

The National Lottery  
Heritage Fund

Annual Report and Accounts  
2021–22



# The National Lottery Heritage Fund

National Heritage Memorial Fund National Lottery Distribution  
Annual Report and Accounts 2021–2022  
For the period 1 April 2021 to 31 March 2022

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Enhancing and championing heritage for all.

The National Lottery Heritage Fund is the largest dedicated grant funder of the UK's heritage. Locally connected and with national expertise, we are a change-maker working to enhance and champion the value of heritage for all.

Understanding, valuing and sharing our heritage brings people together, inspires pride in communities and boosts investment in local economies.

- As The National Lottery Heritage Fund, we distribute National Lottery grants from £3,000 to £5million and over, funding projects that sustain and transform the UK's heritage.
- We provide leadership and support across the heritage sector, and advocate for the value of heritage.

Discover more at [www.heritagefund.org.uk](http://www.heritagefund.org.uk)

Our impact:



**£8.3bn**

invested in heritage  
since 1994



**48,000**

heritage projects  
supported since 1994

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# Report of the Trustees and Accounting Officer

# Report of the Trustees and Accounting Officer

## Performance report

### Overview

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This section provides information on the main objectives and strategies of the National Heritage Memorial Fund (Lottery Distribution), otherwise known as The National Lottery Heritage Fund. The overview section gives the user information on the organisation's purposes and activities, 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 2021–22: – a statement from the Chief Executive**

The National Lottery Heritage Fund (the Fund) has played an essential role in protecting and promoting heritage in all parts of the UK in what has been another demanding and challenging year.

Our support for the heritage of the UK in 2021–22 has been essential in helping organisations through extended periods of closure and uncertainty. By working with partners to invest in the sector's recovery, we have been able to help many to rebuild and re-open. The impact of the pandemic has demonstrated just how important heritage is for our sense of place, wellbeing and connection, and this shared purpose has sustained staff in delivering a strong performance – I thank every staff member for their personal contribution and commitment. I also want to thank those guardians of heritage, from the smallest to the largest, and those we have worked in partnership with this year, including Architectural Heritage Fund, Arts Council England, Big Society Capital, Cadw, Department for Culture Media and Sport (DCMS), Department for the Environment, Food and Rural Affairs (DEFRA), Department of Communities Northern Ireland, Department for Levelling Up, Housing and

Communities, Environment Agency, Esmée Fairbairn, Forestry Commission, Historic England, Historic Environment Scotland, National Trust, Natural England, NESTA, Welsh Government, and all our research, campaign, policy and practice partners.

Following our diversion of funds towards emergency support in 2020–21, it was a major milestone to re-open our National Lottery Grants for Heritage in February 2021. We wanted this new investment to have a real and positive impact on the recovery and resilience of our great heritage sector and bring tangible contributions to local places and communities.

To drive this recovery, in 2021–22 we targeted our funding at heritage projects that would:

- boost local economies, provide job creation and encourage skills development
- support local health and wellbeing
- strengthen the resilience of organisations in heritage
- ensure local places and communities can thrive

We also directed our support towards new and continuing campaigns and activities, including:

- £3.5million Digital Skills for Heritage initiative, working in partnership with DCMS to build digital confidence and skills in the sector. Since 2020, we have supported 65 projects and provided 7,510 individual digital skills support opportunities.
- Future Parks Accelerator partnership with the National Trust and Department for Levelling-Up, Housing and Communities to secure the future of the UK's urban parks and green spaces. The Future Parks initiative is investing more than £6million of National Lottery and government funding, plus £5million-worth of advice and support from National Trust experts.
- working with organisations and experts to deliver business support and enterprise development training programmes across the sector.
- Dynamic Collections campaign, supporting collecting organisations across the UK to become more inclusive and resilient. Launched in February 2022, the campaign represents a



new way of working for the Fund and focuses support for organisations working with collections. This is designed to provide greater direction to applicants and encourage stronger projects that aid recovery and address long-term challenges in the sector. We are working in collaboration with Arts Council England, Museums Galleries Scotland and other partners across the UK.

Despite the immediate challenges and uncertainties, we have also continued to invest for the future.

Last summer, the Board awarded £50million in the first round of our Heritage Horizon Awards – our programme for grants of over £5million, 'Backing Big Ideas; Unlocking Possibilities'. It was truly heartening to see that the challenges of the last couple of years had not dimmed the ambition and creativity of those who care for our precious heritage. These major projects will deliver innovative, place-based heritage transformations, benefitting people and heritage right across the UK:

- Plymouth Sound National Marine Park: the creation of Plymouth Sound's 'Park in the Sea', helping communities and tackling the effects of climate change.
- Great Yarmouth Winter Gardens: restoring the Grade II\* listed Winter Gardens, bringing new life to the heart of the town.
- Peatland Progress – a new vision for the Fens: tackling climate change and biodiversity loss by bringing together the north and south 'halves' of the Great Fen.
- The International Slavery Museum in Liverpool: transforming a collection of galleries into a prominent museum, the first of its kind in the UK.
- Cairngorms 2030 in Scotland: involving over 45 committed partners working together to tackle the climate emergency and nature crisis, bringing communities together to help nature and improve wellbeing.

Our support continues to impact key events including in Coventry, where our £3million contribution to the UK City of Culture has supported its ambitious Green Futures programme. This will help create an enduring legacy for the area and successfully connect

people, culture and nature. In Birmingham, our £6million combined support with Arts Council England has supported the cultural programme in the run up to the 2022 Commonwealth Games, so that those who visit and take part will see the amazing heritage as well as enjoy the sporting events. Our £5million investment in Nextdoor Nature in March 2022, in partnership with The Wildlife Trust will support around 200 community-led wildlife projects as a legacy of the Queen's Platinum Jubilee.

The scale, range and diversity of this investment proves the enormous value that National Lottery money brings to heritage.

Last year we set the following priorities and we have worked to deliver these through the year:

### 1. Delivery of our National Lottery and grant-in-aid programmes

Our National Lottery project funding continued with funding offered from £3,000 to £10,000, £10,000 to £250,000 and £250,000 to £5million. We made our first grants of over £5million under the Heritage Horizon Awards designed to support exceptional projects delivering transformation, collaboration and innovation at scale, at sites across the UK.

Our staff, advisers and monitors provided guidance and help, and where projects were at risk of failure due to the COVID-19 pandemic, facing cost pressures and delays, we gave financial support via grant increases of over £25million.

We continued to deliver our highly regarded Digital Skills for Heritage campaign, which is equipping organisations of all sizes to accelerate their grasp of new opportunities offered by working digitally. Further organisational support was made available through business support and enterprise development programmes that continued to deliver successfully in all parts of the UK, with plans to extend for a further year through 2022. We developed a strategic focus on the role of heritage in places, introducing new place frameworks to enhance our support for communities in collaboration with other leading cultural agencies.

# Report of the Trustees and Accounting Officer

## 2. Implement a new investment management service

We continued the development of a modern, more flexible investment management service offering a smoother, easier application process and enabling our staff to work more efficiently. All new applications are now managed through the system. We further developed our data warehouse and improved our data reporting capabilities.

## 3. Stakeholders and external partners

We strengthened and deepened our work with stakeholders and other key partners. Through the National Lottery Forum, we worked collaboratively with other National Lottery distributors to strengthen our impact focused on place, to improve data and reporting on National Lottery investment and to demonstrate the collective impact of The National Lottery for UK life.

## 4. Equality, diversity and inclusion

We have focused on developing our approach to equality, diversity and inclusion (EDI) and completed a review, which will form the basis for our work. We have formed an EDI Task Force, chaired by Maria Adebowale-Schwarte and supported by a panel of seven other experts. The Task Force meet quarterly to support us in developing a renewed EDI approach to our grant giving, governance and people. I would like to thank them for their continued support, guidance and challenge on driving greater equality, diversity and inclusion within the organisation and across the heritage sector.

We followed up the EDI Review with an implementation plan for our culture, workforce, investments and governance. We completed research into the experience of under-served groups applying to us, and non-applicants, to inform development of our inclusion policy and changes to our approach to be delivered in 2022. We established staff networks related to race, gender, disability, neurodivergence and intersectionality, to provide a safe place for our people to have honest conversations on work/life experience. We have worked with the Windsor Fellowship, Change 100 and 2027 to create opportunities for young people under-served by heritage to do paid work placements from three to 12 months.

## 5. Progress and embed culture change

We concluded work on our culture and values across the Heritage Fund and embedded a new

behavioural framework into day-to-day work and business. We introduced new recruitment and performance management frameworks and continued to invest in the Heritage Fund's cultural work on values and behaviours. Our recruitment and performance frameworks will ensure that our values and behaviours are central to delivering our objectives.

We have also continued to develop our own organisational resilience and sustainability and committed to reaching net zero carbon emissions for our operations by 2030. Delivery on these ambitions will continue in 2022–23 and beyond.

We refreshed and strengthened our branding, providing creative assets for our partners and grantees to acknowledge our investment. We also collaborated with Camelot, the National Lottery operator, to raise awareness of the importance of National Lottery funding for good causes across the UK, through initiatives such as the National Lottery Open Week.

All of this was only possible thanks to the incredible hard work of all my colleagues at the Heritage Fund, who continued to work with passion and purpose in an uncertain year. I would also like to pay tribute to my predecessor, Ros Kerslake, who retired in December 2021 and who oversaw much of the work in 2021–22 – she leaves a proud legacy. My thanks to her for her guidance and support and an extended thanks to my colleagues, committees members, register of support services consultants, and Board who have been the foundation of all our work this year.

## Our purpose and activities

The National Heritage Memorial Fund (NHMF) is vested in, and administered by, a body corporate known as the Trustees of the National Heritage Memorial Fund. This consists of a Chair and not more than 14 other members appointed by the Prime Minister. NHMF was set up on 1 April 1980 by the National Heritage Act 1980 (the 1980 Act) in succession to the National Land Fund as a memorial to those who have given their lives for the United Kingdom (UK). It receives an annual grant-in-aid from the government to allow it to make grants. The powers of the trustees and their responsibilities were extended by the provisions of the National Lottery etc. Act 1993 (the 1993 Act), the National Heritage Act 1997

(the 1997 Act) and the National Lottery Act 1998 (the 1998 Act).

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

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

Under section 22 of the 1993 Act, the Secretary of State for DCMS shall allocate 20% of the sum paid into the NLDF for expenditure on, or connected with, the national heritage. Section 23(3) establishes the Trustees of NHMF as distributors of that portion. The percentage allocation was reduced to 16⅔% in October 1997 following the government's creation of the New Opportunities Fund. It reverted to 20% from 1 April 2012, having been 18% for the whole of 2011–12.

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

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

1. any land, building or structure which in the opinion of the trustees is of outstanding scenic, historic, aesthetic, archaeological, architectural or scientific interest
2. any object which in their opinion is of outstanding historic, artistic or scientific interest

3. any collection or group of objects, being a collection or group which, taken as a whole, is in their opinion of outstanding historic, artistic or scientific interest

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

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

Using money raised by National Lottery players, The National Lottery Heritage Fund will inspire, lead and resource sustainable, thriving UK heritage. Positive and lasting change will be created for people and their communities, now and in the future. We already have a very strong track record of grant-making for heritage, with over 27 years of experience of distributing National Lottery funds and expert teams located across the UK. Through our ambitious funding programmes and partnerships we will:

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

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

# Report of the Trustees and Accounting Officer

## Our key issues and risks

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

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

Owing to the COVID-19 pandemic, we adapted our risk reporting to make for more frequent and flexible reporting to the Board, Audit and Risk Committee and senior staff. A top-level risk assessment, with narrative, status and trend data was provided throughout the year. This approach continued until Autumn 2021, reverting thereafter to normal risk management reporting and risk registers. Details are set out in the governance statement on page 21.

Our principal risks last year related to the COVID-19 pandemic and these continued, in different forms, throughout the whole of the year.

Risks were grouped relating to the crisis between external and internal risks, while recognising that these two groups are not discrete and overlap.

### 1. External crisis-based risks

Our principal risk was to ensure Lottery funding continued in order to maintain our investment portfolio and fund new applications. We continued working with our sponsor department, DCMS, the National Lottery operator (Camelot) and all Lottery distributors across the UK, to promote the importance and value of returns to good causes at this critical time, as noted in the earlier Performance Report. We also continued our own marketing and communications campaigns to reinforce this. This approach has continued to work well, and National Lottery income has again exceeded projections.

During 2020–21, we took the difficult decision to suspend our open programmes while we responded to the pandemic in other ways. In 2021–22, we fully re-opened these programmes and these have run successfully throughout the year.

We continued to effectively manage the risks related to our liquidity position and availability of

cash to support our investment. In 2020–21, we developed a cash flow model to monitor cash issues on a weekly basis including inflow, outflows and impacts on commitments. This has been invaluable in supporting our funding options and has notably de-risked this situation. We continued the use of this model in 2021–22 and we anticipate that we can close this modelling for next year.

This model and other financial key performance indicators have helped us manage investment and liquidity in year as well as allowing us to start planning beyond the pandemic into future years.

Our other major external risk was resilience and capacity within the sector against the ongoing demands of the pandemic. While we recognised in 2020–21 that it was not realistically possible for us to address every risk, in every part of the sector, across all organisations, we have nonetheless put in place an overall package to help address some of these risks. This has included:

- re-opening programmes with targeted interventions
- easier reporting and requests for payment for grantees
- support from our investment and engagement teams locally across the UK
- ensuring prompt payment of grant payments and grant increases for grantees
- re-directing specific resources from our Register of Support Services to target support and help to projects

### 2. Internal crisis-based risks

Our principal risk here was the continuation of our business continuity plans and the need to ask all staff to work remotely from home and in a virtual environment.

Our use of mobile technology, cloud-based solutions and applications has meant that all our services have been available to all applicants and grantees. We began re-opening our offices in Summer 2021 and those have remained open throughout the year. Staff began to return to workplaces later in the year under hybrid working arrangements.

Arrangements in our business continuity planning for our Crisis Management Team, Business

Continuity Team and work areas like IT continuance, communications and approvals. were all implemented fully and without problems. Staff were provided with display screen equipment or specific work needs specialist equipment and adjustments for working from home.

We formally stood down all our business continuity towards the end of the year.

Our other main internal risk, which we recognised early in the crisis, was the critical role of supporting our staff in respect of their physical health, mental health and wellbeing. We put in place a series of well-received and effective public health/ protection messages alongside clear, open communications to keep all teams up-to-date with developments within business continuity planning. These were adapted and modified during the year to reflect different public health messages across the UK. Throughout the year we continued to deliver a series of support packages for colleagues' mental health and wellbeing.

We also recognised that the pandemic brought with it new and different risks for fraud and error, so extensive safeguards, checks and controls were put in place to minimise these risks. We continue to monitor and manage these very closely.

### 3. Other principal risks

Besides the risks associated with the pandemic, we also recognised other risks in the year.

The re-letting of the National Lottery licence could bring potential types of risk to us in terms of income, operating changes etc. We have worked closely through the Lottery Forum of Lottery Distributors to ensure that DCMS and the Gambling Commission are sighted on these risks and understand their possible impacts on our investment. The work on the preparation for the licence tendering with the Gambling Commission has been an example of strong, collaborative working alongside the other National Lottery Distributors. We will continue to work with DCMS, the Gambling Commission and others to ensure a smooth transition to the next licence.

Throughout the year we closely monitored the impacts on the sector and ourselves of the UK's departure from the European Union. This included cost increases to existing investment, supply

chain disruptions and raw material shortages (like timber), and we put in place separate budgetary arrangements to help handle these pressures. We managed our internal risks effectively (staffing, data, supply chains, etc.) and saw no immediate adverse impact following the departure.

We also continued to respond to the risks arising from the climate emergency. We have ensured that our carbon footprint, internal practices and management are reflecting a better management of this risk and we have commissioned specific research to identify a plan for the Fund to attain Carbon Net Zero for operations by 2030.

In 2021–22 we continued to develop our new investment management system and plan the de-commissioning of our existing legacy grant management systems. We have actively risk managed the development of the new system through extensive testing with customers and internal users, managed suppliers and developers accordingly, and maintained effective control of the data integrity, security and protection. This work has been a key priority for the organisation and will continue to be in the coming year 2022–23.

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

### Our corporate strategy

The corporate strategy set out our vision for the role of the Fund over the three years from 2018 until 2021. The strategy took further steps towards a stronger position, supporting and collaborating with organisations across the heritage sector, building on our role as largest dedicated source of funding for heritage across the UK.

In 2021–22 we continued to play a strong role in supporting organisations to withstand risks from the COVID-19 pandemic, delivering a total of £101million in additional funds awarded by grant-in-aid from DCMS, DEFRA and the devolved governments in Northern Ireland and Wales. We also launched the Cultural Assets Fund, with a £20million contribution from DCMS and a further £20million from the National Heritage Memorial Fund endowment to secure for the future significant heritage assets at risk as a result of the pandemic.

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In terms of non-grant funding, our previous investments in two impact funds, the Heritage Impact Fund (with the Architectural Heritage Fund) and the Arts and Culture Impact Fund (with Nesta and others), continue in delivery as part of our strategy to lever additional investment into the sector and encourage organisations working in heritage to diversify their income streams. In 2021, we completed deployment of our Resilience and Recovery pilot loans programme, offering a flexible repayable finance option for organisations seeking to re-set their business operations for recovery from the impacts of the pandemic.

Looking to the future, we have been working with the Young Foundation as our Innovation partner to design and model an Innovation Fund focused on challenges across the heritage workforce, and will launch this in 2022–23. We anticipate continuing delivery of funds on behalf of Governments during 2022–23 both to support wider sector recovery and where our grant-making expertise and reach mean we are ideally placed to achieve a wide range of positive outcomes for heritage and communities.

During 2022–23, we will develop a new Strategy for the Fund, responding to the challenges of COVID-19, wider societal and environmental changes, and integrating the objectives of our Strategic Funding Framework into a new 10-year vision for the UK's heritage. The refreshed strategy will be launched later in 2022.

## **Our Strategic Funding Framework 2019–2024**

This year marked the third year of operation for our Strategic Funding Framework for all of our National Lottery grants from 2019–2024, and the midpoint of our current strategy. The Strategic Funding Framework set out the vision and principles guiding our funding for the lifetime of the framework, including a streamlined single open programme with three levels of funding; the majority of grant making decisions devolved to Scotland, Wales, Northern Ireland and our three England areas; and an increased focus on nature and landscapes, community heritage and heritage at risk.

In February 2021, we re-opened our project funding in full for grants up to £5million, however reflecting the wider needs of the UK and UK's heritage emerging from the pandemic. As society has continued to re-open and adapt to a post

pandemic environment, we have focused our funding and expertise to support heritage organisations to adapt to fundamentally changed circumstances. We have supported their work in examining their existing business models and developing new, creative and more resilient ways of operating.

As heritage organisations continue to adapt from the impact of the pandemic and the outlook remains uncertain, we will continue to work with governments, stakeholders and other heritage agencies to support the UK's heritage needs to sustain the recovery.

## **Going concern**

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

The Government continues to endorse our National Lottery distribution role and that value that brings to their policy agenda in areas like Levelling Up, Place etc.

The impacts of the COVID-19 pandemic continue to be felt, however, Trustees have no reason to believe that the chief source of income – The National Lottery – will not continue to be generating reasonable sums to the Fund. Income levels dipped initially when the first lockdown was put in place, but sums have now returned to normal levels, indeed in 2021–22 income surpassed projections and were very healthy. Independent income projections for the near term also remain high and stable. We remained open for business during the lockdown period and were able to provide a full service to the heritage sector. Therefore, the Board has no reason to believe that the Fund will not continue to operate in the foreseeable future.

## **Performance analysis**

NHMF operates two funds: its original grant-in-aid fund (NHMF) and its National Lottery distribution activities (The National Lottery Heritage Fund). It is required, by the accounts' direction of the

Secretary of State for DCMS, to account for these activities separately and so no consolidated accounts are prepared. This report discusses solely the activities of NHMF's National Lottery distribution work. The purpose of this section is to discuss the performance of NHMF in distributing funds derived from the National Lottery in 2021–22. The analysis below discusses highlights of the year including significant movement on the Statement of Comprehensive Net Income and the Statement of Financial Position as well as some key performance indicators.

2021–22 was an exceptionally successful year for proceeds to good causes and our income reached £362million. This exceeded the projections for the year by £37million. We continue to use the Lottery projections provided by the Gambling Commission for future years. We await the next stages of the award of the fourth national lottery licence.

For the second year running, our grant payments and administration payments in the year did not exceed our Lottery income sum. The end result is that our overall cash balances (cash at bank plus cash at the National Lottery Distribution Fund – NLDF) rose by £104million to £437million. This is about one and a half years' worth of grant payments.

We will continue to monitor income and grant payment patterns to ensure that we can support our liabilities in the medium to long-term as we seek to bring reserves, income and outgoings into line. The chart below detailing our balance at the NLDF shows the extent of the decline in funds available in recent years, but there is evidence of an improving trend. Cash flow projections show that our recent policy, of setting grant award budgets slightly below forecast income, should result in our cash balances returning to a more healthy level in the medium term. We continue to closely monitoring the impact of the COVID-19 crisis on income, payments and cash balances.

Investment income earned by the NLDF increased by £300,000 to £512,000. The return on investments at the NLDF was 0.2% whereas it had been 0.1% in 2020–21. Returns remain at historically low levels.

Continuing low gilt yields are the reason for the low investment income returns as the NLDF is invested in a narrow range of low-yield, low-risk

investments. Trustees have no influence over the investment policy, which is set by DCMS. We receive 20% of the investment returns at the NLDF irrespective of the balance of our funds.

The level of new grant liabilities created fell slightly from £176million to £163million. The fall was attributable to the recovery of the sector from the pandemic and thus lower demand for funding.

We converted many of our contingent liabilities (known as round one passes) created in previous years to full awards. This was around £61million.

We made National Lottery contributions to projects also funded via our grant-in-aid funds. Certain awards under the Capital Kick Start, Welsh Government and digital programmes also benefitted from Lottery funds.

While it was not of our choosing, the enforced reduced level of awards has meant that our long-term finances have improved and we are in a position to increase our grant award budgets going forward. This view is supported by the level of round one passes made in the year, the likely level of awards made in 2022–23 will increase as there are currently more round one passes to convert to full awards compared to last year. The balance of round one passes at 31 March 2022 was £201million, an increase of £85million compared to the £116million from 2020–21.

The level of de-commitments made in the year increased slightly from £7million to £9million. We targeted many of our awards to supporting existing grantees and projects and this will have helped keep the level of de-commitments down. It may be that the pandemic will still take its toll in following years, but we remain committed to helping the heritage projects that we have supported over the years.

The balance of grant liabilities fell substantially from £696million to £616million. Simply put, this was because the value of net new awards was far less than the value of grant payments. The value of provisions for us not paying out all these liabilities remained constant, meaning that the overall fall in reported liabilities is purely down to the reason given above.

We create provisions that lower the value of outstanding grant liabilities in two circumstances:

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1. Where we know the grantee will no longer seek some or all of their grant.
2. Where there has been a long period of inactivity on the part of grantees that may indicate that the project has come to an end. This is obviously not an exact science, but it is an attempt to ensure that the reported grant liability is closer to the likely amount that we will end up paying.

The level of grant payments fell by about 26% – from £315million to £234million – although it remained constant as a percentage of the opening balance of liabilities. We were pleased to be able to continue making grant payments despite the disruption caused by the pandemic. Our speed of making payments was unaffected.

Taking into account all the actual and contingent liabilities, at the end of the financial year we had committed over £390million, after provisions, (at 31 March 2021: £480million) more than we had in the NLDF. This level of liabilities and contingent liabilities means we have commitments to the equivalent of 2.3 years' income (at 31 March 2021: 2.2 years). Despite the high income and the relatively low level of awards, our balance of contractual liabilities significantly exceeded our net assets and there was a net deficit on the statement of financial position of £165million at 31 March 2022.

Trustees recognise that monitoring long-term cash flows is of great importance as the projects to which we give grants usually take many years to complete. There is no guarantee to our funding from DCMS and no assurance as to the amount of funds The National Lottery will generate for us. Therefore, Trustees have devised guidance ratios concerning the level of outstanding commitments, cash and expected income. The sudden unforeseeable dip in income in 2016–17 brought these ratios to the forefront of our planning; the

income dip stabilised in subsequent years and has partially reversed in recent years.

The ratios are kept under regular review to ensure that they remain relevant to our way of working and the external environment (see ratios' table below). Most ratios are in a position where we feel comfortable. The direction of travel for our cash balances leads us to be optimistic. Our operating costs increased significantly – a rise of 17% – during the year as we switched our efforts back towards distributing National Lottery activity. It was a difficult year for setting administrative budgets and making forecasts as the set-up of emergency funding programmes was entirely outside our control. Our reputation of being effective and efficient grant-givers meant that we attracted funds from the UK government and devolved administrations in Wales and Northern Ireland.

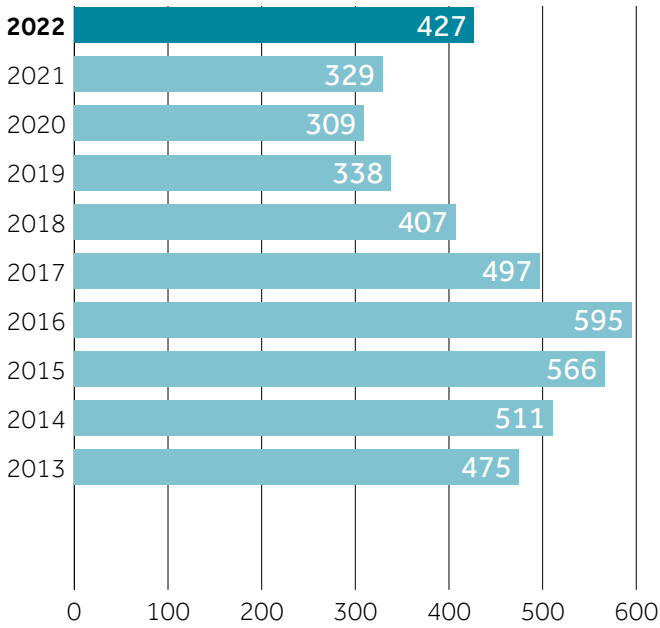
In 2020–21, we suspended our normal open programmes for most of the year in order to focus on covid funding interventions before re-opening fully in 2021–22. This has meant that a normal year of demand was not processed leading to a drop in overall liabilities and, despite heavy demand for cash, an increase in our overall cash holding in the National Lottery Distribution Fund. Last year saw demand start to recover to expected levels against budget and we anticipate that will continue and indeed increase in 2022–23 and 2023–24 returning our key ratios to normal levels.

For the second year running, staff who normally work entirely on National Lottery activities were transferred to working on the various grant-in-aid programmes while still maintaining their portfolio of active Lottery projects. As a result, our staff worked on both Lottery and non-Lottery activity and we had to set up a system to record this time, calculate an associated overhead figure and re-charge the grant-in-aid programmes with the cost.

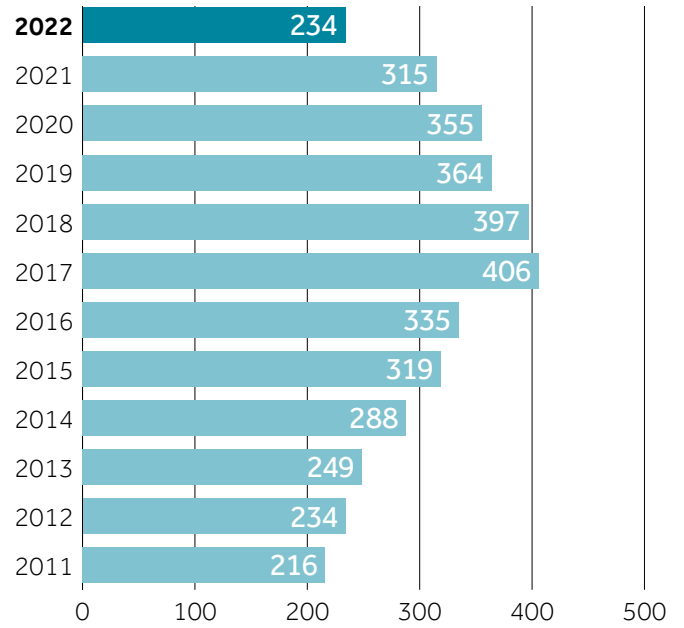
| Ratio  | Target range                          | at 31 March 2022   | at 31 March 2021 | at 31 March 2020 |
|--|---------------------------------------|--------------------|------------------|------------------|
| Total commitments to income                                  | A maximum in the range 4.4:1 to 4.6:1 | <b>2.3:1</b>       | 2.2:1            | 3.0:1            |
| Net commitments to income (i.e. total commitments less cash) | A maximum in the range 3.0:1 to 3.2:1 | <b>1.1:1</b>       | 1.3:1            | 2.1:1            |
| Hard commitments to cash                                     | A maximum in the range 2.3:1 to 2.5:1 | <b>1.4:1</b>       | 2.1:1            | 2.7:1            |
| Cash at the National Lottery Distribution Fund               | In the range £400 –£500million        | <b>£427million</b> | £329million      | £309million      |



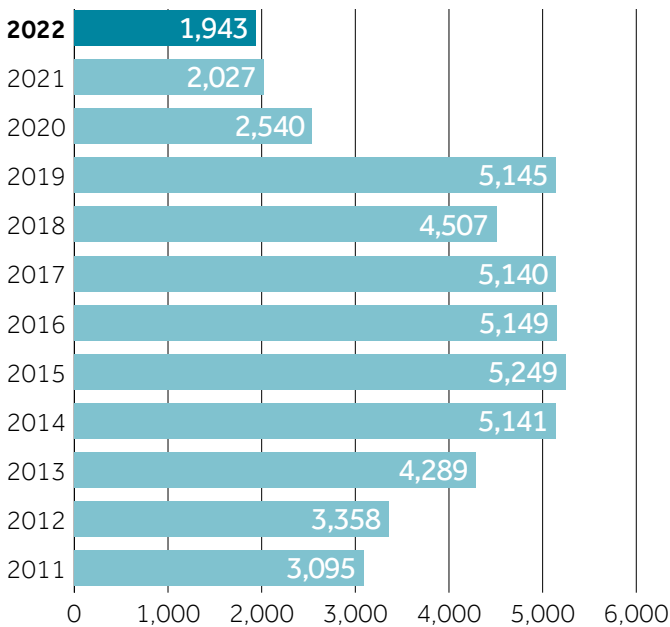
**Our balance of funds at the National Lottery Distribution Fund by year (£million)**



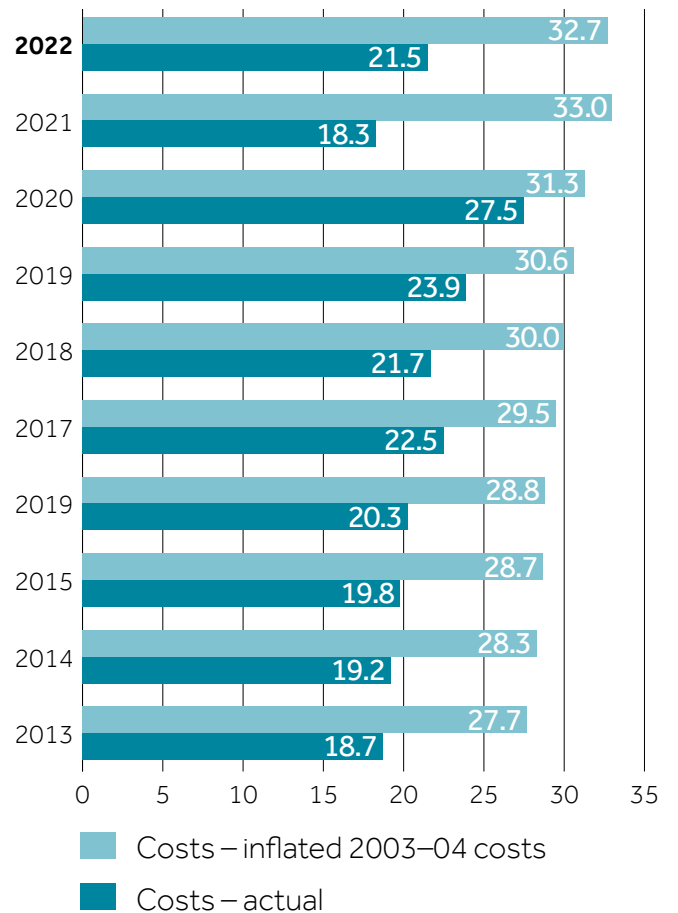
**Value of grant payments by year (£million)**



**Projects under monitoring by year (number)**



**Actual operating costs vs inflated 2003–04 costs by year (£million)**



# Report of the Trustees and Accounting Officer

At certain times of peak workload we had to bring in outside contractors to assist in the processing of applications.

Cost rose year on year (as we return to more Lottery-focused work) but remain below the 2003–04 inflated figures.

The number of projects under monitoring (uncompleted projects that have received awards) had risen significantly up to 2019. However, the number has dipped in recent years as our grant award budget fell. The number of live projects at 31 March 2022 was just below 2,000, but this figure will rise in coming years as our grant budgets increase.

As well as recharging costs to our grant-in-aid activities during the year, our operating costs also benefitted from a contribution from The National Lottery Community Fund towards the cost of running the Parks for People programme, to which it also contributes some grant funding, with its contribution falling slightly from £201,000 to £161,000. This is now a closed programme with 45 live projects currently being monitored. The contribution will decline in the coming years and we forecast that the final grant will be paid in 2025–26.

## Key performance indicators

Trustees of the National Heritage Memorial Fund has a reputation as an efficient distributor of National Lottery funds through The National Lottery Heritage Fund. The dark blue bars on the chart above sets out our operating costs in each of the past few years. The light blue bars shows the value of operating costs in our baseline year of 2003–04 – the first full year we operated from a full range of offices spread around the countries and regions of the UK – the sum is increased in line with HM Treasury’s gross domestic product (GDP) deflator, an estimate of the general level of inflation in the UK economy. The large fall in our operating costs in recent years coupled with the poor performance of the economy during the pandemic has resulted in a massive and artificial improvement in our numbers. We have seen a slight increase in 2021–22 and anticipate that the cost level will continue to rise.

As previously mentioned, the switch of activity, in 2020–21, from being almost entirely a distributor of funds derived from the National Lottery to that of distributing significant levels of grant-in-aid meant that our Lottery distribution cost levels have fallen in the last two years. This is particularly so when compared with 2019–20 when our costs were inflated by the cost of internal re-organisation under the auspices of our corporate strategy. The table below shows the percentage of our costs against Lottery income and reveals a significant fall for the reasons given.

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 many of our targets continue to be met despite the disruption of the COVID-19 pandemic. We recognise that many of these targets have remained unchanged for a number of years and we are investigating if other indicators would be more appropriate for disclosure in future years, particularly adapted to support the Fund’s new strategy.

## 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 2021–22 the average age of invoices paid was seven working days (2020–21: ten working days). Over 93% of invoices were paid within 30 calendar days (2020–21: 92%).

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 2022, the figure was 35 days (2020–21: 30 days). The creditor days’ figure is much higher at the year-end than at other times of the year because we encourage suppliers to submit their invoices before the year finishes and this results in a surge in invoices being received in early April.

In 2021–22, our operating costs as a proportion of our income were as follows:

|   | Target | Actual 2021–22 | Actual 2020–21 | Actual 2019–20 | Actual 2018–19 | Actual 2017–18 | Actual 2016–17 |
|---|--------|----------------|----------------|----------------|----------------|----------------|----------------|
| Operating expenditure as a proportion of total income | 7.75%  | 5.9%           | 5.0%           | 7.7%           | 6.9%           | 6.6%           | 6.9%           |

## Environmental policies and sustainability reporting

Sustainability has been integral to the Fund's operations and approach for many years. Our Strategic Funding Framework outlines our commitment to requiring all applicants to demonstrate a positive impact on the environment, and 'Playing our part in tackling climate change' was a key outcome of our Corporate Strategy for this year.

We have gone further in our commitment to decarbonisation, and have set a target for our operation of reaching net-zero by 2030. We have commissioned research to improve our environmental reporting and help us to establish a decarbonisation pathway for our investment portfolio.

2021–22 has also seen NHMF support DEFRA in the distribution of a further £40million of funding as part of the Green Recovery Challenge Fund and £6million for the Trees Call to Action Fund to support organisations to meet the objectives of the England Trees Action Plan.

### Greenhouse gas emissions

Our offices reopened to staff in July 2021 and as a result we have seen an increase in energy use for this year, compared to 2020–21. Consumption and resulting emissions are still drastically reduced compared to 2019–20. We have taken steps to reduce our environmental impact by selecting smaller, more efficient offices. We have also seen a large drop in business travel, facilitated by improvements in video calling functionality.

We occupy eleven offices in total, of which eight are serviced. This makes it difficult to collect accurate consumption data as sub-metering is not available, for the majority of office spaces, consumption has been apportioned using square area. Where possible and relevant, we have included apportioned energy consumption of communal office space. Our data is limited by the information provided by landlords. Where there is less confidence in the information, we have chosen to rely on emissions and energy data given in the energy performance certificates (EPCs). Real data has been used for our offices in Leeds, Birmingham, Belfast, Exeter, London, Cambridge, Cardiff, Newcastle and Nottingham. Estimates based on EPCs have been used for our offices in Edinburgh and Manchester.

Very few of our office spaces use natural gas for heating with most using electricity for heating and cooling. Gas is used in our offices in Edinburgh, Nottingham, Leeds and London. This stands us in good stead to achieve our target to decarbonise our operations by 2030 through encouraging landlords to switch to 100% renewable electricity. We have started to collect data on renewable energy, with 13% of the electricity used to power our office spaces coming from renewable sources.

In 2021–22, we travelled over 350,000 miles across the UK (compared to less than 14,000 miles in 2020–21). 61% of this distance was travelled by rail, and 34% by car, we will be revising our travel policy in 2022–23 year to encourage public transport use above all other options and support access to electric vehicles where road transport cannot be avoided.

We have not included homeworking greenhouse gas emissions in our reporting as these currently fall out of reporting guidelines. We will review this on an annual basis, to ensure we reflect best practice. Concurrently, we are monitoring estimated electricity usage from devices, which are likely to be the largest additional contributor to the environmental impact of homeworking, and will use that data to inform future procurement.

### Waste minimisation and management and Finite Resource Consumption'

Despite our offices re-opening, we have continued to see low levels of waste from our operations. As our staff have adjusted to more online working we have seen an overall reduction in consumption, reflected in the relative low quantity of paper use in comparison to 2019–20. Going forward, we are reviewing the quantity of printers available in our offices with the hope that we can continue to reduce the use of paper. This reduced consumption has also resulted in reduced waste.

We have worked with an external contractor to establish a Green Impact Scheme across this organisation, which among other areas has a key focus on waste minimisation and reduction in single use plastics, recognising that waste reduction is reliant on culture change and the behaviour of our staff.

Water use (used to service toilets and office kitchens) has increased this year. We will work with

# Report of the Trustees and Accounting Officer

## Greenhouse gas emissions

|                              |  | 2021–22 | 2020–21 | 2019–20 |
|------------------------------|--|---------|---------|---------|
| Greenhouse gas emissions     | Scope 1 emissions (tCO <sub>2</sub> e)     | 26      | 14      | 50      |
|                              | Scope 2 emissions (tCO <sub>2</sub> e)     | 44      | 36      | 203     |
|                              | Scope 3 emissions (tCO <sub>2</sub> e)     | 70      | 9       | 167     |
|                              | Total gross emissions (tCO <sub>2</sub> e) | 140     | 59      | 420     |
| Energy and water consumption | Electricity (kWh)                          | 207,051 | 58,301  | 794,149 |
|                              | – from renewable sources (kWh)             | 27,777  |         |         |
|                              | – from non renewable sources (kWh)         | 179,274 |         |         |
|                              | Gas (kWh)                                  | 140,457 | 76,429  | 270,794 |
|                              | Water (m <sup>3</sup> )                    | 1,530   | 2,434   | 4,820   |
| Expenditure (£'000s)         | Utilities (inc. service charges)           | 329     | 278     | 589     |
|                              | Business travel (inc. accommodation)       | 172     | 2       | 486     |

## Waste minimisation and management

|                            |                             | 2021–22 | 2020–21 | 2019–20 |
|----------------------------|-----------------------------|---------|---------|---------|
| Waste (tonnes)             | Hazardous – inc. WEEE*      | –       | 0.3     | –       |
|                            | Landfill                    | –       | –       | 124     |
|                            | Energy from waste           | 0.77    | 1.4     | –       |
|                            | Mixed recycling             | 0.43    | 0.3     | 26      |
|                            | Total waste                 | 1.20    | 2       | 150     |
| Waste expenditure (£'000s) | Total waste (inc. cleaning) | 26      | 19      | 48      |

\* WEEE = waste electrical and electronic equipment

## Finite resource consumption

|                  |                                | 2021–22 | 2020–21 | 2019–20 |
|------------------|--------------------------------|---------|---------|---------|
| Finite resources | Water (m <sup>3</sup> )        | 1,530   | 2,434   | 4,820   |
|                  | Paper Use (sheets)             | 6,903   | –       | 172,500 |
|                  | Paper Use (tCO <sub>2</sub> e) | 0.73    | –       | 0.8     |

landlords to update these facilities where possible and implement water-saving measures. Costs for water are incorporated into total utilities charges provided above.

### Nature recovery and biodiversity action planning

Our greatest reach and impact on the natural environment is realised through our land and nature projects. In the last year, we partnered with The Wildlife Trust to support around 200 community-led wildlife projects as a legacy of the Queen's Platinum Jubilee. In partnership with the

Welsh Government we are providing grants to underserved communities to help residents connect with nature on their doorstep. Through our Heritage Horizon Awards we are supporting the UK's first major experiment in wet farming as part of the Peatland Progress project; preserving landscape and rare wildlife in the Cairngorms; and promoting marine sustainability by doubling the size of sea grass beds at Plymouth Sound National Marine Park. We ask all projects to report on their environmental performance with detailed guidance published on our website.

### Sustainable procurement

Our approach is aligned with government standards, however, we plan to improve up our sustainable procurement policies and recognise the need to provide more sustainable procurement guidance. Our first step will be to embed sustainability requirements into future decision making for office lease agreements.

### Climate change adaptation

We are in the process of developing a Sustainability Strategy, our approach and action plan will ensure that our policies with long term implications are robust in the face of changing weather, extreme events and sea level rises from climate change. The strategy will draw upon existing guidance such as the Climate Change Risk Assessment, UK Climate Projections and the National Adaptation Programme.

### Reducing environmental impacts from IT and digital uses

Reducing the environmental impact of the technology we use has been embedded into our new IT strategy and we have commissioned research in the last year to help us to better understand the environmental impact of our digital estate. Once this baseline is established, we will do further work to reduce its impact in line with our net-zero 2030 aspiration. The review will consider retention policies and data storage approaches as well as provide information and support to staff.

### Policy objectives and targets

We are in the process of developing our Sustainability Strategy which will embed the commitments of the Greening Government Commitments 2021–2025 and align to the UN Sustainable Development Goals. We have set a target to reach net-zero emissions for our operations by 2030. Within this target we will be incorporating the scope 3 emissions of our supply chain and have started the process to measure its impact. We recognise, however, that the emissions related to the projects we fund are substantial, and an area in which we have many data gaps. We are working with external researchers to help us understand the carbon footprint of our projects and to set a science-based reduction target, which includes these emissions. We hope by gaining a greater understanding of the

environmental impact of the projects we fund, we are able to provide practical support and leadership to support the heritage sector in the transition to a sustainable future.

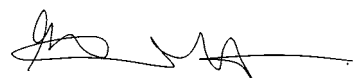
### Rural proofing

The Fund has a national reach, supporting projects all across the UK. Many of our projects are in rural areas and our investment helps to create jobs and support communities. We recognise the challenges that rural communities face, including, representation, access to public transport and availability and equality of paid work. These are areas that we already support our grantees to address in their applications, however, rural proofing is not a formalised aspect of our decision making. This is something we will look to review as part of our wider strategy work in the year.

As an organisation we support our colleagues to work nationwide and expect to see a larger shift to hybrid working in the coming years. More flexibility in the location of our staff could further support recruitment of employees living in more rural areas.

### Sustainable construction

As an organisation we are not responsible for new construction or any capital assets.



### Eilish McGuinness

Chief Executive and Accounting Officer

13 July 2022

# Report of the Trustees and Accounting Officer

## Accountability report

The accountability report has three sections:

- a corporate governance report – a discussion of our governance structure and its achievements in the year under review
- a remuneration and staff report – this details remuneration for trustees and senior management as well as pension arrangements for staff. In addition, we discuss our achievements in workplace equality and diversity of staff
- a parliamentary accountability and audit report – a report by our auditors on the results of their audit of our accounts for 2021–22 in line with accounting and auditing standards

## Corporate governance report

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

## The directors' report

### Chair and Trustees of NHMF

Chair

Dr Simon Thurley CBE  
from 1 April 2021

Trustees

Maria Adebawale-Schwarte <sup>1</sup>

Baroness Kay Andrews OBE

Jim Dixon <sup>1</sup>  
to 30 June 2021

Dr Claire Feehily <sup>1</sup>

Sarah Flannigan  
to 15 May 2021

Perdita Hunt OBE DL <sup>1</sup>  
to 21 April 2021

Ray Macfarlane

Mukesh Sharma MBE DL

Dr David Stocker

Chief Executive

Ros Kerslake CBE  
to 31 December 2021

Eilish Mc Guinness  
from 1 January 2022

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

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

The gender split of our staff (including those on fixed term contracts) working on National Lottery related activities, and our trustees at 31 March 2022, was as follows. Many of our staff in 2021–22 worked on both Lottery and grant-in-aid activities.

|                     | Male | Female | Total |
|---------------------|------|--------|-------|
| Executive directors | 1    | 3      | 4     |
| Staff               | 91   | 258    | 349   |
| Trustees            | 3    | 4      | 7     |

### Register of Trustees' Interests

As a matter of policy and procedure, the trustees and country and area committee members declare any direct interests in grant applications and commercial relationships with the Fund and exclude themselves from the relevant grant appraisal, discussion and decision processes with the Fund. 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 the National Heritage Memorial Fund. There are corresponding arrangements for staff to report interests and

avoid possible conflicts of interest. The Register of Trustees' Interests is available on The National Lottery Heritage Fund website – [www.heritagefund.org.uk](http://www.heritagefund.org.uk).

### Future developments

We will continue to deliver on our National Lottery Strategic Funding Framework in 2022–2023 alongside the development of a refreshed strategy, taking account of the impacts of the pandemic and reflecting our long-term ambitions for heritage over the next ten years.

As the UK emerges from the COVID-19 crisis, we will focus on supporting organisations working with heritage to adapt, thrive and look to the future in what remains an uncertain world. We will make sure we are responsive to the needs of UK heritage now and in the future, working collaboratively to advocate for heritage and the value it brings to life in the UK. Our work to improve the Fund's use of data analysis, evidence and insight has moved significantly in the last 18 months, and we will continue to embed this across our organisation, so our decisions are more evidence-led.

### Our key business priorities are:

#### 1. Strategy development including widening sector collaboration and strategic partnerships

- Delivery of a refreshed strategy, engaging with our sponsor department, DCMS, wider stakeholders and the public, informed by research and insight.
- A longer-term vision for heritage with three-year delivery plans from 2023–24 onwards.
- Collaborative work with other National Lottery distributors to demonstrate the collective impact of the National Lottery, with focus on the Queen's Platinum Jubilee and 2022 Commonwealth Games.
- Piloting new partnerships to widen the reach and impact of National Lottery heritage funding.

#### 2. Deliver National Lottery and grant-in-aid programmes with a focus on heritage sector recovery, resilience and place/levelling up including:

- Delivery of core National Lottery project funding (£3,000–£10,000; £10,000–£250,000; £250,000–£5million).

- Delivery of funding programmes for heritage on behalf of UK and devolved governments.
- Investing in recovery and resilience programmes including our Digital Skills for Heritage and Business Support and Enterprise Development initiatives.
- Delivering our Dynamic Collections campaign in partnership with Arts Council England.
- Investing in innovation, including a new Innovation Fund and a Green Finance pilot, to test new ways of supporting environmental projects.
- Continuing our Future Parks Accelerator partnership with the National Trust and Department for Levelling Up, Housing and Communities. Learning is to be shared at a major conference in September 2022, and work is underway to explore how we deploy these new ways of investing in urban green space across Northern Ireland, northern England and more broadly through the Fund's new place-based investment initiative focused on both built and natural heritage.
- An increased focus on the strategic funding of places – collaborating with area-based strategic partners and other Arm's-Length Bodies.

### Other cross-cutting priorities include:

#### Embedding environmental sustainability in our investment and operations

- Complete our research into the carbon footprint of our investment and internal operations.
- Use this insight to develop our approach to reaching Carbon Net Zero across our business operations by 2030.

#### Equality, diversity and inclusion (EDI) in our investment and operations

- Refresh our approach to the Heritage Fund's existing 'wider range of people' diversity outcome, as part of our wider strategy refresh, informed by comprehensive research.
- Partnerships and collaborative working to ensure projects led by people under-represented in heritage can access our funding.
- Ongoing implementation of our 2021 EDI Review actions, addressing improvements across our workforce, governance and

# Report of the Trustees and Accounting Officer

organisational culture, supported through oversight and challenge by our independent EDI Taskforce.

## A central supporting priority is:

### Complete and embed our new investment management system

- Deliver an end-to-end process for our new investment management system, enabling our customers and people to work more efficiently, improve our data reporting capabilities and establishing the foundations to create a better long-term customer experience and customer relationship management approach.
- Close down our previous grant management systems and migrate data to our new systems.

Our data capabilities continue to grow via the development of our reporting data warehouse and visualisation service. Our ambition is to deliver an insight service that enables our staff and the heritage sector to deliver lasting and positive change. Next year we will focus on collaborating with other Arm's-Length Bodies on projects such as Heritage Pulse and through our shared use of engagement data through the DCMS-led Taking Part Survey.

## Appointment of auditors

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

## Key stakeholders

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

## Additionality

In accordance with the financial direction of the Secretary of State for DCMS, all National Lottery distributors are required to have regard to additionality principles. Our requirement for National Lottery grants is that our funding should be in addition to available government funding not instead of it. We will not give grants to projects where we believe that government funding was available at the time of decision. As part of our grant assessment we ask applicants to make a clear case for National Lottery investment including telling us what other sources of funding have been considered.

## Personal data

NHMF had two incidents where personal data was inadvertently disclosed to a third party. However, in line with the information commissioner's office (ICO) guidance, neither of these incidents required reporting to the ICO. Lessons have been learnt and remedial actions have been taken to minimise the possibility of any reoccurrence. 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 35(3) of the National Lottery etc. Act 1993, Trustees of NHMF are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for DCMS with the consent of HM Treasury. The accounts are prepared on an accruals' basis and must give a true and fair view of the Fund's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

1. observe the accounts' direction issued by the Secretary of State for DCMS, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
2. make judgements and estimates on a reasonable basis



3. 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
4. prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Fund will continue in operation

The principal Accounting Officer of DCMS appointed the senior full-time official, the Chief Executive, as Accounting Officer for the Fund.

Their relevant responsibilities as Accounting Officer, including their responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for the safeguarding of the Fund's assets and for the keeping of proper records, are set out in the section titled 'Accounting Officers' in 'Managing Public Money'.

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

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

## Governance statement

### Foreword

I was appointed Chief Executive and Accounting Officer on 1 January 2022. Prior to that, Ros Kerslake was Chief Executive and Accounting Officer until she retired on 31 December 2021. There was an effective handover of accountabilities.

I am fully aware of my accountabilities and responsibilities as set out in my appointment letter, Managing Public Money etc. I have held introductory meetings with the National Audit Office (NAO) and the Fund's internal auditors (BDO). I also held introductory meetings with DCMS and have followed those with informal meetings with DCMS as well as formal quarterly reviews with DCMS.

### Introduction

This governance statement is a summary of the arrangements for the stewardship of the National Heritage Memorial Fund, including how we manage risk and how we comply with the HMT Code of Good Practice for Central Government.

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

The National Heritage Memorial Fund and The National Lottery Heritage Fund are operated as a single entity as I believe that this is more efficient and effective. Consequently, there is one governance structure, and this statement covers the distribution of both grant-in-aid awards and National Lottery grants. Although we operate one overall governance structure, we have adapted and flexed our governance to meet the demands of our grant-in-aid programmes. This has been through using small panels of trustees and providing flexibility for some of our decision delegations.

### COVID-19 pandemic

The COVID-19 pandemic has continued to affect us significantly during 2021–22.

The pandemic has also had a continuing impact up the heritage sector including:

- loss of income from public health restrictions, impacting on visitor numbers, membership cancellation, commercial income
- reduced sponsorship and/or partnership funding
- delays to project in delivery
- increases in project costs
- adverse impacts on project delivery – furloughing of staff, the need to redirect and reprioritise resources
- resilience of the sector, especially in volunteer led/dependent organisations

# Report of the Trustees and Accounting Officer

- withdrawal of government sponsored support such as furlough provisions
- need to bolster reserves for longer term resilience
- availability of key skills and staffing
- need to adapt to digital ways of working

Our operating environment has been challenging and demanding, with our own organisation impacted by public health restrictions while also continuing to respond to the sector and support heritage across the UK. We have developed new partnerships and worked with different UK government departments, along with the devolved administrations in Northern Ireland and Wales.

We continued with delivery of our grant-in-aid programmes – both generally and COVID-19 specific response programmes. We also fully re-opened our National Lottery open programmes in 2021–22 with a specific focus on recovery and resilience.

Cashflow and liquidity continued to be key to the health and survival of the heritage sector. We were able to inject investment to maintain support for projects, help communities, protect jobs and ensure the survival of large parts of the sector that otherwise might have not succeeded in navigating the crisis. We were also able to provide over £25million in specific support to cover grant increases for existing projects to help cover cost pressures through, for example supplier failure and supply chain cost pressures.

I am pleased to report that our governance arrangements have allowed us not just to operate through the crisis but deliver a range of responses across the UK that have been pivotal in protecting the heritage sector.

During the year we commissioned a specific review of our own Business Continuity Plans and implementation within the Fund's operations. This concluded that our actions had been highly effective and well implemented and we will take forward the actions into refreshed plans and impact analyses in 2022–23.

The governance of the Fund has continued to be both resilient and flexible throughout the whole of the year.

## Framework agreement between DCMS and NHMF

During the year the Fund agreed a draft Framework Agreement with DCMS setting out our governance arrangements as an Arm's Length Body (ALB) of the department, our delegations, spending controls and wider operating arrangements. We expect this to be finalised in 2022–23.

## Governance review

As outlined in this statement, we commissioned an independent review of our internal governance in 2019–20. The Board expressed support for the findings and recommendations of the review, and the Legal and Governance team prepared an implementation plan for the main recommendations. We have now completed implementation of most of the recommendations and have ongoing plans for completion for all the recommendations. These include:

- **Moving to a smaller number of trustees in practice (9 or 10)**  
This is now in hand, several trustees have retired, some have been re-appointed.
- **The appointment of additional trustees to chair English area committees**  
We await these appointments with the aim of providing similar appointments or re-appointments to cover the Scotland, and Wales committees.
- **Developing skills matrices for trustees and committee members covering business, corporate governance and heritage skills**  
These are completed and have been used in our own and DCMS-led recruitment campaigns.
- **The close down of the Finance, Staffing and Resources Committee**  
This has been completed and we have moved its functions to the Board and Executive.

## Governance structure

The governance structure in NHMF during 2021–22 is set out in the diagram below. The Board and its sub-committees are as described, alongside the Executive and the Strategy and Performance Group.



## Board of Trustees

The Board is responsible for:

- giving strategic leadership and direction
- approving control mechanisms to safeguard public resources
- approving investment and administration budgets
- supervising the overall management of NHMF activities
- reporting on the stewardship of public funds

The Board operates as a group and held seven meetings during the year to set NHMF policy and make decisions in line with that policy. These meetings are attended by the Chief Executive and the executive directors. All Board meetings held in 2021–22 were quorate.

Dr Simon Thurley CBE is chair of the Fund and throughout the year regular liaison meetings were held between him, the Chief Executive and senior staff. The Board is legally constituted up to a maximum of 15 trustees, including the Chair. In 2021–22, three trustees were re-appointed and three trustees retired.

The overall attendance rate of trustees at Board meetings was 94%. 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.

Attendance at the Board meetings throughout 2021–22 was as follows:

| Trustee                                     | Eligible meetings | Meetings attended |
|---|-------------------|-------------------|
| Dr Simon Thurley CBE<br>from 1 April 2021   | 7                 | 7                 |
| Maria Adebawale-Schwarte                    | 7                 | 7                 |
| Baroness Kay Andrews OBE                    | 7                 | 6                 |
| Jim Dixon<br>to 30 June 2021                | 2                 | 2                 |
| Dr Claire Feehily                           | 7                 | 7                 |
| Sarah Flannigan<br>to 15 May 2021           | 1                 | 1                 |
| Perdita Hunt OBE DL<br>to 21 April 2021     | 0                 | 0                 |
| Ray Macfarlane                              | 7                 | 7                 |
| Mukesh Sharma MBE DL<br>from 31 August 2020 | 7                 | 6                 |
| Dr David Stocker                            | 7                 | 6                 |

During part of 2021–22 the former committee chairs of the English areas also attended the Board as observers.

In May 2022 it was confirmed that we would have three new trustees joining the Board – Julian Glover, Taryn Nixon and Carol Pyrah.

## Board composition

Of the 10 trustees who attended the Board throughout the year 60% were female and 40% were male. Two (20%) came from ethnic minority backgrounds.

## Board conflicts of interest

Trustees and staff are responsible for ensuring that their entries in the Register of Interests are maintained and updated as necessary. The Legal and Governance team oversee a process to ensure that these entries are updated each year. At the beginning of each Board meeting all Trustees and staff are asked to declare any potential conflict of interests. These are noted in the minutes where the matter is deemed to constitute a conflict and Trustees and staff remove themselves from Board discussions on those matters.

## 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 attends each Committee meeting with the Executive Directors of Business Delivery and Business Services and other senior staff attend as required. The Committee is

# Report of the Trustees and Accounting Officer

supported and serviced by the Fund's Legal and Governance Team. The Fund's external auditors (National Audit Office) and internal auditors (BDO) also attend the meetings. The Committee hold in-camera themselves before meetings and also private discussions with the auditors before the meetings.

In addition to trustees, non-executive independent members are also members of the Committee – these are David Michael and Carole Murray. Both members will retire from their roles on 30 June 2022 and will be replaced by new members with effect from 1 July 2022.

The Committee agreed a multi-year audit strategy with BDO upon their appointment and the reviews carried out in 2021–22 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 agreed the Executive's recommendation for the extension of the contract with BDO, who have consequently been re-appointed as internal auditors. A refreshed strategic plan for internal audit was agreed within the year as was the one-year programme of work for 2022–23.

The Committee received internal audit reports during the year on:

- culture
- investment management system
- fraud risk assurance
- governance review implementation
- HR system
- grant making
- payroll

The Committee meeting minutes, and summary reports are shared with the Board and the Committee Chair verbally updates the Board on Committee business and decisions. The committee also received internal management reviews of business continuity plans and cyber security during the year.

The Committee reviews the Annual Reports and Accounts for both the National Heritage Memorial Fund and National Lottery Heritage Fund. During

2021–22 in addition to the above reports and accounts, the Committee also considered the following:

- the arrangements for risk management and business continuity during the crisis
- further reports on the Investment Management System
- fraud and alleged fraud cases including detailed fraud risk assessment and post evaluation assessment for our grant-in-aid programmes in the crisis
- procurement arrangements including any exceptions to normal procurement tenders

Attendance at the Committee meetings throughout 2021–22 was as follows:

| Trustee                                 | Eligible meetings | Meetings attended |
|---|-------------------|-------------------|
| Claire Feehily<br>Chair                 | 4                 | 4                 |
| Maria Adebawale-Schwarte                | 4                 | 2                 |
| Jim Dixon<br>to 30 June 2021            | 2                 | 2                 |
| Perdita Hunt OBE DL<br>to 21 April 2021 | 1                 | 0                 |
| David Michael                           | 4                 | 4                 |
| Carole Murray                           | 4                 | 4                 |

The Committee also conducted a self-assessment exercise on its effectiveness and drew up a short list of improvements for example using more deep dives on risk, improved induction for new members etc. These recommendations are being taken forward into practical implementation in 2022–23.

In 2021–22 we undertook a self-assessment of our compliance against Cabinet Office Functional Standards. We reported this to DCMS, informally benchmarked ourselves against other Lottery Distributors and provided the committee with an overall assessment.

Of the 11 Functional Standards applicable to the Fund we assessed ourselves (against the average assessment) as:

- Best against 2 standards
- Better against 4 standards
- Good against 3 standards
- Developing against 2 standards

The developing standards related to analysis and communication. Improvements will be included in our business plans for 2022–23.

A new suite of spending controls were introduced and the Fund ensured we remained compliant against these, and any exceptions are reported to the committee.

The chair of the committee also attends the DCMS Audit Chairs Forum providing feedback and further assurance to the Accounting Officer during the course of the year.

### **Nominations and Remuneration Committee**

The Committee did not meet in 2021–22.

### **Delegated grant decision making**

In 2021–22 the Board delegated some grant decision making to a subset of trustees acting as Board panels. This covered decisions for the following programmes:

- COVID-19 response funding and other grant-in-aid programmes funded by DCMS, DEFRA, the Welsh Government and the Northern Ireland Executive.

The Trustees have delegated their grant decision making responsibilities for certain types and values of Lottery awards to countries and in English areas. Following our internal re-organisation that came into effect in April 2019 there are six of these Committees (three countries and three English areas) and each contained a trustee. In addition to making grant decisions, these Committees provide advice to the Board on priorities within their area and act as advocates for the organisation's work as a Lottery distribution body. Chairs of Country and Area Committees met with the Board Chair and Chief Executive, along with senior staff during the year. The Executive Director (Business Delivery) attends each committee for each country and English area throughout the year.

Trustees have also delegated grant decision making for grants under £250,000 to staff, specifically Country and Area Directors in Countries and English Areas. 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.

### **Executive and Strategy & Performance Group (SPG)**

The Board delegate day-to-day management to the Chief Executive.

An Executive consisting of the Chief Executive and the three Executive Directors for each department came into effect in 2019 and has continued since. This Executive is responsible for wider strategic management issues and delivery of business in the Fund. The Executive meets weekly or fortnightly according to business need.

The Strategy and Performance Group consist of senior directors and staff across all three departments and have responsibility for horizon scanning, day-to-day performance management and corporate planning. The SPG met regularly and in several of these meetings the Executive also attended.

Each Executive Director provide reports to the Board on activities and issues within their remit.

In addition, at the start of each year, I issue a Letter of Responsibility to each Executive Director setting out their responsibilities and the need to operate within Fund, Cabinet Office and HM Treasury guidance and rules. At the end of each year I received signed Memorandums of Assurance from each Executive Director confirming their compliance or identifying any breaches. There was full compliance reported for 2021–22.

I also attend the Lottery Forum (a grouping of all the Lottery Distributors Chief Executives). This takes place and includes liaison with DCMS and the National Lottery Commission. The Executive Director (Business Services) also attends the equivalent forum for finance directors as well as the DCMS finance director meetings. Feedback and assurance is provided to me via those routes. We also meet regularly with DCMS sponsor team.

### **Business continuity arrangements**

In March 2020 we invoked our business continuity plans in response to the COVID-19 crisis. The Executive met as the Crisis Management Team twice weekly to oversee the response of the Fund, interactions with stakeholders and governments across the UK, as well as support the Board.

# Report of the Trustees and Accounting Officer

The Business Continuity Team met twice weekly, from April to June, to implement the detailed operational aspects of the business and our response plan. The composition of this team reflected the different teams across the department and different needs in the early stages of the pandemic.

Our business continuity arrangements worked as intended and there was no disruption to any part of business throughout the year.

These practices continued until February 2022 when all business continuity plans, and arrangements, were formally stood down.

## Organisational design and structure

During the year, as Chief Executive, I operated a three-department structure of:

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

The annual operating plan – the Business Plan – is developed each year alongside financial budgets and investment programme planning. Like previous years, this year we also integrated risk management into the business planning process closely. The Business Plan is discussed with our sponsor department DCMS.

DCMS set UK policy directions and financial directions with which we have complied in our Lottery activities. The Scottish and Welsh governments have also issued some policy directions with regard to Lottery activities in those countries and we have also complied with those. We also have policy directions from DCMS for England.

We operated in line with our draft Framework Agreement (as agreed by the Secretary of State) and Financial Memorandum between ourselves and DCMS. This is supplemented by regular meetings with DCMS officials and other National Lottery distributors. The priorities set out in the draft framework document sit alongside the UK and country Policy Directions.

## Strategic Funding Framework

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

Decisions on over 80% of all funding by The National Lottery Heritage Fund are made in Scotland, Northern Ireland, Wales and English areas. During the year we had a particular focus on:

- demonstrating and championing the economics, social and community impacts of heritage
- bringing together organisations working across heritage to share knowledge and resource
- encouraging and leading greater innovation and new income generating opportunities for heritage

Our overall approach includes:

- a major focus on nature, communities, and on ensuring everyone is able to enjoy heritage – three top priorities for people who responded to the consultation
- new models of investment, moving beyond grants to include loans and partnerships, designed to attract others to invest money alongside the National Lottery
- more support for commercial, sustainable approaches to tackling heritage that's in danger of being lost
- investment and support to help heritage organisations to be more financially sustainable
- a requirement for every heritage project that receives funding to be environmentally sustainable
- simpler, streamlined and more efficient funding
- greater engagement and support in communities that have in the past been less successful securing funding
- continued support for large-scale, iconic projects over £5 million

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

- National Lottery Grants for Heritage – open programmes for any type of heritage project from £3,000 – £5million
- funded and other campaigns designed to fulfil strategic needs or funding gaps
- joint funds to deliver strategic initiatives in partnership with other organisations, such as the Future Parks Accelerator partnership with the National Trust
- social investments such as impact funds and loans

This overall approach and portfolio reflect the extensive consultation exercise we undertook with National Lottery players and key stakeholders across the heritage sectors prior to the launch of the Strategic Funding Framework.

Early in 2020–21, we took the difficult decision to suspend the open programmes. This was done to allow us to develop and then deliver our Lottery-funded response to the crisis and to provide capacity to then deliver our grant-in-aid programmes in our Memorial Fund capacity. We re-opened these programmes in February 2021, and they have run for a full year in 2021–22. These had particular emphasis on the following:

- boost the local economy
- provide job creation and encourage skills development
- support local health and wellbeing
- strengthen the resilience of organisations in heritage
- ensure that local places and communities can thrive

In 2022–23 we expect to start work on the refresh of our Strategic Funding Framework with a view to have a new strategic approach to our investment for 2023 and beyond.

### **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 balance 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 2021–22, albeit adapted to fit the needs of the crisis.

The risk registers/assessments 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. During the course of the crisis we have adapted our risk reporting to the Board and to the Audit & Risk Committee to reflect the dynamic nature of risks, the external and internal risks from the crisis, trends, patterns and forward projections of risks.

The Board also reviewed its Risk Appetite for 2021–22 and continued to reflect greater appetite for business change and the need to be responsive to the risks posed by the pandemic.

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 crisis it was more important than ever to ensure that our investment reaches as widely into the community as possible be that through National Lottery or grant-in-aid funding.

To this end we are prepared to accept that some of the organisations to whom we give grants will not subsequently demonstrate full competence in the administration of that grant. We learn

# Report of the Trustees and Accounting Officer

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 2021–22 Trustees of NHMF considered the following to be the most significant areas of risk:

- Lottery income management through the crisis alongside our liquidity exposure, long-term funding projections and the ability to fund these and ensure our financial key performance indicators remain within our risk tolerance in terms of demand for awards, commitments (liabilities) and potential commitments (contingent liabilities) and cash held, as shown in the Performance Analysis on page 10
- that costs associated with our grant-in-aid work do not become fixed or have an adverse impact on our strategic cost base going forward
- our ability to provide immediate short term and longer-term investment into the sector ahead of wider governmental support schemes (like business loans, furlough etc.) and grant-in-aid investment programmes
- capacity and resilience within the sector to allow for such interventions to be effective
- our business continuity planning and implementation
- the wellbeing and mental health of our teams
- the challenges posed by the climate and ecological emergency
- developing the new investment management system
- handling economic uncertainty for our projects in terms of costs, inflation, supply chains, etc
- handling political risk across the UK
- managing the impacts on economic risks (inflation, supply chain stability) etc across our investment portfolio
- ensuring our data and insight is used to optimal effect
- ensuring we achieve cultural changes across the Fund to support the changes we have to deliver

Each of these risks has a risk owner at the Executive level charged with managing the risk and ensuring appropriate mitigation actions are undertaken. I believe we have effectively managed those risks throughout 2021–22.

## Approach to fraud and information risk

Trustees of NHMF has a fraud policy that is reviewed on an annual basis. All staff in NHMF undertake Fraud Awareness Training, this was refreshed for key staff in 2021–22. This focuses on fraud risk in grant giving and general fraud awareness.

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

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

In 2019–20, we undertook significant work to refresh our work in this area and to align to the Government Functional Standard on Fraud (GovS013: Counter Fraud). We improved guidance and policy in areas such as:

- fraud, bribery and corruption policy and response plan
- counter fraud strategy



- fraud risk assessment
- post event assurance
- our annual action plan

We saw a further embedding of this during 2021–22. As mentioned last year, we recognised and understood in the very initial stages in the crisis, the imperative from governments across the UK to ensure effective early interventions and especially cash injections into the cultural and wider heritage sectors. We also recognise the wider risk appetites for this outside of the Fund and worked alongside DCMS, DEFRA etc. to meet their requirements in this respect.

We also recognised and continue to recognise the increased risk to fraud and error that the COVID-19 crisis created. We have continued to use our existing robust anti-fraud arrangements and built on these with new tools and services from the Cabinet Office.

Each investment programme (National Lottery or grant-in-aid funded) was subject to a refreshed or new Fraud Risk Assessment completed by the Fund and verified by DCMS. Each programme also carried their own Post Event Assurance review (updated as necessary). The fraud and post event work have been independently reviewed for us by our internal auditor partners in BDO. Feedback from DCMS and Cabinet Office on our work has been positive and provided additional assurances.

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

In February 2022 we again achieved Cyber Security Plus accreditation.

### **Business critical models**

I consider we are compliant with the recommendations contained within the Macpherson Report. I judge that we utilise one business critical model – the cash flow forecast used for setting annual grant budgets out of our National Lottery income. We aim to ensure that we award the highest amount possible in terms of the level of grants without the risk of running out

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

We also developed a supplementary cash flow model in 2020–21 to help plan and manage Lottery cashflow and liquidity risks throughout the year. This has worked very well and been effective in managing risks and we have used this supplementary model in 2021–22, we expect to stand this down next year as the business risk closes.

In 2014–15, based on the main 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 2021–22 and indeed used this in modelling for our Lottery Income planning scenarios and assumptions. We reviewed the key ratios in 2021–22 and adapted these for the longer term. These will continue to be kept under review.

### **Board performance and effectiveness**

The most significant activity for the Board has been oversight of the Fund's response to the ongoing crisis from both a National Lottery and grant-in-aid perspective. The Board have had detailed and regular updates on all interventions and subsets of the Trustees have acted as decision makers in the grant-in-aid funded programmes in England, Wales and Northern Ireland.

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

The Board are satisfied that they continue to meet the requirements of HMT Corporate Governance Code.

There were no matters from the auditors put to the Audit and Risk Committee on behalf of the

# Report of the Trustees and Accounting Officer

Board that gave it cause for any concern. In consequence the Board believes that it can rely on the information and assurance provided by management for its decision making.

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

## The governance year

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

All staff have performance agreements set at the beginning of the year articulating their personal and corporate objectives for the year. These are linked to the Business Plan and our strategy. These are reviewed formally at mid-year and end-year reviews. I also hold informal meetings with Executive Directors on a one-to-one basis throughout the year. As mentioned, the Executive and Strategy and Performance Group teams 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 2022.

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 an overall audit strategy. Last year covered the third year of this period and all intended reviews were undertaken and completed on time. The annual plan is extracted from the audit strategy and linked into the risk register and risk appetite.

With BDO we introduced new quarterly liaison meetings with the internal auditors to help monitor progress against plan and redirect resources to emerging risks. These have continued to be used to monitor progress and delivery of the programme. We also introduced new controls several years ago to improve accountabilities on audit reviews and the implementation of internal audit recommendations. These have continued in 2021–22 and recommendations that were due to be implemented in 2021–22 have been implemented satisfactorily or there is a legitimate reason for the delay linked to COVID-19.

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

Our new Code of Conduct for staff and contractors was introduced in 2018, including areas such as:

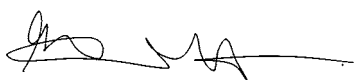
- the principles of service in public life
- conflicts of interest
- gifts and hospitality
- whistleblowing

The Code was publicised to all staff and placed on our Intranet. During the year we refreshed the conflicts guidance within the code and next year we will update all parts of the code. We also refreshed our Whistleblowing Policy in the year.

As mentioned above, Letters of Delegated Authorities/Responsibilities for all Executive Directors were introduced – setting out their delegated authorities (financial, procurement etc.) to be agreed at the start of the year to complement the memorandum at the year end. This cycle has been completed in 2021–22.

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

Following the Russian invasion of Ukraine we have ensured that we have no risks to our supply chains and that our investments (endowment) are compliant with the Government's policies on Russia and compliant with the sanction arrangements.



**Eilish McGuinness**

Chief Executive and Accounting Officer

13 July 2022

## 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 the Fund. In addition the Fund reimburses travel expenses of trustees when travelling from their homes to their office of employment in London, Edinburgh, Cardiff or Belfast – although the offices were closed for parts of 2021–22. The Fund also provided trustees and members of country and area committees with meals when they were holding meetings at their places of employment. The Fund met the tax liability on these expenses.

Our Governance Review in 2019 recommended changes to our remunerations for trustees and for members who sit on our country and area committees. This was to improve the attractiveness of the roles, to support our drive to diversify the composition of our Board and committees and to align the remuneration with equivalent roles in other Arm's-Length Bodies. In 2020, DCMS also agreed to changes in the remuneration of trustees. All these arrangements continued throughout 2021–22.

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

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

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

Trustees' remuneration was allocated between NHMF and its National Lottery distribution activities on the basis of 1%:99%. The total remuneration of trustees in 2021–22 was £154,418 (2020–21:£110,468). 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 executive directors.

# Report of the Trustees and Accounting Officer

## Remuneration of employees (audited information)

The remuneration of the Chief Executive and the Executive Directors is set out in the two tables below.

|   | Salary<br>2021–22<br>£'000 | Salary<br>2020–21<br>£'000 | Pension<br>benefits<br>accrued<br>during<br>2021–22<br>£'000 | Pension<br>benefits<br>accrued<br>during<br>2020–21<br>£'000 | Total<br>2021–22<br>£'000 | Total<br>2020–21<br>£'000 |
|---|----------------------------|----------------------------|--|--|---------------------------|---------------------------|
| Ros Kerslake CBE<br>Chief Executive and<br>Accounting Officer<br>to 31 December 2021  | 110–115*                   | 145–150                    | 44   | 57   | 150–155                   | 200–205                   |
| Eilish McGuinness<br>Chief Executive and<br>Accounting Officer<br>from 1 January 2022<br>Executive Director<br>Business Delivery<br>to 31 December 2021 | 115–120                    | 115–120                    | 92   | 54   | 205–210                   | 170–175                   |
| Colin Bailey<br>Executive Director<br>Business Services   | 110–115                    | 120–125                    | 41   | 45   | 150–155                   | 165–170                   |
| Isabel Hunt<br>Executive Director<br>Business Innovation & Insight  | 120–125                    | 125–130                    | 47   | 47   | 165–170                   | 170–175                   |
| Anne Jenkins<br>Executive Director<br>Business Delivery<br>from 10 January 2022   | 20–25**                    | 0                          | 61   | 0  | 80–85                     | 0                         |

\* The full-year equivalent of Ros Kerslake's salary in 2021–22 was in the band £145,000 to £150,000

\*\*The full-year equivalent of Anne Jenkins' salary in 2021–22 was in the band £105,000 to £110,000

|   | Real increase<br>in pension<br>and lump sum<br>£'000 | Total accrued<br>pension at<br>pension age<br>and lump sum<br>£'000 | Cash Equivalent<br>Transfer Value<br>(CETV) at<br>31/03/22<br>£'000 | CETV at<br>31/03/21<br>£'000 | Real increase in<br>CETV funded<br>by NHMF<br>£'000 |
|---|--|---|---|------------------------------|---|
| Ros Kerslake CBE<br>Chief Executive and<br>Accounting Officer<br>to 31 December 2021  | 2.5–5  | 15–20   | 317   | 277                          | 36  |
| Eilish McGuinness<br>Chief Executive and<br>Accounting Officer<br>from 1 January 2022<br>Executive Director<br>Business Delivery<br>to 31 December 2021 | 2.5–5 and<br>5–7.5<br>lump sum                       | 45–50 plus<br>130–135<br>lump sum                                   | 1,096   | 958                          | 77  |
| Colin Bailey<br>Executive Director<br>Business Services   | 0–2.5  | 15–20   | 288   | 243                          | 25  |
| Isabel Hunt<br>Executive Director<br>Business Innovation & Insight  | 2.5–5  | 5–10  | 92  | 53                           | 29  |
| Anne Jenkins<br>Executive Director<br>Business Delivery<br>from 10 January 2022   | 2.5–5 and<br>5–7.5<br>lump sum                       | 35–40 plus<br>80–85<br>lump sum                                     | 775   | 712                          | 57  |

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.

| Chair and Trustees   | 2021–22<br>£'000 | 2020–21<br>£'000 |
|--|------------------|------------------|
| René Olivieri<br>Interim Chair from 1 January 2020<br>to 31 March 2021 | 0                | 5–10             |
| Dr Simon Thurley<br>Chair from 1 April 2021                            | 40–45            | 0                |
| Maria Adebowale-Schwarte   | 10–15            | 5–10             |
| Baroness Kay Andrews OBE   | 20–25            | 20–25            |
| Jim Dixon<br>to 30 June 2021   | 0–5              | 5–10             |
| Dr Claire Feehily  | 15–20            | 5–10             |
| Sarah Flannigan<br>to 15 May 2021                                      | 0–5              | 5–10             |
| Perdita Hunt OBE DL<br>to 21 April 2021                                | 0–5              | 5–10             |
| Ray Macfarlane   | 20–25            | 20–25            |
| Mukesh Sharma MBE DL   | 20–25            | 10–15            |
| Dr David Stocker   | 10–15            | 5–10             |

No bonuses were paid to senior management in the year under review or the comparative year.

### 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.

All senior staff roles had permanent contracts of employment and all were ordinary members of the Principal Civil Service Pension Scheme (PCSPS) or alpha. Their costs were allocated between The National Lottery Heritage Fund and NHMF on the basis of 99%:1% (2020–21: 99%:1%).

### Remuneration ratio (audited information)

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

The annualised banded remuneration of the highest paid executive director in 2021–22 was £145,000 to £150,000 and in 2020–21 it was £145,000 to £150,000. This was about 4.5 times (2020–21: 4 times) the median remuneration of the workforce, which was £31,126 (2020–21: £36,828). There were no employees who received remuneration in excess of the highest paid executive director. Remuneration ranged from £5,800 to a banding of £145,000–£150,000 (2020–21: £18,180 to a banding of £145,000–£150,000).

In line with the pay remit, all colleagues earning less than £24,000 per annum received an award of £250 this year. This was consolidated and added onto their normal salary.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

We are also required to disclose the ratio of the Chief Executive's total remuneration as

# Report of the Trustees and Accounting Officer

compared to the 25th, 50th and 75th percentile full time equivalent of staff pay. This information is disclosed below.

|                 | £             | Ratio      |
|-----------------|---------------|------------|
| 25th percentile | <b>41,265</b> | <b>3.4</b> |
| 50th percentile | <b>31,126</b> | <b>4.5</b> |
| 75th percentile | <b>23,551</b> | <b>5.9</b> |

## Exit packages (audited information)

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

The Fund did not incur any such packages in 2021–22 (2020–21: nil).

## Staff costs and numbers (audited information)

|                            | 2021–22<br>£'000 | 2020–21<br>£'000 |
|----------------------------|------------------|------------------|
| Salaries                   | <b>10,300</b>    | 8,323            |
| Employer's NI payments     | <b>1,006</b>     | 736              |
| Payments to pension scheme | <b>2,693</b>     | 2,168            |
| Temporary staff costs      | <b>187</b>       | 360              |
|                            | <b>14,186</b>    | 11,587           |

Due to the way our systems operate we are not able to provide a breakdown of costs between staff on permanent contracts and those on fixed term contracts.

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

| 2021–22                                   | Business Delivery | Business Services | Business Innovation | Total      |
|---|-------------------|-------------------|---------------------|------------|
| Permanent staff                           | <b>154</b>        | <b>40</b>         | <b>40</b>           | <b>234</b> |
| Secondees, contract staff and apprentices | <b>21</b>         | <b>15</b>         | <b>7</b>            | <b>42</b>  |
| <b>Total</b>                              | <b>175</b>        | <b>55</b>         | <b>47</b>           | <b>276</b> |

| 2020–21                                   | Business Delivery | Business Services | Business Innovation | Total      |
|---|-------------------|-------------------|---------------------|------------|
| Permanent staff                           | 105               | 48                | 38                  | 191        |
| Secondees, contract staff and apprentices | 17                | 2                 | 1                   | 20         |
| <b>Total</b>                              | <b>122</b>        | <b>50</b>         | <b>39</b>           | <b>211</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 1/80th of final pensionable earnings for each year of service. In addition a lump sum equivalent to

three years of initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as per premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is 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 £27,779 (2020–21: £19,275) were paid to a panel of appointed stakeholder pension providers. NHMF makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the panel of providers. During 2018–19, the panel was reduced to one supplier, Legal & General.

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

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

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

# Report of the Trustees and Accounting Officer

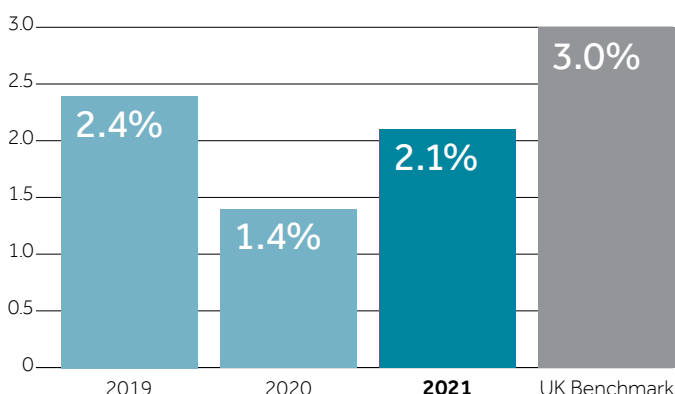
cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2021–22, employer’s contributions of £2,665,564 (2020–21: £2,148,789) excluding amounts paid to partnership pension schemes were paid to PCSPS and alpha at the rates set out as follows:

| Salary in 2021–22 | % in 2021–22 |
|-------------------|--------------|
| £23,000 and under | 26.6%        |
| £23,001–£45,500   | 27.1%        |
| £45,501–£77,000   | 27.9%        |
| £77,001 and above | 30.3%        |

## Absence management

Sickness absence levels across the Fund were 2.1% in the year. This is higher than the previous year and remains below the comparable public sector UK wide benchmark from the Office of National Statistics (ONS).

### Absence levels



The UK benchmark level quoted in the above chart is the national average for the Civil Service taken from Office for National Statistics.

Part of this increase was attributable to a small number of long-term absences and part is also attributable to infections from waves of COVID-19 as well as general ill health causes.

As part of our response to the Covid crisis we introduced a comprehensive mental health and wellbeing programme for staff, and this continued in 2021–22 as did the provision of influenza vaccinations for all staff who were also encouraged to take COVID-19 vaccinations and boosters.

## Employee engagement and consultation

We continue to regularly engage and inform our staff in discussions on our strategic direction and operational matters. All staff receive daily news digests, weekly newsletters and intranet articles updating them with news and we have active, popular social media channels and discussion groups.

The Fund also meets monthly with our trade union partners (FDA and PCS). Further information about our trade union activity is in the section ‘The Trade Union (Facility Time Publication Requirements) Regulations 2017’.

We have continued to run Check-In Surveys throughout the year to ensure staff were able to provide feedback on our response to the pandemic, making sure they had the information they needed and support of management.

These had strong participation rates and the feedback from staff was very positive in terms of support and help available. We chose not to run a full survey in the year because of the crisis and will instead run that again in summer 2022.

In addition, we have run a series of All Staff meetings, held virtually, throughout the year to keep staff up to date on business issues, our grant programmes and our external and internal responses to the crisis. These have been well attended; to accompany these meetings we also ran open questionnaires to allow staff to ask questions or raises issues ahead of and in the staff meetings. These have proved to be successful.

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

Under this statutory instrument, we are required to disclose information about trade union facility time and relevant employee expenditure for the year 2021–22. This information covers both our grant-in-aid and National Lottery distribution activities.



## Trade Union Facility Time

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

### Trade union representatives and full-time equivalents

|                                 | Number of representatives |
|---------------------------------|---------------------------|
| Trade union representatives     | <b>18</b>                 |
| FTE trade union representatives | <b>16.21</b>              |

### Percentage of working hours spent on facility time

| Percentage of working hours | Number of representatives |
|-----------------------------|---------------------------|
| 0%                          | <b>0</b>                  |
| 1–50%                       | <b>18</b>                 |
| 51%–99%                     | <b>0</b>                  |
| 100%                        | <b>0</b>                  |

### Total pay bill and facility time costs

|  |              |
|--|--------------|
| Total cost of facility time              | £26,065      |
| Total pay bill                           | £14,236,727  |
| Percentage of pay spent on facility time | <b>0.18%</b> |

### Paid trade union activities

|  |             |
|--|-------------|
| Hours spent on paid facility time  | 1,043       |
| Percentage of total paid facility time hours spent on paid TU activities | <b>7.0%</b> |

## Equality and diversity and employment monitoring

Equality, Diversity and Inclusion (EDI) are a central part of our work in grant-giving as well as core to our governance and workforce. They are also core to our values and to our behaviours.

During the year we continued to deliver and implement our Workforce Diversity Action Plan

that we drew up in 2019–20 and also ongoing Disability Action Plan.

As part of its commitment to EDI, the Fund welcomes and promotes applications for roles from persons with a disability. We remain a Disability Confident employer and promote this in our recruitment portals and literature. We maintained our recruitment frameworks, policies and procedures at the end of 2020–21 and these reflected our wider EDI commitment including a commitment to disabled applicants and colleagues. We make reasonable adjustments for all applicants at interview and in the selection process.

For candidates who are successful and join us and also existing employees, we make reasonable adjustments for working in the Fund including the roles, working environment, specialist adjustments etc. The Fund is compliant with its obligations under the Equality Act 2010.

Furthermore the Fund also uses a specialist occupational health referral system and specialist contractor to provide detailed advice, guidance and support for all staff. In addition the Fund also provides an Employee Assistance Programme available to all staff 365 days a year, 24 hours a day. The Fund has been very aware of the challenges to staff mental health and wellbeing throughout the COVID-19 crisis and the risks of so-called 'hidden disabilities'.

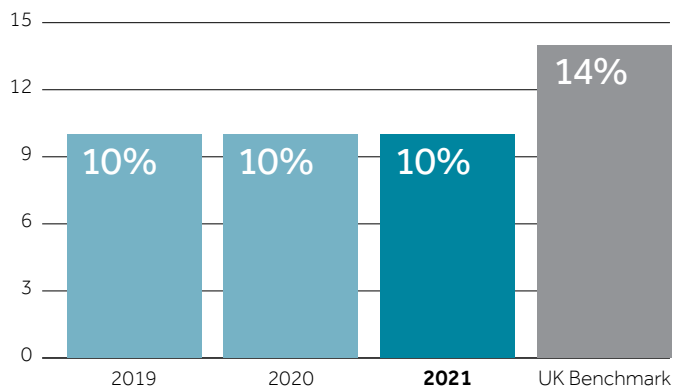
During the year we continued our partnership with Leonard Cheshire in their Change 100 programme. Change 100 is their flagship programme of paid summer work placements, professional development and mentoring. It aims to remove barriers experienced by disabled people in the workplace, to allow them to achieve their potential.

We continued our strategic partnership with the Windsor Fellowship and created more posts for graduates to work with us for a year and develop career opportunities in heritage. Our second cohort of fellows started in the year.

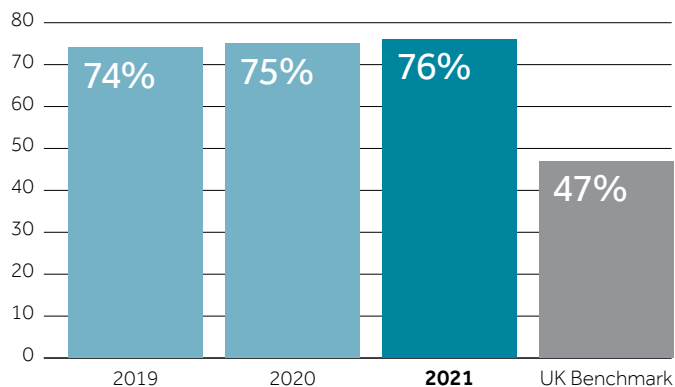
We also implemented a partnership with 2027 in Scotland. This is a year-long programme with fully salaried roles and professional development to help people from diverse backgrounds begin a career on grant-giving organisations.

# Report of the Trustees and Accounting Officer

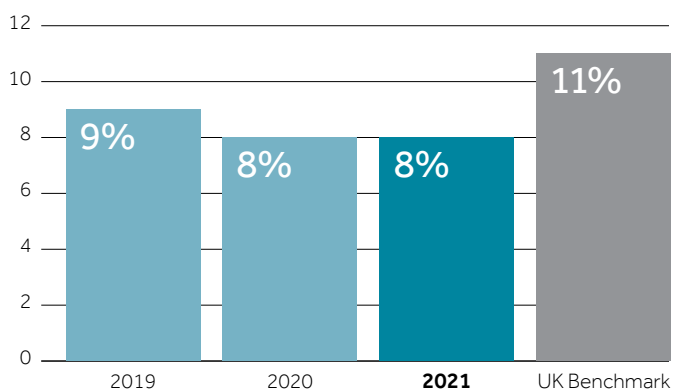
## Ethnic diversity: BAME staff in the workforce



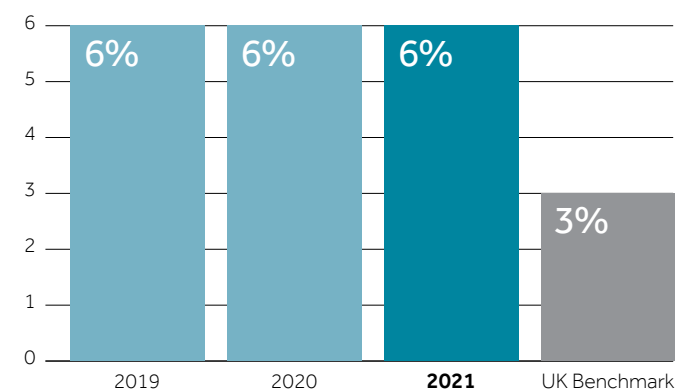
## Gender diversity: Women in the workforce



## Disability diversity: Disability in the workforce



## Sexual orientation diversity: LGBTQ+ in the workforce



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

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

We also launched Staff Network Groups in 2021–22 for a range of staff with different diversity interests, each of these is sponsored by a senior leader from across the Fund.

We also recognise that we have scope to improve in this area too as a part of ongoing activities.

## Workforce diversity analysis

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

We continue to recognise that in some areas our workforce is not as diverse in comparison with national levels, and we acknowledge there are under-represented staff groups. We also continue to recognise wider heritage sector trends and barriers to entry, unconscious or conscious, that all have impacts on the shape of our workforce. We have, as a result, continued to improve our HR management information system to assist in this work and allow staff direct access to their personal data to encourage full disclosure of information.

We have continued with our new recruitment processes and system based on our values and the accompanying policy to support this, with new guidelines on embedding EDI into our recruitment especially recruitment channels.

We will continue to focus on working towards our six core goals:

**Goal 1:** To improve diversity in recruitment

**Goal 2:** To improve the management of workforce diversity

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

**Goal 4:** To improve inclusion through enhanced staff support

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

**Goal 6:** To improve workforce diversity governance

The Fund complies with the Equality Act 2010 and our statutory duties under Section 75 of the Northern Ireland Act 1998. We continue to hold the Disability Confident award for recruitment.

## Health and safety at work

The COVID-19 crisis significantly changed our approach to health and safety throughout the year. Our primary objective was keeping all our staff safe and sound. Fortunately, we have continued to see relatively modest levels of infection throughout the Fund. Throughout the year we provided updates and frequently asked questions to staff in line with the public health guidance that applied across all parts of the UK, and this was regularly refreshed throughout the year. We provided additional support materials to line managers to help look after their teams and continued with over 30 mental health and wellbeing initiatives for staff during the year.

The Fund's offices re-opened in the summer of 2021, and we saw a graduated return to staff working in offices and workplaces until the winter. This was abated with the Omicron outbreak over part of the winter and the public health regulations that were then implemented. We have subsequently lifted all restrictions for our offices and our staff have resumed returning to offices and workplaces. We continued to meet DSE requirements for all staff who have worked at home during the year including ongoing training.

The Fund also provided flu jabs to all staff as part of our commitment to wellbeing and wider health.

## Human capital management

The Fund has an agreed policy with our recognised trade unions. Reward and recognition for pay matters operates within that framework. The pay award for 2021 was also compliant with the applicable Civil Service Pay Remit for that year and was approved by our sponsor department, DCMS. The Fund developed a new performance management framework for all staff in 2020–21 and this continued throughout the last year.

In addition, the Fund also continued delivery of our Workforce Development Strategy for all staff, line managers and leaders in the year that began delivery in 2020–21; including 108 training sessions offered over 65 working days with in excess of 1240 attendees at those events. We ran five corporate induction events with a 100% assessment rating from attendees at those events of being 'very

# Report of the Trustees and Accounting Officer

useful' or 'useful'. 16 'learning bite' training modules were also taken up by staff.

## Staff turnover

In 2021–22 we had 54 staff leave the Fund; this represents a little over 16% of our average staffing levels during the year. This rate of churn is higher than the longer term average of c15% and is reflective of the higher levels of staffing through the year we had because of additional staff taken on to handle our grant-in-aid work, many of whom were on fixed term contracts.

The equivalent departures in 2020–21 were 26 (9%) – that represented a lower than normal figure because of the COVID-19 crisis. The Fund recognises the balance between healthy staff retention rates and bringing in new talent and people into the Fund.

## Expenditure on consultancy

NHMF spent £96,000 on consultants in 2021–22 (2020–21: £447,000) as part of its National Lottery distribution activities. NHMF has used the definitions of consultancy as contained in the latest version of Spending Controls as issued by the Cabinet Office.

## 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

There were no instances of whistleblowing in the year.

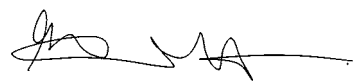
## Tax arrangements of public sector employees

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

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

## Pension liabilities

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



**Eilish McGuinness**

Chief Executive and Accounting Officer

13 July 2022

## The certificate and report of the Comptroller and Auditor General to the Houses of 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 2022 under the National Lottery etc Act 1993.

The financial statements comprise the National Heritage Memorial Fund's Lottery Distribution Activities':

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the National Heritage Memorial Fund's Lottery Distribution Activities' affairs as at 31 March 2022 and its surplus for the year then ended; and
- 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law 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 2019'. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the National Heritage Memorial Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

In auditing the financial statements, I have concluded that the National Heritage Memorial Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the National Heritage Memorial Fund's Lottery Distribution Activities' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the National Heritage Memorial Fund's Lottery Distribution Activities is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis

# Report of the Trustees and Accounting Officer

of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the National Lottery etc Act 1993.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc Act 1993; and
- the information given in the Performance and Accountability Reports for the financial

year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

## Matters on which I report by exception

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 material misstatements in the Performance and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the National Heritage Memorial Fund 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the Trustees and Accounting Officer are responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;

- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the National Heritage Memorial Fund's Lottery Distribution Activities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the National Heritage Memorial Fund's Lottery Distribution Activities will not continue to be provided in the future.

### **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 etc Act 1993.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

### **Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud**

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### **Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud**

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the National Heritage Memorial Fund Lottery Distribution Activities' accounting policies.
- Inquiring of management, the National Heritage Memorial Fund's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the National Heritage Memorial Fund's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the National Heritage Memorial Fund's controls relating to the National Heritage Memorial Fund's Lottery Distribution Activities' compliance with the National Lottery etc Act 1993 and Managing Public Money.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the National Heritage Memorial Fund's Lottery Distribution Activities for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

# Report of the Trustees and Accounting Officer

I also obtained an understanding of the National Heritage Memorial Fund's Lottery Distribution Activities' framework of authority as well as other legal and regulatory frameworks in which the National Heritage Memorial Fund operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the National Heritage Memorial Fund. The key laws and regulations I considered in this context included The National Lottery Act etc. 1993, Managing Public Money, relevant employment law and tax legislation'

## Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, and the Audit Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

## Other auditor's responsibilities

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.

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.

## Report

I have no observations to make on these financial statements.

## Gareth Davies

Comptroller and Auditor General

14 July 2022

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



# The Financial Statements

# The financial statements

## Statement of comprehensive net income

for the year ended 31 March 2022

|  | Notes      | £'000            | 2021-22<br>£'000 | 2020-21<br>£'000 |
|--|------------|------------------|------------------|------------------|
| Proceeds from The National Lottery                                     | 10         | <b>361,550</b>   |                  | 362,755          |
| NLDF investment income   | 10         | <b>512</b>       |                  | 212              |
|  |            |                  | <b>362,062</b>   | 362,967          |
| Interest receivable  | 3          | <b>0</b>         |                  | 16               |
| Sundry income  | 2          | <b>29</b>        |                  | 111              |
| <b>Total income</b>  |            |                  | <b>362,091</b>   | 363,094          |
| New grant awards   | 12         | <b>(163,145)</b> |                  | (176,155)        |
| Award de-commitments   | 12         | <b>9,055</b>     |                  | 6,882            |
| Provision against loans to heritage organisations                      |            | <b>0</b>         |                  | (900)            |
|  |            |                  | <b>(154,090)</b> | (170,173)        |
| Staff costs  | 20         | <b>(14,186)</b>  |                  | (11,587)         |
| Depreciation and amortisation  | 6, 7 and 8 | <b>(1,388)</b>   |                  | (1,189)          |
| Other operating charges  | 4          | <b>(5,882)</b>   |                  | (5,496)          |
| <b>Total administration costs</b>                                      |            |                  | <b>(21,456)</b>  | (18,272)         |
| <b>Total expenditure</b>   |            |                  | <b>(175,546)</b> | (188,445)        |
| <b>Operating surplus</b>   |            |                  | <b>186,545</b>   | 174,649          |
| <b>Total comprehensive income<br/>for the year ended 31 March 2022</b> |            |                  | <b>186,545</b>   | 174,649          |

The notes on pages 50 to 66 form part of these accounts.

## Statement of changes in equity

for the year ended 31 March 2022

|                                     | Income and<br>expenditure<br>account<br>£'000 |
|-------------------------------------|---|
| Balance at 31 March 2020            | (526,648)                                     |
| Changes in equity in 2020–21        |   |
| Retained surplus                    | 174,649                                       |
| Balance at 31 March 2021            | (351,999)                                     |
| <b>Changes in equity in 2021–22</b> |   |
| Retained surplus                    | 186,545                                       |
| <b>Balance at 31 March 2022</b>     | <b>(165,454)</b>                              |

The notes on pages 50 to 66 form part of these accounts.

# The financial statements

## Statement of financial position

as at 31 March 2022

|   | Notes | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---|-------|------------------|------------------|
| <b>Non-current assets</b>                         |       |                  |                  |
| Intangible fixed assets                           | 6     | 1,190            | 1,158            |
| Right of use                                      | 8     | 305              | 807              |
| Property, plant and equipment                     | 7     | 396              | 1,015            |
| Loans to heritage organisations                   | 9     | 168              | 50               |
|   |       | <b>2,059</b>     | 3,030            |
| <b>Current assets</b>                             |       |                  |                  |
| Investments – balance at the NLDF                 | 10    | 427,088          | 328,748          |
| Trade and other receivables                       | 9     | 14,975           | 13,259           |
| Cash and cash equivalents                         |       | 10,008           | 4,537            |
|   |       | <b>452,071</b>   | 346,544          |
| <b>Total assets</b>                               |       | <b>454,130</b>   | 349,574          |
| <b>Current liabilities</b>                        |       |                  |                  |
| Administrative liabilities                        | 11    | (3,309)          | (4,798)          |
| Grant liabilities due within one year             | 12    | (214,173)        | (263,946)        |
| <b>Non-current assets plus net current assets</b> |       | <b>236,648</b>   | 80,830           |
| <b>Non-current liabilities</b>                    |       |                  |                  |
| Administrative liabilities                        | 11    | 0                | (318)            |
| Grant liabilities due in more than one year       | 12    | (402,102)        | (432,511)        |
| <b>Assets less liabilities</b>                    |       | <b>(165,454)</b> | (351,999)        |
| <b>Represented by:</b>                            |       |                  |                  |
| Income and expenditure account brought forward    |       | (351,999)        | (526,648)        |
| Movement in the year                              |       | 186,454          | 174,649          |
| Income and expenditure account carried forward    |       | (165,454)        | (351,999)        |

The notes on pages 50 to 66 form part of these accounts.

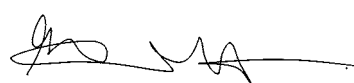
A comparative has been changed to reflect the separate identification of long-term loans.



**Dr Simon Thurley CBE**

Chair

13 July 2022



**Eilish McGuinness**

Chief Executive and Accounting Officer

## Statement of cash flows

for the year ended 31 March 2022

|   | Notes    | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---|----------|------------------|------------------|
| <b>Operating activities</b>                       |          |                  |                  |
| Cash drawn down from the NLDF                     | 10       | 263,722          | 343,183          |
| Cash from other sources including loan repayments | 2        | 29               | 111              |
| Cash from National Heritage Memorial Fund         |          | 14,450           | 0                |
| Cash paid to and on behalf of employees           |          | (17,649)         | (16,126)         |
| Interest received on bank accounts                |          | 0                | 16               |
| Cash paid to suppliers                            |          | (8,192)          | (9,671)          |
| Cash paid to grant and loan recipients            | 9 and 12 | (246,081)        | (315,422)        |
| <b>Net cash inflow from operating activities</b>  | 15a      | <b>6,279</b>     | 2,001            |
| <b>Investing activities</b>                       |          |                  |                  |
| Capital expenditure and investing activities      | 15b      | (299)            | (530)            |
| Financing activities                              | 15c      | (509)            | (487)            |
| <b>Increase in cash and cash equivalents</b>      |          | <b>5,471</b>     | 984              |

The notes on pages 50 to 66 form part of these accounts.

## Reconciliation of net cash flow to movement in net funds

for the year ended 31 March 2022

|   | Notes | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---|-------|------------------|------------------|
| Increase in cash and cash equivalents in the period |       | 5,471            | 984              |
| <b>Changes in cash and cash equivalents</b>         | 15d   | <b>5,471</b>     | 984              |
| Cash and cash equivalents at 1 April                |       | 4,537            | 3,553            |
| <b>Cash and cash equivalents at 31 March</b>        |       | <b>10,008</b>    | 4,537            |

The notes on pages 50 to 66 form part of these accounts.

# The financial statements

## Notes to the accounts

for the year ended 31 March 2022

### 1. Statement of accounting policies

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

#### a) Accounting convention

These accounts are drawn up in a form directed by the Secretary of State for DCMS and approved by HM Treasury. They are prepared under the modified historic cost convention. Without limiting the information given, the accounts meet the accounting and disclosure requirements contained in the Companies Act 2006 and the FREM, so far as those requirements are appropriate, and the accounts' direction issued by the Secretary of State for DCMS in April 2019.

The accounting treatments contained in the FREM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The National Lottery accounts' direction issued by the Secretary of State for DCMS specifically excludes the preparation of consolidated accounts.

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

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

The accounts have been prepared on a going concern basis because NHMF has no reason to believe that DCMS has plans to change the National Lottery distribution arrangements for

the heritage sector and so trustees assume that they will continue to receive funding from The National Lottery.

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

In addition to the above, because of the COVID-19 crisis we have continued weekly tracking of lottery income, payments out and our ongoing commitments. Subject to remaining events we are confident that our key performance measures and exposure in this area will remain within both acceptable ranges and our risk appetite – consistent with a going concern basis.

#### b) Non-current assets

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

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

In those circumstances where the remaining life of a property lease is less than four years, any refurbishment or non-movable equipment will be depreciated over the remaining life of the lease.

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

### c) Allocation of costs and segmental reporting

---

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

NHMF accounts separately for its National Lottery distribution activities, which it is required to do under its National Lottery accounts' direction. The accounts for NHMF include a note providing financial information separating our standard grant-in-aid distribution services from our distribution of COVID-19 emergency funding.

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% (2020–21: 99%).

### d) Taxation

---

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

### e) Pension

---

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

year. See the remuneration and staff report for further details.

### f) Leases

---

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

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

### g) Balances at the NLDF

---

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

### h) Grant decisions

---

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

# The financial statements

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

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

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

## i) Loans

---

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

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

## j) Joint grant schemes

---

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

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

## k) Apprenticeship levy

---

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



## l) Recognition of income from the National Lottery

Income received from the National Lottery is as advised to us by DCMS which controls the National Lottery Distribution Fund – the fund that all relevant National Lottery funds are paid into by Camelot and the fund from which we draw down sums we require for grant payments and administration payments. DCMS provides us with monthly reports on Lottery cash flows due to us and an annual certificate to enable us to produce year-end numbers on an accruals basis.

## m) Estimation uncertainty

The preparation of these accounts requires that senior management make estimates and assumptions that can affect the measurement of reported income, expenses, assets, liabilities and the disclosure of contingent liabilities. It can also affect the allocation of costs between our grant-in-aid and our Lottery distribution activities.

If these estimates and assumptions, which are based on senior management's best estimates at the date of the financial statements, deviate from actual circumstances in the future, the original estimates and assumptions will be updated in the period in which the circumstances change.

Our estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Provision on grant liabilities

Every year we make a provision against grant liabilities recognised in the accounts. This is made up of:

- known decommitments after year-end
- liabilities may be dead i.e. have had no grant payments or contact for years
- projects where the final payment has been made but not closed
- there is also a general provision applied to dormant projects that have had no payments or awards for a while

## Allocation of costs between our two main activities

The speed at which we had to deliver both our own emergency programmes and those on behalf of government departments meant that the normal method we use to allocate costs between our two activities – distributing grant-in-aid and distributing funds derived from the National Lottery – had to be amended. We created a time recording system for staff to indicate which programmes they were working on and based recharges of costs on that data. Staff were required to estimate how much time they spent on each programme during the past month.

Furthermore, the complexities and novelty of this system meant that some estimates were used by the compilers to improve the quality and perceived accuracy of the data. For subsequent years, we have improved the format of the database to increase acceptance and usage.

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

## 2. Sundry income

|                     | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---------------------|------------------|------------------|
| Repayment of grants | 28               | 101              |
| Sundry income       | 1                | 10               |
|                     | <b>29</b>        | <b>111</b>       |

## 3. Interest receivable

|  | 2021-22<br>£'000 | 2020-21<br>£'000 |
|--|------------------|------------------|
| Interest received from banks               | 0                | 16               |
| Loans to heritage organisations            | 0                | 0                |
| Sundry                                     | 0                | 0                |
| Provision against receipt of loan interest | 0                | 0                |
|  | <b>0</b>         | <b>16</b>        |

# The financial statements

## 4. Operating surplus

The operating surplus is stated after charging the following:

|   | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---|------------------|------------------|
| Auditor's remuneration  | 41               | 41               |
| Payments under operating leases<br>– hire of office equipment | 40               | 24               |

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

|   | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---|------------------|------------------|
| Accommodation                                     | 602              | 209              |
| Postage and telephone                             | 272              | 268              |
| Office supplies, print and stationery             | 33               | 17               |
| Travel, subsistence and hospitality<br>– trustees | 27               | 3                |
| – staff   | 219              | 11               |
| Professional fees<br>– grant-related              | 1,647            | 1,714            |
| – non-grant-related                               | 2,609            | 2,443            |
| Communications                                    | 132              | 379              |
| Office equipment                                  | 213              | 143              |
| Staff training                                    | 25               | 211              |
| Sundry expenses                                   | 103              | 98               |
|   | <b>5,882</b>     | <b>5,496</b>     |

## 5. Recharged costs

As mentioned in note 1, NHMF is required to disclose separately its National Lottery activities in its National Lottery distribution accounts. Many of the overhead costs incurred at the head office in London benefited both our grant-in-aid and National Lottery distribution activities. At the end of the financial year the proportion of joint costs apportioned to National Lottery distribution was 99% (2020–21: 99%). All grant-in-aid activities took place at the head office of St. Katharine Docks, London. The costs of operating all other offices are fully recharged to National Lottery distribution.

During 2021–22, NHMF continued to distribute large sums of money from various central government organisations as a response to the COVID-19 pandemic. In order to undertake this massive task, many staff that normally dealt exclusively with distributing National Lottery funds were co-opted to work at great speed to deliver these programmes. Rather than re-calculate the 99%:1% split for what will only be few years of frenzied activity, we simply identified the proportion of work undertaken by these staff on non-Lottery activities; calculated their value with reference to our pay scales and re-charged the various grant-in-aid supported programmes. We also calculated an associated overhead allocation as part of this recharge.

The total value of these recharges in 2021–22 was £5.0million.

Included in this recharge was a significant amount of depreciation on assets owned by our Lottery-distributing activities – because our fixed assets helped deliver the emergency programmes. This recharge is not reflected in the notes to the accounts relating to fixed assets (notes 6, 7 and 8) because it would entirely distort the narrative in the accounts of the National Heritage Memorial Fund (i.e. the depreciation charge would be much higher than the value of fixed assets). Consequently, the adjustment was put to other cost codes.

## 6. Intangible fixed assets

|                               | Website          |                  | Information technology |                  | Total            |                  |
|-------------------------------|------------------|------------------|------------------------|------------------|------------------|------------------|
|                               | 2021-22<br>£'000 | 2020-21<br>£'000 | 2021-22<br>£'000       | 2020-21<br>£'000 | 2021-22<br>£'000 | 2020-21<br>£'000 |
| Cost at start of year         | 582              | 582              | 3,313                  | 2,793            | 3,895            | 3,375            |
| Additions                     | 0                | 0                | 329                    | 524              | 329              | 524              |
| Disposals                     | 0                | 0                | 0                      | (4)              | 0                | (4)              |
| <b>At end of year</b>         | <b>582</b>       | <b>582</b>       | <b>3,642</b>           | <b>3,313</b>     | <b>4,224</b>     | <b>3,895</b>     |
| Amortisation at start of year | 512              | 486              | 2,225                  | 2,185            | 2,737            | 2,671            |
| Charge for the year           | 25               | 26               | 272                    | 40               | 297              | 66               |
| <b>At end of year</b>         | <b>537</b>       | <b>512</b>       | <b>2,497</b>           | <b>2,225</b>     | <b>3,034</b>     | <b>2,737</b>     |
| Net book value                |                  |                  |                        |                  |                  |                  |
| At start of year              | 70               | 96               | 1,088                  | 608              | 1,158            | 704              |
| <b>At end of year</b>         | <b>45</b>        | <b>70</b>        | <b>1,145</b>           | <b>1,088</b>     | <b>1,190</b>     | <b>1,158</b>     |

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

A review of the current cost values of intangible fixed assets at 31 March 2022 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            |                  |
|-------------------------------|--------------------------|------------------|------------------------|------------------|------------------|------------------|------------------|------------------|
|                               | 2021-22<br>£'000         | 2020-21<br>£'000 | 2021-22<br>£'000       | 2020-21<br>£'000 | 2021-22<br>£'000 | 2020-21<br>£'000 | 2021-22<br>£'000 | 2020-21<br>£'000 |
| Cost at start of year         | 1,152                    | 1,152            | 1,093                  | 1,093            | 59               | 59               | 2,304            | 2,304            |
| Additions                     | 0                        | 0                | 8                      | 0                | 0                | 0                | 6                | 0                |
| Disposals                     | (0)                      | (0)              | (2)                    | (0)              | (0)              | (0)              | (0)              | (0)              |
| <b>At end of year</b>         | <b>1,152</b>             | <b>1,152</b>     | <b>1,099</b>           | <b>1,093</b>     | <b>59</b>        | <b>59</b>        | <b>2,310</b>     | <b>2,304</b>     |
| Depreciation at start of year | 741                      | 481              | 519                    | 175              | 29               | 10               | 1,289            | 666              |
| Charge for the year           | 260                      | 260              | 346                    | 344              | 19               | 19               | 625              | 623              |
| Adjustment on disposal        | (0)                      | (0)              | (0)                    | (0)              | (0)              | (0)              | (0)              | (0)              |
| <b>At end of year</b>         | <b>1,001</b>             | <b>741</b>       | <b>865</b>             | <b>519</b>       | <b>48</b>        | <b>29</b>        | <b>1,914</b>     | <b>1,289</b>     |
| Net book value                |                          |                  |                        |                  |                  |                  |                  |                  |
| At start of year              | 411                      | 671              | 574                    | 918              | 30               | 49               | 1,015            | 1,638            |
| <b>At end of year</b>         | <b>151</b>               | <b>411</b>       | <b>234</b>             | <b>574</b>       | <b>11</b>        | <b>30</b>        | <b>396</b>       | <b>1,015</b>     |

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

Trustees have considered the current cost values of property, plant and equipment. A review of the current cost values at 31 March 2022 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 note 5).

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## 8. Right of use asset (IFRS 16)

International Financial Reporting Standard (IFRS) 16 (Leases) has been adopted from April 2019. This standard replaced International Accounting Standard 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 has been adopted using the modified retrospective approach, which does not require restatement of comparative information. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. It requires the recognition of a right of use asset on the statement of financial position representing the right to use the underlying leased asset together with a corresponding lease liability representing the obligation to make future lease payments.

The right of use assets on recognition in April 2019 were measured at an amount equal to the lease liability. The right of use asset and lease liability recognised in the statement of financial position were initially measured at the present value of future lease payments. Depreciation of right of use assets and interest on lease liabilities have been recognised in the statement of comprehensive net income. Rentals under operating leases were previously charged to the statement of comprehensive net income on a straight-line basis.

In April 2019, we took over an operating lease for part of International House in the borough of Tower Hamlets, London. The lease had a further three-and-a-half years to run at that point. We also had leases, with more than one year to run, for our offices in Cardiff, Newcastle and Nottingham. As with other joint overhead costs, the accounts of the National Heritage Memorial Fund reflect 1% of the cost of St. Katharine Docks with the other 99% being disclosed within our National Lottery distribution accounts.

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

Right of use asset:

|                                 | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---------------------------------|------------------|------------------|
| Balance at start of the year    | 807              | 1,297            |
| Creation of right to use asset  | 22               | 10               |
| Reduction of right to use asset | (58)             | 0                |
| Amortisation                    | (466)            | (500)            |
| Balance at close of year        | 305              | 807              |

## 9. Trade and other receivables

|                                 | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---------------------------------|------------------|------------------|
| Prepayments and accrued income  | 2,653            | 2,972            |
| Loans to heritage organisations | 413              | 50               |
| Other receivables               | 12,075           | 10,284           |
| Staff advances                  | 2                | 3                |
|                                 | 15,143           | 13,309           |

There were no sums due in more than one year except for the loans. Of the £413,000 balance, £168,000 (2020-21: £50,000) is due later than one year.

Of the above sums, £14,083,000 was owed by central government bodies. At the year-end, two members of staff had outstanding payroll advances (at 31 March 2021 there were four).

### Details of loans

#### Lakeland Arts

This is an interest-free loan repayable in amounts equivalent to 50% of the excess cashflow over £100,000 per annum until the full amount is repaid; with the first repayment due on 23 April 2024. It soon became apparent that the problems the loan recipient was suffering that led it to seek the loan were on-going. Hence, we considered it prudent to make a 100% provision against repayment. The pandemic has not led us to change our view. We will continue to work with the loan recipient to help them bring about the best possible outcome for their project in order to obtain repayment of the loan under the terms of the loan agreement.

#### Silverstone Heritage

These were two separate loans (£1.3million and £500,000) to Silverstone Heritage Limited for the Silverstone Heritage Experience and Collections and Research Centre. Both loans attracted an

interest rate of 5%. Silverstone is currently in difficulty due to loss of income due to the COVID-19 lockdown. It has been closed or operating at reduced capacity for the whole financial year and its income earned has been substantially reduced. As a result it was unable to make the first instalment of the £500,000 by the February 2021 deadline. The Board of Trustees agreed on 18 March 2021 to defer repayment of the loan until 2024. The interest rate was agreed to be reduced to 0%, so interest accrued has been written off. Subject to overcoming the crisis, restructuring debt repayments and rebuilding visitor numbers, it is possible that the loan amount can be revised upwards and a proportion repaid. Consequently, we have decided to make a 100% provision against this loan.

#### Dickens House

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

#### Wicksteed Charitable Trust

This is an interest-free loan to the trustees of the Wicksteed Charitable Trust. The amount of £169,000 was paid towards the management of the short-term VAT liabilities arising from the payment of capital expenditure. The loan is repayable in one lump sum in July 2022. We have no reason to believe that this sum will not be paid and so no provision is considered necessary.

#### The Florence Institute Trust Ltd

This is an interest-free loan to the trustees of The Florence Institute Trust Ltd. The amount of £93,500 was to help the Trust to recover from the impact of the COVID-19 pandemic and support its long-term resilience. The loan is repayable in instalments over 5 years from the date of payment, which was made in January 2022. We have no reason to believe that this sum will not be paid and so no provision is considered necessary.

#### The Aln Valley Railway Trust

This is an interest-free loan to the trustees of The Aln Valley Railway Trust. The amount of £100,000 was to help the Trust to recover from the impact of the COVID-19 pandemic and support its long-term resilience. The loan is repayable in instalments over 5 years from the date of payment, which was made in December 2021. We have no reason to believe that this sum will not be paid and so no provision is considered necessary.

| Loans                              | 2021–22<br>£'000 | 2020–21<br>£'000 |
|------------------------------------|------------------|------------------|
| Loans at start of year             | 50               | 972              |
| New loans                          | 363              | 0                |
| Loan repayments                    | 0                | 0                |
| Accrued Interest added to loan     | 0                | 0                |
| Provision against loan             | 0                | (900)            |
| Write off interest on loan         | 0                | (22)             |
| Provision against accrued interest | 0                | 0                |
| <b>Loans after provision</b>       | <b>413</b>       | <b>50</b>        |

The following loans, which were awarded in late March 2021, have not been paid yet because the necessary security agreement has not been completed. They will be paid once this is completed.

|  |          |
|--|----------|
| Strathspey Railway Company Limited           | £139,300 |
| Tyne and Wear Building Preservation Trust    | £120,000 |
| London Wildlife Trust                        | £86,200  |
| Kielder Observatory and Astronomical Society | £50,500  |

## 10. Investments

Movement in balances at the National Lottery Distribution Fund (NLDF):

|   | 2021–22<br>£'000 | 2020–21<br>£'000 |
|---|------------------|------------------|
| Current cost at start of year             | 328,748          | 308,964          |
| Income received from The National Lottery | 361,550          | 362,755          |
| Funds drawn down by NHMF                  | (63,722)         | (343,183)        |
| NLDF investment return                    | 512              | 212              |
| <b>Current cost at end of year</b>        | <b>427,088</b>   | <b>328,748</b>   |

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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.

Additional information on the assets above can be found in note 17 (Financial instruments).

## 11. Payables

|   | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---|------------------|------------------|
| Operating payables                                    | 921              | 822              |
| Other payables including taxation and social security | 665              | 635              |
| Accruals and deferred income                          | 1,723            | 3,659            |
|   | <b>3,309</b>     | 5,116            |

None of the liabilities of NHMF was secured. Of the sums disclosed above, £0 (2020-21: £318,000) relates to long term payables.

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

|                                       | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---------------------------------------|------------------|------------------|
| Balances owing to central government  | 721              | 635              |
| Balances owing to local authorities   | 0                | 0                |
| Balances owing to public corporations | 0                | 0                |
| Balances external to government       | 865              | 822              |
|                                       | <b>1,586</b>     | 1,457            |

## 12. Grant liabilities

|                                       | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---------------------------------------|------------------|------------------|
| Brought forward at start of year      | 696,457          | 842,606          |
| New liabilities created in the year   | 163,145          | 176,155          |
| Liabilities no longer recognised      | (9,055)          | (6,882)          |
| Grant payments                        | (234,272)        | (315,422)        |
| <b>Carried forward at end of year</b> | <b>616,275</b>   | 696,457          |

During the year, we distributed COVID-19 emergency grants on behalf of our sponsor department, the Department for Digital, Culture, Media & Sport (DCMS), as well as the Department for Environment, Food and Rural Affairs (DEFRA), the Welsh Government and the Northern Ireland Executive which are included within Memorial Fund grant liabilities. Hence the lottery grant liabilities have reduced significantly this year due to the increased focus on distributing emergency grant funds.

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

|                         | 2021-22<br>£'000 | 2020-21<br>£'000 |
|-------------------------|------------------|------------------|
| In one year             | 214,173          | 263,946          |
| In two years            | 144,467          | 182,626          |
| In three years          | 86,791           | 110,233          |
| In four years           | 45,738           | 59,623           |
| In five years           | 23,492           | 30,684           |
| In more than five years | 101,614          | 49,345           |
|                         | <b>616,275</b>   | 696,457          |

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

|                                       | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---------------------------------------|------------------|------------------|
| Balances owing to central government  | 47,194           | 64,526           |
| Balances owing to local authorities   | 259,798          | 304,676          |
| Balances owing to public corporations | 636              | 763              |
| Balances owing to NHS trusts          | 29               | 29               |
| Balances external to government       | 308,618          | 326,463          |
|                                       | <b>616,275</b>   | 696,457          |

At 31 March 2022, the above numbers included a provision of £6.7million (31 March 2021: £4.4million) for amounts we forecast may not be paid out in the coming years. We will work with our grantees to help them deliver their projects.

### 13. Contingent liabilities

#### Commitments

|   | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---|------------------|------------------|
| Brought forward at start of year              | 115,811          | 218,861          |
| Commitments made                              | 150,805          | 5,733            |
| De-commitments                                | (5,010)          | (15,562)         |
| New liabilities created in the year           | (60,613)         | (93,221)         |
| <b>Balance carried forward at end of year</b> | <b>200,993</b>   | <b>115,811</b>   |

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

The balance of contingent liabilities has increased in 2021-22 after falling significantly in the past few years exacerbated by the pandemic. Now that lottery open programmes are beginning to return to normal levels, we have seen the increase in contingent liabilities.

### 14. Lease commitments

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

Leases for our offices in London, Cardiff, Nottingham and Newcastle have been capitalised as right of use assets (see note 8). Our other offices are all in serviced offices.

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

|   | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---|------------------|------------------|
| <b>Short-leasehold property</b>                   |                  |                  |
| Not later than one year                           | 0                | 25               |
| Later than one year but not later than five years | 0                | 0                |
| Later than five years                             | 0                | 0                |
|   | <b>0</b>         | <b>25</b>        |

|   | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---|------------------|------------------|
| <b>Other leases</b>                               |                  |                  |
| Not later than one year                           | 16               | 21               |
| Later than one year but not later than five years | 0                | 4                |
| Later than five years                             | 0                | 0                |
|   | <b>16</b>        | <b>25</b>        |

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

Other leases refer to photocopiers and franking machines.

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

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## 15. Notes to the statement of cash flows

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

|   | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---|------------------|------------------|
| Operating surplus/(deficit)   | <b>186,545</b>   | 174,649          |
| Add back non-cash items:  |                  |                  |
| – depreciation and amortisation   | <b>1,388</b>     | 1,189            |
| – 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 in grant liability reserve   | <b>(80,182)</b>  | (146,149)        |
| – decrease/(increase) in balance at NLDF  | <b>(98,340)</b>  | (19,784)         |
| Increase in non-interest receivables  | <b>(1,834)</b>   | (6,836)          |
| Increase/(decrease) in non-capital payables                                     | <b>(1,298)</b>   | (1,068)          |
| Net cash inflow from operating activities                                       | <b>6,279</b>     | 2,001            |

### b) Capital expenditure and investing activities

|   | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---|------------------|------------------|
| Payments to acquire intangible fixed assets       | <b>293</b>       | 530              |
| Payments to acquire property, plant and equipment | <b>6</b>         | 0                |
|   | <b>299</b>       | 530              |

### c) Financing activities

|                     | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---------------------|------------------|------------------|
| Leasing liabilities | <b>509</b>       | 487              |

### d) Analysis of changes in net funds

|              | At<br>1 April<br>2021<br>£'000 | Cash flows<br>£'000 | At<br>31 March<br>2022<br>£'000 |
|--------------|--------------------------------|---------------------|---------------------------------|
| Cash at bank | 4,537                          | 5,471               | <b>10,008</b>                   |

## 16. Related party transactions

NHMF is a non-departmental public body sponsored by DCMS. DCMS is regarded as a related party.

During the year, NHMF (including its National Lottery distribution activities) has had various material transactions, other than grant awards, with DCMS itself and with five entities for which DCMS is regarded as the sponsor department – the National Lottery Community Fund, Sport England, UK Sport, Historic England, and the Arts Council of England.

As referenced in these accounts, NHMF has distributed funds on behalf of various government organisations; the Department for Environment, Food and Rural Affairs, the Welsh Government and the Northern Ireland Executive. For further information, please see the accounts of the National Heritage Memorial Fund as these were not funds derived from the National Lottery.

During 2021–22, we surrendered our lease for the Birmingham office from DCMS as a result of this the transaction has ended.

The National Lottery Community Fund contributed towards the grants made under our Parks for People programme and also towards the operating costs of the programme. At the year-end the National Lottery Community Fund owed NHMF £1,681,000, representing £49,000 for Parks for People operating costs and £1,632,000 for its share of Parks for People grant payments. There was a further amount due for the secondment of a member of our staff to the Lottery Forum. We also paid the National Lottery Community Fund for the provision of legal and procurement services. We paid it around £12,000 during the year and we owed £8,000 at the year-end.

Arts Council England repaid us for Great Place joint grant programme grant payments we made on their behalf. At the year-end it owed us £492,000 (£491,000 for grant payments and £1,000 for the joint monitoring costs for a project).

There was a transaction to a value of £15,000 with Historic England representing the secondment of one member of our staff. There was nothing owed at the year-end.



There was a transaction to a value of £12,000 with Sport England and £4,000 with UK Sport representing the secondment of a member of our staff to the Lottery Forum. At the year-end, Sport England owed us £3,000.

Outside the DCMS family of central Government sponsored bodies, there have also been material transactions with the Cabinet Office to the value of £8,000 for various administrative matters; nothing was owed at the year-end.

We recharged the costs of monitoring and mentoring certain grant-aided projects to arms of the Scottish government (Creative Scotland and Historic Environment Scotland). Billing totalled £4,000 in the year and £1,500 was owed by them at the year-end.

As set out on the pages below, Trustees of NHMF had interests in bodies to which NHMF made National Lottery grants. Similarly, members of country and area committees had interests in projects to which their committee made National Lottery grants or provided comments and made recommendations to the Board. Trustees and committee members are required to maintain a register of interests in heritage bodies, which is updated every year in conjunction with our Legal & Governance team. At the start of each committee or Board meeting, trustees and committee members declare any connection with applicants and absent themselves from any part of the meeting where that grant application is discussed. They take no part in the decision as to whether a grant is awarded nor are they involved in any discussion about that project prior to or subsequent to that grant decision. There are also strict rules on the circumstances in which trustees and committee members can accept paid work from a grantee. Therefore, trustees are satisfied that in no case did individuals have an influence on the decision-making process for those projects with which they have a connection.

In 2021–22 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.

### **There were twenty-seven awards where a member of a country or area committee declared an interest:**

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

A Development grant of £80,000 and potential delivery grant of £720,000 – Rathlin Acting for Tomorrow

Olive Hill declared an interest as she is Commissioner of Irish Lights (CIL) who lease the land to the Group (RSPB).

#### **University of Aberystwyth**

A Grant Increase of £1,378,700 to make a total grant of £11,111,000 – 12 Bywyd Newydd i'r Hen Goleg/New Life for Old College

Abigail Tweed declared a conflict of interest as she had worked on the project from an early stage as a former employee of Aberystwyth.

#### **Churches Conservation Trust**

A grant of £747,900 – The Canny Space at Holy Trinity Sunderland

Humphrey Welfare declared a conflict of interest as he was a former trustee of CCT and chaired advisory meeting which commented on the conservation aspects of the early stages of the Canny Space project.

#### **National Museums Liverpool**

A Development Grant of £2,958,900 and potential Delivery Grant of £6,971,100 – HHA2019 International Slavery Museum: Igniting Ideas and Action

Stephen Welsh declared a conflict of interest. As a freelancer he delivered several workshops and produced a report for NML earlier this year.

#### **Dudley Resourcing Churches Trust**

A grant of £524,100 – Renewing Top Church for the People of Dudley

Marion Blockley declared a conflict of interest as she was involved in an early stage of this application about two years ago.

#### **Norfolk County Council**

A Grant Increase of £1,372,100 to make a total grant of £10,128,900 – Norwich Castle: Gateway to Medieval England

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Helen Wilson declared a conflict of interest as she is on the Board of Norfolk Museums which included Norwich Castle.

## Plymouth City Council

A Development Grant of £921,500 and potential Delivery Grant of £8,660,600 – Plymouth Sound National Marine Park

Tamsin Daniel declared a conflict of interest as she works for Cornwall Council, who partly own one of the sites that would benefit from the award.

## Redruth Revival CIC

A Development Grant of £54,952 and potential Delivery grant of £2,500,017 – Heritage Enterprise – Redruth Buttermarket: Rediscovering the Market Town

Tamsin Daniel declared a conflict of interest as she works for the team at Cornwall Council involved in the redevelopment of the Buttermarket.

## South Hams District Council

A Development Grant of £220,900 and potential delivery grant of £2,092,400 – Life on the Edge

Caroline Kay declared a conflict of interest as she is a Board member of the National Trust, a partner in the application.

## RSPB Scotland

A Development Grant of £175,670 and potential Delivery Grant of £948,752 – Climate FORTH (Furthering our Resilience through Heritage)

Fiona McLean declared a conflict of interest as she is a member of the Board of Trustees of Historic Environment Scotland who are on the Project Board and Steering Group and providing additional support for the project. Although Fiona has had no direct involvement in the project, due to significant involvement of HES it was considered that this represented a conflict of interest.

Stuart Housden declared a conflict of interest as he was the Director of RSPB Scotland until 2017 and Executive Director of RSPB UK Wide until October 2017.

## Cornwall AONB

A Delivery grant of £489,700 – A Monumental Improvement: Cornwall through 4,000 years

Caroline Kay declared a conflict of interest as she is a Board member of the National Trust, a partner in the application.

## Bournemouth, Christchurch & Poole Council (as successor to Poole Borough Council)

A Grant increase of £230,000 to make a total grant of £1,584,200 and a change in grant percentage from 71% to 67% – The Discovery Project at Upton Country Park

Caroline Kay declared a conflict of interest as she is a Board member of the National Trust, a partner in the Future Parks Accelerator (of which BCP Council is a partner).

## Renfrewshire Council

A grant of £1,123,200 – Paisley Museum Re-imagined

Fiona McLean declared a conflict of interest as she is a member of the Board of Trustees at Historic Environment Scotland who took a decision on the project at the time.

## Abingdon Studios

An award of £10,000 – We're Still Here!

Catherine Mugonyi declared a conflict of interest as she is a director of an organisation (Aunty Social CIC) that is currently paying Abingdon Studios for some short term project work. She also foresees some personal involvement in the project as she possesses a number of Fylde Coast related LGBTQ+ archive items.

## Winchester Poetry Festival

An award of £9,100 – Poet on the High Street: a community heritage project for Winchester

Stephen Boyce declared a conflict of interest as he was a co-founder of Winchester Poetry festival in 2013 and is still a trustee.

## St Just and District Trust CIO

An award of £15,000 – St Just Ordinalia 2021

Tamsin Daniel declared a conflict of interest as her employer, Cornwall Council, has given a grant towards this project.

## Cornwall Council

An award of £149,900 – G7 Kernow – Cultural Programme

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

#### The Friends of Hardwick

An award of £8,000 – Hardwick Park Sedgefield – Bath & Banqueting Houses Restoration Revision 2 – Archaeological Surveys

Niall Hammond declared a conflict of interest as he is a trustee of the applicant charity the Friends of Hardwick Park.

#### Glasgow Building Preservation Trust

An award of £58,600 – My Historic Neighbourhood

Liz Davidson declared a conflict of interest as she is a Board member of Glasgow Building Preservation Trust.

#### Pandit Ram Sahai Sangit Vidyalaya (PRSSV)

An award of £97,100 – NEW HORIZONS: Accredited training opportunities to sustain a legacy for World Music heritage

Neena Sohal declared a conflict of interest as she is a project consultant and the main contact for this project.

#### Natural History Society of Northumbria

An award of £48,875 – How to be a Young North East Naturalist

Jim Cokill declared a conflict of interest as he is a member of the Society.

#### Scottish Environment LINK

An award of £159,049 – Nature for All

Stuart Housden declared a conflict of interest as he is a fellow of Scottish Environment LINK.

#### Cumbria Wildlife Trust Limited

An award of £250,000 – A Strategic Investment Plan for Nature Recovery across the North of England

Jim Cokill declared a conflict of interest as he attended some early meetings when Nature North was established.

#### National Centre for Writing Project

An award of £34,045 – Rooted

Helen Wilson declared a conflict of interest as she is on the Board of National Centre for Writing.

#### National Memorial Arboretum

An award of £249,210 – Lockdown Landscapes

John Everitt declared a conflict of interest as his part of a company who are a beneficiary of the project.

#### Herschel House Trust

An award of £60,710 – Herschel 200

Caroline Kay declared a conflict of interest as she is a previous CEO of Bath Preservation Trust/ Herschel House Trust (left April 2021).

#### Blackpool Council

A Grant increase of £249,999 to make a total grant of £4,249,999 – Blackpool Museum Project

Catherine Mugonyi declared a conflict of interest as she carried out some consultancy work for the project in January 22.

## 17. 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

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In 2021–22, £362million (99%) of NHMF's National Lottery distribution income derived from The National Lottery. The remaining income derived from investment returns on the balance held with the NLDF of £512,000 (0.1%) along with a small amount of grant repayments.

The trustees recognise that their grant liabilities and other payables significantly exceeded the value of funds in the NLDF at 31 March 2022. However, trustees consider that their National

# The financial statements

Lottery distribution activities are not exposed to significant liquidity risks as they are satisfied that they will have sufficient liquid resources within the NLDF and the bank to cover all likely grant payment requests in the coming years. Trustees have been informed by DCMS, most recently in March 2014, that it has no plans to change the National Lottery distribution arrangements for the heritage sector. Indeed, DCMS increased the heritage share of National Lottery good causes money to 20% from April 2012. Trustees have set a long-term grant award strategy to ensure that their National Lottery distribution liabilities are in line with assets and that trustees are able to meet in full their commitments. Thus, even if there were a long-term decline in National Lottery income, trustees would simply adjust annual grant budgets to compensate. The impact of the pandemic on National Lottery income has not been significant. Early indications of our National Lottery income in 2022–23 suggest that income will be at satisfactory levels. We accept that this is a small period to draw conclusions, but it does not suggest that we need to adjust our planning. We will, of course, continue to monitor the situation.

## Market and interest rate risk

The financial assets of NHMF's National Lottery distribution activities are invested in the NLDF, which invests in a narrow band of low-risk assets such as government bonds and cash. Trustees have no control over the investment of these funds. For these two reasons we have not carried out sensitivity analysis on market risks. At the date of the statement of financial position, the market value of our investments in the NLDF was £427million. We are informed by DCMS that funds at the NLDF earned on average 0.2% in the year (2020–21: 0.1%). Our cash balances, which are amounts drawn down from the NLDF to allow us to pay grants and operating costs, are held in instant-access variable-rate bank accounts, which carried an average interest rate of 0% in the year. The sharp decline in market interest rates in 2008, coupled with recent cuts as a result of the pandemic, has had a significant impact on investment returns interest rates.

|  | 2021–22<br>£'000 | 2020–21<br>£'000 |
|--|------------------|------------------|
| Cash balances                          |                  |                  |
| – sterling at floating interest rates  | 10,008           | 4,537            |
| – sterling at a mixture of fixed rates | 427,088          | 328,748          |
|  | <b>437,096</b>   | <b>333,285</b>   |

## Credit risk

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

## Foreign currency risk

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

## Financial assets by category

|  | 2021–22<br>£'000 | 2020–21<br>£'000 |
|--|------------------|------------------|
| Assets per the statement of financial position |                  |                  |
| – investments available for sale               | 427,088          | 328,748          |
| – cash and cash equivalents                    | 10,008           | 4,537            |
| – loans and receivables                        | 15,143           | 13,309           |
|  | <b>452,239</b>   | <b>346,594</b>   |

## Financial liabilities by category

|   | 2021-22<br>£'000 | 2020-21<br>£'000 |
|---|------------------|------------------|
| Liabilities per the statement of financial position |                  |                  |
| – other financial liabilities                       |                  |                  |
| • grant payables                                    | 616,275          | 696,457          |
| • operating payables                                | 921              | 822              |
| • other payables                                    | 665              | 635              |
| • accruals  | 1,723            | 3,659            |
|   | <b>619,584</b>   | <b>701,573</b>   |

## Fair values

Set out below is a comparison, by category, of book values and fair values of The National Lottery Heritage Fund's financial assets and liabilities as at 31 March 2022.

### Financial assets at 31 March 2022

|                          | Book value<br>£'000 | Fair value<br>£'000 |
|--------------------------|---------------------|---------------------|
| Cash <sup>1</sup>        | 10,008              | 10,008              |
| Investments <sup>2</sup> | 427,088             | 427,088             |
| Receivables <sup>3</sup> | 15,143              | 15,143              |
|                          | <b>452,239</b>      | <b>452,239</b>      |

### Financial assets at 31 March 2021

|                          | Book value<br>£'000 | Fair value<br>£'000 |
|--------------------------|---------------------|---------------------|
| Cash <sup>1</sup>        | 4,537               | 4,537               |
| Investments <sup>2</sup> | 328,748             | 328,748             |
| Receivables <sup>3</sup> | 13,309              | 13,309              |
|                          | <b>346,594</b>      | <b>346,594</b>      |

### Financial liabilities at 31 March 2022

|                                 | Book value<br>£'000 | Fair value<br>£'000 |
|---------------------------------|---------------------|---------------------|
| Grant payables <sup>4</sup>     | 616,275             | 616,275             |
| Operating payables <sup>5</sup> | 921                 | 921                 |
| Other payables <sup>5</sup>     | 665                 | 665                 |
| Accruals <sup>5</sup>           | 1,723               | 1,723               |
|                                 | <b>619,584</b>      | <b>619,584</b>      |

### Financial liabilities at 31 March 2021

|                                 | Book value<br>£'000 | Fair value<br>£'000 |
|---------------------------------|---------------------|---------------------|
| Grant payables <sup>4</sup>     | 696,457             | 696,457             |
| Operating payables <sup>5</sup> | 822                 | 822                 |
| Other payables <sup>5</sup>     | 635                 | 635                 |
| Accruals <sup>5</sup>           | 3,659               | 3,659               |
|                                 | <b>701,573</b>      | <b>701,573</b>      |

## Basis of fair valuation

- The figure here is the value of deposits with commercial banks. It is expected that book value equals fair value.
- Investments are controlled by the Secretary of State for DCMS. She or he provides the trustees with details of the book value and fair value of our balances at the date of the statement of financial position.
- No provision for bad debt is deemed necessary. None of the debts is long term other than long-term loans.
- While we disclose £402million of grant payables as not being due for payment until after one year in the statement of financial position, we have not made a fair value adjustment. Trustees have a contractual obligation to pay these amounts on demand, subject to contract, and so the amounts could be paid within the next 12 months if the underlying heritage projects proceed more quickly than anticipated.
- All payables are due within normal contractual terms, usually 14–30 days, and so no difference exists between book value and fair value.

## Maturity of financial liabilities

|  | 2021-22<br>£'000 | 2020-21<br>£'000 |
|--|------------------|------------------|
| In less than one year                    | 619,584          | 701,573          |
| 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>619,584</b>   | <b>701,573</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.

## 18. Statement of losses and special payments

The National Lottery Heritage Fund made losses through the write-off of five grants totalling £96,381 in the year (2020–21: five grants totalling £63,655).

## 19. Events after the reporting period

There were no events that occurred after 31 March 2022 up until the date the Accounting Officer signed these accounts that need to be disclosed. The financial statements were authorised for issue

# The financial statements

on 14 July 2022 by the trustees and Accounting Officer on the date they were certified by the Comptroller and Auditor General.

## 20. Staff costs

Staff costs for 2021–22 were as follows:

|                            | 2021–22<br>£'000 | 2020–21<br>£'000 |
|----------------------------|------------------|------------------|
| Salaries                   | <b>10,300</b>    | 8,323            |
| Employer's NI payments     | <b>1,006</b>     | 736              |
| Payments to pension scheme | <b>2,693</b>     | 2,168            |
| Temporary staff costs      | <b>187</b>       | 360              |
|                            | <b>14,186</b>    | 11,587           |

# Policy directions

# Policy directions

## UK Government

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

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

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

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

In 2021–22 we established the UK Heritage Pulse in partnership with Historic England and supported by The Department for Communities Northern Ireland, Wildlife and Countryside link and The Heritage Alliance. The UK Heritage Pulse is a collaborative insight project to help inform and shape approaches to heritage sector recovery following the pandemic, and to influence our funding priorities and strategy. The first survey focused on four key areas – confidence, COVID-19, staffing and strategic priorities, giving us invaluable insight into the issues and challenges for the sector across these areas. Pulse is showing us that heritage organisations have maintained their financial reserves through the Omicron wave of the pandemic, but that they face staffing and recruitment challenges that effect their ability to run major projects. We held a webinar with over

50 heritage organisations to discuss the results in March 2022.

In 2021 we undertook the second Digital Attitudes and Skills for Heritage (DASH) survey to provide a benchmark of digital skills and confidence and better understand the sector's development priorities, as part of our wider Digital Skills for Heritage (DSfH) initiative. The report was published in January 2022, and includes responses of 4,514 employees, volunteers and freelancers from 323 heritage organisations, representing all parts of the UK and across all types of heritage.

This year's survey shows that the sector has focused on using digital to keep working throughout the pandemic, and that support in relation to core business functions is still required. A more strategic shift in thinking about digital in the longer term is required and leadership teams and boards may require support in this. The researchers identified a positive link between the training provided as part of the DSfH initiative and increases in skills, especially in relation to social media use which was identified as a priority in the 2020 survey.

In response to this year's findings, we will be launching several new DSfH projects including training for organisations to develop digital business models and services, digital leadership development, networking opportunities for senior sector leaders and board members, and a new online learning hub.

Following our pioneering work in producing the 2014 and 2016 State of UK Public Parks reports, in 2021 we assisted the Association of Public Service Excellence in re-running the survey, which was published in March 2022. The survey shows that the state of UK public parks continues to decline despite huge increases in demand due to COVID-19. The research will help guide future investment by the Heritage Fund to deliver social, environmental and economic benefits.

Working with Wildlife and Countryside Link we supported re-running their survey of environmental charities in the UK, first run at the start of the COVID-19 pandemic in 2020. The new survey was published in August 2021 and warns of loss of income to many charities together with a stalling of projects aimed at supporting nature's recovery to meet Government targets.



We have worked in partnership with other funders and stakeholders to assess need, share insight and align our approach to inform funding for museums, archives and historic libraries. In February 2022, we launched our Dynamic Collections campaign. This responds to needs set out in the 2017 Mendoza review, as well as issues and innovation that have emerged through the pandemic. This funding is closely aligned with Arts Council England's Unlocking Collections scheme, and we are developing work with key stakeholders in all countries to share knowledge and provide sector support as part of the campaign.

We met regularly with funders and stakeholders in the Museums, Libraries and Archives sector to gain insight and assess need. We also sat on a wide range of sector groups including the Unlocking Archives Working Group, the Museums Workforce Group, Heritage, Museums and Collections at Risk, Museums Organisations, and a group looking at museums data in Northern Ireland.

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

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

Our six country and area committees are appointed through open recruitment to provide a diversity and a wide range of skills, knowledge and experience as well as geographical spread across all three areas. The Committees make decisions on grants £250,000 to £5million.

The Fund's 13 Areas of Focus are guided by a vision to put heritage at the heart of thriving communities and places. These 13 Areas have historically received less of our funding per capita, and rank high on multiple Indices of Deprivation. Since 2019, Engagement teams have worked strategically with stakeholders in each Area to identify and address local needs and aspirations through heritage. The delivery potential for each Area relies heavily on the capacity & engagement of existing culture/heritage or Council for Voluntary Service infrastructure, and in many cases has been further complicated by the effect of the pandemic on key partners such as Local Authorities. Despite this challenge, there has been good progress involving local communities

in conversations and decision-making about their heritage. This includes:

- Locally organised, well attended Heritage Fora, for example in Luton, North East Lincolnshire and North Lanarkshire. These Fora are incubators for heritage ideas, partnerships, and resources/support to make bids to Heritage Fund and other funders. Often they can be a first step towards more established community steering groups, and are sometimes linked to Community Grants programmes, such as the forum run by One Knowsley
- Community steering and decision-making panels for Heritage Fund Third Party grant programmes, such as in Newham and Enfield. These are Areas where heritage fora were already partially established, and in one case (Newham) existing local experience of community-led grant-making
- Crowdfunded heritage activity taking place in Walsall, through the Crowdfund Walsall platform
- Support for new heritage services, policies and programmes that involve local communities in consultation. This support is delivered through our Open Programme, or through discrete commissioning. This includes: a Heritage Action Plan in Walsall (in tandem with community grants); Heritage Strategies in Rhondda Cynon Taf and Neath Port Talbot, Heritage Service Options Appraisals and Design (Enfield and Newham)

As there are no Areas of Focus in Northern Ireland, we have funded a project to ensure underserved communities can access funding and support through the Rural Community Network. We also funded Thrive, Northern Ireland's cultural audience development agency, to set up Culture Beyond Covid for Heritage: The Heritage Panel. They talked to people across Northern Ireland about their lives and how the role of heritage in their lives has been impacted by COVID-19. The key insights are being shared with the Northern Ireland heritage sector, helping heritage organisations to plan for audiences returning by understanding their needs and shaping communications, programming and resources to ensure people, feel safe and re-engage with heritage.

# Policy directions

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

We recognise the current under representation in heritage of many people and communities with protected characteristics in Equality Act 2010 legislation. The pandemic has had disproportionate impacts on people and communities already experiencing limited access to heritage, for example through disability or poverty.

Our mandatory 'a wider range of people will be involved in heritage' outcome continues to ensure all projects that we fund look to broaden their audiences through their project or engage existing audiences in the case of organisations focussed on working with people from groups currently underserved by heritage.

In our external communications throughout the year, we have highlighted the role of increased heritage participation for underserved communities, including the achievements of Sheffield Environmental Movement in engaging a wide range of minority communities including refugees across North-East England. These activities have included residential opportunities for over 70 people with enjoyable, safe access to Peak District National Park.

We have contributed to work on access, equity and diversity in the heritage and related sectors. The Fund has been an active member of the Centre for Cultural Value Policy Reference Group, supporting research on COVID-19 impact across the cultural sector. Fund data and evidence has contributed to this influential UK pandemic impact research. Three key findings across the broader cultural sector are of strategic significance to the Fund's work to increase access to and participation in heritage:

- **Audiences:** Despite the rapid take-up of vaccines, the population's confidence in returning to cultural venues has remained stubbornly low throughout 2021. While the shift to digital transformed cultural experiences for those already engaged with cultural activities, it failed to diversify cultural audiences.

- **Workforce:** The UK's cultural sector is facing significant skills and workforce gaps. The pandemic held a mirror up to a deeply unequal cultural sector. Its impact was not experienced evenly across the sector, with younger workers, women and workers from ethnically diverse backgrounds among the hardest hit in terms of losing work and income. For freelancers, who make up a significant part of the cultural workforce, the impact was major and sometimes devastating.
- **Organisations:** Networks played a key role in building resilience and, in light of the pandemic and Black Lives Matter, many cultural organisations re-evaluated their relevance to local communities. This was complemented by an increase of hyperlocal engagement due to lockdown restrictions on travel and behaviour. (Centre for Cultural Value.)

As an active contributor to DCMS convened Tackling Loneliness Network, The Fund continues to contribute heritage sector evidence on the power of heritage engagement to bring people and communities together.

The Heritage Fund contributed evidence to the report 'Out of Bounds: Equity in Access to Urban Nature', co-authored with sector stakeholders and partners including Groundwork, Mind, RSPB, YHA, the report emphasises the role of cross sector partnerships in improving equity. The report has been widely promoted and is influencing the wider heritage sector, including the transformational projects awarded a total of £50million through our Heritage Horizon Awards, in building sustainable and inclusive business practices.

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

The 12 projects funded through our large-scale targeted youth programme, Kick the Dust, completed their fourth year of delivery in 2021–22. These projects have engaged thousands of young people from across the UK over the last year, with many from under-represented groups taking part. For example, our evaluation shows 27% of participants identified as Asian, Black, Arab or mixed ethnicity, and 46% lived in the most

deprived areas (surveys from 2019–20). Projects have also involved LGBT+ and disabled young people, with many activities focused on creating more inclusive content. Young people have been involved in a wide range of opportunities from taster events through to paid apprenticeships, and we have seen participants progress to employment and trustee roles within the heritage sector.

Grantees and partners have all sought to embed youth engagement in heritage and have trained hundreds of staff to work with young people, as well as introducing opportunities for young people to be involved in decision-making across a wider range of activities. They are now looking at how to continue the level and quality of youth engagement beyond the project duration, for example bringing elements of the projects into core budgets and looking at other sources of fundings.

We continue to invest in youth focussed projects through our open grant programmes and our investment in The Queen's Platinum Jubilee including:

In January 2022 we awarded £2.7million for Grimsby Youth Zone to restore, refurbish and extend existing buildings at the town's Grade II-listed West Haven Maltings site. Now fallen into disrepair, the historic location is currently on Historic England's 'at risk' register. When complete, the Youth Zone will welcome up to 5,000 young members to its state-of-the-art youth facilities. The young people took a leading role in the funding bid and the project will include Grimsby's young people taking forward a new story of Grimsby developing a sense of pride in their town.

In March 2022 we announced plans to invest in 70 paid placements for young people in a range of nature and environmental organisations to mark the Queen's Platinum Jubilee. The young people will be from communities currently under-represented in the nature sector workforce, to enter and sustain employment in the sector.

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

Local Authorities, as the owners of a significant proportion of our cultural and natural heritage and with a primary interest in the public realm,

have a key role in our work to strengthen communities and places through heritage. In 2021 we published research that found mixed awareness of national culture and heritage funding opportunities within Local Government, as well as a lack of capacity at the local level to navigate and apply for different funding streams.

In response to the research we collaborated with Historic England and Arts Council England to deliver three webinars for Local Government Association (LGA) members, split across the North, the Midlands and East, and London & the South areas of England. The sessions brought together over 250 representatives of Local Authority organisations to consider the role heritage and culture can play in placemaking, covering economic regeneration, public realm improvement and community engagement. Funding routes and match funding opportunities were shared. We showcased culture-based community involvement in local heritage and place shaping through a project from the joint Heritage Fund and ACE funded Great Place Scheme.

We have continued our partnership with Historic England and Arts Council England on the High Street Heritage Action Zone Cultural Programme. Community led cultural activity is taking place across the high streets to engage people with their high streets and celebrate the importance of these historic areas as being central to their communities.

The Paisley Museum and the International Slavery Museum Heritage Horizon Awards projects show early evidence of successfully using co-production partnerships with communities in Paisley and Liverpool respectively. By recognising and valuing these local, often personal, stakes on heritage and resourcing these partnerships, the longer-term strategic relevance of the heritage organisation is developed and strengthened to become a more relevant and contemporary resource for local communities.

The Wilderness project is an outstanding example of how improving access to green space benefits everyone involved while also supporting community engagement. The project improved local volunteer opportunities and community engagement with the care home through wide ranging and popular creative outdoor public events in the restored

# Policy directions

garden. We invested £744,700 in the restoration of a neglected but much-loved Victorian Garden within the grounds of Methodist Homes Association (MHA) care home in Shirley, Croydon. This year the evaluation has demonstrated improved health and wellbeing outcomes for care home residents and improved sense of fun and confidence for people living with dementia, following walks in the restored Wilderness Garden. MHA have spoken about the shift for managers in recognising the value of heritage and high-quality access to nature for residents and staff.

Volunteers play a crucial role in supporting and sharing the UK's heritage, provide vital opportunities for the community to get involved and share and develop their own skills. In November 2021 the DSfH Digital Volunteering project funded 17 organisations to create hundreds of new digital volunteering roles across the UK. The project provides an opportunity for the organisations to explore how to embed digital opportunities across their organisations and inspire and demonstrate the value of digital volunteering to other organisations working with heritage. Projects will enable organisations to benefit from the perspectives and skills of people who may not have had the chance to volunteer before and champion accessibility and inclusion. For example, Museum and Heritage Access 2022, led by Vocal Eyes will train 30 to 50 volunteers from deaf, disabled and neurodivergent communities to ensure that heritage websites are digitally accessible.

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

During 2021–22 we commenced a two-phase research and development partnership with the Young Foundation to inform how the Heritage Fund could best support the acceleration of emerging new ideas and approaches needed to support the longer range future of heritage beyond the pandemic. The initial discovery phase for this project included 13 interviews and 5 workshops with a cross-sector of over 100 practitioners from across the breadth of UK heritage, complemented with desk research.

Following a review of these Discovery Phase insights 'workforce' was identified as the priority innovation challenge area that the sector required further support in exploring and tackling. Following a deep dive evidence review, a dedicated innovation fund has been designed to launch in 2022, providing funds and non-financial support to organisations to explore and develop new ideas in relation to future ways of working for heritage. Areas in scope include:

- Recruitment: looking at new practices or tools that would challenge existing ways of working and offer alternative pathways into heritage
- Retention: exploring practical solutions to retention problems (e.g. in relation to health and wellbeing or lack of progression routes) or cultural changes needed to enable new ways of working
- Reimagining volunteering in a post-covid digital world
- Streamlining high volume, high repetition, basic core business processes that would make your organisation more efficient and allow you to create better conditions for your workforce

Through this fund we will be seeking to support:

- Heritage teams, organisations and practitioners to build into the future – rather than building back a model which won't meet today and tomorrow's challenges
- Building dynamism within heritage organisational infrastructure
- Improved productivity including improved outcomes for beneficiaries

We funded over 200 projects that scored highly against our 'people will have developed skills' outcome in 2021–22. Examples relating to the conserving heritage include training to digitise archive material through to heritage engineering and milling craft fellowships in partnership with Historic Environment Scotland and introducing young people to the heritage construction skill of maintaining and repairing Cornish Hedges. Groundwork South and North Tyneside is supporting communities with Covid-recovery using their (re)constructed Anglo-Saxon Village as a tool for heritage engagement and learning, building skills, confidence and improving health

and well-being of local communities. Their Skills from the Past for the Future project includes "Train the trainer" and accredited heritage skills learning to support future sustainability/repair work, safeguarding the buildings and skills for future years.

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

As outlined under policy direction 6, the Heritage Fund conducted a wide-ranging research and development project in partnership with the Young Foundation over 2021–22. Through engagement with a broad range of heritage organisations, this project established the Fund's approach to driving cross sector innovation and excellence moving forward through developing:

- a dedicated funding intervention focused on exploring how to create future fit models and ways of working for heritage (see above)
- building stronger evidence and understanding across heritage of approaches that have the potential to respond to the challenges organisations are facing
- signalling hope for the future of heritage moving beyond the recovery focus of the past year, making a positive investment into the heritage workforce after a challenging period

Off the back of this work we progressed with planning for the launch of a new innovation funding intervention for 2022–23.

Future Parks Accelerator is our joint venture with the National Trust and the Department of Levelling-Up Housing and Communities. Started in 2019, the seven place-based urban green heritage projects are now at the point of having developed new visions for how their urban green space and historic parks should be managed and funded in future to deliver key social, environmental and economic benefits. Birmingham City Council has developed a new 'fair standard for parks' approach which is already drawing in new investment from planning gain, Edinburgh City Council has developed a new approach to creating an Urban Nature Network to target investment and Plymouth has launched a new Ocean City Fund as a new investment vehicle

for regenerating urban green spaces. The Heritage Fund's initial investment of £7million in the seven place-based projects has now catalysed further investment of nearly £40million in urban green spaces and public parks.

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

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

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

## 9. Further the objectives of sustainable development.

Under our current Strategic Funding Framework we require all projects to follow reduce their negative environmental impact and embrace opportunities to have a positive impact. We support environmental sustainability skills development for projects through the Fit for the Future environmental sustainability networking group alongside bodies like National Trust, English Heritage, Oxfam, Science Museum Group and many others. Additionally, our application guidance has been updated to allow successful applicants to claim membership of Fit for the Future for the duration of their projects as part of their grant award to ensure environmental sustainability is at the forefront of their projects and deploying the very latest best practice. Through a series of

# Policy directions

internal training sessions and engagement programmes across our organisation, we have increased the knowledge and confidence of our investment and engagement staff to better support applicants and grantees to achieve better sustainability outcomes.

We have set a decarbonisation target for our own operations to reach net-zero by 2030 and have commissioned a research project to help us improve our reporting practice and define an approach to measuring the environmental impact of the projects we fund. We continue to learn from the sector, sharing best practice across Lottery distributors, arms-length bodies and national and regional governmental organisations. In 2021 we began the process of identifying opportunities for the Heritage Fund to support the sustainable development goals, enabling us to take a strategic approach to sustainable development which aligns to government standards.

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

Approximately 400 of grants (48%) were awarded to organisations in the most deprived areas, IMD deciles 1–3, with 18% of grants were awarded to organisations in areas in IMD decile 1. England had the highest proportion of grantees in the most deprived areas, with 54% of grantees from England being in IMD deciles 1–3.

We have continued to engage our 13 Areas of Focus as outlined under policy direction 2 to address under-representation in our funding of geographical areas experiencing deprivation. We introduced a more data driven approach to our investments in places, introducing the My Places dashboard to support our area and country teams to analyse our investment within a local area, understand the social and economic circumstances of a place, and review links to national policy and funding.

The Queen's Platinum Jubilee has offered a unique opportunity to create a lasting legacy for nature recovery in deprived areas. In March 2022 we invested £5million of our Jubilee funding in our

partnership with The Wildlife Trusts. Nextdoor Nature will empower people in economically deprived urban and rural areas to undertake projects that help nature thrive in their communities and tackle climate change. The project will support around 200 new groups to identify and implement local action that matters to their community.

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

We collaborated with the other National Lottery distributors and the National Lottery Promotions Unit to mark 2022 as a 'year of celebration', including The Queen's Platinum Jubilee, the Birmingham Commonwealth Games and Unboxed. Together we are investing at least £22million in activity to mark the Queen's Jubilee and over £40million in the Commonwealth Games and its legacy. We are gathering data on our collective investment in Queen Platinum Jubilee activity to demonstrate the National Lottery's contribution to this significant national moment.

During 2021–22 we actively contributed to the National Lottery Forum's review into the opportunities of shared impact data, by exploring the technical, strategic and structural factors that can support even stronger collaboration in this area. We also further developed our own open data service in 2021–22, publishing to a wider range of formats and standards, including the DCMS lottery database, the Government Grant Information System and 360 Giving.

We published a wide range of evaluation and research reports in 2021–22, sharing knowledge from our grant making with the sector and other distributors. Recent publications have included our research into the impact of our funding on place, a review of green finance in the UK and an analysis of the prospects for fundraising by heritage organisations in the wake of the pandemic.

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

In 2021 we updated the acknowledgement guidance for grant holders on our website. We expect to see our acknowledgement stamp featuring the cross fingers logo used prominently on all projects that we fund along with the message 'Thanks to National Lottery players'. All grant holders must acknowledge National Lottery support publicly as a condition of grant for the duration of the grant contract. We require acknowledgement throughout the project from announcement through to after completion. When assessing project progress, we look for appropriate visual recognition of our grant. Acknowledgment is proportional to grant level, for example large capital works are expected to provide high level acknowledgment. We provide downloadable files as well as social media assets. Our logo must be visible in public areas, online, in promotional material, advertising and events and we expect acknowledgement in media coverage of projects.

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

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

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

## 14. The need:

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

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

The projects we support are specific and time-limited. We limit our support to a maximum of five years for projects involving activities.

We seek information from applicants about the extent to which the projects they put forward present a sound case for investment, will deliver against our nine outcomes, are viable and financially sustainable and will provide good value for money. Our assessment may include expert advice on key aspects of the application if needed.

We ask applicants to provide us with information to demonstrate the financial viability of their project, broken down into capital, activity and other costs and showing what contribution they are proposing to make from their own resources or from grants or donations from other sources. We ask for cash-flow and, for larger projects, income and spending projections for 10 years, showing how the applicant plans to sustain the project in the long term.

## 15. Where capital funding is sought, the need:

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

Under our current Strategic Funding Framework 2019–2024, we require all large projects (awards over £250,000) to provide a business plan with their development phase application which is then

## Policy directions

updated with their delivery phase application. The business plan is for the organisation rather than the project, which reflects our interest in organisational resilience and the organisation's capacity to sustain the benefits of our investment over the long term. We provide a suite of guidance to grantees including building maintenance, conservation planning and the management and maintenance of landscapes, parks and gardens to help inform and influence their business planning. Projects funded under our Strategic Framework 2013–2019 are monitored in accordance with the information provided within the Grantee's application including any supplementary information contained in an activity plan, cash flow forecasts and an income and spending table. For projects involving over £200,000 worth of capital works we required a management and maintenance plan detailing how the applicant would meet the extra costs following completion of their project.

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

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

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

Two impact funds, the Heritage Impact Fund (with the Architectural Heritage Fund) and the Arts and Culture Impact Fund (with Nesta and others), continued in delivery in 2021–22 as part of our strategy to lever additional investment into the sector and encourage organisations working in heritage to diversify their income streams. In 2021 we completed deployment of our Resilience and Recovery pilot loans programme, offering a flexible repayable finance option for organisations seeking to re-set their business operations for recovery from the impacts of the pandemic. We also commissioned Finance Earth, a social enterprise, to conduct a market scoping of Green Finance, identifying emerging opportunities for environmental funders and environmental charities to leverage impact from this agenda.

The seven organisations leading Business Support and Enterprise development programmes have contributed expertise to three well attended cohort events through 2021–22, in addition to their delivery of hundreds of regional and national business support events and training programmes, all tailored to local and sector contexts. Overall pandemic learning has included: the need to be flexible in adapting methods in the move to digital tools and virtual learning; to remain agile in response to emerging business planning needs caused by the pandemic (e.g visitor and staff safety), and crucially continue to invest in wellbeing support of heritage staff and volunteers throughout the pandemic, including regular opportunities for check-ins and digital catchups. The support of the Heritage Fund has been widely acknowledged, not only in financial terms but also in the convening power which continues to enable honest sharing of sector practice and experiences through challenging personal and professional circumstances. This support has been crucial in enabling the heritage sector to survive, adapt and plan for the future.



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

The Digital Skills for Heritage (DSfH) initiative, designed to raise digital skills and confidence across the UK heritage sector, completed its second year in March 2022. So far, DSfH has helped and funded 65 projects across the UK. These projects range from small organisations getting to grips with making use of technology for the first time, to coalitions of organisations providing training for thousands of people. Up to December 2021, the initiative had delivered 7,510 individual digital skills support opportunities – each opportunity ranging from a place on a two-hour workshop to a year-long course and mentoring support.

The DSfH initiative has helped many organisations develop their use of digital and make use of technologies for the first time. The digital skills that have helped the sector navigate the challenges of the pandemic will be essential to building future resilience. Since 2020, we have expanded the initiative in response to sector feedback to provide additional support for digital innovation, enterprise and business skills. The initial budget has almost trebled from £1.2million to £3.5million, including £1million support from the Department for Digital, Culture, Media and Sport (DCMS) Culture Recovery Fund.

The DASH surveys, led by Timmus Ltd, represent the first comprehensive benchmarking of the sector's digital skills and attitudes, and helped us shape our work. A total of 8,232 individuals have taken part to date, and we have provided participating 846 organisations with tailored data and advice.

We are supporting 23 low-confidence organisations get started with digital combining funding with specialist mentoring support. Our Raising Confidence helpdesk team has provided one-to-one support to a further 28 organisations across the UK. We awarded £1million to 17 amazing projects to help them work with digital volunteers, from cathedrals and councils to natural heritage.

Connected Heritage, funded by The National Lottery and DCMS, is seeing eight projects working together to share their expertise and resources. The Heritage Digital Academy, led by Charity Digital Trust and funded through the DCMS Culture Recovery Fund, provides a range of training focusing on digital innovation, enterprise and business skills.

The second round of our professional development project Leading the Sector, led by Culture24, began in 2021. The project is delivering a series of six online seminars and six in-person networking events promoting and building senior digital leadership across the UK's heritage sector. Each online seminar will address a relevant and timely challenge that heritage leaders are facing now, where confident, well-informed digital leadership plays a vital role. These include events focus on hybrid heritage; digital skills, literacy and capacity; inclusion, equity and digital; digital enterprise; and digital and the climate crisis.

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

We have commissioned The Social Investment Consultancy (TSIC) to undertake research with organisations who are led by or work with individuals who have characteristics that are currently under-represented in our funding portfolio. The first round of research took place in the first half of 2021 with heritage organisations who are already familiar with our work, or who have applied to us before. The second phase of research expanded the approach to interview heritage groups who have never engaged with our organisation. The research made clear recommendations for how we can improve our grant-making policies and procedures, and these were incorporated into the EDI review recommendations approved by our board.

## Policy directions

In 2021–22 we also introduced a new approach to collecting data on the profile of applicants to the Heritage Fund, by creating a confidential survey about the characteristics of the users of our investment portal. This has considerably improved our understanding of who applies to us and how this compares to the audience we want to reach. Analysis from this survey was included in our mid-point review of our Strategic Funding Framework and it will now form part of our ongoing performance monitoring.

### England

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

## Scotland

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

With the agreement of the Secretary of State, the Scottish Ministers, in exercise of the powers conferred by section 26(2) as read with section 26A(2)(b) of the National Lottery etc. Act 1993<sup>1</sup>, and having consulted with the Trustees of the National Heritage Memorial Fund (the "Trustees"), hereby give the following directions:

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

# Policy directions

## Wales

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

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

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

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

# Progress on projects over £5million

## Progress on projects over £5million

The following list shows the progress on projects involving £5million or more of Lottery funding to 31 March 2022.

### Aberdeen Art Gallery: Inspiring Art and Music

#### Country or area

Scotland

#### Applicant

Aberdeen City Council  
– Aberdeen Art Gallery and Museums

#### Total project cost

£29,737,519

#### Grant amount (award date)

£126,200 (development April 2013)  
£9,997,500 (delivery October 2014)

#### Project status and % of grant paid

Delivery 100%

#### Latest report

The project is complete. Aberdeen Art Gallery won Art Fund Museum of the Year in 2020 and the RIAS Andrew Doolan Best Building in Scotland Award in 2021. The space, new access arrangements and facilities have transformed the visitor experience.

### Acquisition of the Armada Portrait of Elizabeth I

#### Country or area

London & South

#### Applicant

National Maritime Museum

#### Total project cost

£10,217,900

#### Grant amount (award date)

£7,442,900 (delivery July 2016)  
£185,200 (grant decrease September 2016)

#### Project status and % of grant paid

Delivery 100%

#### Latest report

The project is complete.

### Alexandra Palace: Reclaiming the People's Palace

#### Country or area

London & South

#### Applicant

Alexandra Park and Palace Charitable Trust

#### Total project cost

£26,737,458

#### Grant amount (award date)

£844,800 (development April 2013)  
£18,850,000 (delivery February 2017)

#### Project status and % of grant paid

Delivery 100%

#### Latest report

The project is complete.

### Auckland Castle: Creating Faith in a Better Future

#### Country or area

North

#### Applicant

Auckland Castle Trust

#### Total project cost

£20,520,200

#### Grant amount (award date)

£1,000,000 (development April 2013)  
£9,000,000 (delivery May 2015)  
£2,400,000 (grant increase July 2016)

#### Project status and % of grant paid

Delivery 90%

#### Latest report

The Castle reopened to the public in July 2021. The design and installation of the Faith Gallery is in the early stages of development due to the impact of COVID-19.

## Bath Abbey Footprint

### Country or area

London & South

### Applicant

Bath Abbey Parochial Church Council

### Total project cost

£19,210,499

### Grant amount (award date)

£389,000 (development April 2014)

£10,725,300 (delivery March 2016)

### Project status and % of grant paid

Delivery 93%

### Latest report

Capital works are almost complete and have been well-received by the press. Budgets for the interpretation and activities planning are currently being finalised. Activities are ongoing but revisions have been made due to changes in personnel and the impact of COVID-19. A Heritage Capital Kickstart Fund award of £534,000 was made in December 2020.

## BCLM: Forging Ahead – creating a world-class visitor attraction in the Black Country

### Country or area

Midlands & East

### Applicant

Black Country Living Museum

### Total project cost

£29,810,000

### Grant amount (award date)

£400,000 (development April 2017)

£9,400,000 (delivery March 2019)

£2,210,000 (grant increase December 2020)

### Project status and % of grant paid

Delivery 14.5%

### Latest report

The new Visitor Centre and first buildings in the 1940s–1960s development will be completed by summer 2022 with full completion forecast by

summer 2023. In addition to the grant increase from The National Lottery Heritage Fund, a Heritage Capital Kickstart Fund award of £3,740,000 was made to the project in December 2020.

## Brooklands Aircraft Factory and Race Track Revival

### Country or area

London & South

### Applicant

Brooklands Museum

### Total project cost

£7,722,230

### Grant amount (award date)

£286,500 (development January 2013)

£4,681,800 (delivery January 2015)

£500,000 (grant increase June 2017)

### Project status and % of grant paid

Delivery 100%

### Latest report

The project is complete.

## Buxton Crescent & Spa

### Country or area

Midlands & East

### Applicant

High Peak District Council

### Total project cost

£33,180,338

### Grant amount (award date)

£23,853,000 (delivery July 2006)

### Project status and % of grant paid

Delivery 100%

### Latest report

The Buxton Crescent Hotel & Spa and the Crescent's Visitor Experience are complete and opened in May 2021. The Pump Room had previously opened to the public as Buxton's Visitor Centre in 2019.

## Progress on projects over £5million

### Bywyd Newydd i'r Hen Goleg/ New Life for Old College

#### Country or area

Wales

#### Applicant

Aberystwyth University (Old College)

#### Total project cost

£30,578,429

#### Grant amount (award date)

£849,500 (development April 2017)

£9,732,300 (delivery December 2019)

£1,378,700 (grant increase June 2021)

#### Project status and % of grant paid

Delivery 3%

#### Latest report

COVID-19 and Brexit have caused delays and capital works are yet to start.

### Cairngorms 2030: people and nature thriving together

#### Country or area

Scotland

#### Applicant

Cairngorms National Park Authority

#### Total project cost

£43,199,588

#### Grant amount (award date)

£1,715,500 (development June 2021)

£10,770,000 (potential delivery grant)

#### Project status and % of grant paid

Development 0%

#### Latest report

Recruitment of the Project Development Team is complete.

### Celebrating Scotland's Art: The Scottish National Gallery Project

#### Country or area

Scotland

#### Applicant

National Galleries of Scotland

#### Total project cost

£33,602,245

#### Grant amount (award date)

£4,940,000 (delivery May 2016)

£975,000 (grant increase December 2020)

#### Project status and % of grant paid

Delivery 76%

#### Latest report

The project is in delivery and construction works are progressing.

### Cheshire's Archives: A Story Shared

#### Country or area

North

#### Applicant

Cheshire West & Chester Council

#### Total project cost

£18,752,856

#### Grant amount (award date)

£544,900 (development September 2019)

£4,455,100 (potential delivery grant)

#### Project status and % of grant paid

Delivery 34%

#### Latest report

The development phase is nearing completion and the delivery phase application is expected by the end of August 2022. The proposed heritage centres for engagement are to act as hubs for heritage-led regeneration in Chester and Crewe.



## Cotswold Canals Connected

### Country or area

London & South

### Applicant

Stroud District Council

### Total project cost

£20,126,800

### Grant amount (award date)

£842,800 (development April 2018)

£8,956,200 (delivery October 2020)

### Project status and % of grant paid

Delivery 23%

### Latest report

Ocean Railway Bridge works successfully completed in 2021. A formal opening is planned for May 2022. Activities are ongoing but revisions have been made due to changes in personnel and the impact of COVID-19.

## Courtauld Connects

### Country or area

London & South

### Applicant

Courtauld Institute of Art

### Total project cost

£38,378,123

### Grant amount (award date)

£650,000 (development April 2016)

£8,850,000 (delivery March 2018)

£1,500,000 (grant increase March 2021)

### Project status and % of grant paid

Delivery 82%

### Latest report

Capital works are complete. The Courtauld opened to the public in November 2021. Activities are ongoing but revisions have been made due to the impact of COVID-19.

## Creu Hanes – Making History

### Country or area

Wales

### Applicant

Amgueddfa-Cymru – National Museum Wales

### Total project cost

£26,589,054

### Grant amount (award date)

£450,000 (development February 2010)

£11,550,000 (delivery July 2012)

£997,300 (grant increase November 2016)

### Project status and % of grant paid

Delivery 100%

### Latest report

The project is complete.

## David Livingstone's Birthplace

### Country or area

Scotland

### Applicant

The Scottish National Memorial to David Livingstone Trust

### Total project cost

£9,079,186

### Grant amount (award date)

£334,200 (development May 2015)

£4,112,900 (delivery March 2017)

£668,000 (grant increase November 2019)

£1,500,000 (grant increase December 2020)

### Project status and % of grant paid

Delivery 82%

### Latest report

Construction work is complete. The building reopened to the public in July 2021 to positive reviews. David Livingstone's Birthplace will reopen in summer 2022 with a new schools' learning programme.

# Progress on projects over £5million

## Derby Silk Mill – Museum of Making

### Country or area

Midlands & East

### Applicant

Derby Museums

### Total project cost

£17,387,243

### Grant amount (award date)

£817,300 (development April 2015)  
£8,570,400 (delivery September 2017)  
£1,307,300 (grant increase June 2020)

### Project status and % of grant paid

Delivery 98%

### Latest report

The Museum of Making opened in May 2021 to widespread public and critical acclaim. The Museum was awarded 'Highly Commended' in 'Sustainable Project of the Year' at the 2021 Museums + Heritage Awards and project of the year (under £20million) at the 2021 Construction News awards. The museum's activities programme is ongoing until completion in December 2022.

## Ditherington Flax Mill, Maltings International Heritage site at the heart of the community

### Country or area

Midlands & East

### Applicant

Historic England

### Total project cost

£30,382,488

### Grant amount (award date)

£465,300 (development April 2012)  
£12,832,300 (delivery July 2013)  
£7,894,200 (grant increase January 2017)

### Project status and % of grant paid

Delivery 80%

### Latest report

Capital works are due to complete in April 2022 despite challenges faced by COVID-19. Historic England and the Friends of Ditherington Flaxmill

continue to work in close partnership. Interpretation plans are underway for the Visitor Centre, which is due to open by the end of June 2022.

## First Light at Jodrell Bank

### Country or area

North

### Applicant

University of Manchester

### Total project cost

£19,841,749

### Grant amount (award date)

£784,800 (development April 2015)  
£11,362,400 (delivery March 2018)

### Project status and % of grant paid

Delivery 76%

### Latest report

Capital works are complete. The exhibition is due to open in June 2022. The First Light Pavilion won two award categories at the North West Regional Construction Awards 2021.

## Great Yarmouth Winder Gardens – Reimagining the People's Palace

### Country or area

Midlands & East

### Applicant

Great Yarmouth Borough Council

### Total project cost

£15,742,100

### Grant amount (award date)

£420,800 (development June 2021)  
£9,556,300 (potential delivery grant)

### Project status and % of grant paid

Development 0%

### Latest report

Recent progress has focused on the procurement and appointment of the design team. An Engagement Officer post is to be recruited in spring 2022.

## Gunnersbury Park Museum Regeneration

### Country or area

London & South

### Applicant

Gunnersbury Estate (2026) CIC

### Total project cost

£14,163,430

### Grant amount (award date)

£386,400 (development July 2012)  
£4,110,000 (delivery July 2017)  
£695,000 (grant increase December 2017)

### Project status and % of grant paid

Delivery 97%

### Latest report

The project is almost complete.

## Hartlebury Castle

### Country or area

Midlands & East

### Applicant

Hartlebury Castle Preservation Trust

### Total project cost

£7,239,665

### Grant amount (award date)

£413,700 (development April 2013)  
£4,975,100 (delivery October 2014)

### Project status and % of grant paid

Delivery 98%

### Latest report

Capital works are complete and the Castle formally opened in June 2018. The activity and engagement programmes are nearing completion and the outdoor play area is due to complete by April 2022.

## Heritage Centre Stage: Reawakening Brighton's Royal Estate – Phase One

### Country or area

London & South

### Applicant

Brighton and Hove City Council

### Total project cost

£30,012,143

### Grant amount (award date)

£176,500 (development November 2014)  
£4,823,400 (delivery January 2016)

### Project status and % of grant paid

Delivery 89%

### Latest report

Capital works are ongoing and expected to complete in 2023 under a new contractor. There have been delays on-site due to a range of discoveries and the need to rectify defective works. Activities and the refurbishment of the corn exchange and studio theatre are progressing well. A Heritage Capital Kickstart Fund award of £1m was made in December 2020.

## Heritage takes Centre Stage at Northern Ireland's Grand Opera House

### Country or area

Northern Ireland

### Applicant

Grand Opera House Trust

### Total project cost

£10,134,960

### Grant amount (award date)

£242,700 (development December 2017)  
£4,557,300 (delivery March 2019)  
£232,000 (grant increase March 2021)

### Project status and % of grant paid

Delivery 90%

### Latest report

Capital works are complete. The Grand Opera House has reopened following the removal of COVID-19 restrictions.

## Progress on projects over £5million

### HMS Caroline, Belfast

#### Country or area

Northern Ireland

#### Applicant

National Museum of the Royal Navy (NMRN)

#### Total project cost

£17,800,732

#### Grant amount (award date)

£845,600 (development April 2013)

£11,540,300 (delivery September 2014)

£2,700,200 (grant increase July 2016)

£73,645 (grant increase February 2022)

#### Project status and % of grant paid

Delivery 83%

#### Latest report

NMRN reached an agreement with NI Department for the Economy, along with support from The National Lottery Heritage Fund, to keep HMS Caroline in Belfast. The Heritage Fund grant contributed to an endowment to secure the future for HMS Caroline.

### Hull: Yorkshire's Maritime City

#### Country or area

North

#### Applicant

Hull City Council

#### Total project cost

£28,865,200

#### Grant amount (award date)

£1,368,400 (development April 2017)

£13,631,500 (delivery September 2019)

#### Project status and % of grant paid

Delivery 20%

#### Latest report

Capital works have started in all areas except the North End Shipyard where works are due to begin in autumn 2022. Activities are progressing well despite COVID-19.

### Inspiring People: Transforming Our National Portrait Gallery

#### Country or area

London & South

#### Applicant

National Portrait Gallery

#### Total project cost

£33,581,972

#### Grant amount (award date)

£900,000 (development April 2017)

£8,500,000 (delivery September 2019)

#### Project status and % of grant paid

Delivery 32%

#### Latest report

Capital works started in January 2021 and are progressing well. Sectional completion dates are currently being agreed. Activities are ongoing but the timetable has changed due to the impact of COVID-19. Opening expected in 2023.

### International Slavery Museum: Igniting Ideas and Action

#### Country or area

North

#### Applicant

National Museums Liverpool

#### Total project cost

£28,671,000

#### Grant amount (award date)

£2,958,900 (development June 2021)

£6,971,100 (potential delivery grant)

#### Project status and % of grant paid

Development 0%

#### Latest report

The project has started.

## Kresen Kernow: A home for Cornwall's archives

### Country or area

London & South

### Applicant

Cornwall Council

### Total project cost

£18,506,591

### Grant amount (award date)

£386,800 (development April 2013)

£11,786,500 (delivery July 2015)

### Project status and % of grant paid

Delivery 95%

### Latest report

The building opened in September 2019. Successful delivery of activities and engagement were ongoing until March 2020. The site then closed due to COVID-19 and the programme continued online. The site has now reopened and has a popular ongoing programme of exhibitions. The project is due to complete by the end of June 2022.

## LCT 7074: Resurrecting a D-Day Hero

### Country or area

London & South

### Applicant

National Museum of the Royal Navy

### Total project cost

£6,055,460

### Grant amount (award date)

£307,500 (development June 2017)

£4,480,400 (delivery September 2018)

£588,700 (grant increase May 2021)

### Project status and % of grant paid

Delivery 84%

### Latest report

LCT 7074 is permanently installed outside of D-Day Story in Southsea. It has been open to visitors on-and-off since December 2020 due to COVID-19. Learning and engagement activities are ongoing and likely to complete late 2022.

## Lincoln Cathedral Connected

### Country or area

Midlands & East

### Applicant

Lincoln Cathedral

### Total project cost

£15,556,447

### Grant amount (award date)

£909,700 (development June 2015)

£11,456,100 (delivery January 2017)

### Project status and % of grant paid

Delivery 96%

### Latest report

The project is nearing completion. The west front of the Cathedral and its Romanesque Frieze are conserved and free of scaffolding and wooden boxing for the first time in 20 years. Formal opening is planned for July 2022. A £973,600 Heritage Capital Kickstart award, distributed on behalf of DCMS, was made in December 2020.

## Medicine Galleries Project

### Country or area

London & South

### Applicant

Science Museum

### Total project cost

£20,949,628

### Grant amount (award date)

£400,000 (development April 2015)

£7,600,000 (delivery September 2016)

### Project status and % of grant paid

Delivery 95%

### Latest report

Capital works are complete and activities are ongoing.

## Progress on projects over £5million

### Newport Transporter Bridge – Repair, Restoration and Interpretation

#### Country or area

Wales

#### Applicant

Newport City Council

#### Total project cost

£16,963,797

#### Grant amount (award date)

£1,052,800 (development April 2018)

£8,756,000 (delivery December 2020)

£1,950,000 (grant increase March 2022)

#### Project status and % of grant paid

Delivery 3%

#### Latest report

Capital works are yet to start. The re-tender process is complete and community engagement work is progressing well.

### Norwich Castle: Gateway to Medieval England

#### Country or area

Midlands & East

#### Applicant

Norfolk County Council

#### Total project cost

£16,746,470

#### Grant amount (award date)

£462,400 (development April 2016)

£8,756,800 (delivery September 2018)

£1,372,100 (grant increase June 2021)

#### Project status and % of grant paid

Delivery 41%

#### Latest report

Construction works are now well advanced with the project at RIBA Stage 5 and elements of capital works nearing completion. Updated delivery programme timeline is expected shortly. Proposals for interpretation and display are well advanced including loan agreements for British Museum loan items.

### Peatland Progress: A New Vision for the Fens

#### Country or area

Midlands & East

#### Applicant

The Wildlife Trust for Bedfordshire, Cambridgeshire and Northamptonshire

#### Total project cost

£9,210,175

#### Grant amount (award date)

£207,900 (development June 2021)

£7,978,300 (potential delivery grant)

#### Project status and % of grant paid

Development 6%

#### Latest report

The project is progressing well. The COP26 summit provided an exciting opportunity to bring the project to an international audience.

### Plymouth History Centre: Plymouth's role in History and History's role in Plymouth and the South West

#### Country or area

London & South

#### Applicant

Plymouth City Council

#### Total project cost

£33,326,900

#### Grant amount (award date)

£940,300 (development April 2014)

£14,833,200 (delivery July 2016)

#### Project status and % of grant paid

Delivery 100%

#### Latest report

The project is complete. Plymouth History Centre, renamed "The Box", opened in 2020.

## Plymouth Sound National Marine Park

### Country or area

London & South

### Applicant

Plymouth City Council

### Total project cost

£16,256,800

### Grant amount (award date)

£921,500 (development June 2021)  
£8,660,600 (potential delivery grant)

### Project status and % of grant paid

Development 0%

### Latest report

Development Phase is progressing despite delays due to COVID-19. In January 2022, the project launched 'Blue Mind' which refers to the restorative powers of being in, on, under or next to the sea, and the positive impact this can have on mental health. Plymouth City Council is using Blue Mind to engage and consult with local residents.

## 'Reimagining Wordsworth': the Wordsworth Trust Masterplan

### Country or area

North

### Applicant

Wordsworth Trust

### Total project cost

£6,159,124

### Grant amount (award date)

£655,200 (development January 2016)  
£4,094,800 (delivery March 2018)  
£383,800 (grant increase December 2020)

### Project status and % of grant paid

Delivery 100%

### Latest report

The project is complete. Wordsworth Grasmere has been shortlisted for the Best Permanent Exhibition in the 2022 Museums & Heritage Awards.

## Remaking Beamish

### Country or area

North

### Applicant

Beamish Museum

### Total project cost

£20,842,864

### Grant amount (award date)

£603,800 (development July 2014)  
£10,891,200 (delivery October 2016)

### Project status and % of grant paid

Delivery 39%

### Latest report

The 1950s Front Street Terrace opened in February 2022. Spain's Field Farm is nearing completion and work on the Police Houses and Aged Miners Homes is ongoing. The learning and engagement programme is progressing well despite COVID-19. A Heritage Capital Kickstart award of £975,500 was made in December 2020.

## Revisiting Nottingham Castle – 1,000 years of History

### Country or area

Midlands & East

### Applicant

Nottingham City Council

### Total project cost

£29,358,400

### Grant amount (award date)

£599,500 (development April 2014)  
£13,883,400 (delivery November 2016)

### Project status and % of grant paid

Delivery 95%

### Latest report

Capital works to the Ducal Palace, Visitor Centre and landscaping are complete. The Castle opened to visitors in June 2021. Capital works to Brewhouse Yard are due to complete in May 2022 and will improve access and interpretation.

## Progress on projects over £5million

### Revitalisation of the Mining institute and creation of the Common Room of the Great North

#### Country or area

North

#### Applicant

The Common Room of the Great North Ltd

#### Total project cost

£8,912,029

#### Grant amount (award date)

£600,000 (development November 2016)

£4,100,000 (delivery June 2018)

#### Project status and % of grant paid

Delivery 89%

#### Latest report

Capital works are complete. Engagement activity is ongoing. A Heritage Capital Kickstart Award of £950,000 was made in December 2020.

### Reviving an Artist's Birthplace: A National Centre in Gainsborough

#### Country or area

Midlands & East

#### Applicant

Gainsborough's House Society

#### Total project cost

£7,475,433

#### Grant amount (award date)

£280,700 (development September 2016)

£4,453,100 (delivery June 2018)

£613,100 (grant increase December 2020)

#### Project status and % of grant paid

Delivery 81%

#### Latest report

Capital works are nearing completion having experienced delays due to COVID-19. There are plans for new exhibitions later in the year when the capital works are complete.

### Silverstone Heritage Experience and Collections and Research Centre

#### Country or area

Midlands & East

#### Applicant

Silverstone Heritage Ltd

#### Total project cost

£21,599,651

#### Grant amount (award date)

£446,000 (development April 2013)

£9,964,500 (delivery November 2016)

#### Project status and % of grant paid

Delivery 99%

#### Latest report

Capital works completed in 2019. The Experience formally opened in March 2020. During the COVID-19 pandemic, the site closed and Silverstone Heritage Ltd received emergency support from the Heritage Fund and other partners. The project's activities are due to be completed by summer 2022.

### Tees-Swale: naturally connected

#### Country or area

North

#### Applicant

North Pennines AONB Partnership

#### Total project cost

£8,688,051

#### Grant amount (award date)

£414,200 (development April 2018)

£5,723,700 (delivery June 2020)

#### Project status and % of grant paid

Delivery 6%

#### Latest report

The initial phase of work focused on the recruitment of project staff and trainees. The project's activities, nature recovery, training and skills development and access and community engagement are now in progress.



## The Burrell Collection Refurbishment Project

### Country or area

Scotland

### Applicant

Glasgow City Council

### Total project cost

£58,125,549

### Grant amount (award date)

£1,000,000 (development April 2015)  
£14,000,000 (delivery September 2017)  
£1,500,000 (grant increase September 2020)

### Project status and % of grant paid

Delivery 83%

### Latest report

Construction work is complete. The Burrell Collection reopened to the public in March 2022. Access improvement works to the wider park and the activity programme are progressing well.

## The Canterbury Journey

### Country or area

London & South

### Applicant

Canterbury Cathedral

### Total project cost

£24,892,659

### Grant amount (award date)

£930,400 (development April 2014)  
£12,849,500 (delivery September 2016)  
£975,800 (grant increase May 2021)

### Project status and % of grant paid

Delivery 97%

### Latest report

The project is forecast to complete late 2022. Recent work has focused on the roof, stonework and sixteenth-century Christ Church Gate. Scaffolding is being removed from the Cathedral Nave, restoring views of the beautiful vaulting and stained-glass windows. The new exhibition in the Crypt gives visitors the opportunity to view precious artefacts

held in the Cathedral's collections. Learning activities are ongoing and continue to engage new audiences.

## The Citizens Theatre redevelopment

### Country or area

Scotland

### Applicant

Citizens Theatre

### Total project cost

£18,030,148

### Grant amount (award date)

£500,000 (development May 2014)  
£4,795,000 (delivery December 2017)

### Project status and % of grant paid

Delivery 31%

### Latest report

The project is in delivery and construction works are progressing.

## The Globe: Live Music and Comedy Venue, Stockton-on-Tees

### Country or area

North

### Applicant

Stockton-on-Tees Borough Council

### Total project cost

£25,188,727

### Grant amount (award date)

£401,600 (development September 2013)  
£4,090,400 (delivery June 2017)

### Project status and % of grant paid

Delivery 95%

### Latest report

The project is complete. A Heritage Capital Kickstart Award of £774,000 was made to the project in December 2020.

## Progress on projects over £5million

### "The Hold": A Suffolk Archives Service for the 21st Century

#### Country or area

Midlands & East

#### Applicant

Suffolk County Council

#### Total project cost

£19,736,843

#### Grant amount (award date)

£538,100 (development April 2016)

£10,363,700 (delivery March 2018)

#### Project status and % of grant paid

Delivery 93%

#### Latest report

The Duke of Gloucester opened the new archive building in September 2021. The exhibition programme is attracting new audiences and drawing attention to different aspects of the collections. County-wide activities continue until Autumn 2022.

### The North's greatest 'Cathedral of Commerce' Rochdale Town Hall: from Co-operation to Common Wealth

#### Country or area

North

#### Applicant

Rochdale Borough Council

#### Total project cost

£14,398,669

#### Grant amount (award date)

£688,700 (development April 2018)

£8,256,700 (delivery September 2020)

#### Project status and % of grant paid

Delivery 10%

#### Latest report

Capital works began in February 2022 as planned.

### The Piece Hall – Halifax Heritage

#### Country or area

North

#### Applicant

Calderdale Council

#### Total project cost

£10,770,888

#### Grant amount (award date)

£239,700 (development February 2010)

£7,000,000 (delivery July 2012)

#### Project status and % of grant paid

Delivery 95%

#### Latest report

Capital works are complete and The Piece Hall is delivering a successful events programme.

### The Regeneration of Hay Castle

#### Country or area

Wales

#### Applicant

Hay Castle Trust

#### Total project cost

£7,557,605

#### Grant amount (award date)

£528,600 (development March 2014)

£4,467,600 (delivery May 2016)

£628,100 (grant increase March 2021)

#### Project status and % of grant paid

Delivery 93%

#### Latest report

Capital works are almost complete and it is likely that the project will complete by March 2023.

## The Renewal of Pitzhanger Manor

### Country or area

London & South

### Applicant

Ealing Council

### Total project cost

£11,224,399

### Grant amount (award date)

£275,200 (development March 2012)  
£4,419,900 (delivery May 2014)  
£658,700 (grant increase March 2017)

### Project status and % of grant paid

Delivery 97%

### Latest report

The project is nearing completion.

## The Sill: Unspoilt Landscapes, Inspiring People

### Country or area

North

### Applicant

Northumberland National Park Authority

### Total project cost

£13,593,300

### Grant amount (award date)

£399,200 (development April 2012)  
£7,748,000 (delivery January 2015)

### Project status and % of grant paid

Delivery 100%

### Latest report

The project is complete.

## The Temperate House Project

### Country or area

London & South

### Applicant

Royal Botanic Gardens, Kew

### Total project cost

£34,250,148

### Grant amount (award date)

£890,900 (development April 2011)  
£14,690,600 (delivery March 2013)  
£960,000 (grant increase July 2014)

### Project status and % of grant paid

Delivery 100%

### Latest report

The project is complete.

## Tomorrow's Museum for Dorset: Re-Imagining Dorset County Museum

### Country or area

London & South

### Applicant

Dorset Natural History and Archaeological Society

### Total project cost

£15,950,992

### Grant amount (award date)

£483,900 (development April 2015)  
£11,349,200 (delivery September 2017)

### Project status and % of grant paid

Delivery 100%

### Latest report

Capital works are complete. Dorset County Museum reopened to the public in May 2021 and was shortlisted for a Kids in Museums Family Friendly Museum Award. Activities are ongoing and community engagement remains high. In addition to funding from The National Lottery Heritage Fund, a Heritage Capital Kickstart Fund award of £979,000 was made in September 2020.

## Progress on projects over £5million

### Tunbridge Wells Cultural & Learning Hub

#### Country or area

London & South

#### Applicant

Tunbridge Wells Borough Council

#### Total project cost

£18,676,120

#### Grant amount (award date)

£178,900 (development November 2015)  
£4,294,900 (delivery March 2018)

#### Project status and % of grant paid

Delivery 88%

#### Latest report

Capital works completed in December 2021. The library, museum, art gallery and technical institute buildings sit within a site that is now accessible. It will open to the public in April 2022. In addition to funding from The National Lottery Heritage Fund, a Heritage Capital Kickstart Fund award of £675,000 was made in December 2020. Activities will continue until June 2023.

### Unlocking the Geffrye

#### Country or area

London & South

#### Applicant

Geffrye Museum Trust

#### Total project cost

£18,323,366

#### Grant amount (award date)

£425,300 (development April 2015)  
£11,941,900 (delivery March 2017)

#### Project status and % of grant paid

Delivery 95%

#### Latest report

Capital works are complete. The Museum of the Home opened to the public in June 2021 and activities are nearing completion. In addition to funding from The National Lottery Heritage Fund, a Heritage Capital Kickstart Fund award of £692,000 was made in December 2020.

### Unlocking the Severn for People and Wildlife

#### Country or area

Midlands & East

#### Applicant

Canal & River Trust

#### Total project cost

£19,539,350

#### Grant amount (award date)

£233,100 (development April 2016)  
£10,577,200 (delivery June 2018)  
£590,000 (grant increase in December 2020)

#### Project status and % of grant paid

Delivery 86%

#### Latest report

Four large fish passes, located at Diglis, Lincomb, Bevere and Holt, are now in operation on the River Severn. In October 2021, Her Royal Highness, Princess Anne, opened the underwater fish pass viewing gallery at Diglis Island. The project has been successful at attracting online school audiences, volunteers and significant interest in the press and media. Education and outreach will continue throughout 2022.

### Unlocking the UK's Sound Heritage

#### Country or area

London & South

#### Applicant

The British Library

#### Total project cost

£18,847,834

#### Grant amount (award date)

£215,900 (development April 2015)  
£9,353,000 (delivery April 2017)

#### Project status and % of grant paid

Delivery 73%

#### Latest report

The project is entering its final year. The website will be launched and there is a clear focus on establishing a strong legacy across the UK.

## We are London: collections, galleries and people in a new museum at West Smithfield

### Country or area

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London & South

### Applicant

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Museum of London

### Total project cost

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£40,423,900

### Grant amount (award date)

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£402,700 (development May 2018)

£4,597,300 (delivery September 2020)

### Project status and % of grant paid

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Delivery 0%

### Latest report

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Design development continues. The Museum of London will close in December 2022 and will be renamed The London Museum when it opens at its new home in Smithfield Market in 2025.

## Windermere Steamboat Museum

### Country or area

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North

### Applicant

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Lakeland Arts

### Total project cost

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£17,506,514

### Grant amount (award date)

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£494,000 (development April 2011)

£9,370,700 (delivery July 2013)

£2,705,700 (grant increase May 2015)

£1,200,000 (grant increase November 2017)

£1,200,000 (grant decrease January 2018)

### Project status and % of grant paid

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Delivery 100%

### Latest report

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The project is complete. Windermere Steamboat Museum won RIBA North West Building of the Year and was shortlisted for the RIBA Stirling Prize in 2021.





