



Heritage Lottery Fund

National Heritage Memorial Fund Lottery Distribution
Annual Report and Accounts for the year ended 31 March 2012



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Contents

Report of the Trustees and Accounting Officer	2
Management commentary	2
Financial review	9
Remuneration report	13
Statement of Trustees' and Chief Executive's responsibilities	16
Governance statement	17
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and Scottish Parliament	24
Statement of Comprehensive Net Expenditure	26
Statement of Changes in Equity	27
Statement of Financial Position	28
Statement of Cash Flows	29
Reconciliation of Net Cash Flows to Movement in Net Funds	29
Notes to the Accounts	30
Policy Directions	47
Policy directions in Wales	54
Policy directions in relation to Scotland	56
Corporate Performance	58
Progress on Projects Over £5million	60
Grants Awarded Over £100,000	62
Employment Monitoring	76

Report of the Trustees and Accounting Officer

Management commentary

Background information

The National Heritage Memorial Fund (NHMF or 'the Fund') is vested in and administered by a body corporate known as the Trustees of NHMF, consisting of a Chair and not more than 14 other members appointed by the Prime Minister. The Fund was set up on 1 April 1980 by the National Heritage Act 1980 ('the 1980 Act') in succession to the National Land Fund as a memorial to those who have given their lives for the United Kingdom. It receives an annual grant-in-aid from the government to allow it to make grants. The powers of the Trustees and their responsibilities were extended by the provisions of the National Lottery etc. Act 1993 ('the 1993 Act'), the National Heritage Act 1997 ('the 1997 Act') and the National Lottery Act 1998 ('the 1998 Act').

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

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

Under section 22 of the 1993 Act, the Secretary of State for Culture, Olympics, Media and Sport shall allocate 20% of the sum paid into the NLDF for expenditure on,

or connected with, the national heritage. Section 23(3) establishes the Trustees of NHMF as distributors of that portion. The percentage allocation was reduced to 16⅔% in October 1997 following the government's creation of the New Opportunities Fund, and was increased to 18% in April 2011.

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

Principal activities

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

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

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

Under the 1997 Act, Trustees are now also able to assist projects directed to increasing public understanding and enjoyment of the heritage and to interpreting and recording important aspects of the nation's history, natural history and landscape. Following consultation with potential applicants, advisers and other bodies, further new initiatives – dealing with revenue grants

(to widen access in general to the heritage), as well as in the fields of archaeology, townscapes, information technology, and education – were set up. The 1998 Act gave Trustees the power to delegate Lottery grant decisions to staff and also to committees containing some members who are not Trustees.

Aims

We have three core aims for HLF, which define in broad terms how we are trying to improve quality of life through the heritage. The core aims are:

- conserve the UK's diverse heritage for present and future generations to experience and enjoy;
- help more people, and a wider range of people, to take an active part in and make decisions about their heritage;
- help people to learn about their own and other people's heritage.

As an organisation we strive to achieve economy, efficiency and effectiveness in all that we do. In addition, clarity, prioritisation, judgement, responsible authority and accountability are core principles for us. These inform our approach to funding, and how we work with customers and colleagues. We aim to be recognisable wherever we work through consistent practice and presentation while retaining the flexibility to respond to differences and needs through our local teams across the UK.

Financial instruments

International Financial Reporting Standard 7 'Financial Instruments: Disclosures' (IFRS 7) requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments play a much more limited role in creating or changing risk for NHMF than is typical of the listed companies to which IFRS 7 mainly applies. NHMF does not have powers to borrow and can only invest grant-in-aid-derived funds. Financial assets and liabilities

are generated by day-to-day operational activities rather than being held to change the risks facing the organisation.

Liquidity risk

In 2011–12, £258million (99%) of HLF's net income after deduction of our contribution to the Olympic Lottery Distribution Fund derived from the National Lottery. The remaining income derived from investment returns from the balance held with the NLDF, £2million (1%), along with a small amount of bank interest and sundry income. The Trustees recognise that their hard commitments (ie a grant contract is in place) and their other payables exceeded the value of funds in the NLDF at 31 March 2012. However, Trustees consider that HLF is not exposed to significant liquidity risks as they are satisfied that they will have sufficient liquid resources within the NLDF and the bank to cover all likely grant payment requests in the coming years. Trustees have been informed by the Department for Culture, Media and Sport (DCMS) that it has no plans to change the Lottery distribution arrangements for the heritage sector. Indeed, DCMS has increased the heritage share distributed by HLF to 20% from April 2012. Trustees have set a long-term grant-award strategy to ensure that HLF's liabilities are in line with assets, and that Trustees are able to meet their commitments to 2023, when the fourth Lottery licence expires. Thus, even if there were a long-term decline in Lottery income, Trustees would be able to adjust annual grant budgets to compensate.

Market and interest rate risk

The financial assets of HLF are invested in the NLDF, which invests in a narrow band of low-risk assets such as government bonds and cash. The Trustees have no control over the investment of these funds. For these two reasons, HLF has 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 £375million. Funds at the NLDF earned on average 2.26% in the year. Cash balances, which are drawn down from the

NLDF to pay grant commitments and operating costs, are held in instant-access variable rate bank accounts, which carried an interest rate of 0.35% in the year. The sharp decline in market interest rates in 2008 has had a significant impact on returns, but as there is little room for rates to fall further, the risk is small. The cash balance at the year end was £3million. The Trustees consider that HLF is not exposed to significant interest rate risks. Other financial assets and HLF's financial liabilities carried nil rates of interest.

	2011-12 £'000	2010-11 £'000
Cash balances		
– sterling at floating interest rates	2,960	2,847
– sterling at a mixture of fixed rates	375,270	367,218
	378,230	370,065

Credit risk

HLF's receivables comprise prepayments mostly on property leases, intra-government balances and one loan to a heritage organisation. The intra-government balances are mostly with fellow Lottery distributors and all had been repaid by the time of signing the accounts. The loan to a heritage organisation is expected to be paid off after the year end in line with the agreed payments schedule. The loan is at nil interest unless the repayment date is missed. Trustees do not consider that HLF is exposed to significant credit risk.

Foreign currency risk

HLF is not exposed to any foreign exchange risks.

Financial assets by category

	2011-12 £'000	2010-11 £'000
Assets per the Statement of Financial Position		
– investments available for sale	375,270	367,218
– cash and cash equivalents	2,960	2,847
– loans and receivables	9,557	4,152
	387,787	374,217

Financial liabilities by category

	2011-12 £'000	2010-11 £'000
Liabilities per the Statement of Financial Position		
– provision	0	35
– other financial liabilities		
• grant commitments	625,940	554,485
• operating payables	370	623
• other payables	323	333
• accruals	1,663	1,353
	628,296	556,829

Fair values

Set out below is a comparison, by category, of book values and fair values of HLF's financial assets and liabilities as at 31 March 2012.

Financial assets at 31 March 2012

	Book value £'000	Fair value £'000
Cash ¹	2,960	2,960
Investments ²	371,884	375,270
Receivables ³	9,557	9,557
	384,401	387,787

Financial assets at 31 March 2011

	Book value £'000	Fair value £'000
Cash	2,847	2,847
Investments	367,570	367,218
Receivables	4,152	4,152
	374,569	374,217

Financial liabilities at 31 March 2012

	Book value £'000	Fair value £'000
Grant commitments ⁴	625,940	625,940
Operating payables ⁵	370	370
Other payables ⁵	323	323
Accruals ⁵	1,663	1,663
	628,296	628,296

Financial liabilities at 31 March 2011

	Book value £'000	Fair value £'000
Grant commitments	554,485	554,485
Operating payables	623	623
Other payables	333	333
Accruals	1,353	1,353
Provision	35	35
	556,829	556,829

Basis of fair valuation

- 1 The figure here is the value of deposits with commercial banks. It is expected that book value equals fair value.
- 2 Investments are controlled by the Secretary of State for Culture, Olympics, Media and Sport. He provides the Trustees with details of the book value and fair value of our balances at the date of the Statement of Financial Position.
- 3 No provision for bad debt is deemed necessary. None of the debts is long term and no interest rate has been applied to the loan.
- 4 Whilst we disclose £363million of grant commitments as not being due for payment until after one year, 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.
- 5 All payables are due within normal contractual terms, usually 14–30 days, and so no difference exists between book value and fair value.

Maturity of financial liabilities

	2011–12 £'000	2010–11 £'000
In less than one year	628,296	556,829
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
	628,296	556,829

The Statement of Financial Position discloses the above figure separated between amounts due in one year and in more than one year. That split is based upon past experience of amounts drawn down by grantees as our contracts with grantees contain no such split. Theoretically, grantees could demand all their grant in 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.

Future developments

Projections provided by DCMS of likely income from the National Lottery suggest that returns will continue at their current high level. This, combined with the improvement in our proportion of good-causes money allocated to the heritage – it rises from 18% to 20% in April 2012 – means that Trustees have increased their budget for grant awards from £255million to £375million in 2012–13. In addition, the transfers from our funds to help pay for the Olympic games will end in the coming year. In the longer term it is hoped to maintain the award level at £375million, but obviously Trustees will monitor income closely over

the next 12 months and revise future grant budgets as appropriate.

It is inevitable that such a large increase in our award budget will mean that additional resources are required to process the extra work that will inevitably result. We are already seeing a significant increase in the number of applications as other sources of funding for the heritage dry up. The outcome is that our processing costs will start to rise, but we will continue to ensure that we remain a highly efficient distributor of Lottery funds and keep within the targets set by ministers.

Our new strategic framework will be issued during 2012–13, setting out our ambitions to 2018. This will be the outcome of consultations with stakeholders over the past 18 months. The coming year will see preparations for its launch including system changes and alterations to documentation with the intention of further improving the experience of our applicants. Co-incidental with this change is the bringing in-house of the grant programme Repair Grants for Places of Worship in England. The administration of the programme had been previously carried out by English Heritage, who will continue to administer awards made in previous years.

Employee consultation

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

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

Equal opportunities

As an employer, NHMF abides by equal opportunities legislation. The Fund does not discriminate against staff or eligible applicants for job vacancies on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religious belief, disability, age or sexual orientation. Every possible step is taken to ensure that staff are treated equally and fairly, and that decisions on recruitment, selection, training, promotion and career management are based solely on objective job-related criteria. NHMF does not tolerate any form of discrimination, harassment or victimisation. The Fund welcomes job applications from people with disabilities, and currently around 6% (2010–11: 4%) of our workforce is made up of people with declared disabilities. All staff are required to co-operate in making this policy work effectively.

During the past year the Staff Disability Action Group has met twice and introduced the concept of inviting selected charities to attend and present to staff. In 2011–12 representatives from Diabetes UK and MIND were invited and along with other diversity and equality training this has enabled staff to have the confidence to declare a disability.

Payables

NHMF adheres to the government-wide standard on bill-paying and the CBI Better Payment Practice Code, which is to settle all valid bills within 30 days. In 2011–12, the average age of invoices paid was eight working days (2010–11: 8 days). Over 95% of invoices were paid within 30 calendar days (2010–11: 96%).

Another way of measuring our commitment to paying suppliers is the creditor days ratio – the ratio of trade payables at the end of the year to the total value of purchases in the year expressed in terms of days. At 31 March 2012, the figure was 19 days (2010–11: 29 days).

Pension liabilities

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

Register of interests

As a matter of policy and procedure, the Trustees declare any direct interests in grant applications and commercial relationships with NHMF and exclude themselves from the relevant grant appraisal, discussion and decision processes within NHMF. In their contacts with grant applicants, Trustees seek to avoid levels of involvement or influence that would be incompatible with their responsibilities as a Trustee of NHMF. There are corresponding arrangements for staff to report interests and avoid possible conflicts of interest. The Register of Trustees' Interests is available for public inspection by contacting the Secretary to the Board, 7 Holbein Place, London SW1W 8NR.

Appointment of auditors

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

Key stakeholders

The main stakeholder of HLF is DCMS, which also controls the NLDF that invests the money received from the National Lottery. The other key stakeholders are a body that carries out assessment processing on our behalf for a grant programme – English Heritage (Repair Grants for Places of Worship programme in England) – and the Big Lottery Fund, which contributes to our Parks for People grant programme in England.

Events after the reporting period

There were no events that occurred after 31 March 2012, up until the date the Accounting Officer signed these accounts, that need to be brought to the attention of the reader. The Accounting Officer authorised the accounts for issue on 6 July 2012, which was the date the accounts were certified by the Comptroller and Auditor General.

Sustainability performance

The Treasury requires all public sector bodies to produce sustainability reports from 2011–12. 2010–11 was a “dry run” and from 1 April 2010, NHMF recorded its carbon footprint in terms of business travel undertaken, waste generated and energy consumption. However, 2010–11 was the first year of collecting the information and is not a reliable baseline; for example, none of our landlords provided figures for kilowatt hours of gas or electricity used, nor did they bill quickly enough to provide figures for the latest financial year, which meant that we had to use 2009–10 figures for those offices. For 2011–12 we have collected kilowatt hours for both gas and electricity and have more invoices for the period. 2011–12 therefore represents the first reliable baseline from which we will be able to monitor trends.

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

Summary of performance

NHMF has control over only one of the properties that it occupies; the headquarters in London. In 2010–11 we replaced the 25-year-old gas boilers for the heating, the chillers for the air conditioning, and installed sensor-controlled lighting that is both movement and daylight sensitive. Having undertaken such a major refit there is no scope for further reducing greenhouse-gas emissions in the one office we control.

In the 10 other properties we occupy we are wholly reliant on the landlord to improve performance and that is unlikely to happen in between major refurbishments. The room for further improvement in scope 1 and 2 emissions is therefore extremely limited.

We describe elsewhere in this report the increase in workload, which has led to a modest increase in greenhouse-gas emissions from business travel.

Area	2011–12
Greenhouse-gas emissions – scopes 1, 2 & 3 business travel including international air/rail travel (tCO ₂ e)	747.1
Estate energy – consumption (kWh) – expenditure	1.3million £384,532
Estate waste – consumption (tonnes) – expenditure	18.9 £6,640
Estate water – consumption (m ³) – expenditure	5,223 £18,786

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

Area per FTE	2011–12	2010–11
Greenhouse-gas emissions – scopes 1, 2 & 3 business travel including international air/rail travel (tCO ₂ e)	3.3	2.5
Estate energy – consumption (kWh) – expenditure	5,701 £1,679	5,686 £1,530
Estate waste – consumption (tonnes) – expenditure	0.1 £29	0.2 £34
Estate water – consumption (m ³) – expenditure	23 £82	63 £81

Greenhouse-gas emissions

Direct energy emissions relate to gas used in boilers operated by NHMF and emissions given off through our use of air conditioning in our London headquarters. Information about gas consumption in kilowatt hours is derived from our suppliers.

Kilowatt hours are converted to carbon dioxide equivalent tonnes using a conversion factor supplied by the Department for Environment, Food and Rural Affairs (DEFRA). The carbon dioxide equivalent for emissions from our air conditioning chillers was also calculated using the formula set out in DEFRA’s guidance (archive.defra.gov.uk/environment/business/reporting/pdf/110819-guidelines-ghg-conversion-factors.xls.)

The replacement of the gas boilers in our London office has reduced consumption and the air conditioning has produced lower greenhouse-gas emissions as there was no disposal of refrigerant in 2011–12.

Indirect energy emissions relate to electricity generated by other organisations and sold to us, and heating that we buy from landlords of our country and regional offices. Information about consumption in kilowatt hours is obtained from our landlords. Kilowatt hours are converted to carbon dioxide equivalent tonnes using a conversion factor supplied by DEFRA. We are reliant on our landlords to improve performance.

Most of our travel is by rail, and our main ticket supplier provides us with details of the carbon dioxide equivalent emissions for all journeys undertaken. Similarly, our main car-hire supplier provides us with data on these emissions. Staff are required to update department spreadsheets with information about all other journeys. Department heads are tasked to ensure that their staff record all their travel. The information gathered is converted to tonnes of carbon dioxide equivalent using tables of conversion factors supplied by DEFRA. With increasing workloads has come an inevitable increase in business travel, with an increase over 2010–11 of 12 tonnes.

Waste

NHMF does not generate any hazardous waste. Further analysis of what happened to the waste we generated is not possible. All non-recycled waste is collected by councils local to the offices in which we operate. We do not know what they do with that waste, but have assumed that it all goes to landfill. Only Kensington & Chelsea Council invoice us separately. This is the expenditure disclosed in the table on page 7.

Our country and regional offices are small enough to weigh all the waste they generated, which is on average just over 1 tonne each per annum. There is no reliable way to measure the much greater volume of waste

removed by Kensington & Chelsea Council in London, and our original estimate of around 9.4 tonnes based on sampling the weight of a selection of refuse bags was not consistent with the experience with the rest of the country, where a similar number of staff produce only 4.5 tonnes of waste. We have therefore calculated the amount of waste generated per person based on actual weights in our country and regional offices and applied that to staff in London. It would be helpful if councils routinely weighed the waste they removed from offices.

Use of resources

Water consumption information is derived from the supplier's invoices for our head office in London. For the other offices we occupy, landlords provide information about the number of cubic metres consumed based on the space we occupy, rather than by individual metering.

Replacing the water cooling towers for the air conditioning of our London office has reduced water consumption.

Additionality

In accordance with the Financial Direction of the Secretary of State, all Lottery distributors are required to have regard to additionality principles. Our requirement for Lottery grants is that our funding should be in addition to available government funding, it should not be instead of central government funding. Thus we will not give grants to projects where we believe that government funding was available at the time of decision. As part of their grant-assessment routine, our staff will quiz applicants as to whether they have considered alternative sources of funding.

Chair and Trustees of NHMF

Chair

Dame Jenny Abramsky²

Trustees

Kim Evans²

Yinnon Ezra¹

Kathy Gee

Doug Hulyer¹

Dan Clayton Jones *to 11 January 2012*

Hilary Lade²

Alison McLean¹

Richard Morris *from 16 May 2011*

Atul Patel² *from 16 May 2011*

Seona Reid *from 1 April 2011*

Ronnie Spence¹

Virginia Tandy

Richard Wilkin² *to 11 January 2012*

Manon Williams *from 12 January 2012*

Christopher Woodward

Chief Executive

Carole Souter²

¹ Member of Audit Committee

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

Dame Jenny Abramsky
Chair

Carole Souter
Chief Executive

4 July 2012

Financial review

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

HLF receives applications from thousands of organisations across all communities of the UK and awards grants on the basis of its aims. Since the Lottery started in 1994, HLF has made almost 39,000 awards and dealt with almost 56,000 grant applications. During the year, almost 2,500 grant applications were received (a 13% increase on last year), requesting over £792million (a 23% increase on last year). The level of requests was over three times our income despite the large rise in our income. This demonstrates that there is still huge and growing demand for heritage Lottery money 18 years after the Lottery started.

During the course of 2011–12, Trustees signed contracts for £311million of grant awards, which was a 30% rise. Positive decisions in the year were £288million, a 36% increase on 2010–11. These impressive increases were possible through our rising income and the continuing high demand for our funds. Trustees aim to ensure that the UK's heritage benefits massively from their funding and are determined that increases in the level of awards are not as a result of lowering the quality threshold of the projects they support.

Overall, net income rose from £224million in 2010–11 to above £260million this year. Income from the National Lottery rose to £302million (2010–11: £258million), with an additional £2million (2010–11: £3million) in investment income earned by the NLDF and allocated to us. Continuing low market interest rates and gilt yields are the reason for the low investment income returns. Our

income from the National Lottery was again tempered by the transfer of £43.4million to the Olympic Lottery Distribution Fund. Sundry income fell back to more normal levels following the significant repayment of a grant given to the National Trust of Scotland in 2010–11.

The balance of HLF funds at the NLDF rose slightly from £367million to £375million at the end of the financial year. Trustees had expected the balance to fall slightly, but income from ticket sales was well in advance of the projections supplied by DCMS in early 2011 and upon which we based our awards budget. We have significantly increased our award budget for 2012–13 and future years, but, with an inevitable time lag between the increase in money being paid into the NLDF and it being drawn down by grant recipients, it is likely that the balance will continue to rise in the medium term.

The table below illustrates the value and type of decisions made in the year. Stage-one soft commitments are a relic from the era of our second strategic plan (which ended in 2008) where there are still some recipients of these decisions who have yet to return with a stage-two application. We are pleased to say that there are very few of them. First-round soft commitments refer to initial decisions on applications made under our third strategic plan for programmes where the second-round decision is highly likely

to be positive. Grant awards are made when stage-one and first-round decisions are converted into full awards. The balance of grant awards at the year end, £43.1million, represents those awards that have not been converted to hard commitments through the signing of a grant contract.

Taking into account all the stage-one and first-round decisions, as well as all grant awards and hard commitments, at the end of the financial year HLF had committed over £325million more than it had in the NLDF. The balance of contractual liabilities significantly exceeded HLF's net assets during the year, and there was a net deficit on the Statement of Financial Position in excess of £238million at 31 March 2012. In addition, there were another £286million of non-commitment first-round passes (on programmes where a soft commitment is not recognised at the first-round stage) which may become full awards in the next few months. Adding these to our existing commitments means that we are over-committed by almost two years' expected income. This demonstrates Trustees' determination to try to keep the balance at the NLDF low. The accounts have been prepared on a going concern basis as required by the Secretary of State's accounts direction and because Trustees were assured, as recently as February 2012, that the government has no plans to change the percentage of good-causes money received by NHMF or to change Lottery distributors.

Commitments table

	Stage-one and first-round soft commitments* £m	Grant awards £m	Hard commitments £m	Total decisions £m
At start of the year	46.1	64.0	554.5	
Trustees' decisions in the year	20.2	268.1	–	288.3
Converted in the year	(23.3)	23.3	–	
Converted in the year	–	(311.3)	311.3	
De-commitments	(11.5)	(1.0)	(6.3)	
Grant payments	–	–	(233.6)	
At end of the year	31.5	43.1	625.9	

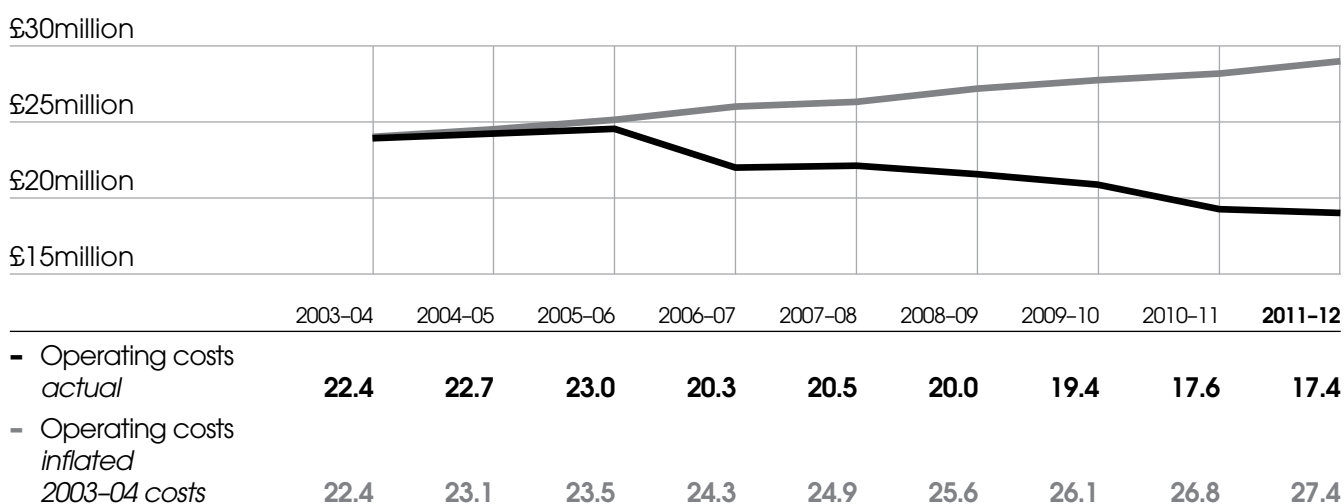
* Not all first-round passes are treated as commitments. First-round passes for applications under the Heritage Grants and the Parks for People programme are not regarded as soft commitments.

Overall, operating costs fell by 1.6% during the year, demonstrating once again that the organisation is a highly efficient distributor of funds from the National Lottery – further evidence is shown in the chart below. The 0.6% fall in staff costs was assisted by the government’s continued freeze in public-sector wages, but there was also a small decline in the average number of staff (down five to 227). There was an increase in depreciation, which was not surprising following the significant levels of capital expenditure over the past couple of years. In addition to a full year’s depreciation charge for software expenditure on updating our working systems, there was also a full year of depreciation on the replacement of the 25-year-old boilers and chillers at the London office. We have also had to refurbish a replacement office for our Exeter-based team. Other operating costs fell by 3.5%. Again, the government’s continued freeze on certain types of expenditure – advertising and marketing – had an impact, along with its setting of a target for the proportion of operating costs to income. Management rose to the challenge and reductions were achieved throughout the organisation. Our operating costs also benefit from two contributions from central government bodies:

- 1 from the Big Lottery Fund (BLF) towards the cost of running the Parks for People programme, to which they contribute some grant funding. Their contribution fell from £779,000 to £440,000. Therefore, excluding the BLF contribution, the percentage fall in our operating costs is proportionally greater;
- 2 from the Committee on Climate Change (CCC) towards to cost of their occupying most of the first floor at our London office. CCC has been accommodated since May 2011 and their contribution is in terms of rent and service charges. There was no contribution in 2010–11, and in 2011–12 they paid £178,000.

Trustees applaud the work done by management and staff in achieving these significant cost savings. Trustees recognise that planned enormous increases in the overall value of grant awards, the significant rise in grant applications and the general level of inflation in the economy will make it tough for the organisation to keep its costs low, but management is determined that costs in 2012–13 and beyond should be as low as possible whilst maintaining a level of service that our applicants appreciate.

Actual operating costs vs inflated 2003–04 costs



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

Trustees recognise that greater efficiencies in the costs of operating the Lottery Fund should not be achieved at the expense of service to our customers. They are pleased to report that despite the increase in applications and awards we continue to meet our service level targets for both applicants and grantees. Further information on our service level targets is available elsewhere in the annual report. We made approximately 1,845 heritage awards in the year, up 15% from the previous year. This improvement was brought about with lower processing costs than 2010–11. Trustees pay tribute to the staff of NHMF in bringing this about.

The Trustees consider the risks faced by HLF at monthly Board meetings and through their Audit Committee. An annual register is created of the highest-level risks, which is reviewed on a quarterly basis. The principal risks are discussed further in the governance statement.

Key performance indicators

HLF has a reputation as an efficient distributor of Lottery funds. The chart on page 11 sets out our operating costs in each of the last nine years since we created our regional office structure – the black line. The grey line shows the value of operating costs incurred nine years ago when increased in line with the Treasury’s GDP deflator – an estimate of the general level of inflation in the UK economy. Trustees are pleased to note that operating costs in 2011–12 are £10million (or 36.6%) lower than inflation since 2003–04 would have suggested – representing a significant real-terms reduction in operating costs and releasing extra funds for grants. If the Retail Prices Index were used rather than the GDP deflator, costs would be £11.9million (or 40.7%) below the 2003–04 level.

Targets have been set by ministers requiring us to keep our grant-processing costs below 5% of income and our operating expenditure below 8% of total income. We have been given until 2013–14 to achieve these targets. Operating expenditure is all that we spend

that is not a grant payment. Grant-processing costs are regarded as being purely those costs that NHMF incurs that relate to its processing of Lottery grant applications and its associated operating overhead. To get to a figure for operating costs, we take our operating expenditure and we exclude those costs that relate to us assisting potential applicants – development and outreach work, workshops, publications, mentoring and operating a website – as well as our research activities.

In 2011–12, we achieved the following:

	Target	Actual 2011-12	Actual 2010-11
Operating expenditure as a proportion of total income	8%	5.7%	6.6%
Processing expenditure as a proportion of total income	5%	4.5%	5.1%

Trustees are pleased to note that the targets have been achieved two years early. Whilst we have undoubtedly benefitted from higher levels of income, we are also undertaking more work as the number of applications is higher and the value of awards is higher.

Personal data

HLF has had no incidents where personal data was inadvertently disclosed to a third party, and has made no report to the Information Commissioner’s office. HLF will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvements of its systems.

Sickness absence

In 2011–12, 1,579 days were lost due to 327 sickness episodes (2010–11: 2,199 days in 354 episodes), which represents a very modest 1.93% of all working days (2010–11: 2.56%).

Remuneration report

Remuneration of the Chair and Trustees
All Trustees were entitled to receive an annual salary for the time spent on the activities of NHMF. In addition, NHMF reimbursed travel expenses of certain Trustees from their homes to their office of employment in London, Edinburgh, Cardiff or Belfast. The Fund met the tax liability on these expenses.

The remuneration of those Trustees that received payment, including reimbursement of taxable expenses and the tax thereon, falls into the bands in the table on the right.

All Trustees have three-year appointments, potentially renewable for a second term (Ronnie Spence has an 18-month extension to his three-year contract). They are appointed by the Prime Minister. They are not members of the pension scheme utilised by NHMF. No contributions were made by the Fund to a pension scheme on the Trustees' behalf. All Trustees' remuneration was allocated between NHMF and its Lottery distribution activities on the basis of 1%: 99%. The total remuneration of Trustees in 2011–12 was £205,235 (2010–11: £182,721). The pay and contracts of Trustees are discussed and set by DCMS. Their contracts do not contain any bonus clauses. There were no benefits in kind or non-cash elements paid to Trustees or directors.

Audited information

	2011-12 £'000	2010-11 £'000
Dame Jenny Abramsky <i>Chair</i>	40-45	40-45
Kim Evans	5-10	5-10
Yinnon Ezra	10-15	0-5
Kathy Gee	10-15	5-10
Doug Hulyer	5-10	10-15
Tristram Hunt <i>to 6 April 2010</i>	0	0
Dan Clayton Jones <i>to 11 January 2012</i>	15-20	20-25
Hilary Lade	10-15	10-15
Brian Lang <i>to 20 March 2011</i>	0	20-25
Alison McLean	5-10	5-10
Richard Morris <i>from 16 May 2011</i>	5-10	0
Atul Patel <i>from 16 May 2011</i>	5-10	0
Seona Reid <i>from 1 April 2011</i>	20-25	0
Matthew Saunders <i>to 15 March 2011</i>	0	5-10
Ronnie Spence	20-25	20-25
Virginia Tandy	10-15	0-5
Richard Wilkin <i>to 11 January 2012</i>	5-10	5-10
Manon Williams <i>from 12 January 2012</i>	0-5	0
Christopher Woodward	5-10	5-10

Remuneration of employees (Audited information)

The remuneration of directors was as follows:

	Salary 2011-12 £'000	Salary 2010-11 £'000	Bonus 2011-12 £'000	Bonus 2010-11 £'000	Real increase in pension and lump sum £'000	Total accrued pension at age 60 and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/03/12 £'000	CETV at 31/03/11 £'000*	Real increase in CETV funded by NHMF £'000
Carole Souter <i>Chief Executive</i>	130 to 135	130 to 135	0 to 5**	0 to 5**	0 to -2.5 and -2.5 to -5 lump sum	50 to 55 plus 160 to 165 lump sum	1,050	987	-23
Robert Bewley <i>Director of Operations</i>	90 to 95	90 to 95	0 to 5	5 to 10	0 to -2.5 and 0 to -2.5 lump sum	30 to 35 plus 90 to 95 lump sum	627	587	-10
Judith Cligman <i>Director of Strategy and Business Development</i>	90 to 95	90 to 95	0 to 5	0 to 5	0 to -2.5 and 0 to -2.5 lump sum	30 to 35 plus 90 to 95 lump sum	570	534	-9
Steve Willis <i>Director of Finance and Corporate Services</i>	100 to 105	100 to 105	0 to 5	5 to 10	0 to -2.5 and -2.5 to -5 lump sum	50 to 55 plus 160 to 165 lump sum	1,187	1,124	-33

* These figures are different to those quoted in last year's accounts. The actuarial factors used to calculate cash equivalent transfer values were changed in 2011-12. The CETVs at 31/03/11 and 31/03/12 have both been calculated using the new factors, for consistency.

** Carole Souter waived her right to a director's bonus in both 2011-12 and 2010-11.

The accrued pension quoted is the pension the member is entitled to receive when they reach 60, or immediately on ceasing to be an active member of the scheme if they are already 60. The pension age is 60 for members of classic, premium and classic plus and 65 for members of Nuvos.

Bonuses payable to senior management are disclosed separately. This is in line with Employer Pensions Notice 287 issued by the Cabinet Office in November 2010.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension

payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

All senior employees had permanent contracts of employment and were ordinary members of the Principal Civil Service Pension Scheme (PCSPS). Their costs were allocated between HLF and NHMF on the basis of 99%: 1% (2010–11: 99%: 1%). The remuneration of senior managers is performance-related. The sum is based on performance against individual objectives and on overall contribution to corporate strategy and goals. Individual objectives for the Chief Executive are set by the Chair of the Board of Trustees, and the Chief Executive in turn agrees personal objectives with the function directors. Objectives reflect the strategic and operational goals of the Fund and the contribution expected of each individual senior manager to achieving the goals. The Fund has a performance management system, and performance is reviewed in line with this. Performance is reviewed annually in March–April and rated on a scale of four different levels of achievement. There is a bonus scheme for the directors which takes into account the Finance and Resources Committee's (membership of this committee is disclosed on page 9) view of the individual's contribution towards the wider success of the organisation, with particular reference to their management of their own department and their impact on other areas; the individual's impact on Trustees and their

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

Remuneration ratio

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

The banded remuneration of the highest-paid director in 2011–12 was £130,000 to £135,000. This was five times the median remuneration of the workforce, which was £26,372. There were no employees who received remuneration in excess of the highest-paid director. As this is the first year that we have been required to produce this information, there is no comparative data. However, we have no reason to believe that the ratio will have widened during the year as all staff earning over £21,000 had their pay frozen for the second year and staff turnover is low.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. In order to calculate the median salary we have had to gross up the salary of part-time staff and annualise the salary of staff on fixed-term contracts. We have not included overtime payments and we have excluded from the calculation our Trustees and committee members.

Exit packages

Under the terms of Employer Pensions Notice 296 issued by the Cabinet Office in March 2011, NHMF is required to publish details of all exit packages agreed in the financial year under review. Falling under the definition of exit packages are compulsory and voluntary redundancies, early retirement, compensation for loss of office, ex-gratia payments etc. There was one in 2011-12 (2010-11: 0); further information is available in note 18 to the accounts.

Audited information

	2011-12 Number	2010-11 Number
£30,000-£35,000	1	0

Carole Souter
Chief Executive

4 July 2012

Statement of Trustees' and Chief Executive's responsibilities

Under section 34(1) of the 1993 Act, Trustees of NHMF are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Olympics, Media and Sport with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Fund's state of affairs at the year end, and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, Trustees of NHMF are required to comply with the requirements of the Government Financial Reporting Manual (FREM) and in particular to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FREM, have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Fund will continue in operation.

The Accounting Officer of DCMS has appointed the senior full-time official, the Chief Executive, as the Accounting Officer for the Fund. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for the safeguarding of the Fund's assets and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting

Officers' Memorandum, issued by the Treasury and published in *Managing Public Money*.

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

Dame Jenny Abramsky
Chair

Carole Souter
Chief Executive

4 July 2012

Governance statement

As the Accounting Officer of 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 Lottery. Other than that, NHMF operates as a single entity because I believe that this is a more efficient way to distribute grants. Consequently, there is one governance structure and this statement covers the distribution of both grant-in-aid and Lottery grants.

The governance framework

I have responsibility 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 (NHMF or 'the Fund') is vested in and administered by a body corporate known as the Trustees of NHMF, consisting of a Chair and not more than 14 other members appointed by the Prime Minister. The Fund was set up on 1 April 1980 by the National Heritage Act 1980. The powers of the Trustees and their responsibilities were extended by the provisions of the National Lottery etc. Act 1993, the National Heritage Act 1997 and the National Lottery Act 1998.

I work closely with the Board of Trustees of NHMF, who share a responsibility to:

- give leadership and strategic direction;
- define control mechanisms to safeguard public resources;
- supervise the overall management of NHMF's activities; and
- report on the stewardship of public funds.

The Board of Trustees operates as a group and held 11 meetings during the year to set

policy for NHMF and make decisions in line with that policy. These meetings are held in my presence and that of my colleagues in senior management. All Board meetings held in 2011–12 were quorate. The overall average attendance rate of Trustees was 95%, with no Trustees attending less than 82% of Board meetings. Trustees have also delegated some of their tasks to two sub-committees – Finance and Resources, and Audit. These committees oversee the activities of management and provide support. The minutes of committee meetings are standing items on the agenda of Board meetings and the committee chairs provide a full report on their activities.

The Finance and Resources Committee comprises four Trustees and me, and is chaired by a Trustee. Two of my directors also attend each meeting. This committee met three times during the year and was quorate on each occasion. Its terms of reference cover the preparation of the strategic framework and business plans of NHMF, setting and monitoring budgets for grant awards and operating costs, guiding management on administrative and control structures, overseeing the investment of NHMF's endowment fund and approving the remuneration policy. The significant matters discussed by the committee during the year included satisfying itself that management were adequately monitoring staff workloads at a time of increasing applications; management's proposals on the accommodation strategy as several office leases were coming to an end; and the investment principles to be adopted for the endowment fund.

The Audit Committee comprises four Trustees and is chaired by a Trustee. It met three times during the year and was quorate on each occasion. I attend each meeting along with the Director of Finance and Corporate Services. Its terms of reference include the activities of the internal and external auditors and overseeing the risk culture of NHMF. During the year the

committee reviewed its operation in line with the Audit Committee Checklist, produced by the National Audit Office. Each committee member completed the questionnaire in isolation, as did senior management, and it was notable that everyone's understanding was closely aligned. The committee were satisfied that they were operating in line with recommendations of the checklist. One result of this exercise was that the committee considered whether there should be a change to its terms of reference to incorporate the consideration of risks to individual grant-aided projects. No final decision has been made as any change would have to fit into the operating structure for the upcoming strategic framework, which is due out in 2013. The subject will be revisited during 2012–13. The committee also discussed whether co-opting external members with specialist skills would be beneficial. However, they decided against this as there were already representatives from three large accounting and auditing bodies at each meeting. The committee makes regular reports to the Board, and Trustees are satisfied that the committee is providing them with the assurance they require.

The Trustees have also delegated their grant-decision-making responsibilities for certain types and values of Lottery awards to country and regional committees. There are 12 of these committees and each contains one Trustee. In addition to making grant decisions, these committees provide advice to the Board on priorities within their area and act as advocates of Trustees' Lottery activities. Trustees have also delegated grant-decision-making for grants under £50,000 (£100,000 from 1 April 2012 onwards) to staff; specifically heads of regions and countries. The regional and country committees produce an annual report for Trustees on the impact of small grants in the country/region and performance, including risk management. All decisions made by staff and committees are reported to the Board.

I operate a four-department structure within NHMF. The department heads and their deputies form my Management Board. I chair each meeting of the Management Board, which meets weekly. The Management Board controls the day-to-day activity of the Fund. I benefit greatly from the expertise of my colleagues who have many years of experience in their respective fields. I also hold regular meetings with the Managers' Forum comprising all middle and senior managers. The agenda of these meetings regularly includes planning and risk, and allows staff from various departments to share their views on good practice.

Our combined strength allows us to maintain a robust internal control system that is sufficiently flexible to cope with the changing demands of our stakeholders and allows us to keep up-to-date with innovations in administration. Our system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of NHMF's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The annual operating plan of NHMF – the business plan – is discussed with our sponsor department, DCMS. DCMS has also set policy and financial directions with which we have complied in our Lottery activities (the Welsh Assembly and the Scottish Parliament have also issued some policy directions with regard to our Lottery activities in those countries). We also operate in line with an agreed Management Statement and Financial Memorandum based upon a template devised by the Treasury. This includes regular meetings

with senior officers of DCMS and with fellow Lottery distributors.

Risk assessment

All policy-setting and grant-decision-making is informed by the risk-management culture of NHMF. The Management Board devised a risk-management statement that sets out our principles of risk management. It also details how NHMF identifies, monitors and controls risks and opportunities, and sets out the Fund's appetite for risk. It also assigns specific responsibilities to individuals and groups in ensuring that NHMF's risk management achieves its risk objectives. The statement is approved by the Audit Committee and is reviewed annually.

The Fund's appetite for risk, as set out in the risk-management strategy, states: "Well-thought-through risk-taking and innovation to achieve NHMF objectives should be encouraged. This means that a 100% risk-avoidance culture is not the most effective use of our resources." I believe that the Fund demonstrates innovation in its choice of grant awards and it does not resort to simply making risk-free decisions. To this end, we are prepared to accept that some of the organisations to whom we give grants will not subsequently demonstrate competence in the administration of the grant. We learn our lessons, improve our processes and, in rare circumstances, write off the grant. In the worst cases, we may have to call in the police. I approve all write-offs and this allows me to monitor the amount each year to ensure that there is no suggestion that our assessment and monitoring processes are lax. As can be seen from the relevant note to the accounts, the level of grant write-off is extremely small relative to the amount of money 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 for applicants. Consequently, I am able to conclude that there is no cause for concern about the level of risk implicit in our processes.

On an annual basis, risks are categorised by considering the likelihood of occurrence should no risk-mitigation activity occur and the impact should the risk happen. The risks where the potential impact is deemed high form the NHMF risk register. The risk register forms part of the annual business plan of the Board of Trustees, having been previously endorsed by the Audit Committee. The Management Board assigns to senior managers (the 'risk owners') the task of putting procedures in place to monitor and, where possible, mitigate the risk.

The Management Board reviews the effectiveness of their work on a quarterly basis. The Audit Committee also reviews effectiveness at each meeting and questions the activities of risk owners. Furthermore, our internal audit function reviews the risk-management processes as part of its work and can provide the benefit of its experience of other organisations' risk-management activities.

Policy papers put to the Board of Trustees for decision all contain a discussion of the risks associated with taking the possible courses of action. The Board also regularly discusses one of the risks on the risk register with the risk owner.

Whilst the Management Board and the Audit Committee take the lead on setting the risk framework, staff at middle-management level are fully involved in the system. The risk register is circulated to all middle management prior to their production of annual team plans. Each team annual plan makes specific reference to the risk register and expresses how their activities will operate in the light of the identified risks. They are also expected to bring to the attention of senior management any emerging risks. Their plans are discussed and approved by senior management. In addition, the Managers' Forum has regular discussion of the risk environment in which NHMF operates and how the Fund should respond. All middle managers are appraised on an annual basis of the way in which they

anticipate, identify and manage both risks and opportunities.

In 2011–12, NHMF considered the following to be the most significant areas of risk:

- growing demand in a worsening economic climate puts pressure on the NHMF endowment fund and/or loss of heritage resulting in negative publicity and reduction of stakeholder confidence;
- failure of awarded grants to meet our strategic objectives;
- demand for awards, pre-application advice and monitoring exceeds our operational capacity;
- failure of our strategy to keep pace with the needs of the heritage and changes in the external environment, and therefore lack of support for it by our stakeholders;
- failure to set and follow efficient procedures, thereby giving rise to the risk of inefficiency, fraud or of making decisions open to challenge;
- failure to recruit, retain and motivate appropriately skilled staff;
- lack of adequate acknowledgement of the NHMF/HLF contribution by grantees;
- that support and influence lessen as a result of low awareness and understanding of the benefits of our investment, with its unique cross-sectoral and facilitating role, by stakeholders and the Lottery-playing public; and
- risk of increased media and opinion-former scrutiny of our funding decisions in current economic and political conditions with potential for adverse response.

NHMF has a fraud policy that is reviewed on an annual basis. It is given to all new staff at their induction, and they all receive a one-day training session on fraud awareness. NHMF also has an information risk policy to be followed by all staff – new staff read it

as part of their induction. The policy, which is reviewed on an annual basis, requires all data to be held securely. NHMF is compliant with the Security Policy Framework and with the mandatory measures of the Data Handling Review.

Significant issues dealt with by the Board during the year

The most significant activity for the Board has been the preparation for its new strategic framework. A significant amount of work has been undertaken in consulting with stakeholders and analysing their comments and then consolidating it all into a strategic framework that will be launched during 2012–13.

Other matters handled by the Board included the launch of policy directions for Scotland created by the Scottish Government, and a government initiative to encourage philanthropy (entitled Catalyst). The Board has agreed to set aside £20million over the next four years for Catalyst.

The anticipated significant rise in Lottery income over the coming years, as a result of the government's decision to increase our share of good-causes money to 20%, the high level of Lottery ticket sales and the ending of the transfers to help fund the 2012 Olympics have allowed a large rise in the grant budget for 2012–13. Trustees sought and received assurances from management that the administrative structure of NHMF is capable of handling such a steep increase in awards.

Nothing of concern emerged from any of the committees set up by the Board. Reports from the internal and external auditors were satisfactory (more details below). The only topic of concern that the Board had to deal with was the impact on the endowment fund of the minimal grant-in-aid this year, the decline in world stock markets and the high level of demand for grant-in-aid awards. This has resulted in the endowment fund falling well short of its target value. At the start of the financial year, the shortfall was

£5.2million; at the end of the financial year it was £11.3million. At present, every time a grant-in-aid application is put before them, the Board has not only to consider its merits in terms of Britain's national heritage, but also what the impact will be on our endowment fund.

The performance of the Board

The Board undertook its annual assessment of its own effectiveness in February 2012. In February 2010 the Board enhanced its governance through the completion of a self-evaluation questionnaire, facilitated by the National School of Government. In the two years since that review, the Board has adopted the principles outlined in that questionnaire (focusing on the organisation's purpose and on outcomes, performing effectively in clearly defined roles, promoting values for the whole organisation and demonstrating the values of good governance, taking informed and transparent decisions and managing risk, developing the capacity and capability of the Board) when making decisions and in carrying out their annual assessment of effectiveness. The structure put in place as a result of this work has continued to provide NHMF with effective governance. The Board was happy with its governance performance in the year and considered that it had met the Treasury's Corporate Governance Code. There was nothing in any of the internal or external audit reports put before the Board's Audit Committee that gave it any cause for concern. Consequently, the Board believes it can rely on the quality of data put before it by management and upon which it bases its decisions.

As part of its annual assessment, the Board agreed to do the following:

- 1 External involvement in the assessment exercise would take place every three years.
- 2 New Trustees would 'shadow' a more experienced colleague at the time of their induction. This would help them to get up to speed more quickly.

All new Trustees receive induction at the time of their appointment, which introduces them to their obligations as a Trustee, the work of NHMF and its systems, thereby helping to prepare them to make a full contribution to the working of the Board. The effectiveness of Trustees is appraised by the Chair on an annual basis and exit interviews are held when their contracts end to allow them to make any observations on how to improve the operation of the Board.

The governance year

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and senior management within NHMF who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. As a result of their work during the year, the internal auditors have produced an annual certificate of assurance with regard to the adequacy of the systems and the operation of internal controls within NHMF. In addition, I have seen the management letter prepared by the external auditors following their audit of the accounts for the year ended 31 March 2012. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Trustees and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the internal control system is in place.

The annual internal audit plan is created on a risk basis; the internal auditors were provided with a copy of the draft risk register for 2011 when preparing their plan. The Audit Committee reviewed and approved the internal audit plan. I ensured that there was sufficient flexibility in the plan to allow for changes to be made during the year to reflect any significant changes in the risk environment or the emergence of new risks. However, there was none.

All reports of the internal auditors were discussed by the Audit Committee with senior members of staff in attendance, including those whose departments were reported upon by the auditors – this gave me and members of the committee the opportunity to discuss, in detail, the findings, recommendations and proposed management actions. Heads of departments that had failings identified by the internal auditors were required to devise corrective action and set a completion date for that action in consultation with the internal auditors. I receive regular reports from the auditors notifying me of the progress my department heads have achieved in clearing up points raised by both internal and external auditors in previous years.

The most significant audit report resulted from a visit to five of our regional and country offices – Belfast, Cambridge, Edinburgh, Exeter and Newcastle – where I was gratified to note that there was no diminishing in effectiveness despite these offices being geographically distant from the centre. Other internal audit reports looked at our system for ensuring Lottery grantees acknowledge our awards – unfortunately not all grantees do this despite it being a contractual requirement; our working practices as a landlord now that we rent out part of our head office building in London; and general controls in our finance team. I was satisfied with the results of those internal audit reports. No changes of any significance have been made to our systems in 2011–12 and no problems have emerged that lead me to believe that the internal control system is not operating effectively. The internal auditors described NHMF as having “a sound and effective internal control framework in place” in their annual report to the Audit Committee. There was nothing in the management letter produced by the external auditors that leads me to doubt the adequacy of our systems.

I also required all members of senior and middle management to sign annual memoranda of representation to me, detailing their responsibilities and confirming that they have carried out these responsibilities in 2011–12. All managers have signed the memorandum and they are aware that I have placed reliance on these assertions of my management.

The Audit Committee prepares a report of its activity to the Board of Trustees once a year. Neither internal nor external auditors had uncovered anything untoward during the year. The committee concluded, at its meeting in June 2012, that it had operated satisfactorily during 2011–12. The Board was pleased to hear this and endorsed this view at its June meeting. The Finance and Resources Committee prepares two reports a year to the Board in addition to its meeting minutes. They were able to report that we had a successful year where the grant budget was met; we kept within our operating budget and met DCMS's targets for Lottery-grant processing and total operating costs as a proportion of income; we had another successful year in attaining our service level targets and our customer satisfaction levels are at a high point. All this was achieved at a time when grant applications are at higher levels than previous years and our cost base is at its lowest since we opened our country and regional offices a decade ago.

As a result of the above, I believe that the Fund's 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 systems for detecting and responding to inefficiency, for preventing conflicts of interest, for preventing and detecting fraud and for minimising losses of grant-in-aid and Lottery grant are not adequate. I believe that the governance structure has operated successfully in 2011–12.

Attendance records

We are required by the Corporate Governance Code to disclose attendance records at Board meetings and Board sub-committee meetings.

Board attendance record	Number of eligible meetings	Actual attendance
Dame Jenny Abramsky	11	11
Kim Evans	11	10
Yinnon Ezra	11	11
Kathy Gee	11	11
Doug Hulyer	11	9
Dan Clayton Jones	8	8
Hilary Lade	11	10
Alison McLean	11	11
Richard Morris	10	9
Atul Patel	10	10
Seona Reid	11	11
Ronnie Spence	11	11
Virginia Tandy	11	10
Richard Wilkin	8	8
Manon Williams	3	3
Christopher Woodward	11	9

Audit Committee attendance record	Number of eligible meetings	Actual attendance
Yinnon Ezra	3	3
Doug Hulyer	3	3
Alison McLean	3	2
Ronnie Spence	3	3

Finance and Resources Committee attendance record	Number of eligible meetings	Actual attendance
Dame Jenny Abramsky	3	3
Kim Evans	3	2
Hilary Lade	3	2
Atul Patel	1	1
Carole Souter	3	3
Richard Wilkin	2	2

Carole Souter
Chief Executive

4 July 2012

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

I certify that I have audited the financial statements of the National Heritage Memorial Fund's Lottery Distribution activities for the year ended 31 March 2012 under the National Lottery etc. Act 1993. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Trustees, Chief Executive/Accounting Officer and auditor

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

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Heritage Memorial Fund's Lottery Distribution Activities circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by

the National Heritage Memorial Fund; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Heritage Memorial Fund's Lottery Distribution Activities affairs as at 31 March 2012 and of its operating deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

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

- the information given in the Management Commentary and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

Report

I have no observations to make on these financial statements.

Amyas CE Morse
Comptroller and Auditor General

6 July 2012

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

Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

	Notes	£'000	2011-12 £'000	2010-11 £'000
Proceeds from the National Lottery	10		301,663	257,721
NLDF investment income	10		2,171	2,843
			303,834	260,564
Less: amount transferred to the Olympic Lottery Distribution Fund by the Secretary of State for Culture, Olympics, Media and Sport	10		(43,388)	(43,388)
			260,446	217,176
Interest receivable		59		51
Sundry income	2	73	132	6,849
Total income			260,578	224,076
New hard commitments	12	(311,338)		(240,078)
Hard de-commitments	12	6,317		8,473
			(305,021)	(231,605)
Staff costs	3	(9,508)		(9,562)
Depreciation and amortisation	7 and 8	(714)		(676)
Other operating charges	4	(7,136)		(7,398)
			(17,358)	(17,636)
Total expenditure			(322,379)	(249,241)
Operating deficit			(61,801)	(25,165)
Other comprehensive expenditure				
Net gain/(loss) on revaluation of available for sale financial assets	17		3,386	(352)
Total comprehensive expenditure for the year ended 31 March 2012			(58,415)	(25,517)

All figures shown relate to continuing activities.
The notes on pages 30 to 46 form part of these accounts.

Statement of Changes in Equity

for the year ended 31 March 2012

	Fair value reserve £'000	Income and expenditure account £'000
Balance at 1 April 2010	(630)	(154,382)
Changes in equity in 2010-11		
Release of fair value reserve to the income and expenditure account	630	(630)
Net loss on revaluation of investments	(352)	
Retained deficit		(25,165)
Balance at 31 March 2011	(352)	(180,177)
Changes in equity in 2011-12		
Release of fair value reserve to the income and expenditure account	352	(352)
Net gain/(loss) on revaluation of investments	3,386	
Retained deficit		(61,801)
Balance at 31 March 2012	3,386	(242,330)

The fair value reserve relates to the difference between book cost and market value of the balance at the NLDF (see note 10). The difference between book and market value of intangible assets and property, plant and equipment (see notes 7 and 8 to the accounts) is not material. The notes on pages 30 to 46 form part of these accounts.

Statement of Financial Position

as at 31 March 2012

	Notes	2011-12 £'000	2010-11 £'000
Non-current assets			
Intangible fixed assets	7	548	901
Property, plant and equipment	8	1,017	1,182
Current assets			
Investments - balance at the NLDF	10	375,270	367,218
Trade and other receivables	9	9,557	4,152
Cash and cash equivalents		2,960	2,847
		387,787	374,217
Total assets		389,352	376,300
Current liabilities			
Provision		0	(35)
Administrative liabilities	11	(2,356)	(2,309)
Grant commitments within one year	12	(262,895)	(221,794)
Non-current assets plus net current assets		124,101	152,162
Non-current liabilities			
Grant commitments due in more than one year	12	(363,045)	(332,691)
Assets less liabilities		(238,944)	(180,529)
Represented by:			
Fair value reserve	17	3,386	(352)
Income and expenditure account brought forward		(180,177)	(154,382)
Transfer from fair value reserve		(352)	(630)
Movement in the year		(61,801)	(25,165)
Income and expenditure account carried forward		(242,330)	(180,177)
		(238,944)	(180,529)

The notes on pages 30 to 46 form part of these accounts.

Dame Jenny Abramsky **Carole Souter**
Chair Chief Executive

4 July 2012

Statement of Cash Flows

for the year ended 31 March 2012

	Notes	2011-12 £'000	2010-11 £'000
Operating activities			
Cash drawn down from the NLDF	10	255,780	228,583
Cash from other sources	2	73	6,849
Cash paid to and on behalf of employees		(9,798)	(9,494)
Interest received on bank accounts		59	52
Cash paid to suppliers		(9,939)	(10,299)
Cash paid to grant and loan recipients	9 and 12	(235,866)	(215,857)
Net cash inflow/(outflow) from operating activities	14a	309	(166)
Investing activities			
Capital expenditure and financial investment	14b	(196)	(591)
Increase/(decrease) in cash and cash equivalents		113	(757)

Reconciliation of Net Cash Flows to Movement in Net Funds

for the year ended 31 March 2012

	Notes	2011-12 £'000	2010-11 £'000
Increase/(decrease) in cash and cash equivalents in the period		113	(757)
Changes in cash and cash equivalents	14c	113	(757)
Cash and cash equivalents at 1 April 2011		2,847	3,604
Cash and cash equivalents at 31 March 2012		2,960	2,847

The notes on pages 30 to 46 form part of these accounts.

Notes to the Accounts for the year ended 31 March 2012

1. Statement of accounting policies

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

a) Accounting convention

These accounts are drawn up in a form directed by the Secretary of State and approved by the Treasury. They are prepared under the modified historic cost convention. Without limiting the information given, the accounts meet the accounting and disclosure requirements contained in the Companies Act 2006 and the FREM, so far as those requirements are appropriate, and accounts direction issued by the Secretary of State for Culture, Olympics, Media and Sport in October 2002. The accounting policies contained in the FREM apply IFRS as adapted or interpreted for the public sector context. The National Lottery accounts direction issued by the Secretary of State specifically excludes the preparation of consolidated accounts and requires the use of commitment accounting for awards – this is a departure from accruals accounting. Copies of the Lottery distribution and grant-in-aid accounts directions may be obtained from the Secretary to the Board, 7 Holbein Place, London SW1W 8NR.

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

The accounts have been prepared on a going concern basis because NHMF has been informed by DCMS that it has no plans to change the Lottery distribution arrangements for the heritage sector and so Trustees assume that they will continue to receive funding from the Lottery.

b) Non-current assets

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

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

No internally generated costs are capitalised.

c) Allocation of costs and segmental reporting

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

Trustees do not believe that their grant-in-aid or their Lottery distribution activities can be divided into separate segments.

NHMF incurs indirect costs which are shared between activities funded by grant-in-aid and activities funded by the National Lottery. NHMF is required to apportion these indirect costs in accordance with *Managing Public Money*, issued by the Treasury. This cost apportionment seeks to reflect the specific proportion of time and expenses committed to each fund. At the end of the financial year, the proportion of joint costs apportioned to HLF was 99% (2010–11: 99%).

d) Taxation

No provision is made for general taxation as NHMF is statutorily exempt. NHMF is unable to recover Value Added Tax (VAT) charged to it, and the VAT-inclusive cost is included under the relevant expenditure descriptions.

e) Pension

The regular cost of providing benefits is charged to the Statement of Comprehensive Net Expenditure over the service lives of the members of the scheme on the basis of a constant percentage of pensionable pay. Staff are members of the PCSPS and the percentage of pensionable pay is notified by the Cabinet Office prior to the start of each financial year.

f) Leases

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

g) Balances at the NLDF

Balances held in the NLDF remain under the control of the Secretary of State for Culture, Olympics, Media and Sport, and Trustees have no influence over how these sums are invested. The share of these balances attributable to the Trustees of NHMF is as shown in the accounts and, at the date of the Statement of Financial Position, has been certified by the Secretary of State for Culture, Olympics, Media and Sport as being available for distribution by the Trustees in respect of current and future commitments.

h) Grant commitments

“Soft” commitments are as defined by the accounts direction of the Secretary of State for Culture, Olympics, Media and Sport, issued in October 2002. They represent an agreement in principle of the Trustees to fund a scheme. They 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 described as “hard”.
- 2) where a first-round pass or a stage-one pass is given to the project. Whilst in these circumstances funding is subject to a second decision, where the second decision is highly likely to be positive it is prudent to recognise the first-round or stage-one pass as soft commitments at this stage.

Whether or not a first-round pass is recognised as a soft commitment depends upon the programme to which the application is made. Applications under the Heritage Grants and Parks for People programmes are not regarded as soft commitments at the time of the first-round pass. This is because applications under those programmes receive their initial decision at an earlier stage in the project cycle. Trustees reserve the right to reject the application when the fully worked-up application is received and consider the second round to be the real decision. As they expect to reject a proportion of applications at the second round, Trustees exceed their awards budget at the first round by an amount that correlates with their expectation of the value they will reject at the second round. Applications under other programmes are recognised as soft commitments where a first-round pass or stage-one pass is given to the project.

Soft de-commitments occur when a soft commitment is not converted into a hard commitment – normally because the grantee decides not to undertake their project. Hard de-commitments occur when the project being funded does not require all the money set aside for it under the contract. All grant commitments are payable immediately upon receipt of valid payment requests.

i) Loans

Trustees are entitled to make loans to heritage bodies under the Financial Directions of the Secretary of State for Culture, Olympics, Media and Sport. Interest rates and repayment terms are at the discretion of Trustees.

2. Sundry income

	2011-12 £'000	2010-11 £'000
Repayment of grants	73	6,849

The figure for 2010–11 includes a receipt of £6.8million from the National Trust for Scotland following the sale of their head office in Edinburgh, which we helped to fund.

3. Staff costs and numbers

	2011-12 £'000	2010-11 £'000
Salaries	7,500	7,474
Employer's NI payments	545	553
Payments to pension scheme	1,353	1,369
Temporary staff costs	110	131
Provision for employee claim	0	35
	9,508	9,562

In May 2011, we were notified of an employee claim and made a provision in the 2010–11 accounts accordingly. Further details are available in note 18.

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

2011-12	Grant applications	Finance and corporate services	Strategy and business development	Communications	Total
Permanent staff	145	32	23	16	216
Secondes and contract staff	7	1	0	3	11
Total	152	33	23	19	227

2010-11	Grant applications	Finance and corporate services	Strategy and business development	Communications	Total
Permanent staff	151	33	20	16	220
Seconded and contract staff	8	0	0	4	12
Total	159	33	20	20	232

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.

4. Operating deficit

The operating deficit is stated after charging the following:

	2011-12 £'000	2010-11 £'000
Auditor's remuneration	39	42
Payments under operating leases		
– leasehold premises	1,215	1,331
– hire of office equipment	16	14

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

	2011-12 £'000	2010-11 £'000
Accommodation	1,941	2,068
Postage and telephone	479	406
Office supplies, print and stationery	421	351
Travel, subsistence and hospitality – Trustees	95	95
Travel, subsistence and hospitality – staff	293	276
Professional fees – grant-related	1,817	1,907
Professional fees – non-grant-related	874	1,053
Communications	476	630
Office equipment	497	376
Staff training	131	106
Sundry expenses	112	130
	7,136	7,398

5. Recharged costs

As disclosed in note 1 to these accounts, NHMF is required to disclose its Lottery distribution costs in the accounts of HLF. At the end of the financial year, the proportion of joint costs apportioned to HLF was 99%. In April 2002, all activities of the NHMF were transferred to Holbein Place, London. Consequently, the costs of operating all other offices are fully recharged to HLF.

6. Pensions

Pension benefits are provided through the Civil Service pension arrangements – the PCSPS. Since 30 July 2007, new staff without any previous membership of PCSPS are able to join Nuvos, which is an index-linked defined benefit pension scheme. This currently has a 3.5% member-contribution rate and will provide a defined benefit pension with a pension age of 65.

Staff who joined NHMF before 30 July 2007, or who have qualifying previous PCSPS membership on joining since that date, remain in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and Nuvos are increased annually in line with pensions-increase legislation.

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and Nuvos. Benefits in classic accrue at the rate of $\frac{1}{80}$ th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of $\frac{1}{60}$ th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic and benefits for service after that date worked out as in premium. In Nuvos, a member builds up a pension based on pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions-increase legislation. In all cases members may opt to commute pension for a lump sum up to the limits set by the Finance Act 2004.

Members who joined NHMF from October 2002 could have opted for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution known as a Partnership Pension Account. The partnership pension account is a stakeholder pension arrangement with an employer contribution. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to PCSPS to cover the cost of centrally provided lump sum risk benefit cover (death in service and ill-health retirement). There are currently five members of staff with a partnership pension account. No member of staff retired early on health grounds during 2011–12.

Employee contribution rates increased in April 2012 as outlined in Employer Pension Notice 314. The size of the percentage increase will depend upon the salary of the member of staff.

Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2011–12, employer's contributions of £1,363,419 (2010–11: £1,369,067) were paid to the PCSPS at the rates set out in the table below. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/my-civil-service/pensions/index.aspx

The employer's payments were calculated on the basis of salary banding, as follows:

Salary in 2011-12	% in 2011-12
£21,000 and under	16.7%
£21,001-£43,500	18.8%
£43,501-£74,500	21.8%
£74,501 and above	24.3%

7. Intangible fixed assets

	Website		Information technology		Total	
	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000
Cost at start of year	250	198	1,354	1,166	1,604	1,364
Additions	0	52	51	188	51	240
At end of year	250	250	1,405	1,354	1,655	1,604
Amortisation at start of year	82	17	621	322	703	339
Charge for the year	84	65	320	299	404	364
At end of year	166	82	941	621	1,107	703
Net book value						
At start of year	168	181	733	844	901	1,025
At end of year	84	168	464	733	548	901

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 HLF by software developers. No internally generated costs have been capitalised. The assets have been amortised over their expected useful lives, which is the end of the period that our third strategic plan covers; ie the period to 31 March 2013. It is anticipated that our new strategic framework (due out in 2012-13) may require alterations to our business processing software.

A review of the current cost values of intangible fixed assets, at 31 March 2012, revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of intangible fixed assets.

8. Property, plant and equipment

	Short-leasehold property		IT and other equipment		Office fittings		Total	
	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000
Cost at start of year	1,674	1,572	2,165	1,999	61	58	3,900	3,629
Additions	84	102	61	246	0	3	145	351
Disposals	(411)	0	(8)	(80)	0	0	(419)	(80)
At end of year	1,347	1,674	2,218	2,165	61	61	3,626	3,900
Depreciation at start of year	1,227	1,107	1,432	1,321	59	58	2,718	2,486
Charge for the year	111	120	199	191	0	1	310	312
Adjustment on disposal	(411)	(0)	(8)	(80)	0	0	(419)	(80)
At end of year	927	1,227	1,623	1,432	59	59	2,609	2,718
Net book value								
At start of year	447	465	733	678	2	0	1,182	1,143
At end of year	420	447	595	733	2	2	1,017	1,182

The Trustees have considered the current cost values of property, plant and equipment. A review of the current cost values at 31 March 2012 revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of property, plant and equipment. The value of property, plant and equipment represents a proportionate split of the assets used by both NHMF's grant-in-aid and its Lottery distribution activities. This split is currently 99% Lottery and 1% grant-in-aid.

Finance leases

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

	2011-12 £'000	2010-11 £'000
IT and other equipment		
Cost at start of year	155	148
Additions	5	7
Disposals	0	0
At end of year	160	155
Depreciation at start of year	78	33
Charge for the year	47	45
Adjustment on disposal	0	0
At end of year	125	78
Net book value		
At start of year	77	115
At end of year	35	77

Obligations under finance leases are:

	2011-12 £'000	2010-11 £'000
IT and other equipment		
Amounts for leases expiring in one year	21	26
Amounts for leases expiring in years two to five	14	56
	35	82

These obligations are included in payables (see note 11).

9. Trade and other receivables

	2011-12 £'000	2010-11 £'000
Prepayments and accrued income	7,202	3,923
Loan to heritage organisation	2,300	175
Other receivables	11	16
Staff advances	44	38
	9,557	4,152

Included in the 'other receivables' figure for 2010-11 was an amount of £174,500 due from a heritage organisation, which was repaid in December 2011. In January 2012, HLF provided an interest-free loan of £2,300,000 to the Cutty Sark Trust. This is due for repayment in September 2012.

There were no sums due in more than one year (2010-11: £0).

Of the above sums, £6,646,000 was owed by central government bodies. At the year end, 50 members of staff had outstanding payroll advances (at 31 March 2011 there were 50).

10. Investments

Movement in balances at the NLDF:

	2011-12 £'000	2010-11 £'000
Current cost at start of year	367,218	378,977
Income received from the National Lottery	301,663	257,721
Funds drawn down by HLF	(255,780)	(228,583)
Funds transferred to the Olympic Lottery Distribution Fund	(43,388)	(43,388)
Investment return	2,171	2,843
Unrealised profit/(loss) on investment	3,386	(352)
Current cost at end of year	375,270	367,218

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

11. Payables: amounts falling due in one year

	2011-12 £'000	2010-11 £'000
Operating payables	370	623
Other payables including taxation and social security	323	333
Accruals and deferred income	1,663	1,353
	2,356	2,309

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

	2011-12 £'000	2010-11 £'000
Balances owing to central government	323	336
Balances owing to local authorities	0	3
Balances owing to public corporations	0	0
Balances external to government	370	617
	693	956

12. Grant commitments

Hard commitments

	2011-12 £'000	2010-11 £'000
Brought forward at start of year	554,485	538,737
Transfers from soft commitments	311,338	240,078
De-commitments	(6,317)	(8,473)
Commitments paid	(233,566)	(215,857)
Carried forward at end of year	625,940	554,485

Soft commitments

	2011-12 £'000	2010-11 £'000
Brought forward at start of year	110,094	140,019
Soft commitments made	288,309	212,446
Soft de-commitments	(12,369)	(2,293)
Transfers to hard commitments	(311,338)	(240,078)
Balance carried forward at end of year	74,696	110,094

The balance at the year end represents amounts due to applicants in the following periods:

Hard commitments

	2011-12 £'000	2010-11 £'000
In one year	262,895	221,794
In two to five years	363,045	332,691
In more than five years	0	0
	625,940	554,485

The hard commitment balance at the year end represents amounts owing as follows:

	2011-12 £'000	2010-11 £'000
Balances owing to central government	59,106	45,161
Balances owing to local authorities	272,230	264,647
Balances owing to public corporations	1,087	2,820
Balances owing to NHS trusts	40	35
Balances external to government	293,477	241,822
	625,940	554,485

13. Commitments

The total outstanding commitments incurred by HLF under operating leases are as follows:

	2011-12 £'000	2010-11 £'000
Short-leasehold property		
Expiring in one year	75	346
Expiring in years two to five	312	492
Expiring thereafter	10,452	10,574
	10,839	11,412
Other operating leases		
Expiring in one year	0	6
Expiring in years two to five	0	0
Expiring thereafter	0	0
	0	6

On 23 March 2011, the Committee on Climate Change (CCC) signed an undertaking for most of the first floor of our main office, at 7 Holbein Place, London. On 24 May 2011, CCC signed an underlease. This underlease is for approximately 13 years and will result in rental payments to NHMF totalling £1.7million – a small part of which will be allocated to NHMF's non-Lottery distribution activities. The expected receipts from CCC have not been deducted from the commitments disclosed in the above table.

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

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

14. Notes to the Statement of Cash Flows

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

	2011-12 £'000	2010-11 £'000
Operating deficit	(61,801)	(25,165)
Add back non-cash items:		
– depreciation	714	676
– loss on disposal of intangible fixed assets and property, plant and equipment	0	0
– (decrease)/increase in other provisions	(35)	35
– movement in fair value reserve	3,386	(352)
– increase in grant commitment reserve	71,455	15,748
– (increase)/decrease in balance at NLDF	(8,052)	11,759
Increase in non-interest receivables	(5,405)	(2,921)
Increase in non-capital payables	47	54
Net cash inflow/(outflow) from operating activities	309	(166)

b) Capital expenditure

	2011-12 £'000	2010-11 £'000
Payments to acquire intangible fixed assets	51	240
Payments to acquire property, plant and equipment	145	351
	196	591

c) Analysis of changes in net funds

	1 April 2011 £'000	Cash flows £'000	31 March 2012 £'000
Cash at bank	2,847	113	2,960

15. Related-party transactions

NHMF is a non-departmental public body sponsored by DCMS. DCMS is regarded as a related party. During the year, NHMF (including its Lottery distribution activities) has had various material transactions, other than grant awards, with two entities for which DCMS is regarded as the sponsor department – the Big Lottery Fund and English Heritage. The Big Lottery Fund operated the Awards for All scheme on behalf of a number of Lottery distributors, and we continued to make a contribution towards their operating costs as they monitor existing awards. At the year end, HLF owed the Big Lottery Fund £6,000 including accruals for invoices not received. The Big Lottery Fund contributed towards the grants made under our Parks for People programme and also towards the operating costs for that programme. At the year end, the Big Lottery Fund owed HLF £6,629,278, representing £113,582 for operating costs and £6,515,696 for their share of grant payments. We used English Heritage to carry out two pieces of research on our behalf; no money was owed at the year end. There have also been material transactions with the National Assembly of Wales as we use Cadw to provide expert advice and monitoring.

On 23 March 2011, the Committee on Climate Change (CCC) signed an undertaking for most of the first floor of NHMF's offices, at 7 Holbein Place, London. CCC is a non-departmental public body which is jointly-sponsored by the Department of Energy and Climate Change, DEFRA, the Scottish Government, the Welsh Assembly Government and the Northern Ireland Executive. On 24 May 2011, CCC signed an underlease. This underlease is for approximately 13 years and will result in rental payments to NHMF totalling £1.7million. In addition, there will be contributions to service charges of around £70,000 per annum at 2011-12 price levels. At 31 March 2012, there was £10,000 owed for service charges.

As set out below, Trustees of NHMF had interests in bodies to which NHMF made Lottery grants. Similarly, members of the country and regional committees had interests in projects to which their committee made Lottery grants or recommendations to Trustees. Trustees and committee members are required to declare their connection at the start of each meeting and absent themselves from any part of that meeting where that grant application is discussed. They take no part in the decision as to whether a grant is awarded or any subsequent decision made about that grant. There are also strict rules on the circumstances in which Trustees and committee members can accept paid work from a grantee. Therefore, Trustees are satisfied that in no case did the individuals have an influence on the decision-making process.

Related-party transactions will have also occurred in 2011–12, in the form of grant payments, relating to awards made in previous years. Related-party transactions for awards made in previous years will have been disclosed in the accounts of those years and are not repeated here.

Board of Trustees

Royal Naval Submarine Museum

A grant of £3,400,000 – HMS Alliance – Conservation and Access. Yinnon Ezra declared an interest in HMS Alliance as Hampshire County Council, his former employer, had provided funding for the ship.

Manchester City Council

A grant of £2,200,000 – Alexandra Park, Manchester. Virginia Tandy was Director of Culture at Manchester City Council.

A grant of £72,500 and a first-round pass of £1,550,000 – Archives at Manchester Central Library. Virginia Tandy is the former Director of Culture at Manchester City Council.

National Trust for Scotland

A grant of £3,940,300 – Battle of Bannockburn Project. Seona Reid declared an interest in the item as Director of the Glasgow School of Art, which was producing the 3D visuals for the project. Committee member Eleanor McAllister was Governor for The Glasgow School of Art and declared a similar interest in the Battle of Bannockburn application.

Cable and Wireless Porthcurno and Collections Trust (PK Trust)

A grant of £1,440,000 – Porthcurno Telegraph Museum – Developing the Future. Virginia Tandy declared an interest in Porthcurno Telegraph Museum – Developing the Future as a member of the DCMS Wolfson Panel, which had awarded partnership funding to the project. Committee member Hilary Bracegirdle as former Chairman of the Fabric Advisory Committee consulted on the first-round application for Porthcurno Museum and declared an interest through her wider working connections with Cornwall Museums.

Somerset Wildlife Trust

A grant of £1,772,500 – Avalon Marshes. Doug Hulyer and committee members Tony Richardson and Roger Goulding reported a conflict of interest. They each had a link through their connections with the Environment Agency, RSPB and English Nature, who were all project partners.

A grant of £33,900 and a first-round pass of £395,500 – Routes to the River Tone. Doug Hulyer was a Board Member for Natural England. Committee member Roger Goulding reported that he was an employee of the Environment Agency, who were a project partner for Routes to the River Tone.

Bede's World

A grant of £311,700 – Animating the Visitor Experience. Richard Morris had declared an interest. He was Chair of the Board of Trustees of Bede's World until 2009.

Exmoor National Park Authority

A grant of £23,500 and a first-round pass of £229,700 – Lynmouth Pavilion. Doug Hulyer is a Board Member for Natural England.

Plantlife

A grant of £145,900 and a first-round pass of £2,456,200 – Saving Our Magnificent Meadows. Doug Hulyer is a Board Member for Natural England. Committee member Bob Brown declared an interest as a board member of the Ulster Wildlife Trust, which was a partner organisation in this application. Committee member Chris Corrigan declared an interest as a Regional Director of the RSPB.

Committee members

Essex County Council

A grant of £342,600 – Networking Nature. Michael Allen declared an interest in this item as Chairman for the Council of the Royal Society of Wildlife Trusts, as a partner organisation was the Suffolk Wildlife Trust.

Norfolk Archaeological Trust

A grant of £671,000 – St Benet's Abbey, Horning, Norfolk: Conservation, Access and Community. Anne Mason declared an interest in St Benet's Abbey where she had been adviser to the applicant during the development phase.

Society for the Protection of Ancient Buildings

A grant of £818,700 – Maintenance Co-operative Movement. Sara Crofts declared an interest in the Maintenance Co-operative Movement as she worked for the applicant, the Society for the Protection of Ancient Buildings.

Peak District National Park Authority

A grant of £163,700 and a first-round pass of £606,300 – Moorland Monitoring. Christopher Pennell declared an interest in Moorland Monitoring as Deputy Chair of Moorland Futures. Dianne Jeffrey declared an interest in Moorland Monitoring as she had recently been appointed Chair of the project's Independent Advisory Group.

Bishop Grosseteste University College

A grant of £49,700 and a first-round pass of £488,000 – Sandford Learning Cascade Project, Lincoln. Jean MacIntyre declared an interest in the Sandford Learning Cascade Project as the project would be delivered by her department in Bishop Grosseteste University College, Lincoln.

London Borough of Sutton

A grant of £301,000 – Habitat Honeywood. Benedetta Tiana declared an interest in Habitat Honeywood as she had been the interpretative consultant on the project about 18 months previously.

Durham County Council

A grant of £1,504,000 – Wharton Park. Patrick Conway was ex-director of Culture & Leisure, Durham County Council until 2007 and was currently Chair of the Durham Area Action Partnership, which had championed the Wharton Park project and which had established the Friends' organisation of which he was a member. For this reason, he had declared an interest.

A grant of £316,300 – Wild Watch North Pennines. Patrick Conway declared an interest as the applicant was Durham County Council. Patrick had been Director for Culture & Leisure at Durham County Council until 2007.

Durham Cathedral

A grant of £287,500 – Heritage Woodlands and Riverbanks of Durham Cathedral. Patrick Conway declared an interest as ex-director of Culture & Leisure, Durham County Council, until 2007, and was currently Chair of the Durham Area Action Partnership, which had championed Heritage Woodlands and Riverbanks of Durham Cathedral and which had established the Friends' organisation of which he was a member. William Salvin was a member of the Fundraising committee and therefore declared an interest in the project.

A grant of £3,500,000 – Open Treasure – Phase 1. William Salvin was a member of the Fundraising committee and therefore declared an interest in the project.

North of England Civic Trust

A grant of £19,500 and a first-round pass of £302,900 – HSed (Heritage Skills Education). Chris Mullin declared an interest as he was a Trustee for the North of England Civic Trust.

Heart of the City Partnership

A grant of £1,440,100 – Old Newcastle – Where the Story Begins. Lindsay Allason-Jones was President of the Society of Antiquaries of Newcastle upon Tyne, which was one of the project partners.

Barnard Castle Vision

A grant of £1,895,700 – Heart of Teesdale Landscape Partnership. William Salvin had participated in some of the consultation about the project and a major part of the project's target area was in his principal business client's ownership.

Newcastle University

A grant of £12,200 and a first-round pass of £194,200 – Moorbank Garden. Lindsay Allason-Jones had recently been an employee of Newcastle University.

North Pennines AONB Partnership

A grant of £11,700 and a first-round pass of £265,000 – Altogether Archaeology. William Salvin was acting as managing agent for the landowners who had already received funding for a pilot and who would receive funding as a result of this scheme.

Sefton Metropolitan Borough Council

A grant of £73,700 and a first-round pass of £899,500 – Atkinson Museum. Susan Williams was a member of the Board of the North West Development Agency which had provided partnership funding.

Catrine Environmental Heritage Partnership

A grant of £660,000 – Catrine Environmental Heritage Project. Ross Noble reported that his son was the engineer involved in the project's delivery.

Highland Birchwoods

A grant of £528,900 – Mountain Woodland Restoration Project. Simon Pepper was a board member for SNH, a partnership funder.

Woodland Trust Scotland

A grant of £24,300 and a first-round pass of £810,500 – Great Trossachs Forest Gateways Project. Simon Pepper had until 2009 been a member of the National Committee of the Forestry Commission Scotland, which was a project partner and owned some of the land involved in the project.

South Lanarkshire Council

A grant of £1,900,000 – Clyde and Avon Valley Landscape Partnership. Simon Pepper is a board member of Scottish Natural Heritage who were a project partner. Willie Macleod was a trustee of New Lanark Trust.

Cree Valley Community Woodlands Trust

A grant of £29,600 and a first-round pass of £195,000 – Cree Valley Woodland Heritage. Simon Pepper declared an interest as a Board member for Scottish Natural Heritage who were a project partner.

Rochester Cathedral

A grant of £158,000 and a first-round pass of £3,240,400 – Hidden Treasures, Fresh Experiences. Paul Hudson declared an interest as he was a lay member of chapter of Rochester Cathedral.

Dunkirk Little Ships Restoration Trust

A grant of £909,000 – Challenge to the Future. Marilyn Scott declared an interest as a close personal friend of the Chair of the applicant body.

Royal Society for the Protection of Birds (RSPB)

A grant of £114,900 and a first-round pass of £785,300 – Arun and Rother Connections – Linking Landscape & Community. Chris Corrigan declared an interest as a Regional Director of the RSPB.

Caring for God's Acre

A grant of £405,900 – Caring for God's Acre. Keith Halstead declared an interest as a former Trustee of the National Trust.

Royal Institution of Cornwall

A grant of £233,000 – Ancient Civilisations – New Audiences. Hilary Bracegirdle was the Chief Executive of the Royal Institution of Cornwall.

Bristol City Council

A grant of £19,500 and a first-round pass of £340,900 – Brunel Swivel Bridge Project. Sam Hunt had provided advice to the Bristol Harbour Partnership, and an assets audit of the Swivel Bridge formed an element of that advice.

Dean and Chapter Of Exeter Cathedral

A grant of £763,000 – Exeter Cathedral. Hilary Bracegirdle was formerly Chairman of the Fabric Advisory Committee and declared an interest in Exeter Cathedral through her wider working connections with Cornwall Museums.

National Maritime Museum Cornwall

A grant of £50,000 – NMMC Corporate Plan 2012–16. Sam Hunt and Hilary Bracegirdle reported a conflict of interest through their previous involvement with the museum.

Azook cic

A grant of £225,000 – Collect. Hilary Bracegirdle declared an interest as the Royal Cornwall Museum (for which she was Chief Executive) might be a project delivery partner.

Montgomeryshire Wildlife Trust

A grant of £56,600 and a first-round pass of £627,100 – Dyfi 360 Landscape for Wildlife and People. Madeleine Havard declared a conflict of interest as she was a member of the CAN funding panel which had awarded EU funding to the project.

Llangollen Town Council and Llantysilio Community Council

A grant of £28,900 and a first-round pass of £296,600 – Chainbridge Restoration and Refurbishment. Rhian Thomas declared an interest in that permission would be required from her employer, Countryside Council for Wales, for identified works to proceed, and that she was likely to have some involvement with this decision.

Birmingham Conservation Trust

A grant of £999,400 – Coffin Works Project Phase 1. Les Sparks is a trustee of Birmingham Conservation Trust.

Birmingham Museums and Art Gallery

A grant of £20,500 and a first-round pass of £725,900 – Staffordshire Hoard Gallery. Ian Grosvenor declared an interest as his partner was Head of Museums & Heritage Services at Birmingham City Council.

Sheffield Industrial Museums Trust

A grant of £47,200 and a first-round pass of £761,900 – Abbeydale Industrial Hamlet. John Hamshere is the Chief Executive of Sheffield Industrial Museums Trust.

Reclaim Project

A grant of £21,900 – Hacienda Re-tuned. Ruth Ibegbuna is the Chief Executive of Reclaim. Reclaim Project is an off-shoot of this organisation.

East Anglian Film Archive

A grant of £553,500 – Building the People's Digital Archive. Donna Cheshum is Director of Tribe who has been approached by the East Anglian Film Archive (EAFA), for PR and marketing support to launch a new website which will provide access to 100 hours of film from the Archive. EAFA received an HLF grant award of £553,500 for Building the People's Digital Archive in September 2008. Tribe has been asked to provide media relations, copywriting for the website, advertising in regional newspapers and on bus-sides, and production of collateral including bookmarks and leaflets.

Anglo-Polish Society

A grant of £8,600 – Poles in the Bristol Area. Julie Finch is employed by Bristol Museums, Galleries and Archives Service, which has recently taken over the administration of a grant for £8,600 awarded in 2009 to the Anglo-Polish Society to collect and conserve a Polish archive in the city.

Vale of Glamorgan Council

A grant of £600,000 – Dyffryn House Internal Restoration. Carys Howell has been employed by Vale of Glamorgan Council to write a new guidebook for Dyffryn Gardens, which had received HLF funding in the 1990s. Dyffryn House received a grant of £600,000 for internal restoration in March 2011.

The West House and Heath Robinson Museum Trust

A development grant of £119,700 and a grant of £880,200 – West House, Pinner. Marilyn Scott gave pre-application advice and acted as a museum advisor for the Heath Robinson Museum Trust.

16. Financial instruments

Full disclosure under IFRS 7, 'Financial Instruments: Disclosures', is in the Management Commentary.

17. Fair value reserve

	2011-12 £'000	2010-11 £'000
At start of year	(352)	(630)
Realisation of revaluation loss on NLDF balance	352	630
Year-end revaluation gain/(loss) on NLDF balance	3,386	(352)
At end of year	3,386	(352)

The reserve relates to the difference between book cost and market value of the balance at the NLDF (see note 10). The difference between book and market value of intangible fixed assets and property, plant and equipment (see notes 7 and 8) is not material.

18. Provision

	2011-12 £'000	2010-11 £'000
At start of year	35	0
Provision created	0	35
Provision utilised	(35)	0
At end of year	0	35

In May 2011, we received a claim from a former employee who had retired on health grounds in 2009-10. We created a provision against any payment we might make to end the claim. A payment of £35,000 in full settlement of the claim was made on 31 May 2011.

19. Statement of losses

HLF made losses through the write-off of grants totalling £559,343 in the year (2010-11: £69,058). There was one significant write-off during the year. In November 2002, we awarded £418,000 to the Finchley Arts Centre Trust (FACT) to restore The Bothy, a grade II listed Victorian building in Barnet, London. Unfortunately, after completion of the project, the relationship between FACT and the landlord of The Bothy broke down. The end result is that The Bothy is not accessible to the public. FACT no longer exists and so it would prove uneconomic for us to seek repayment of our grant. This was reported to our sponsor department, DCMS, and approval received from them in July 2011. There were no other losses over £100,000 (2010-11: nil).

Policy Directions

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

At the same time, the Welsh Assembly Government issued policy directions related to money distributed in Wales, and in 2011 the Scottish Government issued directions for money distributed in Scotland. These complement the UK-wide directions and are reproduced in full on pages 54–57.

a) Needs of the heritage

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

On 26 April 2011 we closed a strategic consultation with the sector to inform our direction and positioning from 2013 onwards. We reported back to the sector in brief later in the year, and will publish our new strategic framework for 2013–18 in July 2012. Over 2,000 people responded to two consultation questionnaires – one with a specialist focus for people working or volunteering in heritage, and one aimed at the general public (see below).

In the questionnaire for the heritage sector, there was no strong appetite for major changes in the current balance of our funding between targeted and open programmes, or for giving greater priority to any part of the sector, although natural-heritage organisations pointed out that they had done less well from Lottery funding than some others. However, respondents did want us to give clear priority to heritage identified as being at risk, and we will take this into account in developing new application materials and assessment processes.

Almost two-thirds of respondents supported the suggestion that we extend our role in building the financial sustainability of voluntary heritage organisations, and endorsed HLF playing a stronger role in encouraging a culture of giving, both time

and money, from private supporters of heritage. In July 2011 we announced an investment of £20million in the Catalyst programme, designed to enable heritage organisations of all types and sizes to diversify their income streams and access more funding from private sources. This adds to an £80million commitment from the Arts Council England and DCMS (in England), making available £100million in total to encourage arts and heritage organisations to establish endowments and build their capacity to engage with private donors. The deadline for the first round of Catalyst endowment applications was in January, and awards totalling £27.5million were announced in June 2012. There will be a further round of Catalyst endowments in 2012–13.

Demand for Lottery funding for heritage has remained extremely strong throughout the year at all levels of grant. As a result of continued strong ticket sales we were able to commit £314million in awards, almost £60million more than the £255million originally budgeted for the year.

b) Public involvement

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

In developing our funding strategies, we regularly consult customers and the Lottery-playing public for an end-use perspective on our work, to inform policy and practice, and increase public understanding of what we do.

As part of the strategic consultation which closed last April, we launched a shorter questionnaire, supported by a media campaign, aimed at the general public and asking what heritage people valued in their local area, and whether we should maintain the current breadth and range of funding with grants of all sizes.

Over 1,000 people responded to this part of the consultation. The vast majority (87%) thought HLF should continue to support

the full range of the UK's heritage. Asked what aspects of their local heritage should benefit from Lottery funding, almost half of respondents (49%) cited churches, just under one-fifth (19%) historic buildings, and one-fifth (19%) parks, landscapes and the natural environment. Museums, archive collections and archaeology all featured in the remaining responses. A majority (69%) also thought that HLF should continue to support the full range of projects it currently does.

We have continued to implement our Youth Participation strategy, creating high-quality opportunities to involve young people directly in our work. And we have continued our policy of open recruitment to our regional and country committees; in 2011–12 we appointed eight new committee members. From April 2012, committees will take decisions on applications between £100,000 and £2million, increased from £1million.

c) Access and participation

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

Helping “more people, and a wider range of people, to take an active part in and make decisions about their heritage” is one of our three strategic aims. This year we have continued through our guidance to encourage more heritage organisations to engage new audiences, and we have added to our collection of case studies demonstrating best practice in this area. Our funding has increased access to hundreds of heritage sites, historic buildings, museums and landscapes across the UK. Whether through employing outreach workers or new digital technologies, these projects have made sites easier to explore, taken heritage collections out into communities and interpreted heritage in ways that meet the needs of a wide range of audiences, including families, disabled people and older people. After HLF investment, visits to heritage sites increase by just over 50% on average, and

there is clear evidence that HLF funding has led to a more enjoyable visitor experience.

We actively encourage community groups, including those that often experience barriers to taking up heritage opportunities, to define and lead their own heritage projects. Through a specific corporate goal in our business plan to increase diversity in our grant giving, for example, our country and regional development teams have continued to give people from black, Asian and minority ethnic (BAME) communities additional support to help access our funding. We have run an increased number of grant surgeries for first-time applicants, encouraged more grantees to offer peer support within and between communities, and provided platforms for grantees to share experiences and good practice with each other and HLF staff. Since 1994 we have awarded more than £120million to over 2,800 projects that explore and celebrate the cultural diversity of the UK; 55% of these projects were led by BAME groups. We monitor our progress in working with under-represented communities through an internal Inclusion Practice Group, which draws staff from across the UK and promotes research, external practice and training. This group helps ensure that our corporate communications reflect the diversity of the UK population and the breadth of heritage projects we fund.

d) Children and young people

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

Children and young people are beneficiaries of the vast majority of the projects we fund, whether as visitors to heritage sites, participants in learning programmes or as volunteers and decision-makers in projects. Many projects, for example in museums or wildlife sites, have included families as a specific target audience this year, and huge numbers of school children have benefitted from learning outside the classroom as a

result of HLF-funded projects. Since 1994, we have funded more than 1,150 education posts and over 650 spaces for learning.

Our Young Roots funding programme is specifically designed for young people to take part in creative and engaging activities exploring heritage. Since 2002, we have made over 1,290 Young Roots awards, with 135 made in the last year. These projects engage a wide range of young people, including those in rural communities and urban housing estates, disabled young people and those not in education, employment or training. We have put in place an independent evaluation this year, and interim results clearly show that these projects help young people to develop skills, confidence and a new enthusiasm for heritage.

The programme received a strong endorsement through our public consultation, and in the latter part of this year we began a campaign of activity to mark the 10th anniversary of the programme, including training young people to act as advocates for Young Roots at an event in the North West and with MPs in Westminster. In line with the results of the consultation, we have made improvements to the programme: increasing the grant threshold from £25,000 to £50,000, extending the length of projects from 18 months to two years, and lowering the age range of those who can be involved in projects from 13 to 11 years, so that even more young people can benefit.

This year saw the commission of a review of Cultural Education in England by DCMS and the Department of Education. Following the publication of Darren Henley's report in February 2012, HLF has warmly welcomed the government's renewed focus on the importance of every child having access to a minimum level of cultural education, and we have taken forward the specific recommendation that we work more closely with other Lottery Distributors in a Cultural Education Partnership Group to deliver a more joined-up approach to funding high-quality cultural learning.

e) Communities

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

Our view of heritage is broad, progressive and inclusive, an approach that was endorsed by our public consultation. We believe that understanding, valuing and sharing our diverse histories can change lives, bring people together and provide the foundation of a confident, modern society. Many of the projects we fund create activities linked to exploring place and local identity, and there is evidence that these projects have resulted in a greater sense of community ownership and civic pride.

In the last year, we have continued to provide advice and case studies to encourage more people to have an active role in the decision making and delivery of projects that highlight their own heritage and improve their local area.

The up-skilling of communities to care for heritage has become increasingly important over the past year given the rapidly changing economic and political climate in the UK and the trend towards the transfer of more heritage assets from local authority to community control. We have continued to promote our guidance on asset transfer, *Pillars of the Community*, produced with English Heritage and others, and to closely monitor our funding for such projects.

This year, too, we have led a specific initiative to encourage communities to work together around the forthcoming centenaries of the First World War. We have partnered with Imperial War Museums to produce jointly branded publicity materials encouraging more community-based projects to help people learn about the First World War and its legacy.

f) Volunteers

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

We actively encourage volunteering through our strategic aims, and once again this year we can report that 99% of grants awarded over the period of this report have created volunteering opportunities. This includes projects led by volunteer-run organisations, projects that focus on recruiting and training new volunteers, and projects where volunteers contribute to heritage conservation and learning programmes. This year we worked with the Cabinet Office to promote the opportunities that our funding offers to volunteers as part of a series of events to mark the European Year of Volunteering.

We continue to recognise the value of volunteer labour in our application process, allowing applicants to cost volunteer time as an in-kind contribution to projects. Moreover, we have continued to promote and support good practice within projects to ensure volunteers have the best possible experience. Our guidance and application process set out clear advice and expectations for volunteer management, development and the reimbursement of expenses. In particular, we ensure that projects include appropriate plans and budgets for volunteer training.

We want everyone to benefit from opportunities to volunteer in our projects and have continued to encourage greater diversity in volunteering. We support projects that recruit young people, disabled people and people from a range of ethnic and socio-economic backgrounds as volunteers. Our research programme in 2011–12 partly focused on the demographic of the volunteers involved in our projects and pointed to success factors for organisations trying to open up new opportunities to traditionally under-represented groups.

g) Skills

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

When we asked in our consultation about future priorities for our funding, an overwhelming 80% of respondents identified skills as important. In response, our Trustees this year have brought forward plans to invest further in our skills programmes and chose to solicit applications from grantees already delivering training-focused projects, setting aside £15million so that additional training placements could be delivered quickly.

This opportunity was open to 64 grantees funded through our Skills for the Future and Training Bursary programmes. This year they continued to deliver high-quality outcomes for individual trainees and the sector as a whole. The Training Bursary programme has provided nearly 700 conservation-based training placements, with over 81% of the trainees now in jobs in the heritage sector. To date, over 330 placements have been created through the Skills for the Future programme in a wide range of skills important for the sector, including using digital media and managing climate change. The programme has also increased the number of heritage qualifications available to the sector and ensured there are more qualified assessors to help sustain heritage training in the longer term.

Beyond our targeted skills initiatives, we encourage and fund skills development for staff and volunteers involved in all of our projects to ensure they are delivered to the highest standard. We ask that all applicants requesting grants of over £1million include training outcomes and as a result we often fund high-quality, long-term training opportunities as part of our capital projects. This year we provided new promotional material to encourage even more applicants to build in training opportunities into their projects. Taking our message wider, we

facilitated a popular stand at the high-profile WorldSkills London 2011, where our grantees showcased a range of heritage skills to the Skills Minister and thousands of visitors.

h) Public value

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

We have not changed our approach this year. Our Lottery philosophy is grounded in funding what people value, and our assessment of applications takes account of the benefits projects will deliver for both heritage and people, and wider benefits such as social and environmental impacts. We give priority to not-for-profit organisations and since 2002 over half of our funding by value (52%) has gone to voluntary and church organisations.

i) Sustainable development

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

In our current strategic plan we already have a strong focus on environmental impact and sustainable use of resources. Applicants must tell us how they will address a range of resource-use issues, including energy efficiency, renewable energy, water, building materials, waste, soil, sustainable timber procurement, biodiversity and visitor transport.

In our forthcoming strategic framework, we will be strengthening our approach to assessing the carbon impacts of project proposals, as part of our overall project appraisal. This will be through the introduction of an HLF ‘Carbon Footprint’ tool that will be a mandatory part of the application for all projects requesting a grant from us of more than £2million.

j) Economic and social deprivation

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

Just under half (44%) of all HLF funding has been committed in the 25% most deprived local-authority areas of the UK (based on the most recent indices of multiple deprivation for England, Wales, Scotland and Northern Ireland). Our research has demonstrated the ways in which HLF projects generated community benefits such as improved social cohesion and inclusion.

We have development teams in Scotland, Wales, Northern Ireland and all the English regions to encourage good-quality applications from areas or social groups that have been less well represented in our funding to date. For the current strategic plan we have identified new geographical and social priorities as a focus for our development work. Development work in these priority areas has been evaluated.

As a measure of equitable spread of funding we review the number of local authorities which have received significantly less than the UK average, in terms of the per capita value of grant awards. The number of local authorities where the value of per capita grant awards is less than a quarter of the UK average is now down to 68 (17%).

k) Joint working

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

Through the Lottery Forum and National Lottery Promotions Unit, we continue to work with other Lottery distributors on joint initiatives and to ensure close coordination of activities.

In the past year we have worked in collaboration with the BBC and the Arts and Humanities Research Council to develop All Our Stories, a £1million investment in

small grants of £3,000–£10,000 to enable communities to explore, share and celebrate their local heritage. The programme supports the BBC's *The Great British Story – a People's History* series, to be broadcast in 2012.

With the Arts Council and DCMS, we launched the Catalyst programme, a £100million investment to boost private giving to heritage and the arts, helping cultural organisations to diversify their income streams and access more funding from private sources. The first strand of the programme, Catalyst Endowments, was launched in September 2011 and has made available more than £50million as match-funds for organisations wanting to secure their long-term financial sustainability through building endowments.

We continue to work in partnership with the Big Lottery Fund to deliver our Parks for People programme in England, and will continue to do so until at least 2015.

l) Acknowledgement

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

Our approach to this has not changed this year. We place importance on the benefits of raising awareness of Lottery funding and require all applicants to acknowledge our grants appropriately both during project delivery and following completion. Our guidance *How to acknowledge your grant* forms part of our standard terms of grant and we undertake post-completion visits to a sample of projects to ensure that Lottery acknowledgement remains in place.

m) Partnership funding

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

We have not changed our approach this year. In our open Heritage Grants programme, we

require a minimum of 5% in cash or kind for grants up to £1million, and a minimum of 10% on grants over £1million. In view of the continued difficulties facing applicants in raising partnership funding from other sources, and the responses to our strategic consultation indicating a majority of respondents would not want us to increase our requirements, we will maintain this position and review it on an annual basis.

n) Decisions

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

Our approach to these issues has not changed this year.

- a) The projects we support are specific and time-limited. We limit our support to a maximum of five years for projects involving activities. Three-quarters of projects are completed on schedule.
- b) We seek information from applicants about the extent to which the projects they put forward meet our strategic priorities, supplemented by further information about how the project will be delivered in order that risks and opportunities are fully balanced. Our assessment may include expert advice on key aspects of the application if needed, and input from our expert panel.
- c) We ask applicants to provide us with information to demonstrate the financial viability of their project, broken down into capital, activity and other costs, and showing what contribution they are proposing to make from their own resources or from grants or donations from other sources. We ask for cash-flow and, for larger projects, income and spending projections for 10 years, showing how the applicant plans to

sustain the project in the long term. We publish guidance on this, and on financial and market appraisal for larger and more complex projects.

o) Project planning and management

“Where capital funding is sought, the need (a) for a clear business plan showing how any running and maintenance costs will be met for a reasonable period, and (b) to ensure that appraisal and management for major projects reflect the Office of Government Commerce’s Gateway Review Standards.”

Our approach to this has not changed this year.

- a) The application form for our Heritage Grants programme requires applicants to set out their second-round applications in a business-plan format, with supplementary information contained in an activity plan, cash-flow forecasts and an income and spending table. For grants over £1million, we ask for a full financial and market appraisal. We ask conservation projects to include sound plans for maintaining heritage in the long term in order to ensure that it has a viable future, and to protect our investment through better long-term management. For projects involving over £200,000 worth of capital works, we require a Management and Maintenance Plan detailing how the applicant will meet the extra costs of this following completion of their project, and we publish guidance on how to produce this.
- b) We require all applicants to demonstrate that their projects will be well-managed, and meet relevant standards regarded as good practice for the area for which the grant was given. For capital projects we include formal review points in our assessment and monitoring processes (corresponding to RIBA stages) and all national projects adopt the Office of Government Commerce Review Standards. We employ external monitors

on all major projects to ensure that projects deliver the approved purposes as contracted, that the risks to HLF are understood and managed, that best practice is achieved in all critical areas, and that financial reporting and management are sound and transparent.

Policy directions in Wales

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

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

Directions issued to the Trustees of NHMF under Section 26(1) and (2) of the National Lottery Etc. Act 1993
The Welsh Ministers, in exercise of their powers conferred by section 26(2) of the National Lottery etc. Act 1993 as transferred by the National Assembly for Wales (Transfer of Functions) Order 1999 and having consulted the Trustees of NHMF (‘the Fund’) pursuant to section 26(5), hereby give the following directions to the Fund:

1. In these Directions any reference to a section is a reference to a section of the National Lottery etc. Act 1993, as amended.

Directions in relation to Wales

2. In exercising any of its functions, the Fund shall take into account the following matters in determining the persons to whom, the purposes for which and the terms and conditions subject to which they may make grants or loans, and the process used to determine what payments to make in distributing any money under section 25(1):
 - a) The need to have regard to the interests of Wales as a whole and the interests of different parts of Wales, taking account of the diverse demographic and deprivation patterns in the different parts of Wales, and the desirability of encouraging public service bodies to work together wherever it will result in better outcomes for people and heritage.
 - b) The need to promote and support the Welsh language and reflect the bilingual nature of Wales, including the principle of equality between the English and Welsh languages in the Fund’s activities in Wales, in line with the guidance set out in the Welsh Language Board’s publication*, and monitored in accordance with agreed procedures.

- c) The need to ensure an outcome-focused approach, working closely with appropriate partners for the benefit of communities and heritage across Wales, where this is an effective means of achieving the Fund's strategy.
- d) The need to encourage the conservation, preservation, presentation, promotion and interpretation of all aspects of the heritage of Wales.
- e) The need to encourage the financial sustainability of the heritage assets of Wales.
- f) The need to provide opportunities for people, especially young people and the disadvantaged parts of society, to gain the skills required to conserve and preserve the heritage of Wales.
- g) The need to encourage the use of appropriate professional standards in all projects.
- h) The need to provide opportunities for people of all ages and all backgrounds, especially children and young people and the disadvantaged parts of our society, to have access to, to learn about, to enjoy and thereby promote the diverse heritages of Wales, where appropriate.

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

Policy directions in relation to Scotland

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

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

1. These directions apply only to Scotland and relate to any distribution made by the Trustees for a purpose which does not concern reserved matters.
2. In determining the persons to whom, purposes for which and the conditions subject to which they apply any money under section 25(4) of the National Lottery etc. Act 1993 in Scotland, the Trustees must take into account the following priorities and other matters:
 - a) The need to have regard to the interests of Scotland as a whole and the interests of different parts of Scotland, taking account of the diverse demographic and deprivation patterns in the different parts of Scotland, and the desirability of encouraging public service bodies to work together wherever it will result in better outcomes for people and heritage.
 - b) The need to ensure an outcome focussed approach, working closely with appropriate partners for the benefit of communities and heritage across Scotland, using the following principles:

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

Greener

People have better and more sustainable services and environments.

Healthier

People and communities are healthier.

Safer and stronger

Communities work together to tackle inequalities.

Smarter

People having better chances in life.

Solidarity and cohesion

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

Sustainability

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

Wealthier and fairer

A flourishing and sustainable economy.

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

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

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

Corporate Performance

Service level targets

performance for the year to 31 March 2012

Indicators of service level	Year to March 2012	Year to March 2011	Year to March 2010
1 Decisions will be placed on HLF's website within 10 working days of the meeting	Average 10.03 days	Average 10.1 days	Average 10 days
2 Grant payments will be made to the applicant, on average, within 10 working days from receipt of the payment request	Average 7 days	Average 8 days	Average 8 days
3 An annual survey of grant applicants will show an 80% satisfaction rating with HLF's service for assessment, and 85% for monitoring	Assessment 80%	Assessment 80%	Assessment 76%
	Monitoring 87%	Monitoring 87%	Monitoring 85%
4 HLF applications will be processed within the following timescales:			
Heritage Grants			
• first round	3.3 months	3.2 months	3.7 months
– within three months plus time to next meeting			
• second round	3.2 months	3.7 months	3.8 months
– within three months plus time to next meeting			
Parks for People			
• first round – within four months	3.6 months	3.4 months	3.3 months
• second round – within four months	4.2 months	4.7 months	4.3 months
Landscape Partnerships			
• first round	4.6 months	4.6 months	4.4 months
– within five months plus time to next meeting			
• second round	3.4 months	3.1 months	3.6 months
– within four months plus time to next meeting			
Repair Grants for Places of Worship (Northern Ireland, Scotland and Wales)			
• first round – within five and a half months	4.6 months	5.1 months	5.3 months
• second round			
– within three months plus time to next meeting	1.6 months	2.8 months	1.8 months
Skills for the Future			
• within three months	Not applicable	Average 2.1 months	Not applicable
Townscape Heritage Initiative			
• first round	Average 4.2 months	Average 4.5 months	Average 4.3 months
– within five months plus time to next meeting			
• second round	Average 3.2 months	Average 3.9 months	Average 6.4 months
– within three months plus time to next meeting			
Your Heritage			
• within 10 weeks	Average 8.4 weeks	Average 8.3 weeks	Average 8 weeks
Young Roots			
• within 10 weeks	Average 8.7 weeks	Average 8.3 weeks	Average 9.1 weeks

Indicators of service level

The customer performance indicators show another year of good performance in most areas.

Indicator 1

We almost met our target of posting decisions on our website in 10 days, with one decision posted in 12 days and two in 11 days.

Indicator 2

We made over 5,700 grant payments last year and the average time taken was one day less than last year and the year before, and was well below the target of 15 days, which is particularly helpful to grantees in the management of their own bill paying.

Indicator 3

Customer satisfaction with both our assessment and monitoring work, researched by independently conducted telephone surveys, remains very high. The satisfaction of applicants, both successful and unsuccessful, met the target and remained the same as last year. Satisfaction with our service after we have made an award exceeded the target by 2%, remaining the same as last year.

Indicator 4

On 1 April 2008 HLF published its third strategic plan, which introduced new processes and procedures. Those new processes brought with them reductions in the time we take to give an applicant a decision for most of our grant programmes. We have met published processing times with the sole exception of second-round applications to our Parks for People programme.

Progress on Projects Over £5million

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

Project title	Total project cost	Grant amount	% of grant paid to date	Latest report
Burns Birthplace: An International Museum (Ayr)	£14,000,000	£5,827,000	95	Awarded June 2008. Museum opened January 2011. Project almost completed.
Buxton Crescent and Spa	£33,180,338	£12,533,000	0	Contract signed. Enabling works on site have started.
The Canterbury Beaney: Combined Art Museum and Library	£12,364,596	£6,488,000	50.8	Practical completion of new building achieved. Fit-out almost finished and preparing for redisplay.
Chiswick House and Garden (Hammersmith & Fulham, London)	£11,667,500	£7,619,000	96.7	Practical completion achieved and all up and running. Some works to the lake still required.
Creating the Museum of Bristol – The people’s story	£27,390,843	£11,668,400	67.1	Museum opened June 2011. Final grant claim expected soon.
The Cutty Sark (Greenwich, London)	£51,637,419	£23,750,000	90	Official project opening April 2012. Finishing works scheduled to complete soon.
Great Fen – restoring our fenland heritage: The purchase and restoration of the Holmewood Estate (Cambridgeshire)	£13,350,785	£7,204,000	81.4	Land acquired September 2008. Wetland restoration continues. Outreach and learning ongoing.
Hull History Centre	£10,697,161	£7,506,000	82	Grant awarded July 2007. Capital project completed November 2009. Opened June 2010. Delivery of education programme ongoing. Fit-out costs to be claimed soon.
Lincoln Castle	£19,982,405	£12,000,000	0	Grant awarded March 2012.
Making Modern Communications, Science Museum (London)	£14,300,000	£6,000,000	0	Grant awarded March 2012.
Mary Rose Project (Portsmouth)	£32,452,000	£23,298,000	68	Grant increase of £4.5million agreed September 2012 due to unforeseen fundraising challenge. Building almost complete. Air-drying scheduled to start imminently.
Museum of Liverpool	£19,373,633	£11,000,000	73	Museum opened July 2011, with four additional galleries opened December 2011. Work on Global City Theatre starting.
People’s History Museum (Manchester)	£12,529,110	£7,128,500	100	Project completed August 2011.
Renaissance of the Cotswold Canals	£27,641,255	£11,924,000	32	Substantial canal restoration completed. Works to start on infrastructure repairs, including locks.
Riverside Museum and Glasgow Resource Centre (Phase 2)	£96,377,305	£20,650,000	96.8	Museum opened May 2011. Project almost completed.
Royal Albert Museum & Art Gallery, Exeter	£19,126,003	£9,652,000	90	Museum opened December 2011. Project almost completed.
Royal Museum Project, Edinburgh	£44,039,239	£16,710,000	96.7	Museum opened July 2011. Project almost completed.
Stonehenge Environmental Improvements Project	£21,619,387	£10,000,000	0	Project working towards achieving all pre-start contract conditions. Reports submitted to HLF May 2012 and permission to start likely to be agreed by the end of the summer.

Project title	Total project cost	Grant amount	% of grant paid to date	Latest report
Tyntesfield (Bristol)	£29,561,000	£20,000,000	98.3	Main contract works completed, with house and visitor centre opened. Minor works to walled garden still to finish and evaluation report to complete.
V&A Medieval and Renaissance Galleries (Kensington & Chelsea, London)	£31,750,000	£9,750,000	100	Project completed October 2011.
Whitworth Art Gallery 21st Gallery in the Park	£12,045,059	£8,000,000	7	Construction currently out to tender. Partnership funding secured. Project team now in place.
World Conservation and Exhibitions Centre, British Museum (London)	£37,784,645	£10,000,000	0	Grant awarded January 2012.
York Minster Revealed	£18,295,155	£9,797,000	13.4	Permission to start granted and a new Project Director appointed; works underway.

Grants Awarded Over £100,000

Applicant	Project title	Total decisions in the year
Aberdeenshire Council (Formartine)	Haddo Country Park, Ellon	£1,075,800
Age Concern Oldham	George Street Chapel Life Stories	£948,200
Algarkirk St Peter and St Paul PCC	Church of St Peter and St Paul	£188,000
All Saints Church	All Saints Church	£899,000
All Saints Parochial Church Council	Church of All Saints	£165,000
All Saints PCC	Church of All Saints	£161,000
All Saints Perry Street Parochial Church Council	All Saints Church	£167,000
Amgueddfa Cymru – National Museum Wales	Margam Paintings	£142,300
Aras Colmcille Trust	Aras Colmcille	£744,500
Ashfield District Council	Annesley Old Church Consolidation/Restoration and Community Heritage Project	£450,500
Assemblies of the First Born Church	Assemblies of the First Born Church	£154,000
Azook Community Interest Company	Re:collect	£225,000
Ballymoney Regeneration Company	Ballymoney Townscape Heritage Initiative	£1,340,700
Barnard Castle Vision	Heart of Teesdale Landscape Partnership	£1,895,700
Barnsley Metropolitan Borough Council	Industry and Innovation: The Newcomen Engine at Elsecar	£425,000
Barnstaple Town Council	St Anne's Cultural Centre – The Heart of Barnstaple	£148,800
Bath and North East Somerset Council	' <i>Bottle and Fish Slice</i> ', an oil painting by William Scott	£127,200
Beamish Development Trust	Celebrating Community Heritage	£307,500
Bede's World	Bede's World – Animating the Visitor Experience	£311,700
Bedford Borough Council Unitary Authority	Bedford High Street THI	£850,000
Belfast City Council	Botanic Gardens Tropical Ravine	£115,000
Belfast Hills Partnership	The Belfast Hills Landscape Partnership Project	£1,157,700
Ben Uri, The Art Museum for Everyone	Soutine – Painting a Place in History	£218,000
Birmingham Conservation Trust	Coffin Works Project Phase 1	£999,400
Birmingham Repertory Theatre	REP 100	£175,300
Bletchley Park Trust	The Restoration of Bletchley Park – Phase 1	£4,639,000
Borough Council of Wellingborough	Wellingborough Heritage Regeneration Scheme	£1,425,100
Bournemouth Borough Council	The Centre @ Hengistbury Head	£432,400
Bournemouth University	Bringing people to the museum and the museum underwater. A wider approach to maritime archaeology	£140,200
Brighton and Hove City Council	The Level	£1,398,063
British Museum	The British Museum World Conservation and Exhibitions Centre	£10,000,000
Britten-Pears Foundation	Britten 100	£1,435,500
Brize Norton Parochial Church Council	Church of St Britius	£113,000
Brompton Ralph PCC	Church of the Blessed Virgin Mary	£164,000

Applicant	Project title	Total decisions in the year
Bromsgrove District Council	Bromsgrove Town Centre Townscape Heritage Initiative	£1,250,000
Broughty Ferry New Kirk	St Aidan's Church, 408 Brook Street, Broughty Ferry	£132,700
Buckingham Parochial Church Council	Church of Saint Peter and St Paul	£138,000
Bumblebee Conservation Trust	Bees for Everyone	£340,000
Cable and Wireless Porthcurno and Collections Trust (PK Trust)	Porthcurno Telegraph Museum – developing for the future	£1,440,000
Caring For God's Acre	Caring for God's Acre National Project	£413,600
Carntogher Community Association	Drumnaph Ancient Woodland – Phase 2	£512,300
Catrine Environmental Heritage Partnership	Catrine Environmental Heritage Project	£660,000
Causeway Coast & Glens Heritage Trust	The Heart of the Glens	£1,500,700
Cheshire West and Chester Council	Grosvenor Park	£2,306,000
Chilterns Conservation Board	Chilterns Commons Project	£403,000
Chorley Pals Memorial	Chorley Remembers	£270,500
Christ Church Staincliffe	Christ Church	£163,000
City and County of Swansea	Conservation of Oystermouth Castle	£195,000
City and County of Swansea	Saving Gower – for All Its Worth	£1,335,000
City of York Council Libraries & Heritage	York: Gateway To History	£107,500
Clophill Heritage Trust	Clophill Old Church Lodge	£121,100
Colchester and Ipswich Museum Service	Redevelopment of Colchester Castle	£3,267,400
Colchester and Ipswich Museum Service	Purchase of Wickham Market Hoard	£225,900
Combe Mill Society	Combe Mill Restoration	£768,000
Comhairle Nan Eilean Siar, Development Department	Lews Castle & Museum nan Eilean	£4,600,000
Conwy County Borough Council (conservation and regeneration)	Colwyn Bay Townscape Heritage Initiative	£841,000
Crawley Borough Council	Worth Park	£1,513,750
Crawley Museum Society	Rebirth of The Tree: a new Museum for Crawley	£113,500
Crook Parochial Church Council	Church of St Congar	£104,000
Croxton PCC	Church of All Saints	£101,000
Cumbria Archive Service	Alfred Wainwright Archive	£184,200
DCC of St Michael's Great Houghton	St Michael & All Angels	£239,000
Dean and Chapter of the Cathedral Church of All Saints Wakefield	Heritage and Hope: An oasis at the heart of the city	£1,588,600
Derbyshire Wildlife Trust	Lower Derwent Valley Landscape Partnership	£1,854,900
Diocesan Offices of St Andrews & Edinburgh, Gillis Centre	Our Lady and St Andrew RC Church, Galashiels	£125,000
Diocese of Hallam – Parish of St Mary & St Joseph Worksop	RC Church of St Mary	£110,000

Grants Awarded Over £100,000

Applicant	Project title	Total decisions in the year
Doncaster Metropolitan Borough Council	Bentley Park	£2,492,600
Dorset County Council	Durlston World Heritage Gateway Project	£447,000
Dorset County Council	South Dorset Ridgeway Landscape Partnership	£1,969,400
Dorset Wildlife Trust	Look Again	£201,500
Dudley and West Midlands Zoological Society Limited	Dudley Zoo Tecton Project	£875,800
Dunkirk Little Ships Restoration Trust	CHALLENGE to the Future	£909,000
Durham Cathedral	Heritage Woodlands and Riverbanks of Durham Cathedral	£287,500
Durham County Council	Witham Hall Redevelopment	£336,000
Durham County Council on behalf of North Pennines AONB Partnership	WildWatch North Pennines	£316,300
Ealing Council	The Renewal of Pitzhanger Manor	£275,200
Ealing Council	Walpole Park	£2,420,000
East Barkwith Church Committee	Church of St Mary	£127,000
East Drayton PCC	Church of St Peter	£164,000
East Lancashire Light Railway Company	Bury Transport Museum	£168,000
East Riding of Yorkshire Council	Sewerby Access	£949,900
English Folk Dance and Song Society	The Full English	£585,400
English Heritage	Caring for Kenwood	£4,011,800
English Heritage	Chiswick House and Gardens Regeneration Project - Phase 1	£200,000
Evanton Wood Community Company	Evanton Wood Community Company Heritage Project	£321,400
Federation of British Artists	Federation of British Artists/Mall Galleries Heritage Learning Centre	£166,500
Felkirk PCC	St Peter's Church	£110,000
Fife Coast & Countryside Trust	The Living Lomonds Landscape Partnership	£1,800,400
Fife Council Community Services - Parks & Countryside	Pittencrieff Park, Dunfermline	£708,900
Fife Council Development Services	Anstruther Townscape Heritage Initiative	£915,000
Football Unites, Racism Divides	The Arthur Wharton Heritage Project	£117,300
Friction Arts Ltd	'Echoes from the Heart'	£168,100
Friends of the Anglesey Red Squirrels Trust	The Anglesey Red Squirrel Project - An Island Haven	£300,000
Gateshead Borough Council	Coatsworth Road Regeneration THI	£1,461,900
Gateshead Council	Bensham Grove Restoration Project	£289,400
Gateway Church	Church of St Mark	£153,000
Gateway Church	St Mark's Church	£125,000
Gayton PCC	Church of St Mary	£201,000
Geffrye Museum Trust	Museum of the Home	£518,500
Glasgow City Council	Kelvin Hall Project	£415,000
Glasgow City Council, Development and Regeneration Services	Parkhead Cross - Forging Ahead' (Repairing and Reconnecting Parkhead Cross)	£1,735,300
Goole Town Council	West Park	£622,625

Applicant	Project title	Total decisions in the year
Grappenhall and Thelwall Parish Council	Grappenhall Heys Walled Garden Glasshouses Regeneration Project	£961,000
Great Bircham PCC	St Mary the Virgin Church	£104,000
Great Totham PCC	Church of St Peter	£114,000
Great Western Society Ltd	GWR Steam Railmotor & Auto Trailer Restoration	£371,000
Grosmont Church	St Bridget's Church, Skenfrith	£110,470
Grosmont Church	St Nicholas Church	£100,000
Haig Colliery Mining Museum	Haig Colliery Mining Museum – Phase 2 Powerhouse Development	£1,450,000
Hampshire & Isle of Wight Wildlife Trust	Making Waves Project	£412,400
Hampshire County Council – Design and Projects Services	Basing House: Community, Conservation and Developing Skills	£645,000
Harrogate Borough Council Museums and Arts	Frith's Derby Day: The Making of a Masterpiece	£498,500
Hastings Pier & White Rock Trust	Hastings Pier	£357,400
Heart of the City Partnership	Old Newcastle – Where the Story Begins	£1,440,100
Herefordshire Council	The Restoration of Grange Court, Leominster – Building on the Past for the Future	£299,300
Heritage of London Trust Operations	St George's Garrison Church, Woolwich	£396,100
Heritage Silkstone	Silkstone reflects on the Church Heritage	£176,400
Heritage Trust for the North West	Bank Hall	£1,691,000
Heritage Trust for the North West	Lytham Hall	£2,441,200
Highland Birchwoods	Mountain Woodland Restoration Project	£528,900
Holdgate Parochial Church Council	Holy Trinity Church	£150,000
Holocaust Survivors Friendship Association	The Holocaust – Sustaining the Legacy for Future Generations	£146,200
Holy Cross Church Daventry Parochial Church Council	Church of the Holy Cross	£197,000
Holy Island Development Trust	Peregrini Lindisfarne	£1,986,000
Holy Trinity Church, Gosport	Holy Trinity Church, Gosport: The Handel Organ Restoration and Heritage Outreach Project	£167,100
Holy Trinity Episcopal Church	Holy Trinity Episcopal Church, Dunoon	£113,800
Horsham St Faith PCC	The Parish Church of the Blessed Virgin Mary and St Andrew	£115,000
Hoxton Hall Ltd	Raising the Curtain: Unveiling the Culture of the East End	£207,400
Insole Court Trust Ymddiredolaeth Cwrt Insole	The Renewal of Insole Court	£165,900
Ipswich Borough Council	Holywells Park	£140,452
John Mitchel's GAA Club, Claudy	Preservation of Cumber House, Claudy – Reinstatement of a Grade II Listed Building for Sustainable Community Based Environmental and Socio-economic Activity	£514,100
Kew Bridge Engines Trust	Project Aquarius	£1,972,600
Kingston University	Murdoch Foot letter run	£107,300
Knowsley MBC	Prescot Town Centre Townscape Heritage Initiative	£1,893,000
Lake District National Park Authority	Fell Futures	£449,100
Lakeland Arts Trust	Windermere Steamboat Museum	£494,000
Lamerton PCC	St Peter's Church	£120,000

Grants Awarded Over £100,000

Applicant	Project title	Total decisions in the year
Lancashire Wildlife Trust	Chat Moss Vision	£993,000
Largs St John's Church of Scotland	Largs St John's Church of Scotland	£125,000
Leaffield Parochial Church Council	Church of St Michael and All Angels	£195,000
Leavesden PCC	All Saints	£106,000
Leicestershire and Rutland Wildlife Trust	Rutland Water Nature Reserve Volunteer Training Centre	£711,200
Lincolnshire County Council	Lincoln Castle Revealed	£12,000,000
Littleport PCC	Church of St George	£187,000
Llanllwni Church	St Luke's Church, Llanllwni	£100,000
Local Polish Catholic Mission, Reading	Church of the Sacred Heart of Jesus	£213,000
Local Polish Catholic Mission, Reading	Church of the Sacred Heart of Jesus	£234,000
London Borough of Bexley	Lesnes Abbey Wood	£169,697
London Borough of Enfield	Forty Hall Park	£1,777,800
London Borough of Havering	Raphael Park	£1,787,700
London Borough of Sutton	Habitat Honeywood	£301,000
London South Bank University	The Legacy of David Bomberg and the Borough Group	£239,800
London Transport Museum	Restoration of Metropolitan Railway 'Jubilee' 1st Class railway carriage	£422,200
Luton Carnival Arts Development Trust Ltd	Regional Carnival Archive	£642,500
Manchester City Council - Leisure Services	Alexandra Park	£1,375,000
Mary Rose Trust	Mary Rose Museum Project	£4,135,000
Maryhill Burgh Halls Trust	Maryhill Burgh Halls	£170,500
Members of Hope Baptist Church	Hope Baptist Church	£120,000
Members of Hope Baptist Church	Hope Baptist Church	£182,000
Memorial Community Church	Memorial Community Church	£136,000
Memorial Community Church	Memorial Community Church	£173,000
Merthyr Tydfil County Borough Council	Cyfarthfa Park	£1,960,900
Merthyr Tydfil County Borough Council	Pontmorlais - Heritage Quarter	£1,587,500
Merthyr Tydfil Housing Association	Merthyr Tydfil Old Town Hall	£2,000,000
Mid Hants Railway Ltd/ Mid Hants Railway Preservation Society Ltd	Mid Hants Railway: Redevelopment and Enhancement of the Railway's Buildings, Public Access and Activities, Training and Education	£215,300
Middlesbrough Council	Transporter Bridge Visitor Experience	£2,615,700
Middlesbrough Council	Christopher Dresser's Linthorpe	£250,100
Milcombe Parochial Church Council	Church of St Laurence	£103,000
Mildenhall and District Museum	Mildenhall Museum extension	£423,000
Ming-Ai (London) Institute	British Chinese Workforce Heritage	£324,400
Morecambe Bay Partnership	Morecambe Bay - Headlands to Headspace	£2,000,000

Applicant	Project title	Total decisions in the year
Museum of British Road Transport (Coventry) Trust	International Transport Museum	£334,500
Museum of East Anglian Life	A new Museum of East Anglian Life MEAL – Phase 1	£328,000
Museum of the Order of St John	Bust of Jean de la Valette	£259,300
National Gallery and National Galleries of Scotland	Titian's <i>Diana and Callisto</i>	£3,000,000
National Horseracing Museum	Palace House & Stables: Home of Horseracing National Heritage Centre	£4,250,000
National Jazz Archive	National Jazz Archive Access Development	£346,300
National Museum of Science and Industry	Making Modern Communications	£6,000,000
National Museums Scotland	De Lucci Table Acquisition	£125,000
National Trust for Scotland	The Battle of Bannockburn Project	£4,103,300
Neen Savage Parochial Church Council	St Mary's Church	£100,000
New Forest National Park Authority	New Forest Remembers – Untold Stories of World War II	£551,100
New Theatre Royal	Regeneration of New Theatre Royal in Portsmouth	£939,900
Newcastle Cathedral Trust	Illuminating Stories – Newcastle Cathedral in new light	£256,000
Newcastle City Council	Exhibition and Brandling Park	£2,404,900
Nigg Old Trust	Conservation and Display of the Nigg Pictish Monument	£119,800
Nomadic Charitable Trust	Nomadic & Hamilton Dock Development	£3,250,000
Norfolk Archaeological Trust	St Benet's Abbey, Horning, Norfolk: Conservation, Access and Community	£671,000
Norfolk Museums & Archaeology Service	Fenland Lives and Land	£358,500
North Hertfordshire District Council	Unlocking the Heritage of North Hertfordshire	£123,400
North of England Civic Trust	HSed (Heritage Skills Education)	£322,400
Northampton Borough Council	Delapre Abbey, Northampton	£250,600
Northumberland Wildlife Trust Ltd	Red Squirrels Northern England	£247,700
Nottingham City Council	Nottingham, Forest Recreation Ground	£1,462,089
Nottinghamshire Wildlife Trust	Attenborough's ACE: Access-Community-Education	£379,900
Old School Charity	Grenoside Reading Room Restoration Project	£218,900
Order of the Friars Minor Conventual	All Saints' Church	£179,000
Ossett and Gawthorpe PCC	Church of the Holy Trinity	£199,000
Oxford Archaeology East	JIGSAW "Piecing Together Cambridgeshire's Past"	£360,300
Painshill Park Trust Ltd	Grotto Restoration – Education Project	£747,400
Pandit Ram Sahai Sangit Vidyalaya (PRSSV)	The story of the Benares – Baaj and its journey to London	£326,100
Parochial Church Council for Leintwardine Church	Church of St Mary Magdalene	£138,000
Parochial Church Council of Gayton	Church of St Peter	£103,000
Parochial Church Council of Holy Trinity Church, Liverpool	Holy Trinity Church	£175,000
Parochial Church Council of Leadenham	Church of Swithuns	£193,000

Grants Awarded Over £100,000

Applicant	Project title	Total decisions in the year
Parochial Church Council of Norbury	Church of St Mary and St Barlok	£125,000
Parochial Church Council of St Andrew, Wootton	St Andrew	£122,000
Parochial Church Council of St John, Wroxall	Church of St John	£114,000
Parochial Church Council of St Marys, Weston	Church of St Mary	£121,000
Parochial Church Council of St Matthew Blackmoor and Whitehill	Church of St Matthew	£108,000
Parochial Church Council of St Michael's	St Michael and All Angels Church	£138,000
Parochial Church Council of St Nicholas, Arundel	Church of St Nicholas	£168,000
Parochial Church Council of St Oswald's Church, Winwick	Church of St Oswald	£302,000
Parochial Church Council of St Paul, Clifton	St Paul's Church	£215,000
Parochial Church Council of St Peter's Cowfold	St Peter's Parish Church	£199,000
Parochial Church Council of St Margaret	Church of St Margaret with St Columba	£138,000
Parochial Church Council of the Parish of St Thomas the Apostle, Batley	Church of St Thomas	£100,000
Parochial Church Council of Westwell	Church of St Mary	£109,000
PCC All Saints Liverpool	All Saints Liverpool Parish Church	£202,000
PCC Huddersfield Parish Church	Saint Peter's Church	£155,000
PCC of All Saints, Stand	Church of All Saints	£166,000
PCC of Ascension Church	Church of the Ascension	£109,000
PCC of Christ Church	Christ Church	£149,000
PCC of Church of Epiphany	Church of the Epiphany	£169,000
PCC of Clitheroe Parish Church	St Mary Magdalene	£122,000
PCC of Crosby Ravensworth	St Lawrence Church	£118,000
PCC of Pyrton	Church of St Mary	£150,000
PCC of South Tawton, St Andrews	Church of St Andrew	£151,000
PCC of St Andrew's Metton	Church of St Andrew	£125,000
PCC of St Ann's, Manchester	St Ann's Church	£170,000
PCC of St Catharine's Church	St Catharine's Church	£592,000
PCC of St Clements Church	Church of St Clement	£187,000
PCC of St Clements Church	St Clement's Church	£184,000
PCC of St Elizabeth's Church	St Elizabeth's Church	£187,000
PCC of St George's Church	St George's Church	£117,000
PCC of St John the Baptist	Church of St John the Baptist	£196,000
PCC of St John the Divine	St John the Divine	£178,000

Applicant	Project title	Total decisions in the year
PCC of St John the Evangelist	St John the Evangelist Church	£179,000
PCC of St John the Evangelist Church of Oxborough	Church St John	£111,000
PCC of St John with Christ Church, South Hackney	St John of Jerusalem	£128,000
PCC of St Leonard, Shoreditch	St Leonard's Church	£193,000
PCC of St Mary	St Mary's Church	£192,000
PCC of St Mary, Radcliffe	Church of St Mary and St Bartholomew	£140,000
PCC of St Mary's Catholic Church, Great Yarmouth	St Mary's Catholic Church	£130,000
PCC of St Matthew Ashford	Church of St Matthew	£108,000
PCC of St Michael and All Angels	St Michael and All Angels Church	£101,000
PCC of St Michael and All Angels Church	St Michael's and All Angels Church, Bosherton, Pembroke, Wales	£100,000
PCC of St Mildred's Church, Canterbury	Church of St Mildred	£134,000
PCC of St Peter, Ashton Under Lyne	St Peter's Church	£192,000
PCC of the Ecclesiastical Parish of Woolwich	St Mary Magdalene Church	£193,000
PCC of Thrybergh St Leonard's & St Peter's Whinney Hill	St Leonard	£116,000
PCC of Waterhead Parish Church	Holy Trinity Church	£120,000
PCC St Barnabas	St Barnabas	£106,000
PCC St George Hanworth	St George	£146,000
Peak District National Park Authority	Moorland Monitoring - A Volunteer Based Monitoring and Research Programme in the South Pennine Moors and Dark Peak	£163,700
Penarth Arts & Crafts Ltd	Penarth Pavilion Project	£1,685,200
Penicuik House Preservation Trust	Penicuik House Project	£418,000
Pennine Heritage Ltd	Pennine Horizons	£524,400
Penrith Rotary Club	The Regeneration of the Coronation Garden, Penrith	£169,600
Perth & Kinross Countryside Trust	Tay Landscape Partnership	£1,535,500
Peterborough Cathedral	Peterborough 900 - 'Letting it speak for itself'	£320,900
Plantlife International	Saving our Magnificent Meadows	£145,900
Polwarth Parish Church	Polwarth Parish Church, Polwarth Terrace, Edinburgh	£125,000
Port of Menteith Church Congregational Board	Port of Menteith Church	£125,000
Portaferry Regeneration Ltd	Portaferry Townscape Heritage Initiative	£1,233,700
Potter Heigham PCC	Church of St Nicholas	£181,000
Preston Seventh Day Adventist Church	Preston Seventh Day Adventist church	£186,000
Puppetlink Limited	The Big Grin	£240,000
RC Diocese of Paisley	St Mirin's Cathedral	£125,000
Rambert Dance Company and Rambert Trust Ltd	Rambert Moves Dance: Unlocking the Passion	£359,600

Grants Awarded Over £100,000

Applicant	Project title	Total decisions in the year
RC Parish of St Joseph Carterton	St Joseph's Roman Catholic Church and Church Hall	£119,000
Real ideas Organisation	Devonport Column	£658,400
Rectorial Benefice of Llantwit Major	Galilee Chapel Project	£300,000
Red Rose Chain	Gippeswyk Hall	£968,300
Renewable Heritage Trust	Howsham Mill Project	£643,100
Renewal Trust	St Ann's Allotments – Restoration Project	£330,000
Renfrewshire Council	The Semple Trail Heritage Project	£399,100
Repton Parochial Church Council	Church of St Wystan	£130,000
Rochester Cathedral	Hidden Treasures, Fresh Expressions	£158,000
Rockingham Village Hall	Rockingham Village Hall	£376,200
Roman Catholic Diocese of Nottingham	Church of the Good Shepherd	£135,000
Rotunda Ltd	Rotunda Heritage and Enterprise Hub	£935,000
Royal Borough of Windsor and Maidenhead	Beyond the Castle Walls – The story of Windsor and the Guildhall	£249,300
Royal Botanic Gardens, Kew	The Temperate House Project	£890,900
Royal Court Liverpool Trust	Royal Court Theatre – The Next Stage	£867,800
Royal Institution of Cornwall	Ancient Civilisations – New Audiences	£233,000
Royal Naval Museum	Telling the story of the Royal Navy and its people in the 20th and 21st Centuries	£1,407,200
Royal Navy Submarine Museum	HMS Alliance – Conservation and Access	£3,400,000
Royal Pavilion Museums Brighton and Hove	A History of Brighton in One Painting	£550,000
Royal Society for the Protection of Birds (RSPB)	'Hide and Seek' – a new learning platform for Leighton Moss	£370,000
RSPB Scotland	SEEVIEWS – Sea Eagle Education Viewing Interpretation and Engagement Within Scotland	£235,900
RSPB Scotland	Enjoy Wild Orkney	£341,100
RSPB South East	Arun and Rother Connections: Linking Landscape and Community (ARC Project)	£114,900
St Margaret's Hollinwood with St Chad Limeside PCC	Church of St Margaret of Antioch	£210,000
Saint Cadoc's Church, Llancarfan	St Cadoc's Church, Llancarfan – Phase 2	£541,900
Saints Ethelbert and Gertrude, Ramsgate and Minster Catholic Parish	Church of St Augustine	£155,000
Sandbank Parish Church	Sandbank Parish Church	£125,000
Sandwell Metropolitan Borough Council	Lightwoods Park	£193,093
Scott Polar Research Institute	The lost photographs of Captain Scott	£704,000
Scottish Historic Buildings Trust	The Patrick Geddes Centre for Learning and Conservation	£403,700
Scoulton & Woodrising PCC	Church of Holy Trinity	£116,000
Sefton Council	Southport, King's Gardens	£1,864,872
Shelley Methodist Church	Shelley Methodist Church	£110,000
Shipdham PCC	All Saints' Church	£158,000
Shropshire Council	Volunteering for Shropshire's Heritage	£206,000

Applicant	Project title	Total decisions in the year
Shropshire Council	Stiperstones and Corndon Hill Country – Landscape Partnership Scheme	£1,446,800
Shropshire Wildlife Trust	The Meres & Mosses of the Marches	£973,000
Skendleby Parochial Church Council	Church of St Peter and St Paul	£149,000
Slapton Parochial Church Council	Church of the Holy Cross	£129,000
Solway Coast AONB Partnership	The Solway Wetlands Landscape Partnership	£1,893,200
Somerset Building Preservation Trust Ltd	Castle House, Taunton (Grade 1 Listed)	£521,600
Somerset Wildlife Trust	Avalon Marshes Landscape Partnership Scheme	£1,772,500
South Burlingham PCC	St Edmund's Church	£157,000
South Lanarkshire Council	Clyde and Avon Valley Landscape Partnership	£1,900,000
Southend-on-Sea Borough Council	Prittlewell Priory Museum Re-development	£129,700
Southend-on-Sea Borough Council	Working Towards the 'Hadleigh and Daws Heath' Ancient-Woodlands Living Landscape	£855,000
Sporting Pride Community Trust	Huddersfield Rugby League: A Lasting Legacy	£114,500
SS Robin Trust	SS Robin Open Doors Project	£954,500
St Andrew's Parochial Church Council	St Andrew's Church	£118,000
St Andrew's Wootton PCC	St Andrew	£165,000
St Barnabas PCC	St Barnabas	£134,000
St Benet's & All Saints Church	St Benet's Church & All Saints	£163,000
St Britus Parochial Church Council	Church of St Britius	£127,000
St Cuthberts Parochial Church Council	The Church of St Cuthbert	£157,000
St David's Church, Llanddewi Aberarth	St David's Church, Llanddewi Aberarth	£100,000
St Enoder PCC	St Enoder Parish Church	£188,000
St Faith, Hexton	St Faith	£222,000
St Francis Xavier Parish Council	St Francis Xavier	£151,000
St Giles Parochial Church Council	Church of St Giles	£173,000
St Helens Metropolitan Borough Council	Victoria Park	£3,087,000
St Illogan Parochial Church Council	St Illogan	£171,000
St James Bixx PCC	Church of St James	£147,000
St James Parochial Church Council	St James Church	£133,000
St John the Evangelist PCC	Church of St John the Evangelist	£106,000
St John the Evangelist PCC	St John the Evangelist	£145,000
St John's Church Notting Hill	Restoring the Future	£394,800
St Johns Episcopal Church Alloa Scotland	St John's Episcopal Church, Broad Street, Alloa	£125,000
St John's Methodist Church Council	St John's Methodist Church	£168,000
St Lawrence's Church PCC	St Lawrence	£100,000

Grants Awarded Over £100,000

Applicant	Project title	Total decisions in the year
St Luke's Parochial Church Council	St Luke	£132,000
St Margaret's Community Trust Ltd	St Margaret Church	£711,200
St Margaret's Parochial Church Council	St Margaret's Church	£186,000
St Mark PCC	St Mark	£130,000
St Mary de Castro Parochial Church Council	Church St Mary de Castro	£187,000
St Mary Long Wittenham with St Peter Little Wittenham PCC	Church of St Peter	£110,000
St Mary the Blessed Virgin, Gomersal PCC	St Mary the Blessed Virgin	£101,000
St Mary's Bolton on Swale Church Committee	St Mary's Church	£102,000
St Mary's Church Builth Wells	St Mary's Church Builth Wells	£100,000
St Mary's Parish Church, Haddington	St Mary's Parish Church, Haddington	£145,000
St Mary's Martham PCC	Church of St Mary	£208,000
St Matthew's Church PCC	St Matthew Chadderton	£110,000
St Michael & All Angels PCC	St Michael & All Angels Church	£112,000
St Nicholas Parochial Church Council	St Nicholas Church	£165,000
St Nicholas' Parochial Church Council	St Nicholas' Church	£163,000
St Paul's PCC	Church of St Paul	£186,000
St Peter's Kirby Bellars District Church Council	Church of St Peter	£145,000
St Peter's PCC	St Peter	£106,000
St Peter's PCC	St Peter's Church	£131,000
St Peter's PCC	St Peter's Church	£179,000
St Philip with St Stephen PCC	St Philip with St Stephen	£117,000
St Saviours PCC	St Saviour	£150,000
St Seraphim's Trust	St Seraphim's Chapel	£102,000
St Stephens Parochial Church Council	Church of St Stephen	£199,000
St Swithuns District Church Council, East Retford	Church of St Swithun	£178,000
St Swithun's PCC	St Swithun's Church	£192,000
St Wilfrid's Halton Parochial Church Council	Church of St Wilfrid	£252,000
Staffordshire Wildlife Trust Ltd	Churnet Valley Living Landscape Partnership	£1,895,000
Staveley Town Council	Heart of Staveley Project	£880,000
Stockbury Parochial Church Council	Church of St Mary Magdalene	£153,000
Stoke-on-Trent City Council	Centre of Refurbishment Excellence (Core)	£761,500
Suffolk Coast and Heaths Area of Outstanding Natural Beauty (AONB)	Touching the Tide - a Suffolk Heritage Coast Landscape Partnership - living with cultural and natural change on Suffolk's Coast	£896,800
Suffolk Coastal District Council	Felixstowe Seafront Gardens	£2,194,100
Suffolk Wildlife Trust	Networking Nature	£342,600

Applicant	Project title	Total decisions in the year
Suffolk Wildlife Trust	Knettishall Heath Nature Reserve	£725,500
Sussex Heritage Trust	Old St Helens Church Conservation Project	£470,000
Tameside MBC (Council Offices)	From Grey to Green; Rediscovering the Natural Heritage of Greater Manchester	£446,000
Tamworth Castle	Accessing Tamworth's Past	£876,200
Tank Museum	Access All Areas - Safeguarding the Future	£149,000
Tate	Transforming Tate Britain: Building, Archives, Access	£4,995,000
Thanet District Council	The Dalby Square, Cliftonville Townscape Heritage Initiative	£1,893,100
The Arkwright Society	The Cromford Mills Creative Cluster and World Heritage Site Gateway Project	£980,000
The Black Watch Museum Trust	The Black Watch Heritage Appeal	£778,000
The Bloody Sunday Trust	Museum of Free Derry	£500,000
The Charles Dickens Museum	Great Expectations.	£407,000
The Church Council of Mitcham Methodist Church	Mitcham Methodist Church	£111,000
The Council of the Borough of Broxbourne	Cheshunt, Cedars Park	£867,607
The Dean and Chapter of The Cathedral Church of St Peter in Exeter	Exeter Cathedral Another Chapter - Chapter 2	£763,000
The Dreamland Trust	Restoration of Dreamland Margate	£3,000,000
The Florence Institute Trust Ltd	Restoration, Repair & Conversion of the Florence Institute for Boys, Liverpool	£495,200
The GAC Property Company	The renewal of the Glasgow Art Club	£284,700
The Glasgow School of Art	The Glasgow School of Art Mackintosh Conservation and Access Project	£158,200
The Grasslands Trust	The Valley of Hope: Revealing the Secret Meadows of Bury Farm	£1,395,700
The Highlanders Museum	The Highlanders' Museum Development Project	£750,000
The Old Meeting House Unitarian Church	The Old Meeting House Unitarian Church	£122,000
The Parochial Church Council	The Minster and Parish Church of St George	£291,000
The Parochial Church Council of All Saints and St Thomas the Apostle, Huddersfield	Church of St Thomas	£184,000
The Parochial Church Council of All Saints Church Tuckingmill	All Saints Church	£146,000
The Parochial Church Council of Christ Church	Christ Church	£143,000
The Parochial Church Council of Christ Church Liversedge	Christ Church	£142,000
The Parochial Church Council of St Helens Parish Church	Church of St Helen	£187,000
The PCC of Great Yarmouth	Church of St Nicholas	£153,000
The PCC of St Wilfrid's Church, Monk Fryston	St Wilfrid's Church	£111,000
The PCC of Upwell St Peter	Church of St Peter	£151,000
The Prince's Regeneration Trust	Middleport Pottery	£107,300
The SCAPE Trust	Scotland's Coastal Heritage at Risk Project (SCH@RP)	£307,000
The Solent Steam Packet Ltd	Saving Shieldhall: Learning through Conservation in Action	£143,600
The Space Centre Preston Ltd	The Willows	£82,193
The Ware Museum Trust	Loan of the Great Bed of Ware	£229,200

Grants Awarded Over £100,000

Applicant	Project title	Total decisions in the year
The West House and Heath Robinson Museum Trust	West House, Pinner.	£119,700
The Wildlife Trust for Bedfordshire, Cambridgeshire, Northamptonshire and Peterborough	Living Nene	£889,300
Thorney Abbey PCC	Church of St Mary and St Botolph	£146,000
Tombland PCC	St George's Church	£180,000
Torfaen County Borough Council	Waterworks – Monmouthshire and Brecon Canal Regeneration	£854,500
Trinity Sailing Foundation	Leader Restoration	£170,400
Tyne & Wear Archives & Museums	Journeys of Discovery	£149,500
Union Chapel Project Ltd	Union Chapel Organ Project	£470,000
University of Westminster	Reviving the Birthplace of British Cinema	£105,200
Urban Vision North Staffordshire	Pugin 2012 Bicentenary Celebrations	£153,100
Victoria & Albert Museum	My Fair Lady: Accents, Class and London Society	£167,400
Wallace Collection	Dutch Galleries Refurbishment and Engagement	£470,000
Walsall Council	'Raising The Barr' – the restoration of Barr Beacon's historic features and community pride	£440,900
Wandsworth Borough Council	Living Wandle Landscape Partnership	£1,993,000
Warrington Museum & Art Gallery	Warrington Museum redevelopment scheme	£672,500
Warwick Town Council	Unlocking the Heritage of Warwick	£367,700
Waverley Borough Council (WBC)	Godalming, The Phillips Memorial Park	£209,375
Wentworth Castle and Stainborough Park Heritage Trust	The World at Wentworth	£2,499,400
Wesley Methodist Church and Community	Wesley Methodist Church, Caerphilly	£100,000
West Dunbartonshire Council, Land Services	Dalmuir Park, Clydebank	£859,600
West Yorkshire Joint Services	My Place	£166,600
Whitby Parochial Church Council	St John the Evangelist	£204,000
Wiltshire Archaeological and Natural History Society	Bronze Age Wiltshire at the Time of Stonehenge	£370,000
Winterton-on-Sea PCC	Church of Holy Trinity and All saints	£177,000
Wirral Christian Centre	Wirral Christian Centre – Oxtown Gateway Church	£120,000
Wolverhampton City Council	East Park	£981,900
Woodhall Spa Cottage Museum	Woodhall Spa Cottage Museum Development	£677,600
Workers' Educational Association Yorkshire and Humber Region	Inclusive Archaeology Education Project	£200,000
Worksop Priory PCC	Worksop Priory Gatehouse	£100,000
Wrexham County Borough Council	Cefn Mawr Townscape Heritage Initiative – Phase 2	£862,200
Wyndham Abbey Parochial Church Council	The Abbey Experience	£168,100

Applicant	Project title	Total decisions in the year
Yate New Town Parochial Church Council	Church of St James the Great	£127,000
YHA (England & Wales) Ltd	Itford Farm – Hostel/Field Study and Activity Centre	£464,300
Ymddiredolaeth Penllergare – The Penllergare Trust	Penllergare Valley Woods	£2,320,800

Employment Monitoring

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

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

2. Results of monitoring carried out in 2011-12

2.1 Permanent staff in post as at 17 April 2012

Ethnic origin	Total
African	5
Asian Indian	4
Asian Pakistani	2
Black African and White	1
Caribbean	3
Oriental Chinese	1
Other Asian	1
Other Mixed Ethnic	4
Other	3
White	225
Grand total	249

2.2 Applications for employment in 2011-12

Monitoring information of job applicants, including internal applicants, who applied through our jobs website online for 41 externally advertised vacancies between 1 April 2011 and 31 March 2012.

Ethnic origin	Returning applications	Shortlisted for interview	Successful at interview
African	111	3	0
Arab	6	0	0
Bangladeshi	50	1	0
British/English/ Northern Irish/ Scottish/Welsh	1,403	169	33
Caribbean	52	3	1
Chinese	34	2	0
Indian	95	7	0
Irish	35	6	0
Not stated	377	28	4
Other	29	2	0
Other Asian	21	1	0
Other Mixed	14	2	1
Other White	59	6	1
Pakistani	35	0	0
White and Asian	21	2	0
White and Black African	6	0	0
White and Black Caribbean	8	1	1
Grand total	2,356	233	41

2.3 Numbers of training days undertaken by staff

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

2.4 Performance assessment procedures

In 2011 there were 31 white employees whose performances were rated as outstanding and two employees from other racial groups whose performance was rated as outstanding. No employees suffered any detriment as a result of performance assessment procedures.

2.5 Applications for internal promotion

During 2011–12, five white employees were permanently promoted internally, and six white employees and one from another racial group were temporarily promoted internally.

2.6 Number of employees involved in grievance procedures during 2011–12

One formal grievance was raised by an employee during the current year.

2.7 Number of employees subject to disciplinary procedures during 2011–12

One white employee was subject to formal disciplinary proceedings during this period.

2.8 Number of employees leaving the Fund's permanent employment in 2011–12

White employees	38
All other racial groups	1

3. Specific duties

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

The Fund continues in its recruitment advertising to encourage job applications from black, Asian and minority ethnic groups, recognising that its workforce is not yet fully representative of local or national diversity.



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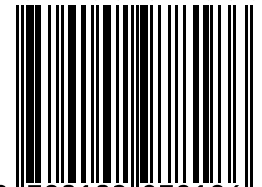
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