotland and Wales that encourage good quality applications from areas that have

been less well represented in our funding to date. Our development teams are now working in priority areas identified in our Strategic Funding Framework 2013–2019.

As a measure of equitable spread of funding we review the number of local authorities that have received significantly less than the UK average, in terms of the per capita value of grant awards. The number of local authorities where the value of per capita grant awards is less than a quarter of the UK average is now 42 (11% of the total).

We have asked stakeholders, including National Lottery players, for their views on the geographic distribution of funds and deprivation in the consultation for our next strategic framework.

#### k) Joint working

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

The Tailored Review and Museums Review created important context for HLF’s work in 2016–17. This year, we worked in partnership to develop and deliver activities in a number of policy areas:

- ACE/HLF Memorandum of Understanding – We have worked with Arts Council England (ACE) to develop the Memorandum of Understanding in response to the Museums Review, which underpins how we work together on museums and other shared strategic interests.
- DCMS Culture is Digital – Together with ACE we have agreed to ensure that funded organisations get better at collecting, using and sharing audience data. We are also working together to pilot the use of a Digital Maturity Index for the cultural sector and create a Digital Culture Code. We also committed to funding a £1million campaign to attract high-quality projects to build the heritage sector’s digital capacity.

- Cultural Development Fund – We have worked with ACE and others to shape the delivery of the £2million fund announced in the Budget.
- Rethinking Parks – We have partnered with the Big Lottery Fund and Nesta to invite applications to a fund that will support innovative ideas to address the challenges parks face.

We continued to work closely with the Department for Digital, Culture, Media and Sport (DCMS), ACE, Historic England and others to deliver proposals in the Culture White Paper such as Great Place. We worked together with Nesta to deliver a crowdfunding pilot, with research findings launched in the autumn.

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

We have undertaken a major piece of work with the National Lottery family, including all Lottery distributors, Camelot and the National Lottery Promotions Unit, to build the National Lottery brand and promote good causes through One National Lottery. We have continued to work with other Lottery distributors to ensure continued close coordination of activities and to thank National Lottery players. We continued to work in partnership with the Big Lottery Fund to deliver our Parks for People programme in England.

l) Acknowledgement

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

We place importance on the benefits of raising awareness of National Lottery funding and require all applicants to acknowledge our grants appropriately both during project delivery and following completion. Our guidance *How to acknowledge your grant* forms part of our standard terms of grant. We have increased our focus on this by asking applicants to tell us, as part of their application, how they plan to promote the contribution of the National Lottery to their project.

m) Partnership funding

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

We have not changed our approach to this for our Strategic Framework 2013–2019. Respondents to our 2011 consultation highlighted anticipated difficulties in raising partnership funding in a period of economic challenge so we have maintained our minimum requirement in our main open programme Heritage Grants, of 5% in cash or a contribution in-kind for grants up to £1million, and a minimum of 10% on grants over £1million.

The consultation for our next Strategic Funding Framework asked for views on whether the levels should be changed and will respond to the findings.

n) Decisions

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

We have not changed our approach to this for our current Strategic Framework.

- a) The projects we support are specific and time-limited. We limit our support to a maximum of five years for projects involving activities.
  - b) We seek information from applicants about the extent to which the projects they put forward present a sound case for investment; they will deliver outcomes for heritage, people and communities; are viable and financially sustainable; and will provide good value for money. Our assessment may include expert advice on key aspects of the application if needed.
  - c) We ask applicants to provide us with information to demonstrate the financial viability of their project, broken down into capital, activity and other costs, and showing what contribution they are proposing to make from their own resources or from grants or donations from other sources. We ask for cash-flow and, for larger projects, income and spending projections for 10 years, showing how the applicant plans to sustain the project in the long term.
- o) Project planning and management
- “Where capital funding is sought, the need (a) for a clear business plan showing how any running and maintenance costs will be met for a reasonable period, and (b) to ensure that appraisal and management for major projects reflect the Office of Government Commerce’s Gateway Review Standards.”
- a) For our current Strategic Framework, the application form for our Heritage Grants programme continues to require applicants to set out their second-round applications in a business-plan format, with supplementary information contained in an activity plan, cash flow forecasts and an income and spending table. For grants over £2million, we ask for a project business plan. We ask conservation projects to include sound plans for maintaining heritage in the long term in order to ensure that it has

a viable future, and to protect our investment through better long-term management. For projects involving over £200,000 of capital works we require a management and maintenance plan detailing how the applicant will meet the extra costs after their project has finished and we publish guidance on how to produce this.

- b) We require all applicants to demonstrate that their projects will be well managed, and meet relevant good practice standards. For capital projects we include formal review points in our assessment and monitoring processes (corresponding to RIBA Plan of Work stages). We employ external consultants on all major projects to ensure that projects deliver the approved purposes as contracted, that the risks to HLF are understood and managed, that best practice is achieved in all critical areas and that financial reporting and management are sound and transparent.

### Policy directions in relation to Wales

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

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

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

The Welsh Ministers, in exercise of their powers conferred by section 26(2) of the National Lottery etc. Act 1993 as transferred by the National Assembly for Wales (Transfer of Functions) Order 1999 and having consulted the Trustees of NHMF (‘the Fund’) pursuant to section 26(5), hereby give the following directions to the Fund:

1. In these Directions any reference to a section is a reference to a section of the National Lottery etc. Act 1993, as amended.
2. In exercising any of its functions, the Fund shall take into account the following matters in determining the persons to whom, the purposes for which and the terms and conditions subject to which they may make grants or loans, and the process used to determine what payments to make in distributing any money under section 25(1):
  - a) The need to have regard to the interests of Wales as a whole and the interests of different parts of Wales, taking account of the diverse demographic and deprivation patterns in the different parts of Wales, and the desirability of encouraging public service bodies to work together wherever it will result in better outcomes for people and heritage.
  - b) The need to promote and support the Welsh language and reflect the bilingual nature of Wales, including the principle of equality between the English and Welsh languages in the Fund’s activities in Wales, in line with the guidance set out in the Welsh Language Board’s publication\*, and monitored in accordance with agreed procedures.
  - c) The need to ensure an outcome-focused approach, working closely with appropriate partners for the benefit of communities and heritage across Wales, where this is an effective means of achieving the Fund’s strategy.
  - d) The need to encourage the conservation, preservation, presentation, promotion and interpretation of all aspects of the heritage of Wales.
  - e) The need to encourage the financial sustainability of the heritage assets of Wales.
  - f) The need to provide opportunities for people, especially young people and the disadvantaged parts of society, to gain the skills required to conserve and preserve the heritage of Wales.

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

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

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

## Policy directions in relation to Scotland

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

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

1. These directions apply only to Scotland and relate to any distribution made by the Trustees for a purpose which does not concern reserved matters.
2. In determining the persons to whom, purposes for which and the conditions subject to which they apply any money under section 25(4) of the National Lottery etc. Act 1993 in Scotland, the trustees must take into account the following priorities and other matters:

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

### Engagement

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

### Greener

People have better and more sustainable services and environments.

### Healthier

People and communities are healthier.

### Safer and stronger

Communities work together to tackle inequalities.

### Smarter

People having better chances in life.

### Solidarity and cohesion

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

### Sustainability

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

### Wealthier and fairer

A flourishing and sustainable economy.

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

- g) The need to encourage the use of appropriate professional standards in projects.
- h) The need to provide opportunities for people of all ages and all backgrounds, especially children and young people and the disadvantaged parts of our society, to have access to, to learn about, to enjoy and thereby promote the diverse heritage of Scotland, where appropriate.
- i) The need to encourage heritage projects that sustain a cultural legacy arising from international events in Scotland.
- j) The need to keep Scottish ministers informed of the development of policies, setting priorities and the making of grants in Scotland.

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

## Progress on projects over £5million

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

Project title	Region or country	Applicant	Total project cost (£)	Grant amount (£)/ award date
A new museum for Blackpool	North West	Blackpool Council Heritage Service	21,030,800	1,240,200 (development) <i>April 2014</i> 13,676,800 (delivery)
Aberdeen Art Gallery: Inspiring Art and Music	Scotland	Aberdeen City Council - Aberdeen Art Gallery	25,236,063	126,200 (development) 9,997,500 (delivery) <i>September 2014</i>
Acquisition of the Armada Portrait of Elizabeth 1	London	National Maritime Museum	10,217,900	7,257,700 <i>September 2016</i>
Alexandra Palace: Reclaiming the People's Palace	London	Alexandra Park and Palace Charitable Trust	26,737,903	844,800 (development) 18,850,000 (delivery) <i>March 2015</i>
Aspire (Constable 'Salisbury Cathedral from the Meadows')	London	Tate Britain	24,723,455	15,800,000 <i>April 2013</i>
Auckland Castle Trust	North East	Auckland Castle Trust	20,520,200	1,000,000 (development) 11,400,000 (delivery) <i>August 2016</i>
Bath Abbey Footprint	South West	Bath Abbey Parochial Church Council	19,441,846	389,000 (development) 10,725,300 (delivery) <i>March 2016</i>
BCLM: Forging Ahead - creating a world-class visitor attraction in the Black Country	West Midlands	Black Country Living Museum	22,731,496	400,000 (development) <i>April 2017</i> 9,800,00 (delivery)
Buxton Crescent & Spa	East Midlands	Derbyshire County Council and High Peak District Council	46,709,827	497,000 (development) 23,853,000 (delivery) <i>July 2002</i>
Cardigan Castle - Unlocking Potential	Wales	Cadwgan BPT	11,583,420	295,500 (development) 6,258,300 (delivery) <i>March 2011</i>
Courtauld Connects	London	Courtauld Institute of Art	34,354,940	650,000 (development) <i>April 2016</i> 8,850,000 (delivery) <i>March 2018</i>

Project status and % of grant paid to 31 March 2018	Latest report
Development 84	The applicant withdrew their second-round application in summer 2017. The grant has been decommitted.
Delivery 85	Construction works at advanced stage. Target opening date February 19 under review.
Delivery 95	Conservation is complete and portrait is back in the Queens House. National Outreach Curator was appointed in autumn 2017 and activities are now underway until April 2020.
Delivery 63	Delivery is well underway with completion due in summer 2018 and launch in autumn 2018.
Delivery 99	The painting is completing its tour and returning to the Tate.
Delivery 19	Restoration of Castle underway. Main building programmed to open in December 2018. New build Faith Gallery to open 2020.
Delivery 7	Project progressing generally well. All statutory permissions are in place, and work is continuing on both the capital and activity programme.
Development 24	Round one pass awarded in April 2017 to expand and improve visitor experience, with the creation of a new development set in the 1940s–60s and a new visitor entrance. The round two application is expected in December 2018.
Delivery 79	Project now fully funded and work in progress. Main contractor due to complete Q1 2019. Both hotel and visitor centre planned to open 2019.
Delivery 100	Project completed successfully January 2018 and full grant drawn down. Castle fully operational.
Development 90 Delivery 0	Development phase completed, awaiting final payment. Grant awarded March 2018.

## Progress on projects over £5million

Project title	Region or country	Applicant	Total project cost (£)	Grant amount (£)/ award date
Creu Hanes – Making History at St Fagan’s	Wales	National Museums of Wales	24,477,415	450,000 (development) 12,547,300 (delivery) July 2012
Derby Silk Mill – Museum of Making	East Midlands	Derby Museums Trust	16,999,900	817,300 (development) April 2015 8,570,400 (delivery)
Ditherington Flax Mill Maltings, International Heritage site at the heart of the community	West Midlands	Historic England	30,382,488	465,300 (development) 20,717,500 (delivery) July 2013
First Light at Jodrell Bank	North West	University of Manchester	19,733,200	784,800 (development) April 2015 11,362,400 (delivery) March 2018
First World War Centenary Cultural Programme (14–18 NOW)	Cross-territory	Imperial War Museum	50,009,614	10,000,000 November 2013
Hartlebury Castle	West Midlands	Hartlebury Castle Preservation Trust	7,239,665	413,700 (development) 4,975,100 (delivery) September 2014
Hastings Pier	South East	Hastings Pier Charity Ltd	14,248,352	357,400 (development) 12,044,000 (delivery) November 2012
HMS Caroline, Belfast	Northern Ireland	National Museum of the Royal Navy	17,800,732	845,600 (development) 14,240,500 (delivery) September 2014
Hull: Yorkshire’s Maritime City	Yorkshire & Humberside	Hull City Council	27,403,948	1,368,400 (development) April 2017 14,999,900 (delivery)
Inspired by Knole	South East	The National Trust for Places of Historic Interest or Natural Beauty National Trust	24,181,947	7,750,000 July 2013
Inspiring People: Transforming Our National Portrait Gallery	London	National Portrait Gallery	36,200,817	900,000 (development) April 2017 9,400,000 (delivery)

Project status and % of grant paid to 31 March 2018	Latest report
Delivery 84	Main build complete with fit out including exhibitions ongoing. Activity Plan continues to exceed targets. Public opening of main building, Y Gweithdy and Medieval Princes Court on 18 October 2019.
Delivery 2	Grant awarded September 2017. Project making good progress with decant completed ahead of schedule.
Delivery 11	Permission to start was authorised in April 2017. Repair and conservation works are well underway and making good progress. A strong project team is in place and work to develop the wider site and business plan is progressing well.
Development 64	Development phase completed – final drawdown of development grant expected. Grant awarded for main project in March 2018. Delivery will begin in April 2018, with opening scheduled for January 2021 and project completion by December 2023.
Delivery 71	The third and final season launched in January 2018 with over 40 new artistic commissions taking place this year. The season will culminate in high profile commissions to mark the Centenary of the Armistice. The evaluation report for the second season was published in May 2017.
Delivery 85	Former Palace of the Bishops of Worcester acquired by the Trust on 27 March 2015. Permission to start was authorised in May 2016. Capital works are nearing completion. Hartlebury had a 'soft' opening over the Easter weekend encompassing the Museum, completed state rooms and ground floor. The site will formally open in May 2018.
Complete 100	The Pier with visitor centre and Pavilion building opened in May 2016 with visitor numbers 400,000 exceeding expectations. It was awarded the RIBA Stirling Prize in October 2017. The business plan has proved challenging and Hastings Pier Charity (the grantee) entered administration in December 2017. The pier remains operational and open to the public during this process and while the administrators explore new operators/owners.
Delivery 73	All capital works complete with formal opening of the Pump House scheduled for 18 April 2018. Activities are ongoing with good community engagement and on schedule for completion by end 2019.
Development 1	Permission to start has been granted. Project Director appointed. Currently out to tender for the design team.
Delivery 70	Progress is good; some exciting finds have been made (e.g. Tudor structures behind panelling) and innovative conservation methods are being used. The project was awarded a Sandford Award for the schools programme. The Conservation Studio is proving popular with visitors.
Development 35	Permission to start granted. Project manager and design team appointed.

## Progress on projects over £5million

Project title	Region or country	Applicant	Total project cost (£)	Grant amount (£)/ award date
Kings and Scribes – The Birth of a Nation	South East	Winchester Cathedral	14,693,759	475,500 (development) 11,017,400 (delivery) July 2013
Kresen Kernow: A new home for the stories of Cornwall	South West	Cornwall Council	18,506,591	386,800 (development) 11,786,500 (delivery) July 2015
Lincoln Castle Revealed	East Midlands	Lincolnshire County Council	19,982,405	227,640 (development) 12,000,000 (delivery) March 2012
Lincoln Cathedral Connected	East Midlands	Lincoln Cathedral	16,111,266	909,700 (development) 11,456,100 (delivery) January 2017
Lion Salt Works	North West	Cheshire West and Chester Local Authority	6,962,250	5,290,000 (delivery) March 2008
Main Line – Bridging the Nation, Leicester	East Midlands	Great Central Railway plc	17,778,197	494,500 (development) April 2015 9,504,900 (delivery)
Medicine Galleries Project	London	Science Museum	20,949,628	400,000 (development) 7,600,000 (delivery) September 2016
National Army Museum, Building for the Future	London	National Army Museum	23,250,000	350,000 (development) 11,500,000 (delivery) April 2014
New Life for Old College	Wales	Aberystwyth University (Old College)	22,711,598	849,500 (development) April 2017 10,581,800 (delivery)
Norwich Castle: Gateway to Medieval England	East of England	Norfolk Museums and Archaeology Service	13,174,200	462,400 (development) April 2016 8,756,800 (delivery)
Plymouth History Centre: Plymouth's role in History and History's role in Plymouth	South West	Plymouth City Council	33,326,900	940,300 (development) 14,833,200 (delivery) July 2016

Project status and % of grant paid to 31 March 2018	Latest report
Delivery 78	The refurbished Education Centre opened in 2014 and the new Learning Centre in 2016 and the project now faces completion. Successful delivery of the Activity Plan, increased volunteering opportunities and apprenticeships continue.
Delivery 39	Grant awarded July 2015, and permission to start granted September 2015. Main contract well underway on site. Activity and engagement elements ongoing. Completion of capital project due early 2019.
Delivery 90	The Castle has been open since March 2015 and continues to exceed visitor targets. County Council restructuring has led to delays completing complex snagging works. Final drawdown expected by March 2019.
Delivery 5	Grant awarded in January 2017. Good progress being made. Archaeological investigations and restoration works to the west front under way.
Delivery 97.5	Lion Salt Works (LSW) opened to the public in June 2015 and operational performance along with the activity programme continues to be good with visitor numbers exceeding expectations. Activity ongoing and in September 2017, LSW won the Sandford Award for teaching and inspirational learning activities with schools. Final payment and completion July 2018.
Development 54	A round one pass was awarded in April 2015. Delays and changes to applicant and scope. Grant withdrawn December 2017. Grant now decommitted.
Delivery 11	Permission to start granted, capital works underway to prepare the galleries.
Delivery 100	Completed. Redevelopment of the building at Chelsea complete, including visitor welcome, orientation, way-finding, new galleries, enlarged café/restaurant, shop and learning suite. Reopen to the public 30 March 2017.
Development 4	Permission to start granted June 2017. Project team appointed and detailed surveys underway and /or completed.
Development 5	Mid development review held January 2018. Project progressing well.
Delivery 23	Round two awarded July 2016 and permission to start given July 2017. Project progressing well with additional funding secured (already underwritten by Council) and accreditation secured for the Record Office. Now renamed 'The Box'. Opening on track for 2020

## Progress on projects over £5million

Project title	Region or country	Applicant	Total project cost (£)	Grant amount (£)/ award date
Remaking Beamish	North East	Beamish Museum	16,699,062	603,800 (development) 10,891,200 (delivery) <i>September 2016</i>
Renaissance of the Cotswold Canals	South West	Stroud District Council	19,013,111	12,716,300 <i>January 2016</i>
Restoration of Dreamland Margate	South East	Dreamland Trust and Thanet District Council	11,102,520	493,500 (development) 5,800,000 (delivery) <i>November 2011</i>
Restoring our Fenland Heritage – the purchase and restoration of the Holmewood Estate	East of England	Wildlife Trust for Bedfordshire, Cambridgeshire and Northamptonshire	16,851,774	67,000 (development) 9,101,700 (delivery) <i>July 2008</i>
Revealing, Celebrating and Exploring the Heritage of the Royal Academy of Arts	London	Royal Academy of Arts	30,156,969	458,700 (development) 12,274,500 (delivery) <i>September 2013</i>
Revisiting Nottingham Castle – 1000 Years of History	East Midlands	Nottingham City Council	24,750,158	599,500 (development) 13,883,400 (delivery) <i>November 2016</i>
SeaMore: sharing the newest National Collection	South East	National Museum of the Royal Navy	17,569,737	433,500 (development) <i>April 2016</i> 13,421,200 (delivery)
Silverstone Heritage Experience and Collections and Research Centre	East Midlands	Silverstone Heritage Ltd	19,121,014	446,000 (development) 8,664,500 (delivery) <i>November 2016</i>
Sir Anthony Van Dyck: Acquiring and Sharing His Last Self-Portrait	London	National Portrait Gallery	10,343,536	6,343,500 <i>April 2014</i>
The BPMA New Centre Project at Mount Pleasant	London	Postal Heritage Trust	22,064,557	250,000 (development) 5,229,300 (delivery) <i>December 2015</i>
The British Museum World Conservation and Exhibitions Centre	London	British Museum	37,784,645	10,000,000 <i>January 2012</i>
The Burrell	Scotland	Glasgow Life	55,000,000	1,000,000 (development) <i>May 2015</i> 14,000,000 (delivery)

Project status and % of grant paid to 31 March 2018	Latest report
Delivery 9	Permission to Start achieved July 2017. Civils and infrastructure works underway.
Delivery 92	Project now complete and recently held high profile opening event. Final payment and project completion and evaluation likely to be finalised by the end of April 2018
Delivery 95	Project delivery comes to an end at the end of March 2018, when the final activities to be delivered by the Dreamland Trust will be complete. A final claim and evaluation are expected by July 2018.
Delivery 99.82	Project now complete. Long-term conservation benefits now visible and strong activity outcomes delivered. Strong evaluation report delivered.
Delivery 80	Capital works approaching completion. Will reopen to the public in May 2018. Delivery of activities on-going.
Delivery 0	Grant awarded November 2016. Main works contract tender negotiations and archaeological investigations under way.
Development 100	Development phase has been completed. A round two application has been submitted for a decision in June 2018
Delivery 7	Grant awarded November 2016. Capital works began in March 2018 with official launch by Prince Harry, project patron. The centre is due to open in open in spring 2019.
Delivery 99	Painting acquired, currently delivering touring activity programme running until April 2018.
Delivery 98	Practical completion achieved, and site has reopened to the public. Activities running until December 2018.
Delivery 95	Capital works now complete and the centre opened to acclaim. The remaining project is the England-wide activity plan, which runs to September
Development 90 (final claim received) Delivery 0	Grant awarded September 2017 Board. Final claim for delivery phase received.

## Progress on projects over £5million

Project title	Region or country	Applicant	Total project cost (£)	Grant amount (£)/ award date
The Canterbury Journey	South East	Canterbury Cathedral	23,150,153	930,400 (development) 12,849,500 (delivery) <i>September 2016</i>
The Collections Discovery Centre at Dorset Museum	South West	Dorset Natural History and Archaeological Society	15,409,625	483,900 (development) <i>April 2015</i> 11,349,200 (delivery) <i>September 2017</i>
"The Hold" A Suffolk Archives Service for the 21st Century	East of England	Suffolk County Council	20,667,604	538,100 (development) <i>April 2016</i> 10,363,700 (delivery) <i>March 2018</i>
The Piece Hall – Halifax Heritage	Yorkshire & Humberside	Calderdale Council	10,770,888	239,000 (development) 7,000,000 (delivery) <i>July 2012</i>
The Sill: Unspoilt Landscapes, Inspiring People	North East	Northumberland National Park Authority	13,593,300	399,200 (development) 7,748,000 (delivery) <i>January 2015</i>
The Temperate House Project	London	Royal Botanic Gardens, Kew	34,250,148	890,900 (development) 15,650,600 (delivery) <i>March 2013</i>
Unlocking the Geffrye	London	Geffrye Museum	17,630,233	425,300 (development) 11,941,900 (delivery) <i>March 2017</i>
Unlocking the Severn for People and Wildlife	West Midlands	Canal and Rivers Trust	19,432,406	233,100 (development) <i>April 2016</i> 10,577,200 (delivery)
Unlocking the UK's Sound Heritage	London	The British Library	18,631,085	215,900 (development) <i>April 2015</i> 9,353,000 (delivery)
V&A at Dundee	Scotland	Dundee City Council City Development	84,358,156	200,000 (development) 13,900,000 (delivery) <i>January 2014</i>
Windermere Steamboat Museum	North West	Lakeland Arts Trust	17,506,514	494,000 (development) 12,076,400 (delivery) <i>July 2013</i>

Project status and % of grant paid to 31 March 2018	Latest report
Delivery 28	Capital works well underway. Good progress is being made on the Nave Roof, and works to the new Welcome Centre and landscaping have started. Activities, including community outreach, volunteering, work with schools and improved access to Cathedral collections are in delivery, with project staff in post and apprentices appointed.
Delivery 0	Grant awarded September 2017. Documentation for permission to start being prepared.
Delivery 0	Delivery award March 2018.
Delivery 90	Practical completion achieved in April 2017 with fit out of retail units complete by July 2017. Formal opening on 1 August (Yorkshire Day) with over one million visitors to date. A new Chair and new CEO of the Trust have been appointed.
Delivery 86	Building opened in July 2017 – 100,000 visitors to date and activity programme underway.
Delivery 90	Capital works are almost complete and the site is due to reopen May 2018. Activity plan is ongoing.
Delivery 15	Design specification progressed to RIBA 4. Museum closed in January 2018. Main contractor currently being appointed.
Development 95	An ambitious project offering an innovative engineering solution to re-open the River Severn and Teme to all fish species for migration. Permission to start was agreed November 2016. Change of grantee from the Severn Rivers Trust to Canal and Rivers Trust. The project has developed well with a round two application submitted for June 2018 grant decision.
Delivery 3	First phase is well underway, with a significant amount of recruiting taking place across the UK (80 posts to fill). 10,000 recordings have already been digitally preserved. Progress is on track.
Delivery 77	Building complete and handed over. Exhibition fit out progressing with opening date confirmed as 15 September. Successful pre-opening engagement programme.
Delivery 82	Capital works ongoing with some delays and fundraising challenges which may impact on programme. In November 2017, HLF Trustees agreed to provide a loan to help de-risk aspects of the project. In March 2018 the project secured Northern Cultural Regeneration Fund. The target date for opening is October 2018 .



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