



# HERITAGE LOTTERY FUND

## NATIONAL HERITAGE MEMORIAL FUND

LOTTERY DISTRIBUTION ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2007





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### **Annual Report**

This has been prepared in accordance with section 34(3) of the National Lottery etc. Act 1993  
by the Secretary of State for Culture, Media and Sport.

### **Annual Accounts**

This has been prepared in accordance with section 35(5) of the National Lottery etc. Act 1993 and presented  
by the Comptroller and Auditor General.

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## ANNUAL REPORT

### Management commentary

#### Background information

The National Heritage Memorial Fund (NHMF) is vested in and administered by a body corporate known as the Trustees of the National Heritage Memorial Fund, 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. 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 the National Heritage Memorial Fund became responsible for the distribution of that proportion of the National Lottery proceeds allocated to the heritage. Trustees of the National Heritage Memorial Fund have to prepare separate accounts for the receipt and allocation of grant-in-aid and for their operation as a distributor of National Lottery funds. Trustees have chosen to refer to the funds as the National Heritage Memorial Fund for sums allocated under the provisions of the 1980 Act and the Heritage Lottery Fund for the receipts from the 1993 Act.

Under section 21(1) of the 1993 Act a fund known as the National Lottery Distribution Fund ("NLDF") is maintained under the control and management of the Secretary of State for Culture, Media and Sport. All sums received from the licensee of the National Lottery under section 5(6) are paid to the Secretary of State and placed by her in the NLDF. Trustees of the National Heritage Memorial Fund 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, 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 the National Heritage Memorial Fund as distributors of that portion. The percentage allocation was subsequently reduced to 16<sup>2</sup>/<sub>3</sub>% in October 1997 following the Government's creation of the New Opportunities Fund (now the Big Lottery Fund).

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

#### Principal activities

Under section 3 of the 1980 Act, Trustees of the National Heritage Memorial Fund 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 1993 Act 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 the Heritage Lottery Fund, which define in broad terms how we are trying to improve quality of life through the heritage and, flowing on from these, six subsidiary purposes on which our grant-making and other activities focus. The core aims are:

- to encourage more people to be involved in and make decisions about their heritage;
- to conserve and enhance the UK's diverse heritage; and
- to ensure that everyone can learn about, have access to, and enjoy their heritage.

The subsidiary purposes are:

- to encourage communities to identify, look after and celebrate their own heritage;
- to promote heritage conservation as an integral part of urban and rural regeneration;
- to help conserve and sustain heritage at risk;
- to increase opportunities for learning about heritage;
- to open up heritage resources and sites to the widest possible audience; and
- to promote a greater appreciation of the value and importance of heritage for our future well-being and sense of identity.

## Financial Instruments

Financial Reporting Standard 13, "Derivatives and other Financial Instruments", requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks the Heritage Lottery Fund faces in undertaking its role.

**Liquidity risk** – in 2006-07, £201,031,000 (87%) of the Heritage Lottery Fund's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the National Lottery Distribution Fund £30,008,000 (13%), bank interest and sundry income £674,000 (0%). The Trustees recognise that their hard commitments (i.e. signed grant contracts) exceeded the value of funds in the NLDF at 31 March 2007. However, Trustees consider that the Heritage Lottery Fund 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. DCMS has assured Trustees that they will continue to receive a share of the National Lottery until 2019.

**Interest rate risk** – the financial assets of the Heritage Lottery Fund are invested in the National Lottery Distribution Fund, 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. At the balance sheet date the market value of our investments in the NLDF was £660.3 million. In the year, the average return on these investments was around 4.2%. 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 on average carried an interest rate of 4.47% in the year. The cash balance at the year-end was £8.1 million. Trustees recognise that the return on the NLDF was significantly less than that obtained from their bank accounts. However, investment of Lottery funds is under the control of DCMS which states that the long-term rate of return of the NLDF should be higher than that of a bank account. The Trustees consider that the Heritage Lottery Fund is not exposed to significant interest rate risks.

**Foreign currency risk** – the Heritage Lottery Fund is not exposed to any foreign exchange risks.

**Cash flow, price and credit risk** – Trustees consider that the Heritage Lottery Fund is not exposed to anything other than immaterial risks in these areas

## Future developments

During the year, Trustees finalised much of their thinking towards their third Strategic Plan, which will be issued at the end of the current financial year. This will set out the policies, grant programmes and assistance given to applicants for the period 2008 to 2013. Administrative systems of the HLF will be updated and made ready for the launch of this Plan.

DCMS has clarified the effect of the 2012 London Olympics on the anticipated income of HLF over the coming years. We are expected to lose over £161 million during the period of our third Strategic Plan (which commences in 2008), which means our grant-making for the foreseeable future will be correspondingly reduced, affecting people right across the United Kingdom. In recent years, our funding has been the single largest source of support not only for our historic places, museums and galleries, but also for our natural heritage and the cultural history of the people of these islands. This will impact on our ability to invest in the nation's heritage at exactly the time it is being showcased to the world in 2012. At the same time, changes resulting from the Lottery Act 2006 will reduce the amount of interest the Heritage Lottery Fund receives from the National Lottery Distribution Fund: in 2006-07 we received £30m in interest; in 2007-08 projected interest is only £15.7m. Trustees will ensure that the Fund's administrative structure is commensurate with the reduced level of new awards that HLF will be able to make. Projects which have already received a promise of funding from HLF need not be concerned: HLF will work to ensure that commitments can be honoured.

### **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 evaluation and 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 Group meetings in the weekly Newsletter, 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, the National Heritage Memorial Fund abides by equal opportunities legislation. It 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 and job-related criteria. It does not tolerate any form of discrimination, harassment or victimisation. The Fund welcomes job applications from people with disabilities, and currently around 4% of our workforce are people with disabilities. All staff are required to co-operate in making this policy work effectively.

### **Creditors**

The National Heritage Memorial Fund 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 2006-07, the average age of invoices paid was 12.6 working days. Over 91% of invoices were paid within 30 calendar days.

### **Pension liabilities**

The Fund makes contributions to the pension schemes of staff. Other than making these payments, the Fund has no pension liabilities with the exception of one former member of staff. Trustees consider that the balance sheet provision, made for paying the pension of that former member of staff, is sufficient. 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 the National Heritage Memorial Fund and exclude themselves from the relevant grant appraisal, discussion and decision processes within the National Heritage Memorial Fund. In their contacts with grant applicants, Trustees seek to avoid levels of involvement or influence that would be incompatible with their responsibilities as a Trustee of the National Heritage Memorial Fund. There are corresponding arrangements for staff to report interests and avoid possible conflicts of interest. The Register of Trustees' Interests is available for public inspection by contacting the Secretary to the Trustees, 7 Holbein Place, London SW1W 8NR.



### Appointment of auditors

The National Heritage Act 1980 provides for the annual accounts of the National Heritage Memorial Fund to be audited by the Comptroller and Auditor General. The National Lottery etc. Act 1993 extends this to the lottery activities of Trustees.

### Key Stakeholders

The key stakeholders of the Heritage Lottery Fund are the Architecture and Historic Environment division and the Lottery division of the Department for Culture, Media and Sport. The Lottery division also controls the National Lottery Distribution Fund which invests the money received from the National Lottery. Other key stakeholders are those bodies that carry out assessment processing on our behalf for certain grant programmes. They are the Big Lottery Fund (Awards for All programme), the former Countryside Agency (Local Heritage Initiative – although this programme ended during the year) and English Heritage (Repair Grants for Places of Worship).

### Date of authorisation for issue

The accounts were authorised for issue on 17 July 2007, which is the date the accounts were submitted to the Secretary of State for laying before Parliament.

### Chair and Trustees of the National Heritage Memorial Fund

CHAIR:	Dame Liz Forgan #
TRUSTEES:	Dan Clayton Jones
	Primrose Wilson (until 6 April 2006)
	Madhu Anjali
	Nicholas Dodd (until 10 September 2006)
	Mike Emmerich
	Catherine Graham-Harrison #
	Tristram Hunt
	Brian Lang
	Derek Langslow *
	Mike Phillips
	Matthew Saunders
	Giles Waterfield. (until 10 September 2006)
	Richard Wilkin #
	James Wright (until 31 October 2006)
	Ronnie Spence * (from 7 April 2006)
	Kathy Gee (from 10 September 2006)
	Doug Hulyer * (from 10 September 2006)
	Christopher Woodward (from 1 November 2006)

DIRECTOR: Carole Souter #

\* member of Audit Committee

# member of Finance & Investment Committee

#### Director

Carole Souter

#### Chair

Dame Liz Forgan

3 July 2007

### Financial Review

The National Heritage Memorial Fund ("the Fund") operates two funds – the Heritage Lottery Fund and the National Heritage Memorial Fund. It is required, by the accounts directions of the Secretary of State for Culture, Media and Sport, to account for its activities separately and so no consolidated accounts are prepared. This review discusses solely the activities of the Heritage Lottery Fund.

Trustees were gratified to receive the endorsement of the National Audit Office which concluded that HLF “has successfully supported projects which help preserve the UK’s heritage and make it more accessible” in their report issued in March 2007. The NAO report examined the funding of heritage projects since 1994 and the effectiveness of HLF’s grant-making processes, describing them as “robust” and leading to “better, more sustainable projects”.

The Fund receives applications from thousands of heritage organisations across all communities of the United Kingdom and awards grants on the basis of its aims. Since the Lottery started, HLF has made a difference to over 24,000 projects. During the year, over 3,500 grant applications were received, which is a 16% increase on last year. This shows that our work to encourage and facilitate more applications has been successful and it is gratifying that many of the applications are from smaller organisations.

During the course of 2006/07, Trustees made new soft commitments totalling £285.4 million (soft and hard commitments are defined in note 1 to the accounts). This was less than last year because Trustees have had to reduce levels of awards to take account of income in the year and in the future and because they cannot continue to commit to more awards than they have funds. Income for the year was £201m, with an additional £30m in investment income earned by the National Lottery Distribution Fund (“NLDF”) on our behalf.

The balance of HLF funds at the NLDF fell to £660 million at the end of the financial year – a fall of £136 million in the year. Ticket-sale income was slightly below the forecast supplied by DCMS in December 2005, by £10 million, but investment income was £15 million above forecast as DCMS did not change its method by which investment income was allocated until April 2007. The result of this change is that we will no longer receive investment income based upon our funds at the NLDF, but upon our standard percentage allocation of 16.67%, with the result that our investment income will probably halve. Trustees continue to recognise that the balance at the NLDF should fall further. The commitment of awards in excess of income is the main method by which Trustees expect to reduce the balance at the NLDF. To this end, the grant award budget for 2007/08 is £255 million, far in excess of anticipated income of around £221 million, including anticipated NLDF interest. At the end of the financial year, HLF had committed £424 million more than it had in the NLDF – two years’ expected income. The balance of contractual liabilities exceeded the HLF’s net assets during the year and there was a net deficit on the balance sheet of £11.4 million at 31 March 2007. The accounts have been prepared on a going concern basis as required by the Secretary of State’s accounts direction and because Trustees have been assured that they will receive income from the National Lottery until at least 2019.

The table below illustrates the soft commitments made and also the conversion of soft commitments in previous years into hard commitments in 2006/07. Soft commitments are converted to hard commitments when there is a signed contract with the grant recipient.

Over half of the decisions made in the year (£170.4 million) were for stage one passes under the two-stage decision process. The remainder (£115 million) were for grant awards in the year. During the year, contracts were signed for grants of £332.6 million – i.e. new hard commitments.

£m	Stage one pass	Approved in principle	Grant awards	Hard commitments	Total decisions
<b>At 1 April 2006</b>	<b>369.8</b>	<b>2.0</b>	<b>87.4</b>	<b>699.1</b>	
Trustees’ decisions in the year	170.4	–	115.0	–	285.4
Converted in the year	(252.3)	–	252.3	–	
Converted in the year	–	–	(332.6)	332.6	
Transfer	2.0	(2.0)	–	–	
De-commitments	(10.9)	–	(1.4)	(13.2)	
Grant payments	–	–	–	(339.1)	
<b>At 31 March 2007</b>	<b>279.0</b>	<b>–</b>	<b>120.7</b>	<b>679.4</b>	

Staff costs rose by 3% in the year due mainly to the increased cost of contributing to the Principal Civil Service

Pension Scheme. However, as HLF is running the Parks for People programme in conjunction with the Big Lottery Fund ("BLF"), it has received a contribution of £740,000 from BLF towards the cost of administering the scheme. The net effect of these receipts along with other efficiency measures is that salary costs have fallen by 1% and administrative costs have fallen by 19%. Trustees applaud the work done by management and staff in reducing costs. The average number of staff remained fairly constant during the year as Trustees believe that they have attained the right balance of staff numbers whilst recognising the need to keep administrative costs under review. Trustees recognise that, as a result of declining income, staff numbers may have to fall slightly in the next few years.

Trustees recognise that greater efficiencies in the costs of administration should not be achieved at the expense of service to our stakeholders. They are pleased to report that the achievement of service-level targets for both applicants and grantees has again improved during the year. Further information on our service-level targets is available elsewhere in this document.

The Trustees considered the risks faced by the Heritage Lottery Fund in the year and reflected their considerations in a register of those risks. There is concern about the impact of the loss of the money diverted to support the London Olympics and NHMF will work towards mitigating the effect over the coming year. Other than that, Trustees do not believe there to have been a significant change in the risk environment during the year. The principal risks are discussed further in the Statement on Internal Control.

## 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 the National Heritage Memorial Fund. In addition, the National Heritage Memorial Fund 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 following bands.

Audited information	<b>2006-07</b> <b>£000</b>	2005-06 <b>£000</b>
Dame Liz Forgan (Chair)	<b>40 - 45</b>	40 - 45
Richard Wilkin	<b>5 - 10</b>	0 - 5
Tom Pritchard	<b>0</b>	0 - 5
Primrose Wilson	<b>0 - 5</b>	20 - 25
Nicholas Dodd	<b>5 - 10</b>	10 - 15
Dan Clayton Jones	<b>20 - 25</b>	10 - 15
James Wright	<b>5 - 10</b>	5 - 10
Giles Waterfield	<b>0 - 5</b>	5 - 10
Mike Phillips	<b>5 - 10</b>	5 - 10
Derek Langslow	<b>5 - 10</b>	5 - 10
Catherine Graham-Harrison	<b>5 - 10</b>	5 - 10
Madhu Anjali	<b>10 - 15</b>	10 - 15
Earl of Dalkeith	<b>0</b>	0 - 5
Tristram Hunt	<b>5 - 10</b>	5 - 10
Matthew Saunders	<b>5 - 10</b>	5 - 10
Ronnie Spence	<b>20 - 25</b>	0
Kathy Gee	<b>0 - 5</b>	0
Doug Hulyer	<b>5 - 10</b>	0
Christopher Woodward	<b>0 - 5</b>	0
Brian Lang	<b>20 - 25</b>	20 - 25
Sir Angus Grossart	<b>0</b>	5 - 10
Mike Emmerich	<b>10 - 15</b>	10 - 15

All Trustees have three-year appointments, potentially renewable for a second term. They are appointed by the Prime Minister. They are not members of the pension scheme utilised by the National Heritage Memorial Fund. No contributions were made by the Fund to a pension scheme on the Trustees' behalf. All Trustees' remuneration was allocated between the Heritage Lottery Fund and the National Heritage Memorial Fund on the basis of 99%:1%. The total remuneration of Trustees in 2006-07 was £239,470 (2005-06 £213,049). The pay and contracts of Trustees are discussed and set by the Department for Culture, Media and Sport.

## Remuneration of employees

The remuneration of directors was as follows:

Audited information	Salary including performance bonus 06/07	Salary including performance bonus 05/06	Real increase in pension and lump sum	Total accrued pension at 60 and lump sum	Cash Equivalent Transfer Value (CETV) at 31-3-07	Cash Equivalent Transfer Value (CETV) at 31-3-06	Real increase in CETV funded by NHMF
	£000	£000	£000	£000	£000	£000	£000
Carole Souter <i>Director</i>	120-125	110-115	0-2.5 plus 2.5-5 lump sum	35-40 plus 110-115 lump sum	648	616	17
Stephen Johnson <i>Director of Operations</i>	100-105	95-100	0-2.5	50-55	1,042	953	40
Judy Cligman <i>Director of Policy</i>	80-85	75-80	0-2.5 plus 2.5-5 lump sum	20-25 plus 60-65 lump sum	348	321	22
Steve Willis <i>Director of Resources and Planning</i>	100-105	95-100	0-2.5 plus 5-7.5 lump sum	40-45 plus 130-135 lump sum	809	754	30

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.

**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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the civil service pension arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

All senior employees had permanent contracts of employment and were ordinary members of the PCSPS. Their costs were allocated between the Heritage Lottery Fund and the National Heritage Memorial Fund on the basis of 99%: 1% (2005-06: 99%: 1%). The pay and contracts of senior employees are discussed and set by the Finance & Investment Committee. (Membership of this committee is disclosed on page 6.) 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 Director are set by the Chair of the Board of Trustees, and the Director in turn agrees personal objectives with the 3 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 4 different levels of achievement. There is a bonus scheme for the directors which takes into account the Finance & Investment Committee's 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 6 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.

**Director**

Carole Souter

3 July 2007

### Statement of Trustees' and Director's Responsibilities

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

In preparing the accounts Trustees of the National Heritage Memorial Fund are required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by the Treasury, 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 Government Financial Reporting Manual, 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 the Department for Culture, Media and Sport has appointed the senior full-time official, the Director, 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 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 Government Accounting.

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.

**Director**

Carole Souter

**Chair**

Dame Liz Forgan

3 July 2007

## Statement on Internal Control

### Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the National Heritage Memorial Fund's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

I work closely with the Trustees of the National Heritage Memorial Fund ("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.

This responsibility is enacted through regular meetings of Trustees with senior management to set policy for the NHMF and make decisions in line with policy. In addition, sub-committees of Trustees, particularly the Finance & Investment Committee and the Audit Committee, oversee the activities of management and provide support. All policy-setting and grant-decision-making is informed by the risk-management culture of the NHMF. In particular, the Audit Committee regularly discusses the risk reports produced by management and questions them about the methods by which they mitigate risk. In addition, the NHMF is a member of the Lottery Forum Risk Management Group. This group, comprising representatives of Lottery distributors, has created a common risk framework.

The annual operating plan of the NHMF – the Business Plan – is discussed with our sponsor department, the Department for Culture, Media and Sport ("DCMS"). DCMS has also set Policy and Financial Directions with which we have to comply in our Lottery activities. 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.

### The purpose of the system of internal control

The 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 the 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 system of internal control has been in place in the Fund for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

### Capacity to handle risk

The Management Group, comprising the most senior managers of the NHMF, takes the lead on all aspects of risk management. It appoints risk owners and charges them with the creation and application of strategies to mitigate the risk under their control.

The Audit Committee, which comprises three Trustees, regularly discusses the risk-management process and reports back to the main body of Trustees on the management of risk. Furthermore, both internal and external audits review the risk-management processes as part of their work and can provide the benefit of their experience of other organisations' risk-management activities.

Staff, from middle management upwards, have received training in risk-management techniques.

### The risk and control framework

Management Group devised a risk-management statement that details how the NHMF identifies, monitors and



controls risks and opportunities. This statement is reviewed regularly. 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. Management Group then assigns to senior managers (the "risk owners") the task of putting procedures in place to monitor and, where possible, mitigate the risk. Management Group reviews the effectiveness of their work on a quarterly basis. The Audit Committee also regularly reviews and questions the activities of risk owners.

In 2006/07, the NHMF considered the following to be the most significant areas of risk:

- decline of our income beyond expectations;
- failure of awarded grants to meet our strategic objectives;
- 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 correctly or consistently giving rise to the risk of fraud or of making perverse decisions open to challenge in law;
- failure to recruit and retain staff of sufficient calibre; and
- lack of adequate acknowledgement of the HLF/NHMF contribution.

### Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and senior management within the 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. I receive guidance from both the Board of Trustees and the Audit Committee, which sees reports from both the internal and external auditors, and a plan to address weaknesses and ensure continuous improvement of the internal control system is in place.

All reports of the internal auditors are discussed by the Audit Committee with senior members of staff in attendance. Heads of departments that have failings identified by the internal auditors are required to devise a 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.

As a result of the above, 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.

### Director

Carole Souter

3 July 2007

## **The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the 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 31st March 2007 under the National Lottery etc. Act 1993 (as amended). These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement 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, Director and auditor**

The Trustees and Director (as Accounting Officer) are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Trustees' and Director's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Management Commentary and the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the National Heritage Memorial Fund has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the National Heritage Memorial Fund's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the National Heritage Memorial Fund's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Trustees and Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the National Heritage Memorial Fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

### Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, of the state of the National Heritage Memorial Fund's Lottery Distribution Activities as at 31st March 2007 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury; and
- information given within the Annual Report, which comprises the Management Commentary and the Remuneration Report, is consistent with the financial statements.

### Audit Opinion on Regularity

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

### Report

I have no observations to make on these financial statements.

**John Bourn**

**Comptroller and Auditor General**

National Audit Office, 157-197 Buckingham Palace Road, London, SW1W 9SP

5 July 2007

**Income and Expenditure Account**

for the year ended 31 March 2007

	Notes	£000	2006-07 £000	2005-06 £000
Proceeds from the National Lottery	9		201,031	230,416
NLDF investment income	9	37,933		45,157
Loss on the revaluation of investments at NLDF		(7,925)		(5,450)
			30,008	39,707
			231,039	270,123
Interest receivable		493		563
Sundry income	2	181	674	64
<b>Total income</b>			<b>231,713</b>	270,750
New hard commitments	11	(332,574)		(339,933)
Hard de-commitments	11	13,183		17,122
			(319,391)	(322,811)
Staff costs	3	(9,888)		(10,013)
Depreciation	7	(337)		(455)
Other operating charges	4	(10,115)		(12,496)
			(20,340)	(22,964)
<b>Total expenditure</b>			<b>(339,731)</b>	(345,775)
<b>Operating deficit</b>			<b>(108,018)</b>	(75,025)

There are no gains and losses accruing to the Heritage Lottery Fund other than disclosed in the income and expenditure account. Accordingly, no statement of total recognised gains and losses has been prepared.

All figures shown relate to continuing activities.

The notes on pages 19 to 27 form part of the accounts.

**Balance Sheet**

for the year ended 31 March 2007

	Notes	£000	2006-07 £000	2005-06 £000
<b>Fixed assets</b>				
Tangible fixed assets	7		<b>986</b>	1,187
<b>Current assets</b>				
Investments - balance at the NLDF	9	<b>660,257</b>		796,414
Debtors	8	<b>1,212</b>		1,294
Cash at bank and in hand		<b>8,137</b>		–
			<b>669,606</b>	797,708
<b>Creditors: amounts falling due within one year</b>				
Bank overdraft	10		<b>(2,499)</b>	(2,948)
Grant commitments due in one year	11		<b>(329,517)</b>	(340,180)
			<b>337,590</b>	454,424
<b>Net current assets</b>				
			<b>338,576</b>	455,611
<b>Total assets less current liabilities</b>				
Grant commitments due in more than one year	11		<b>(349,899)</b>	(358,916)
<b>Provisions for liabilities and charges</b>				
	6		<b>(77)</b>	(77)
<b>Total assets less liabilities</b>				
			<b>(11,400)</b>	96,618
<b>Represented by:</b>				
Income and expenditure account brought forward		<b>96,618</b>		171,643
Movement in one year		<b>(108,018)</b>		(75,025)
			<b>(11,400)</b>	96,618

The notes on pages 19 to 27 form part of the accounts.

**Director**

Carole Souter

**Chair**

Dame Liz Forgan  
3 July 2007

**Cash Flow Statement**

for the year ended 31 March 2007

	Notes	2006-07 £000	2005-06 £000
<b>Operating activities</b>			
Cash drawn down from the NLDF	9	367,196	374,283
Cash from other sources		181	64
Cash paid to and on behalf of employees		(9,839)	(10,003)
Cash paid to suppliers		(10,865)	(12,969)
Cash received from loan recipients		298	–
Cash paid to grant and loan recipients	11	(339,071)	(356,648)
<b>Net cash inflow/(outflow) from operating activities</b>	13a	<b>7,900</b>	(5,273)
<b>Returns on investment and servicing of finance</b>			
Interest received on bank accounts		529	659
<b>Capital expenditure and financial investment</b>	13b	<b>(136)</b>	(155)
<b>Increase/(decrease) in cash</b>		<b>8,293</b>	(4,769)
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(decrease) in cash in the period		8,293	(4,769)
<b>Changes in net funds</b>	13c	<b>8,293</b>	(4,769)
Net funds at 1 April 2006		(156)	4,613
<b>Net funds at 31 March 2007</b>		<b>8,137</b>	(156)

The notes on pages 19 to 27 form part of the accounts.

## Notes to the Accounts

for the year ended 31 March 2007

### 1. Statement of Accounting Policies

#### a) Accounting convention

These accounts are drawn up in a form directed by the Secretary of State for Culture, Media and Sport 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 of the Companies Act 1985, generally accepted accounting practices in the United Kingdom (UK GAAP) and the disclosure and accounting requirements contained in the Financial Reporting Manual (Frem), so far as those requirements are appropriate. The National Lottery Accounts' Direction issued to NHMF in October 2002 by the Secretary of State specifically excludes the preparation of consolidated accounts. Copies of the National Lottery Accounts' Directions may be obtained from the Secretary to the Trustees, 7 Holbein Place, London SW1W 8NR.

#### b) Fixed assets

Depreciation is provided on a straight line basis on all tangible fixed 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.
IT equipment	–	4 -10 years
office fittings	–	4 -10 years

#### c) Allocation of costs

The operations of the National Heritage Memorial Fund are split into two funds – the National Heritage Memorial Fund and the Heritage Lottery Fund – reflecting the two sources of income. The National Heritage Memorial Fund incurs indirect costs which are shared between activities funded by grant-in-aid and activities funded by the National Lottery. The National Heritage Memorial Fund is required to apportion these indirect costs in accordance with the Fees and Charges Guide 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 the Heritage Lottery Fund was 99%. The results of the National Heritage Memorial Fund are reported in a separate set of accounts.

#### d) Taxation

No provision is made for general taxation as the National Heritage Memorial Fund is statutorily exempt. The National Heritage Memorial Fund is unable to recover Value Added Tax charged to it and the VAT inclusive cost is included under the relevant expenditure heads.

#### e) Pension

The regular cost of providing benefits is charged to the income and expenditure account over the service lives of the members of the scheme on the basis of a constant percentage of pensionable pay. Staff are members of PCSPS and the percentage of pensionable pay is notified by the Cabinet Office at the start of each financial year. One member of staff, now retired, is not in PCSPS. A separate provision is maintained for his pension payments. The NHMF has not followed FRS17 with regard to obtaining an actuarial valuation of this person's pension liabilities. This is due to the cost of obtaining such a valuation.

#### f) Leases

The annual rentals on operating leases are charged to the income and expenditure account on a straight-line basis over the term of the lease.

**g) Balances at the National Lottery Distribution Fund**

Balances held in the National Lottery Distribution Fund remain under the control of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the Trustees of the National Heritage Memorial Fund is as shown in the accounts and, at the balance sheet date, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by the Trustees in respect of current and future commitments.

**h) Grant Commitments**

“Soft” commitments, as defined by the Accounts’ Direction of the Secretary of State for Culture, Media and Sport, represent positive decisions made by Trustees subject to the successful completion of a contract. When the contract is signed by both parties, the commitment is described as “hard”. Soft de-commitments occur when an award or part-award is not converted into a hard commitment – normally because the grantee decides not to undertake their project. Hard de-commitments occur when the project which is being funded does not require all the money set aside for it under the contract.

**i) Loans**

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

**2. Sundry income**

	<b>2006-07</b> <b>£000</b>	2005-06 £000
Repayment of grants	<b>181</b>	64

**3. Staff costs and numbers**

	<b>2006-07</b> <b>£000</b>	2005-06 £000
Salaries	<b>7,611</b>	7,832
Employer’s NI payments	<b>562</b>	583
Payments to pension scheme (see note 6)	<b>1,415</b>	1,344
Temporary staff costs	<b>300</b>	254
	<b>9,888</b>	10,013

The average number of employees during the year was as follows:

<b>2006-07</b>	Grant applications	Finance & Administration	Policy & Research	Public Relations	Total
Permanent staff	176	38	15	18	247
secondees, temps & contract staff	10	4	3	2	19
<b>Total</b>	<b>186</b>	<b>42</b>	<b>18</b>	<b>20</b>	<b>266</b>
2005-06	Grant applications	Finance & Administration	Policy & Research	Public Relations	Total
Permanent staff	171	39	16	19	245
secondees, temps & contract staff	11	7	2	1	21
Total	182	46	18	20	266



#### 4. Operating deficit

The operating deficit is stated after charging the following:

	<b>2006-07</b>	2005-06
	<b>£000</b>	£000
Auditor's remuneration	<b>34</b>	34
Payments under operating leases –		
Leasehold premises	<b>1,233</b>	1,330
Hire of office equipment	<b>16</b>	84

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

	<b>2006-07</b>	2005-06
	<b>£000</b>	£000
Accommodation	<b>2,056</b>	2,177
Postage and telephone	<b>384</b>	407
Office supplies, print and stationery	<b>163</b>	289
Travel, subsistence and hospitality – Trustees	<b>108</b>	126
Travel, subsistence and hospitality – staff	<b>434</b>	471
Professional fees – grant related	<b>4,009</b>	3,851
Professional fees – non-grant related	<b>1,411</b>	2,757
Public relations and communications	<b>1,038</b>	1,575
Office equipment	<b>234</b>	520
Staff training	<b>161</b>	223
Sundry expenses	<b>117</b>	100
	<b>10,115</b>	12,496

#### 5. Recharged costs

As disclosed in note 1 to these accounts, the National Heritage Memorial Fund is required to apportion its costs to the Heritage Lottery Fund. At the end of the financial year, the proportion of joint costs apportioned was 99%. From 1 April 2002, all activities of the National Heritage Memorial Fund were transferred to Holbein Place, London. Consequently, the costs of operating all other offices are fully recharged to the Heritage Lottery Fund.

#### 6. Pensions

Pension benefits are provided through the Civil Service pension arrangements ("PCSPS"). From 1 October 2002, staff may be 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, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th 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 1/60th 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.

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. 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 no

members of staff with a partnership pension account. In addition, no members of staff retired early on health grounds during the year.

Further details about the Civil Service pension arrangements, which prepare their own scheme statements, can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

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 2006-07, employer's contributions of £1,415,106 (2005-06: £1,343,655) were paid to the PCSPS at the rates set out in the table below. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. The employer's payments were calculated on the basis of salary banding, as follows:

Salary in 06-07	% in 06-07
£18,000 and under	17.1%
£18,501 - £38,000	19.5%
£38,001 - £65,000	23.2%
£65,001 and above	25.5%

In 2005/06, the one member of staff who had remained a member of the Joint Superannuation Services ("JSS") scheme retired. JSS had provided the Fund with details on the expected provisions that the Fund would be required to make each year so as to enable the Fund to meet the pension liabilities that will accrue under the scheme. The last time such advice was given was 31 March 1998. The scheme is a defined benefit scheme. Pension payments made to this former employee will be met from the Fund's cash resources, and not through the JSS, which has no assets. Whilst the pensioner is receiving his pension payments, NHMF has yet to reimburse the PCSPS pension administrator (who are operating the scheme on behalf of JSS) as they have yet to ask for the funds. New employees of the National Heritage Memorial Fund do not join the JSS, but instead join the PCSPS.

	2006-07 £000	2005-06 £000
Provision at 1 April	77	75
Increase to provision based upon payroll costs	-	2
Pension payments made	-	-
Provision at 31 March	<b>77</b>	<b>77</b>

## 7. Tangible fixed assets

	Improvements to Short Leasehold Property £000	IT Equipment £000	Office Fittings £000	Total £000
Cost at 1 April 2006	2,254	2,179	734	5,167
Additions	-	136	-	136
Disposals	(181)	(238)	-	(419)
<b>at 31 March 2007</b>	<b>2,073</b>	<b>2,077</b>	<b>734</b>	<b>4,884</b>
Depreciation at 1 April 2006	1,304	1,947	729	3,980
Charge for the year	216	119	2	337
Adjustment on disposal	(181)	(238)	-	(419)
<b>at 31 March 2007</b>	<b>1,339</b>	<b>1,828</b>	<b>731</b>	<b>3,898</b>
Net book value				
at 31 March 2006	950	232	5	1,187
<b>at 31 March 2007</b>	<b>734</b>	<b>249</b>	<b>3</b>	<b>986</b>

The Trustees have considered the value of the fixed assets and are satisfied that their value, at 31 March 2007, was not less than their net book value shown in the accounts. No assets were held under finance leases. The value of fixed assets represents a proportionate split of the assets used by the National Heritage Memorial Fund and the Heritage Lottery Fund. A review of the current cost values of fixed assets, at 31 March 2007, revealed no material difference to historic cost values. Therefore, no adjustment has been made in these accounts to reflect current cost values. The improvements to short leasehold property consist of adaptation and refurbishment costs at the premises of the National Heritage Memorial Fund, which are held under operating leases.

## 8. Debtors

	<b>2006-07</b> <b>£000</b>	2005-06 £000
Loans to heritage organisations	–	298
Prepayments and accrued income	<b>1,160</b>	942
Staff advances	<b>52</b>	54
	<b>1,212</b>	1,294

There were no balances due after more than one year. Of the above sums, £545,000 was owed by central government bodies. At the year-end, 62 members of staff had outstanding payroll advances (at 31/03/06, there were 65).

## 9. Investments

Movement in balances at the National Lottery Distribution Fund:

	<b>2006-07</b> <b>£000</b>	2005-06 £000
Current cost at 1 April 2006	<b>796,414</b>	900,574
Income received from the National Lottery	<b>201,031</b>	230,416
Funds drawn down	<b>(367,196)</b>	(374,283)
Investment return	<b>37,933</b>	45,157
Unrealised loss on investment	<b>(7,925)</b>	(5,450)
Current cost at 31 March 2007	<b>660,257</b>	796,414

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

## 10. Creditors: amounts falling due within one year

	<b>2006-07</b> <b>£000</b>	2005-06 £000
Operating creditors	<b>1,359</b>	1,153
Other creditors including taxation and social security	<b>349</b>	196
Accruals and deferred income	<b>791</b>	1,599
	<b>2,499</b>	2,948

None of the liabilities of the Heritage Lottery Fund was secured. The operating creditors' balances can be analysed as follows:

	<b>2006-07</b> <b>£000</b>	2005-06 £000
Balances owing to central government	<b>365</b>	497
Balances owing to local authorities	<b>54</b>	1
Balances owing to public corporations	<b>–</b>	–
Balances external to government	<b>940</b>	655
	<b>1,359</b>	1,153

## II. Grant commitments

### *Hard commitments*

	<b>2006-07</b> <b>£000</b>	2005-06 £000
Brought forward at 1 April	<b>699,096</b>	732,933
Transfers from soft commitments	<b>332,574</b>	339,933
De-commitments	<b>(13,183)</b>	(17,122)
Commitments paid	<b>(339,071)</b>	(356,648)
Carried forward at 31 March	<b>679,416</b>	699,096

### *Soft commitments*

	<b>2006-07</b> <b>£000</b>	2005-06 £000
Brought forward at 1 April	<b>459,206</b>	481,135
Soft commitments made	<b>285,425</b>	322,668
Soft de-commitments	<b>(12,347)</b>	(4,664)
Transfers to hard commitments	<b>(332,574)</b>	(339,933)
Balance carried forward at 31 March	<b>399,710</b>	459,206

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

### *Hard commitments*

	<b>2006-07</b> <b>£000</b>	2005-06 £000
in one year	<b>329,517</b>	340,180
in two to five years	<b>349,899</b>	358,916
in more than five years	<b>–</b>	–
	<b>679,416</b>	699,096

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

	<b>2006-07</b> <b>£000</b>	2005-06 £000
Balances owing to central government	<b>54,353</b>	58,053
Balances owing to local authorities	<b>326,120</b>	337,356
Balances owing to public corporations	<b>13,588</b>	5,792
Balances external to government	<b>285,355</b>	297,895
	<b>679,416</b>	699,096

## 12. Commitments

Annual commitments of the Heritage Lottery Fund under operating leases are as follows:

	<b>2006-07</b> <b>£000</b>	2005-06 £000
Short leasehold property		
Expiring within one year	<b>35</b>	–
Expiring in years two to five	<b>1,149</b>	868
Expiring thereafter	<b>145</b>	446
	<b>1,329</b>	1,314
Other operating leases		
Expiring within one year	<b>3</b>	1
Expiring in years two to five	<b>19</b>	24
Expiring thereafter	<b>–</b>	–
	<b>22</b>	25

The Heritage Lottery Fund has no capital commitments contracted for, or capital commitments approved but not contracted for:

## 13. Notes to the cash flow statement

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

	<b>2006-07</b> <b>£000</b>	2005-06 £000
Operating deficit	<b>(108,018)</b>	(75,025)
Less: interest receivable	<b>(493)</b>	(563)
Add back non-cash items:		
- depreciation	<b>337</b>	455
- loss on disposal of fixed assets	<b>–</b>	–
- increase in other provisions	<b>–</b>	2
- decrease in grant commitment reserve	<b>(19,680)</b>	(33,837)
- decrease in balance at NLDF	<b>136,157</b>	104,160
Decrease in non-interest debtors	<b>46</b>	43
Decrease in non-capital creditors	<b>(449)</b>	(508)
Net cash inflow/(outflow) from operating activities	<b>7,900</b>	(5,273)

**b) Capital expenditure**

	<b>2006-07</b> <b>£000</b>	2005-06 £000
Payments to acquire tangible fixed assets	<b>136</b>	155

**c) Analysis of changes in net funds**

	April 2006 £000	Cash flows £000	<b>31 March 2007</b> <b>£000</b>
Cash at bank	(156)	8,293	<b>8,137</b>

**14. Related party transactions**

The National Heritage Memorial Fund is a non-departmental public body sponsored by the Department for Culture, Media and Sport ("DCMS"). DCMS is regarded as a related party. During the year, the National Heritage Memorial Fund and the Heritage Lottery Fund have had various material transactions, other than grant awards, with DCMS and other entities for which DCMS is regarded as the sponsor department, being the Big Lottery Fund, English Heritage and the Arts Council of England.

In addition, the National Heritage Memorial Fund and the Heritage Lottery Fund have had a number of material transactions with other Government departments. These transactions have been with entities that regard the Department for Environment, Food and Rural Affairs as their parent department (being the former Countryside Agency), the Treasury (being the Office of Government Commerce) and the National Assembly for Wales (being Cadw).

Liz Forgan, the chair of the Trustees, is the chair of a trust owning a newspaper group. The NHMF spent £21,046 directly with this organisation or via a third party. Chris Baines, a member of the Trustees' expert panel, provided HLF with project monitoring services on two grant awards at a cost of £1,992.

No members of staff had interests in bodies to which grants were made by the Heritage Lottery Fund in the year. As set out below, Trustees of the National Heritage Memorial Fund had interests in bodies to which the Board made Lottery grants. Similarly, members of the country and regional committees had interests in bodies to which their committee made Lottery grants. The Trustees are satisfied that in no such case was there any possibility of personal financial gain for trustees or committee members.

**Board of Trustees**

The National Trust: a grant of £20,000,000 – Tynesfield. Richard Wilkin is Chairman of the Wessex Committee of the National Trust.

The Watts Gallery: a grant of £422,000 and a stage one pass of £4,378,000 – Watts Gallery Hope Project. Tristram Hunt has a close family member who is Director of the Watts Gallery.

Forest Enterprise (England): a grant of £1,882,000 – Neroche Project within Blackdown Hills. Doug Hulyer is on the Board of Natural England, one of the project partners.

The Royal Society for the Protection of Birds: a grant of £105,000 – Somerset Community & Education Programme. Doug Hulyer is on the board of Natural England, which was providing partnership funding. Tony Richardson is a member of the Environment Agency's Regional Environment Protection Advisory Committee.

London Borough of Lambeth: a grant of £49,000 and a stage one pass £874,250 – Brockwell Park. Doug Hulyer's former consultancy had provided advice to the applicant.

The Manchester Museum: a grant of £424,500 – In Touch: Museum Volunteer Accreditation Programme. Mike Emmerich is a former employee of the University of Manchester.

East Lancashire Light Railway Company: a grant of £73,300 and a stage one pass of £1,601,000 – Bury Transport Museum. Mike Emmerich is Chief Executive for Manchester Enterprises, which was providing partnership funding.

Museum Collections Unit, University of St Andrews: a grant of £449,000 – Museum of the University of St Andrews. Brian Lang is Principal and Vice-Chancellor of the University.

### Committee members

Rotherham Metropolitan Borough Council: a grant of £72,500 and a stage one pass of £1,129,500 (HLF element) – Clifton Park, Rotherham. Ken Wyatt is a member of the council.

The National Trust: a grant of £1,593,000 – Museum of Childhood Rejuvenation Project. Christopher Pennell was part of the management project team at the National Trust which developed the project.

Peak District National Park Authority: a grant of £142,000 – Training for the Future. Tony Hams is Chair of the Association of UK National Park Authorities. Christopher Pennell is a member of Peak District National Park Authority.

Basildon District Council: a grant of £998,000 – Heritage Interpretation Project. Richard Powell is Director of the RSPB in the East of England, one of the project's beneficiaries.

Embroiderers' Guild: a grant of £995,000 - National Embroidery and Textiles Centre. Jennifer Latto was Advisor on Higher Education at the North West Development Agency, which owned the building that would be used for the project.

National Museums Liverpool: a grant of £11,000,000 – Museum of Liverpool. Jennifer Latto was Advisor on Higher Education at the North West Development Agency, which was providing partnership funding for the wider scheme.

Fusiliers' Museum, Lancashire: a grant of £1,863,000 – Fusiliers Museum, Lancashire. Jennifer Latto is the Advisor on Higher Education to the North West Development Agency, which was providing partnership funding.

The Florence Institute Trust Limited: a grant of £3,760,000 and development funding of £120,500 – Birkenhead Park: Community Involvement. Mark Blundell is Chairman of the Merseyside Buildings Preservation Trust, which had close involvement in the development of the project

Groundwork Rossendale: a grant of £534,000 – Valley of Stone Heritage Initiative. Edmund Southworth is the County Museums Officer for Lancashire County Council, which was providing partnership funding.

Ribble Valley Borough Council: a grant of £1,835,000 – Clitheroe Castle. Edmund Southworth is the County Museums Officer for Lancashire County Council, which would manage the project.

The Wildlife Trust for Lancashire, Greater Manchester and North Merseyside: a grant of £10,000 and a stage one pass of £500,000 – Volunteering and Wildlife: A winning combination. Anne Selby is Chief Executive of the applicant organisation.

The Wasps Trust: a grant of £750,000 – Restoration of The Briggait, a former fishmarket in Glasgow. Bridget McConnell is executive director at Glasgow City Council, which was providing partnership funding.

Highland Archive Centre: a grant of £4,312,000 – Highland Archive Centre. Patrick Cadell was a consultant to the Highland Archive Centre.

Chatham Historic Dockyard Trust: a grant of £250,000 and a stage one pass of £4,725,000 – National Museums at Chatham. Jane Weeks' partner was advisor to the applicant organisation.

Doverly Manor Management Committee: a grant of £198,500 – Doverly Manor For Posterity. Graham Wills advises Exmoor National Park Authority, the planning authority for the proposal.

The National Museums and Galleries of Wales: a grant of £104,500 – Big Pit Learning Annex. Jane Pierson Jones is employed by the applicant.

Captain Cook Memorial Museum: a grant of £188,500 – The Acquisition of the Webber Kamchatka Drawings. Sophie Forgan is Chairman of the Cook Museum Trust, the applicant organisation.

### 15. Financial instruments

Full disclosure under FRS13, "Derivatives and other financial instruments", is in the Management Commentary.

## POLICY DIRECTIONS

### a. Additionality

Along with the other UK and England Lottery distributors, HLF has adopted the following definition of how lottery funding sits alongside other public expenditure:

"Lottery funding is distinct from Government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements Government and other programmes, policies and funding."

The National Lottery Act 2006 requires that each Lottery distributor produce a report that sets out the body's policy and practice in relation to the principle that proceeds of the National Lottery should be used to fund projects, or aspects of projects, for which funds would be unlikely to be made available by a Government department, the Scottish Ministers, a Northern Ireland department, or the National Assembly for Wales.

Each award made by the Heritage Lottery Fund is carefully considered against this criterion. The HLF supports a sector in which there are few statutory responsibilities for which funding is provided by Government departments in any of the countries. But in those cases where funds from the HLF are requested to supplement existing programmes and initiatives, or where we are asked to fund nationally-funded institutions, we are careful to assure ourselves, through taking expert advice, that our awards add value to government and other funding, and are complementary to them.

### b. Public good

The need to continue to distribute money for projects which promote the public good (including the widening of public access) or charitable purposes, and which are not intended primarily for private gain.

Our assessment of all applications asks questions about the benefits which will be delivered to a wide public through the funding we might offer. Analysis of the awards made in 2006-07 shows that around 43% of our funding in that year was awarded to public authorities, including local-authority schemes, 49% to charities, and 8% to church organisations. Awards we make which may benefit private owners continue to form a very small percentage of the total, restricted to area-based schemes where the main grant-recipient is a public body, and small grants under our Your Heritage programme for educational and access provision.

### c. Cover the complete range of the National Heritage

The need to ensure that the Heritage Lottery Fund considers applications which relate to the complete range of activities connected with the national heritage, taking into account:

- their assessment of the needs of the national heritage and their priorities for addressing them;
- the need to ensure that all parts of the UK have access to funding; and
- the scope for reducing economic and social deprivation at the same time as creating heritage benefits.

After conducting a series of reviews of the current needs of the national heritage, based on research, workshops and consultation with different sectors, the Board this year has been considering the range of programmes of grants which they should make available to meet these demands during the course of the forthcoming Strategic Plan period. In the meantime, our grant programmes continue to focus on both the physical needs of the heritage as well as the need, stated in our current strategic plan, to widen the audience for learning about and involvement with heritage wherever it is valued. After consultation with museums and galleries about the problems of collecting, we devised and consulted on a new one-off initiative entitled "Collecting Cultures", launched in April 2007, to encourage the growth of collections and their wider use.

We continue, through the work on "coldspots" of our development teams, to seek to ensure that grants below £1m are distributed more evenly across the countries of the United Kingdom and the regions of England. We received 960 pre-application enquiries from potential applicants in these areas during 2006-07, and made 525 awards in these areas – around 5% more than in 2005-06. The success rate of first-time applicants to us for the small grants programmes we deliver is almost as good as for those who have applied before.

We reported last year in *Our Heritage, Our Future* about the general economic impacts of HLF's expenditure on heritage. In aggregate, around 40% of all HLF's funding has been committed in areas which are in the top 10% of areas of greatest deprivation, and around 60% to those in the top 33%.



#### **d. Access**

The need to promote access, for people from all sections of society, to heritage objects and collections, to the built and natural heritage and to projects which relate to the history, natural history, and landscape of the United Kingdom.

Providing access to our heritage is more than simply making sure the heritage continues to exist or even creating more opportunities for people to visit and engage with a historic site, park or museum; it is also about uncovering the heritage of groups and individuals who are not always seen to be part of our islands' stories or who are absent from the displays in our museums. This year we funded over 80 projects in almost every part of the UK which sought in various ways to mark the 200th anniversary of the parliamentary abolition of the slave trade in British ships. We continue to fund, primarily through our smaller grants programmes, a range of projects looking at the heritage of disabled people, at different cultural and faith communities, travellers, women, and young people.

#### **e. Education**

The need to promote knowledge of and interest in the heritage by children and young people.

The great majority of our projects benefit children and young people. This is achieved in a wide range of different ways: through improved facilities and programmes for them and their families at heritage sites of all kinds, from museums and cathedrals to nature reserves; through projects which bring together heritage organisations and schools to help children learn outside the classroom; through local history projects in which young people work with older people to keep alive the stories of their communities. We are now approaching the figure of 700 awards through our Young Roots scheme since it began in 2002, 186 of which were made in 2006-07 to a total value of £4m.

#### **f. Sustainable development**

The need to further the objectives of sustainable development.

We already require applicants to us to describe the wider social, economic and environmental benefits that their projects will bring and to show how projects will be environmentally sustainable, including through sustainable use of natural materials, reducing waste, recycling and providing access through public transport, foot and cycle rather than by car. We are planning to have a stronger focus on this area as part of our third strategic plan, and are developing proposals for new guidance on resource use and the environmental impacts of capital projects that will be introduced in 2008.

#### **g. Time-limited**

The need for funding to be applied to projects that are for a specific, time-limited purpose.

The projects we support are always specific and time-limited. We remain mainly a funder of capital works and currently commit to projects at an early stage, which means that we are committing ourselves to expenditure over several years. The NAO's Report completed this year remarked that the majority of projects (74%) we fund are completed on time. We limit our support to a maximum of 5 years for projects involving activities. In our Townscape Heritage Initiative and Landscapes Partnership programmes, we support projects where the funding must be committed within three years, with the aim of spending it within 5 years, and continue to take steps to implement this timetable.

#### **h. Viability**

- the need for applicants to demonstrate the financial viability of a project for the period of the grant;
- where capital funding or setting up costs are sought, the need for a clear business plan beyond the period of the grant incorporating provision for associated running and maintenance costs;
- the need for consideration to be given to the likely availability of funding to meet any continuing costs for a reasonable period after completion of the period of the Lottery award.

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 our applicants are proposing to make from their own resources or from other grants or donations. We make guidance available on how to produce a Business Plan. We also ask applicants to show that they will be able to continue to deliver the benefits of the project by meeting expected future running costs and caring for the heritage item or property in the longer term by enhanced maintenance and protection of the investment. In their report this year, the NAO concluded that the HLF's robust processes and thorough approach to assessing applications have led to better, more sustainable projects.

#### **i. Partnership funding**

The need for projects to be supported by an element of partnership funding, and/or contributions in kind, from other sources.

Every award we make must follow the guidance in our application forms which insists on partnership either in cash or in kind to match the HLF's contribution. We require funding of this type to be at different levels for different sizes of grant. For our smaller grant schemes, Your Heritage or Young Roots, we allow contributions in kind or in volunteer time where applicants are unable to provide a cash sum as part of their funding. The NAO's report this year concluded that the availability of lottery funding has been a critical factor in the achievement of project benefits. The overwhelming majority of past applicants whom they surveyed said their project would either not have gone ahead without the Fund's grant, or they would have tried to find alternative funding or reduced their project scope.

#### **j. In partnership**

The desirability of working with other organisations, including other distributors, where this is an effective means of delivering elements of their strategy.

We continue to support Awards for All in partnership with other Lottery Distributors, and have now agreed the arrangements for the changes in governance and transfer of operational responsibility for this scheme to the Big Lottery Fund. We continue to work, through the Lottery Forum and the National Lottery Promotions Unit, with other lottery distributors on joint initiatives and better co-ordination. In 2006-07, we assessed and, in conjunction with the Big Lottery Fund, determined applications to the first two rounds of bidding for the revised Parks for People programme, which we are expecting to be funding jointly until March 2009.

We have partnership arrangements in place for our Repair Grants for Places of Worship Scheme in England. During 2006-07, we also had an arrangement for staffing from the National Youth Agency and some of its other country equivalent bodies to help us deliver our Young Roots programme.

#### **k. Solicit applications**

The need to ensure that the Heritage Lottery Fund's powers to solicit applications are used in pursuit of strategic objectives.

We rarely use our powers to solicit specific applications since our grant programmes attract a wide range of applications, many of which meet our strategic objectives. We use our development teams to seek to encourage applications from parts of the UK where there have been few applications so far, and we report on their work in section b. above.

#### **l. Decisions**

The need for sufficient information to make decisions on each application, including independent expert advice where required.

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 for risks and opportunities to be fully balanced. We engage continually in a search for ways to simplify the questions we ask and minimise the amount of information we need. We seek independent expert advice on key aspects of many applications.

## Monitoring

Monitoring projects underway continues to be a major part of our work. During the year, efforts have maintained last year's performance in making grant payments on average within 6 days, and we have also sought to reduce the funds we have in the NLDF: as a result our balance has gone down by £137m, and stands at £660m. The number of cases currently live has risen during the year to around 3,600, but of these around 2,600 are designated as low-risk and are monitored by applicants themselves reporting to our staff. We have continued to exercise control this year over our expenditure on monitoring and to take greater account of the changing risks during the life of a project. In 2006-07, we have transferred all the live Local Heritage Initiative projects to our teams, and have revised and streamlined our monitoring guidance for Townscape Heritage Initiative projects.

## Ethnicity monitoring of grant awards

The applicants that received an award in 2006-7 (excluding Awards for All and Repair Grants for Places of Worship) were asked to:

- identify "the main ethnic groups represented in your organisation"; and
- indicate "the origin of most of the people who will benefit from your project".

The information is not used for assessment and in both cases fewer than two-thirds of applicants chose to answer the questions. 26% of respondents said that at least one Black and minority ethnic group was represented in their organisation. 34% of respondents said that at least one Black and minority ethnic group was an expected beneficiary of the project.

## Evaluation

We have continued with the evaluation plan agreed by the Board in March 2005, and which covers both our generic programmes and the targeted initiatives. During 2006/07 this plan was reviewed by both our internal auditors and by the National Audit Office. A summary of the results from evaluation work into the impacts of the Heritage Grants and Your Heritage programmes was produced in August 2006. On the targeted initiatives, more evaluation work was carried out for the THI, Young Roots and Landscape Partnerships programmes, and the Training Bursaries scheme. The main change to the research programme in the year was to do with the administration of the customer care and contract compliance/output data surveys. The running of these was brought together and tendered to a single contractor, so cutting down on duplication of workload and improving the efficiency with which we contact grantees. The contract was competitively tendered, under EU procurement rules, and won by IPSOS Mori. The contract was let for three years. At the same time the management of the customer care surveys also passed from the Operations department to the Policy and Research department.

## CORPORATE PERFORMANCE

### Strategic Plan targets – five years to 31 March 2007

	31 March 2007	31 March 2006	31 March 2005	31 March 2004	31 March 2003
1. 50% of the total value of awards will go to grants of under £1m.	40.8%	39.7%	36.6%	37.4%	35.9%
2. No more than 25% of the total value of awards will go to grants of £5m and over.	25.6%	28.7%	28.8%	26.3%	33%
3. Maintain current level of spend on A4A (annual figure reported)	£4.6m	£6.3m (including Home Front and micro-grants)	£5.4m	£5.0m	£4.9m
4. The percentage of first-time applicants to certain programmes will exceed: A4A – 50%; Your heritage – 30%	47% 81%	66% 82%	49% 84%	62% 87%	62% 89%
5. Success rate of first-time applicants equals or exceeds that of other applicants: A4A Your heritage	<b>Ist Other</b>  60% 64% 80% 81%	<b>Ist Other</b>  78% 65% 80% 80%	<b>Ist Other</b>  60% 61% 80% 80%	<b>Ist Other</b>  58% 57% 83% 89%	<b>Ist Other</b>  51% 51% 86% 92%
6. Applications from priority areas reach per capita region average during the life of the Strategic Plan.	Met by no region or country. Best – NE (met in 83% of priority areas). Worst – NW and Scotland (met in only one priority area) {Data not available for A4A and LHI}	Met by no region or country. Best – WM (met in 80% of priority areas). Worst – East of England, NI and Scotland (met in only one priority area) {Data not available for A4A and LHI}	Met by no region or country. Best – NE & WM (met in 67% of priority areas). Worst – NI, Scotland, London and Wales (met in one priority area) {Data not available for A4A and LHI}	Met by no region or country. Best – NE & WM (met in 83% of priority areas). Worst – NI, SE, Scotland & Wales (met in one priority area) {Data not available for A4A and LHI}	Met by no region or country. Best – NE & WM (met in 83% of priority areas). Worst – NI, SE, Scotland & Wales (met in one priority area) {Data not available for A4A and LHI}

<p>7. Success rate in priority areas equals or exceeds that in other areas in the UK.</p>	<p>Met by NE and WM Worst – South West (met in only one priority area) {Data not available for A4A and LHI}</p>	<p>Met by WM Worst – London, NI, SW and Wales (met in only two priority areas) {Data not available for A4A and LHI}</p>	<p>Met by WM Worst – NI and Wales (met in one priority area) {Data not available for A4A and LHI}</p>	<p>Met by no region or country. Best – London (met in 80% of priority areas). Worst – SW and Scotland (met in 0% of priority areas) {Data not available for A4A and LHI}</p>	<p>Met by no region or country. Best – WM (met in 67% of priority areas). Worst – SW (met in no priority area) {Data not available for A4A and LHI}</p>
<p>8. Increased volume of HLF-generated positive media coverage about heritage issues: regional and national</p>	<ul style="list-style-type: none"> <li>• Positive impact and volume maintained or increased year-on-year in target media since 2002.</li> <li>• Increased emphasis on feature-based coverage and themes – for example the Commemoration 2007 theme – has helped to increase both profile and media targets in a more competitive media arena, especially given developing NLP work.</li> </ul>				
<p>9. Improved awareness of, and support for, heritage amongst opinion leaders</p>	<p>Our recent reputation audit tracking study reported:</p> <ul style="list-style-type: none"> <li>• Increased awareness amongst heritage opinion formers (62% against 21% in 2002);</li> <li>• Similar trend amongst general opinion leaders.</li> </ul> <p>Findings indicate:</p> <ul style="list-style-type: none"> <li>• That HLF's reputation has 'improved significantly over time' (shift from 45% 'good' reputation in 2002 to 66% in 2006);</li> <li>• That HLF is now seen as a 'credible and valued heritage champion'.</li> </ul> <p>Recent events hosted by HLF have been supported and attended by senior Ministers and politicians.</p> <p>We have developed our programme of Chair liaison with opinion formers and our targeted electronic bulletin. This has been well received.</p>				
<p>10. Deliver 3 public events on heritage issues</p>	<ul style="list-style-type: none"> <li>• Country activity for Wales Identity Day completed with Final in November and outstanding media coverage</li> <li>• Supported History Matters campaign public-involvement events run by voluntary sector</li> <li>• Joint working on Heritage Counts included HLF-sponsored film at event</li> <li>• Corporate and regional presence at Thames Gateway Forum delivered</li> <li>• Supported Y&amp;H Abolition event</li> </ul> <p>Partnerships have been forged with Liverpool CC, Urban Cultural Network and GreenSpace for 2007-8 public events.</p>				

NB: The above data is cumulative unless otherwise stated.

Former statistic 4 – on the number of awards given by certain programmes – has been dropped as it served no useful purpose.

## Corporate Performance Indicators

### Strategic Plan targets

This is the fifth year of our 2002-8 Strategic Plan and the following notes are a commentary on our progress towards meeting the targets we have set ourselves over the lifetime of the plan.

#### Indicator 1

The total of 40.8% of the total grant awards which has gone to grants of less than £1m has improved slightly from last year's figure. The number of applications we have had to our smaller programmes has held up this year, but we still continue to receive a substantial number of bids for sums larger than £1m. In this financial year, Trustees have awarded £115m, around 39% of the full amount awarded during the year, to grants of between £2m and £5m. There have also been a substantial number of awards of between £1m and £2m going through the normal committee business. We count Townscape Heritage Initiative and Landscape Partnership Schemes within the "grants of under £1m" figure.

#### Indicator 2

Trustees have awarded only £38.9m this year in awards of more than £5m, just over 13% of the final award figure of £288m. This restraint has had some impact in reducing the overall proportion of commitment over 5 years to awards of this scale, which now stands only marginally over 25%. Continuing restraint in this area in 2007-08 should help us hit this target by the end of the planning period.

#### Indicator 3

This figure for expenditure on A4A throughout the UK has fallen against last year's figure as there were no Home Front Recall awards this year.

#### Indicator 4

Intended as a measure of the extent to which our smaller grant programmes are continuing to attract new audiences to the heritage, the A4A figure has dropped slightly below target, but our Your Heritage figure remains impressive in terms of the applicant base it is attracting, though the impact of repeat applications over time is continuing to show in a slight percentage drop each year.

#### Indicator 5

Intended as a measure to show that first-time applicants are not disadvantaged by their lack of familiarity with HLF. For the first time this year, the figures show some very slight disadvantage to first-time applicants when compared to repeat applicants to the same programme.

#### Indicator 6

The figures show the extent to which we have been successful in raising HLF's ability to attract applications from some of the toughest areas for us to reach with our funding. All teams have been able to report some success here. But the target we have set is a very difficult one to meet, since the per capita average across the country or region is always moving upwards, and applications from priority areas, chosen because they have been traditionally in low numbers, have to arrive in some numbers to make up the ever-increasing difference.

#### Indicator 7

The success rate of applicants from our priority development areas is a measure of the extent to which we are encouraging supportable applications to come forward. These figures are cumulative over the 6 years of the Strategic Plan. This, like Indicator 6, is a moving target, but there are considerable signs of overall improvement over the five years of development work we have undertaken so far.

**Service level targets – year to 31 March 2007**

<b>Indicators of service level</b>	<b>March 2007</b>	<b>March 2006</b>	<b>March 2005</b>
1. All applications will be assessed against key criteria within 3 months of receipt and failures notified at that stage.	81% average 60 days	81% average 59 days	74% average 69 days
2. The average time from receipt to decision: Heritage grants programme – ● Stage 1 – 6 calendar months; ● Stage 2 – 4 calendar months;  Your Heritage – 3 calendar months;  THI – ● Stage 1 - 6 calendar months;  RPOW – 6 calendar months; (excludes RPOW England) Parks for people – ● Stage 1 – 6 calendar months; ● Stage 2 – 6 calendar months;  Landscape partnership – ● Stage 1 – 6 calendar months; ● Stage 2 – 4 calendar months;  A4A – 3 calendar months;  Project planning – 3 calendar months	5.0 months 100%  4.2 months 51%  2.7 months 70%  5.0 months 100%  5.2 months 92%  4.4 months 100%  3.9 months 100%  5.8 months 20%  4.0 months 33%  2.3 months  2.9 months 57%	5.8 months 61%  4.5 months 53%  2.7 months 72%  4.9 months 95%  3.5 months 92%  7.6 months 78%  5.2 months 80%  4.6 months 60%  n/a  1.7 months  2.8 months 64%	5.4 months 68%  5.2 months 54%  2.9 months 64%  5.1 months 96%  4.6 months 87%  7.2 months 67%  6.3 months 50%  5.2 months 82%  n/a  1.9 months  3.4 months 48%
3. Decisions will be placed on HLF's website within 10 working days of the meeting.	Website updated on average of 10 days	average of 10 days	average of 6.8 days
4. Successful applicants will be issued with a contract within 35 working days.	95% average 11 days	94% 12 days	94% 17 days
5. Grant payments will be made to the applicant, on average within 15 working days from receipt of the payment request.	Operations 4 days 95% met at the target Finance 2 days Total 6 days	Ops 4 days 95% Fin 2 days Total 6 days	Ops 6 days 92% Fin 2 days Total 8 days
6. An annual survey of grant applicants will show a 75% satisfaction rating with HLF's service (for assessment) and 85% (for monitoring).	Assessment – 80% Monitoring – 84%	Assessment – 77% Monitoring – 82%	Assessment – 75% Monitoring – 82%
7. The unit cost of processing grant applications, excluding the cost of post-decision monitoring and evaluation, will be less than £2,150 for all applications.	£1,896 (£4,361 excluding externally processed cases	£1,233 (£5,069)	£1,778 (£4,487)

## Indicators of service level

The key performance indicators for the year continue to show the levels of service below on the key indicators.

- Initial assessment times were 60 days on average, with almost 81% of applications being turned round within the 91-day timescale.
- Our average time for reaching stage 1/single stage decisions now stands at 151 days, well within the standard of 182 days, with 74% of our customers dealt with inside this standard.
- Half of our Stage 2 bids have been turned round within the 122 day standard, but the average is 148 days.
- Some long-standing and difficult cases have been dealt with during the course of the year, which always pushes the average figure higher.
- We are sending out just over 95% of our contracts within our 35-day target, and averaging 11 days.
- Around 95% of our grant payments are being turned round within the 15 days we promise, and the average is 6 days.
- We continue to deal with 70% of Your Heritage grant applications within 3 months, and our average for dealing with these is 82 days.

The end-of-year performance indicators on the key service targets show a further year of satisfactory performance in most areas. Although we have not always reduced the processing times on average for all areas, we have by-and-large kept our performance within the published timetables for service-delivery to our customers.

### Indicator 1

Performance in initial assessment of cases now takes on average 60 days, only one day longer than in 2005-06. As last year, for 19% of cases we are not meeting our target of 91 days. In some cases, this is because we proceed straight to full assessment.

### Indicator 2

We are meeting our turnaround targets on average for Heritage Grants, Your Heritage, RPOW, Townscape Heritage and Landscape Partnerships, though only for RPOW and THI managing also to meet our secondary target of determining 80% within the timescale we set out. The positive impact of batching the Parks for People programme can be clearly seen in the performance statistics.

The main batch of THI bids was dealt with as usual within a rapid 5-month turnaround period in 2006.

### Indicator 4

We continue to maintain a very rapid turnaround for sending out the contracts after awards.

### Indicator 5

We have maintained last year's very rapid performance for processing grant payments this year.

### Indicator 6

Customer-satisfaction levels with both our assessment and monitoring work, researched by independently conducted telephone surveys, shows satisfaction with our service overall now running at very high levels indeed. We have recorded an unprecedented 80% rate for our applicants, both successful and unsuccessful, but the satisfaction rate for our monitoring service has not quite met the target we set ourselves based on the high spot of 85% achieved 3 years ago.

### Indicator 7

The unit cost has risen significantly, but remains within the target. The rise is due to last year's figure benefiting significantly from the Home Front Recall programme which had many hundreds of decisions. The cost of internally processed applications showed an improvement (down 14%) representing the similar fall in administration costs.



**PROGRESS ON PROJECTS over £5 million**

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

<b>Project title</b>	<b>Total project cost</b>	<b>Grant amount</b>	<b>% of grant paid to date</b>	<b>Latest site report</b>
Air Space, Duxford	£25,250,000	£10,500,000	86%	Phase I opened in late summer 2006. Formal opening scheduled for July 2007.
Ancoats, Murray's Mills	£11,800,000	£7,164,563	96%	Shell repair completed June 2006. Minor project works and developer agreement being finalised. Project completion expected June 2007.
Ashmolean Plan	£45,189,000	£15,000,000	10%	Construction started July 2006. The project is due to open early 2009.
Big Pit: National Mining Museum of Wales	£7,085,427	£5,278,000	97%	Project complete on the ground. Final accounts received and being processed.
Birkenhead Park	£11,381,645	£7,423,000	79%	Construction largely complete, practical completion expected December 2007. Opening events to take place summer 2007.
Birmingham Town Hall	£24,540,076	£13,500,000	90%	Practical completion achieved February 2007. Handover to Performances Birmingham (joint trust) for operational preparations. Opening to take place October 2007.
Buxton Crescent and Spa	£33,180,338	£12,533,000	0%	Discussions on HLF contract ongoing. Completion expected in 2010.
Cardiff Castle	£7,782,940	£5,742,500	90%	External works are close to completion. The contract for internal refurbishment to the house is complete. After a delay, the Interpretation/visitor centre is due to start late Summer. Overall completion expected June 2008.
Chatham Historic Dockyard	£17,372,000	£13,514,981	100%	Project completed May 2006.
Christ Church Spitalfields, Tower Hamlets, London	£9,446,182	£5,984,500	98%	Main project complete February 2006. Minor works package underway to restore key monuments as final element of project. Project completion expected July 2007.
City Museum and Mappin Art Gallery, Sheffield	£18,871,214	13,709,000	97%	Practical completion issued March 2006. Royal opening held 6 March 2007. Awaiting final drawdown.
Coliseum, London	£14,531,390	£10,650,000	94.5%	Project complete on site. Final grant drawdown awaited.
Covent Garden Project, London Transport Museum	£17,060,403	£8,608,000	64%	Practical completion expected May 2007. Museum shop opened on 30 March, museum expected to open Autumn 2007.
Creating the Museum of Bristol	£19,201,358	£10,277,000	0%	Decant of collections underway. Completion expected August 2009.
The Cutty Sark	£20,329,000	£11,750,000	0%	Enabling works commenced November 2006. Temporary exhibition pavilion complete. Overall project completion expected October 2008.
The Darwin Centre II	£65,820,000	£19,900,000	15%	Construction commenced on 6 June 2006 with final completion anticipated Autumn 2009.
East Park Restoration Kingston upon Hull	£9,232,246	£6,397,364	78%	Final works packages underway. Completion expected by September 2007.

The Galleries of Modern London and Learning Centre Project	£16,089,192	£10,609,000	0%	Enabling works commenced on 2 April 2007. Expected opening date 2009.
Football Museum Preston	£14,020,201	£9,384,000	99.9%	Project complete September 2006.
Glasgow Green, Glasgow	£14,580,000	£8,821,000	100%	Capital works complete, remaining elements relate to revenue which will continue beyond the completion of the HLF project.
Great North Museum	£25,750,000	£8,750,000	0%	Demolition and enabling works are well underway. Anticipated completion date 2008.
John Murray Archive (Acquisition, Interpretation and Display)	£35,207,000	£17,700,000	95%	Full award Jan 2006. Acquisition complete, interpretation and display ongoing. The key John Murray Archive exhibition due to commence summer 2007.
John Rylands Library Manchester	£15,007,098	£8,194,000	95%	Building works are complete, with fit-out and reinstallation of the books almost finished. The official re-opening date is scheduled for September 2007.
Kelvingrove New Century Project, Glasgow	£25,508,000	£12,793,000	100%	Project complete. Final grant payment made January 2007.
Leeds City Museum	£25,972,000	£19,063,000	65%	Work on Resource Centre is complete and construction at main building scheduled for completion June 2007. Anticipated completion date June 2008.
Museum in Docklands Tower Hamlets, London	£17,999,950	£14,246,000	98%	Project complete. Final grant payment made 26 January 2007.
National Maritime Museum Falmouth	£30,175,431	£18,431,638	95%	Main capital project completed 2004. Grant increase for access and education revenue funding awarded January 2005. Activities successfully underway. Revenue grant completes 2010.
The Panopticon	£14,149,349	£4,999,000	0%	Enabling works commenced January 2007. Main works expected to start August 2007. Expected completion and opening 2011.
Renaissance of the Cotswold Canals, Phase 1	£27,641,254	£11,924,000	0%	Full award January 2006. Project-planning ongoing. Anticipated completion date March 2009.
Riverside Museum and Glasgow Resource Centre (Phase 2)	£77,619,299	£17,150,000	1.2%	Full award January 2006. Site start August 2007. Completion expected April 2008.
Roundhay Park Leeds	£8,195,174	£6,111,000	74%	All landscape and buildings works complete. Works to Mansion House progressing. Final completion date August 2007.
Royal Festival Hall Project	£89,000,000	£22,176,000	87%	Works ongoing on site with re-opening expected June 2007.
Royal Hall Harrogate	£7,999,120	£6,000,000	51%	Project ongoing. HLF's part of the project due to be completed December 2007. Overall anticipated completion date March 2008.
Royal Museum Project, Edinburgh	£44,039,239	£16,710,000	0%	Full award January 2007. Tendering process underway.
Sheffield Botanical Gardens	£6,751,015	£5,063,800	95%	Works complete. Final drawdown expected June 2006.
ss Great Britain – Securing the Heritage Core	£12,742,352	£8,855,000	100%	Project complete August 2006.
St George's Hall, Liverpool	£23,016,264	£14,598,000	90%	Officially re-opened on 23 April 2007. Final drawdown awaited.
St Martin-in-the-Fields London	£32,708,402	£13,377,000	38%	Work is continuing on the construction of the new basements and work has started on the church. Project to be completed early 2008.

Stanley Mills Perthshire, Scotland	£8,054,822	£5,110,000	59%	Capital works ongoing. Final phase commenced February 2006, with an anticipated completion date of August 2007.
At Close Quarters - The Tank Museum	£14,814,400	£9,605,000	4.28%	Full award July 2007. Expected completion date March 2009.
Time and Space: Developing the Royal Observatory, Greenwich	£9,054,310	£6,789,000	92%	Construction and fit-out close to completion. Project opens on 22 May 2007.
Tyntesfield	£31,450,680	£20,000,000	68%	Endowment paid out in full. Expected completion date December 2012.
V&A Medieval and Renaissance Gallery	£31,750,000	£9,750,000	8.5%	Design work progressing. Construction work due to commence August 2007.
Wedgwood Museum	£9,472,364	£5,867,744	23%	Main build commenced October 2006. Exhibition works are due to be on site from September 2007. Expected completion date March 2008.
Wentworth Castle and Landscape of Stainborough Park	£13,809,526	£10,357,000	75%	Soft opening May 2007. Main contract works complete, soft landscaping work complete Easter 2008.
Experience Northumberland at Woodhorn	£15,015,634	£10,000,000	90%	Project opened in October 2006. Final grant payment expected to be made by July 2007.

**GRANTS AWARDED over £100,000**

<b>Applicant</b>	<b>Title</b>	<b>Commitment</b>
Aberdeenshire Council	Banff Renaissance THI	£625,000.00
Afro-Caribbean Millennium Centre	Three Continents, One History: Birmingham, the Trans-Atlantic Slave Trade and the Caribbean	£377,000.00
All Saints Parochial Church Council	All Saints Church	£140,000.00
Allerdale Borough Council	Maryport Townscape Heritage Initiative Scheme	£1,100,000.00
Anti-Slavery International	Anti-Slavery International Archive Digitisation and Out reach Project	£190,500.00
Antrim Borough Council	Antrim Castle Gardens	£174,500.00
Archif Menywod Cymru / Women's Archive of Wales	Wales Women's Heritage Roadshows	£187,000.00
Arun District Council	Bognor Regis, Hotham Park	£1,555,000.00
Aspley Paper Trail	World's No 1 Paper Mill	£999,500.00
Barrow Borough Council	Central Barrow Gateway	£1,080,000.00
Basildon District Council	Heritage Interpretation Project, Wat Tyler Country Park	£998,000.00
Bassetlaw Museum	Bassetlaw Museum Access Project	£685,000.00
Beamish	The Lamp Cabin	£303,500.00
BEE Arts C.I.C	Dark Heritage- an interactive installation remembering slavery with participatory educational activities	£133,000.00
Belfast City Council	Ulster Hall, Belfast	£999,500.00
Belgrade Theatre Trust (Coventry) Ltd	Belgrade Theatre Heritage Programme	£995,000.00
Bexley Heritage Trust	Hall Place and Gardens	£1,844,000.00
Binham Priory Trust	Binham Priory Access and Conservation Project	£648,500.00
Birmingham Museum and Art Gallery	Portrait of James Watt by Thomas Lawrence	£225,000.00
Black Cultural Archives	Documenting the Archives	£152,100.00
Blackpool Transport Services Ltd	Western Train Tram Restoration	£278,000.00
Blaenau Gwent County Borough Council	Tredegar, Bedwellty House and Park	£253,000.00
Bnos Chabad	The Jewish Children's Expo	£274,000.00
Bolton Metropolitan Borough Council	Little Bolton THI	£795,000.00
Borough of Broxbourne	Cheshunt Park - Heritage For All	£113,000.00
Borough of Pendle	Whitefield & Lomeshaye Townscape Heritage Initiative	£1,975,000.00
Bradford Metropolitan District Council	Connect: People, Place & Imagination - Bradford Museums, Galleries & Heritage Collections	£1,022,000.00
Bridgend County Borough Council	Maesteg Townscape Heritage Initiative (Phase 2)	£680,000.00
Bristol City Council	Creating the Museum of Bristol: The People's Story	£10,277,000.00
British Deaf Association	Deaf Heritage	£131,500.00
British Empire & Commonwealth Museum (BECM)	Unfair Trade - Slavery, Abolition and the Making of Modern Britain	£770,000.00
British Library	Raffles Family Collection: Acquisition and Accessibility Programme	£585,500.00
British Motor Industry Heritage Trust	The Road Ahead: New exhibitions at the Heritage Motor Centre	£997,500.00
Bude-Stratton Town Council	Bude-Stratton Museum Redevelopment	£240,500.00
Bute Conservation Trust	DISCOVER BUTE: Isle of Bute Landscape Partnership Scheme	£110,000.00

**GRANTS AWARDED over £100,000**

<b>Applicant</b>	<b>Title</b>	<b>Commitment</b>
Cambria Trust	Sailing Barge CAMBRIA	£990,000.00
Canterbury City Council	The Canterbury Beaney: Combined Art Museum and Library	£527,000.00
Captain Cook Memorial Museum	The Acquisition of the Webber Kamchatka Drawings	£188,500.00
CARAD - (Community Arts Rhayader and District)	Rhayader and District Chronicles Community Museum and Outreach Project	£483,500.00
Caring for God's Acre	Churchyard Task Team	£371,000.00
Carmarthenshire County Council	Llandovery and Llangadog THI, phase II	£770,000.00
Chatham Historic Dockyard Trust	National Museums at Chatham – No 1 Smithery	£250,000.00
City and County of Swansea	Brynmill Park, Swansea	£1,107,000.00
City of Bradford Metropolitan District Council	Roberts Park, Saltaire	£114,800.00
City of Wakefield Metropolitan District Council Cultural Services	The Hepworth, Wakefield	£4,981,000.00
City of Wolverhampton Regenerating Buildings Preservation Trust	Restoration of 12 George Street, Wolverhampton	£252,500.00
Clych - Wales CRN	Malpas Court Sustainability Centre & Zero Waste Exemplar	£750,000.00
Combined Military Services Museum	Donnington and Biglands Conservation and Education Project	£477,000.00
Corby Borough Council	Corby Heritage Development Project	£480,500.00
Cornwall County Council	Geevor Tin Mine	£2,264,000.00
Cornwall County Council	Caradon Hill Area Heritage Project	£150,000.00
Coventry City Council Arts & Heritage Services	Herbert Art Gallery and Museum - Phase 3	£2,875,000.00
Cowling PCC	Holy Trinity Church	£103,000.00
Creswell Heritage Trust	Creswell Crags Museum & Archaeology Park	£4,234,000.00
Cutty Sark Trust	Cutty Sark Conservation Project	£11,750,000.00
Darlington Borough Council	Darlington Railway Centre and Museum	£498,500.00
Denbighshire County Council	Denbigh Townscape Heritage Initiative	£1,500,000.00
Derby College	Derby College – The Roundhouse	£184,000.00
Derby Museum and Art Gallery	The Soldiers' Story	£564,000.00
Derbyshire Wildlife Trust	Grounds for a Change	£252,000.00
Doncaster Museum and Art Gallery	King's Own Yorkshire Light Infantry Regimental Museum	£204,000.00
Dorset County Council	Durlston World Heritage Gateway Project	£193,000.00
Doverly Manor Management Committee	DM4P - Doverly Manor For Posterity	£198,500.00
Dumfries & Galloway Council	Castle of St John Renovation and Public Access Project	£288,500.00
Dumfries and Galloway Council	Sulwath Connections - The Scottish Solway Coast and River Valleys	£1,908,000.00
Dundee Industrial Heritage Limited	RRS "Discovery" Restoration and Conservation Project 2006-2008	£528,000.00
East Coast Sail Trust	Thalatta Centenary 2006	£196,500.00
East Lothian Council	North Berwick Lodge Grounds Public Park Restoration	£700,500.00
East Riding of Yorkshire Council	Beverley Town Trail	£149,500.00

## GRANTS AWARDED over £100,000

Applicant	Title	Commitment
Embroiderers' Guild	National Embroidery and Textiles Centre	£995,000.00
English Nature	Living River	£677,000.00
Environment Agency	Bassenthwaite Reflections	£1,858,000.00
Exeter City Council	Royal Albert Memorial Museum and Art Gallery Development	£8,922,000.00
Forest Enterprise (England)	Neroche Project within the Blackdown Hills AONB	£1,882,000.00
Friends of Birkenhead Park	Birkenhead, Birkenhead Park	£451,300.00
Friends of Priory Fields	Enhancement of Priory Fields	£130,500.00
Fusiliers' Museum, Lancashire	Fusiliers' Museum, Lancashire (Formerly Bury's Museum of the Lancashire Fusiliers)	£1,863,000.00
Gracehill Old School Trust	Gracehill Old School Restoration	£1,125,000.00
Groundwork Cheshire	Kerridge Ridge & Ingersley Vale Project	£727,000.00
Groundwork Rossendale	Valley of Stone Heritage Initiative	£534,000.00
Gt. Finborough PCC	St. Andrews Church	£144,000.00
Haltwhistle Partnership	Haltwhistle Burn Restoration	£149,000.00
Hampshire Archives Trust	Living Links - Hampshire and the Isle of Wight	£187,500.00
Harewood House Trust	Carnival Messiah at Harewood 2007 (CMH)	£220,500.00
Hartlepool Borough Council	PSS Wingfield Castle	£250,000.00
Hartpury Historic Land and Buildings Trust	Cohort	£234,000.00
Haslemere Educational Museum	Places for People	£119,500.00
Hastings Borough Council	Central St Leonards THI 2005-2008	£850,000.00
Hastings Museum and Art Gallery	Painting of Hastings Fish market by J.M.W. Turner	£296,000.00
Heath Town PCC	Holy Trinity Church	£122,037.00
Herefordshire Nature Trust	Herefordshire Community Commons Project	£460,500.00
Heritage Enterprise (Surrey County Archaeological Unit)	Community Archaeologist	£129,500.00
Hertfordshire Building Preservation Trust	Conservation, Access and Learning at the Forge Museum	£342,500.00
Herts and Middlesex Wildlife Trust	Wetlands for Water Voles and People	£399,000.00
Heugh Gun Battery Trust Ltd	Heugh Gun Battery Restoration Phase 2	£315,000.00
High Peak Borough Council	Buxton Crescent & Spa	£12,533,000.00
High Peak Borough Council	Glossopdale THI	£1,300,000.00
Highland Birchwoods	Action for Mountain Woodlands	£452,500.00
Holy Trinity Parish Church	Holy Trinity Church	£157,000.00
Hounslow Council	Jersey Gardens	£134,500.00
Hull City Council	Hull St Andrew's Townscape Heritage Initiative	£997,500.00
Isle of Wight Council	Ryde Cemetery Restoration	£486,000.00
Jewish Museum	Jewish Museum Development Project	£3,825,000.00
Keats House	Magic Casements: The Re-awakening of Keats House	£424,000.00
Kent County Council	Medway Gap 'Valley of Vision' Landscape Partnership	£1,813,000.00

**GRANTS AWARDED over £100,000**

<b>Applicant</b>	<b>Title</b>	<b>Commitment</b>
Kings Norton Parochial Church Council	Kings Norton Project: Old Grammar School and Saracen's Head - The Restoration Fund	£2,500,000.00
Kingston Upon Hull City Council	Hull History Centre	£191,000.00
Kirk of St Nicholas Uniting	The Mither Kirk Project	£430,000.00
Kirklees Community History Service (Kirklees CHS)- Huddersfield	Bagshaw Museum Development Project	£419,500.00
Knowsley Museum & Heritage Service	Unlocking Knowsley's Hidden Gem	£181,500.00
Lake District National Park Authority	Fix the Fells	£1,965,000.00
Leeds Rec	Leeds Bi-Centenary Transformation project	£408,000.00
Leicestershire County Council	Treasure from Southeast Leicestershire (hereafter called Treasure)	£650,600.00
Little Angel Theatre	The John Wright Centenary Project- The Heritage of Marionettes	£183,000.00
Liverpool City Council	Sefton Park: Restoration and Improvement	£4,734,000.00
Llanbeblig Parochial Church Council	Feed My Lambs Regeneration	£347,000.00
London Borough of Hackney	Clissold Park	£339,000.00
London Borough of Hillingdon	Uxbridge Lido Grade II Restoration	£999,500.00
London Borough of Lambeth	Myatt's Field Park Project	£1,523,000.00
London Borough of Lambeth	Brockwell Park	£196,000.00
London Borough of Merton	River and Cloth: The textile Heritage of Merton	£143,500.00
London Borough of Redbridge	Valentines Mansion - Internal and External Restoration	£1,956,000.00
Luton Museums Service	Stockwood Discovery Centre	£3,717,000.00
Maharajah Duleep Singh Centenary Trust	ASHT Development Project	£660,000.00
Manchester City Council (Manchester City Galleries)	Manchester Art Treasures 150th Anniversary Exhibition	£150,000.00
Manchester City Galleries	Revealing Histories: the impact & legacy of the slave trade & slavery in Greater Manchester	£265,500.00
Mellor Archaeological Trust	Mellor Heritage Project	£455,500.00
Menter Mon	Aberlleiniog Castle	£317,500.00
Midlands Regen Limited	Nechells Baths Project	£665,000.00
Milton Keynes Council	Forest Schools at the Hanson Study Centre	£161,500.00
Monmouthshire County Council	Restoration of Shire Hall, Monmouth	£196,000.00
Museum Collections Unit, University of St Andrews	Museum of the University of St Andrews (MUSA)	£449,000.00
Museum In Docklands	London and Slavery Project	£506,500.00
Museum of London	The Galleries of Modern London and Learning Centre Project	£10,609,000.00
National Museum Wales	Big Pit - Learning Annex	£104,500.00
National Museums and Galleries of Northern Ireland	Opening up the Ulster Museum	£4,527,000.00
National Museums Liverpool (NMCUTS) Phase I	National Museum and Centre for the Understanding of Transatlantic Slavery	£1,500,000.00
National Museums Liverpool	Museum of Liverpool	£400,000.00
National Museums of Scotland	The Royal Museum Project	£16,710,000.00

## GRANTS AWARDED over £100,000

Applicant	Title	Commitment
National Youth Theatre	Identity 1000	£250,000.00
Natural England	Welcome to the Wildside	£489,500.00
New Medway Steam Packet Company Ltd	Restoration of the Paddle Steamer Medway Queen	£1,861,000.00
New Wellwynd Parish Church	New Wellwynd Parish Church	£110,600.00
Newcastle City Council	Victoria Tunnel Education Project	£205,500.00
Newcastle City Council, Libraries, Information & Lifelong Learning Service	The Newcastle Collection, Improving Access to Library Heritage Resources	£429,000.00
Newcastle upon Tyne City Council	Newcastle upon Tyne, Ouseburn Parks	£188,000.00
Newport City Council	'Education through Restoration' - Cefn Flight of Fourteen Locks Restoration (Phase One)	£699,500.00
Norfolk Wildlife Trust	Natural Connections: Connecting people to heritage in Norfolk	£207,000.00
North Cornwall District Council	Bude Canal Regeneration Project	£1,597,000.00
North East Regional Museums Hub	Culture Shock: Sharing digital stories and connecting communities with their heritage	£400,000.00
North Lanarkshire Council/Community Services	Summerlee Heritage Park	£4,780,000.00
North Tyneside Council	Regeneration of North Shields Fish Quay	£412,500.00
North West Play Resource Centre	Redevelopment of the Playhouse	£1,120,000.00
Northampton Theatres Trust	Restoration of Royal Theatre Northampton	£393,000.00
Northamptonshire Black History Association (NBHA)	Northamptonshire Black History - Shaping the Future	£249,500.00
Northamptonshire County Council	Local Archive: National importance - The Cartwright Archive	£200,000.00
Norwich Cathedral	New Hostry Project	£2,119,000.00
Octavia Hill Birthplace Museum Trust Ltd	The Re-unification of Octavia Hill's Birthplace House and Enhancement of Museum and Educational Facilities.	£851,000.00
Orleans House Gallery	Orleans House Gallery - Phase 3 Development, North Stables, Stables Gallery and Grounds	£848,000.00
Our Blessed Lady & St John the Baptist Ashley	Our Lady & St John the Baptist RC Church	£150,000.00
Our Lady of Reconciliation de la Salette Parish	Our Lady of Reconciliation de la Salette	£110,000.00
Parish of St Mary's	St Mary's Church	£122,796.00
Parochial Church Council of St. James's Church	St. James's Church	£285,000.00
Parochial Church Council of St. Paul's Church	St. Paul's Church	£148,000.00
Parochial Church Council of St. Peter's Church	St. Peter's Church	£151,000.00
PCC of Holy Trinity Church	Holy Trinity Church	£151,000.00
Peak District National Park Authority	Training for the Future	£142,000.00
Penicuik House Preservation Trust	Penicuik House Project	£1,337,000.00
Perth and Kinross Council	Coupar Angus Townscape Heritage Initiative	£859,000.00
Plymouth City Council	Devonport - The People's Park	£176,000.00



**GRANTS AWARDED over £100,000**

<b>Applicant</b>	<b>Title</b>	<b>Commitment</b>
Poundstock Parochial Church Council	Poundstock Gildhouse Restoration Project	£349,500.00
Purbeck District Council	Carving a Foundation for the Isle of Purbeck	£1,408,000.00
Reminiscence Network Northern Ireland	Valuing heritage by valuing memories	£221,000.00
Ribble Valley Borough Council	Clitheroe Castle Museum	£1,835,000.00
RMET - Freeman College	Academy of Makers: Butcher Works Heritage Celebration	£473,000.00
Rotherham Metropolitan Borough Council	Rotherham Town Centre (THI)	£1,145,500.00
Rotherham Metropolitan Borough Council	Rotherham, Clifton Park	£290,000.00
Royal Botanic Garden Edinburgh	The Gateway - Scotland's National Biodiversity Interpretation Centre	£3,100,000.00
Royal Commission on the Ancient and Historical Monuments of Scotland	Treasured Places - One hundred years of recording	£554,000.00
Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS)	Scotland's Rural Past	£594,000.00
Royal Society for the Protection RSPB	Somerset Community & Education Programme	£105,000.00
RSPB Scotland	Gateway to Wildlife at Middleton Lakes	£939,000.00
Salford City Council	Flow Country Heritage Restoration Project - Demonstrating Landscape-Scale Peatland Recovery	£225,000.00
Sandford Lido Limited	Ordsall Hall, Salford	£177,000.00
Sandwell Metropolitan Borough Council	Sandford Parks Lido Refurbishment / Education	£382,500.00
Scottish Traditional Boat Festival	West Bromwich, Dartmouth Park	£295,000.00
Selby Abbey Parochial Church Council	Portsoy Salmon House Restoration Project	£110,000.00
Sheffield Galleries & Museums Trust	Selby Abbey	£208,223.60
Sheringham Museum Norfolk Trust Ltd	China in Yorkshire	£350,500.00
Shropshire County Museum Service (Shropshire County Council)	Mo Building - Sheringham Museum	£799,500.00
Society for Protection of Ancient Buildings	Acton Scott Historic Working Farm Heritage Project	£995,000.00
South Somerset District Council	Volunteer Training: Maintenance of Places of Worship	£645,000.00
South Tyneside Council	Ham Hill - Learning & Discovery For All	£149,500.00
South Yorkshire's Faith Tourism Initiative	South Shields, South Marine Park	£3,806,000.00
Southwold Museum and Historical Society	HERITAGE INSPIRED: South Yorkshire's Faith Tourism Initiative	£491,500.00
Sri Guru Singh Sabha	Southwold Museum - Modernisation	£311,500.00
St Agnes Miners and Mechanics Institute	Sri Guru Singh Sabha	£100,000.00
St Bartholomew's and St Andrew's PCC	Redevelopment of St Agnes Miners and Mechanics Institute	£150,000.00
St Deiniol's Library	St Bartholomews	£114,383.20
St George with St Mary Magdalene PCC	The Gladstone Project - Phase 2	£569,000.00
St Helens Council Local History & Archive Service	St George's Church	£134,000.00
	St Helens Open Doors Project	£576,000.00

## GRANTS AWARDED over £100,000

Applicant	Title	Commitment
St Martin in the Fields	St Martin in the Fields	£666,000.00
St Mary Magdalene PCC	St Mary Magdalene Church	£149,231.20
St Michael's & Lark Lane Community Association	The Old Police Station - Heritage and Community Centre	£268,000.00
St Michaels Parish Church	St Michaels Parish	£141,041.36
St Michael's PCC	St Michael's Church	£144,763.20
St Silas PCC	Holy Trinity	£103,000.00
St. John's Methodist Church Council	St. John's Methodist Church	£150,000.00
St. John's Methodist Church Council	St. John's Methodist Church	£150,000.00
Stewart's Burnby Hall Gardens and Museum Trust	Redesign of Stewart's Museum, Pocklington	£386,500.00
Stirling Council	The Old Town Cemetery, Stirling	£824,000.00
Stockport Metropolitan Borough Council	Hands on Heritage Brinnington and Reddish	£227,500.00
Stockport Metropolitan Borough Council	Covered Market Hall: Stockport	£999,000.00
Stockton-On-Tees Borough Council	Preston Hall Winter Garden	£208,500.00
Stoke on Trent City Council	Burslem Townscape Heritage Initiative Scheme 2	£970,000.00
Stourbridge Unitarian Congregation	Presbyterian (Unitarian) Chapel	£115,000.00
Thanet District Council	Ramsgate Seafront Townscape Heritage Initiative	£750,000.00
The Abbey Sutton Courtenay Ltd	Abbey Stewardship Project	£197,200.00
The Bowes Museum	Access to Collections	£138,500.00
The British Rotorcraft Museum & Avon Air Collection Limited (The Helicopter Museum)	New Education, Skills Training and Conservation Facilities	£290,500.00
The Charleston Trust	Iceland Poppies	£204,000.00
The Church House Trust	Church House, Sidmouth - Restoration and Access	£485,000.00
The County council of the City and County of Cardiff	Bute Park Restoration	£115,000.00
The Cowper and Newton Museum	Acquisition and Interpretation of the Cowper Johnson Archive	£234,500.00
The Dalriada Project	The Dalriada Project	£1,800,000.00
The Environment Agency	Castleford Community Natural Heritage Regeneration	£309,000.00
The Fitzwilliam Museum	Purchase of De Wit Collection of Early Anglo - Saxon Coins	£206,500.00
The Florence Institute Trust Limited	Restoration, Repair & Conversion of the Florence Institute for Boys, Liverpool	£120,500.00
The Glasgow School of Art	The Glasgow School of Art Mackintosh Conservation and Access Project	£4,466,000.00
The Greenbank Trust	Itford Farm - Hostel/Field Study and Activity Centre	£804,000.00
The Hackfall Trust	Ripon - Hackfall Landscape	£948,500.00
The Highland Council	Highland Archive Centre	£4,312,000.00
The Irish Landmark Trust Ltd	Triumphal Arch Gatelodge	£161,000.00
The Ironbridge Gorge Museum Trust	The Coalbrookdale Literary & Scientific Institute	£166,000.00
The John Clare Trust	John Clare's Cottage: Opening a Door into the Countryside	£1,272,000.00

**GRANTS AWARDED over £100,000**

<b>Applicant</b>	<b>Title</b>	<b>Commitment</b>
The Lighthouse	Gillespie, Kidd and Coia: Architecture 1956-1986 Archive and Audience Development Project	£342,000.00
The London International Festival of Theatre Limited	Lift Living Archive	£159,500.00
The Lydia Eva and Mincarlo Charitable Trust Ltd	Save the Lydia Eva	£839,000.00
The Manchester Museum	In Touch - Museum Volunteer Accreditation Programme	£424,500.00
The Medusa Trust	Medusa Diamond Anniversary Restoration Project	£129,500.00
The Migrant and Refugee Communities' Forum	Capturing the living memory of the Moroccan Community in Britain	£241,500.00
The National Trust	Tyntesfield	£20,000,000.00
The National Trust	Museum of Childhood Rejuvenation Project	£1,593,000.00
The National Trust	London Voices	£401,000.00
The National Trust	Whose Story?	£497,000.00
The National Trust	Greenway, Another Chapter	£800,000.00
The National Trust for Scotland	Restoration and adaptation of No. 2-4 Threadneedle Street and No. 32 & 34-36 St. Andrew Street, Peterhead	£600,000.00
The Parish of Wanstead	Christ Church Wanstead Organ Restoration	£261,000.00
The Queen Street School Preservation Trust	Queen Street School Heritage Project	£858,500.00
The Queen's University of Belfast Foundation	Forrest Reid Archive	£101,000.00
The Solent Steam Packet Ltd	Structure of SS 'Shieldhall'	£279,500.00
The Tank Museum	At Close Quarters	£9,651,000.00
The Tyneside Film Theatre Trust	Picture Palace - Tyneside Cinema Heritage Project	£2,793,000.00
The Wasps Trust	The Briggait	£750,000.00
The Whitworth Institute	Conservation and Enhancement of the Joseph Whitworth Centre	£108,000.00
The Wildlife Trust of Bedfordshire, Cambridgeshire, Northamptonshire and Peterborough	Dodhaws Woodland Restoration - Linking Southwick Wood and Short Wood SSSI	£181,000.00
The Woodland Trust	Wragby Woods	£326,000.00
The York Glaziers' Trust	"In the Beginning ..." Phase I of the Conservation of the Great East Window of York Minster	£390,000.00
Torfaen County Borough Council	St Peter's School, Blaenavon - Restoration	£132,000.00
Trinity House	Lizard Lighthouse Visitor Centre	£394,000.00
Trustees of the Roman Catholic Archdiocese of Glasgow	Sacred Heart Church	£100,000.00
Trustees of the Roman Catholic Archdiocese of Glasgow	St Mary's Church	£120,000.00
Trustees of the Society of Jesus Trust of 1929	Holy Name of Jesus	£165,322.20
Tyne & Wear Museums	Designs for Life - decorative art and contemporary craft at the Shipley Art Gallery	£250,000.00
University College London	The Panopticon: Rehousing the Petrie Museum	£4,999,000.00

**GRANTS AWARDED over £100,000**

<b>Applicant</b>	<b>Title</b>	<b>Commitment</b>
University of Cambridge, Department of Earth Sciences	Charles Darwin the Geologist: An Exhibition	£519,000.00
University of Sunderland	NEEMARC	£270,000.00
University of Ulster	Derry and Raphoe Diocesan Library Project	£500,500.00
Uttlesford District Council	Bridge End Garden, Saffron Walden: re-establishment of Victorian Walled Garden	£196,000.00
Victoria and Albert Museum	V&A Medieval and Renaissance Galleries	£9,750,000.00
Warwickshire Wildlife Trust	Development of Forest Schools for Warwickshire, Coventry and Solihull	£321,500.00
Watts Gallery Trust	Watts Gallery Hope Project	£422,000.00
Wells Cathedral (The Cathedral Church of St Andrew in Wells)	Wells Cathedral Interpretation Centre	£495,000.00
West Derby Community Association	Lowlands Renewal Project Phase I	£970,500.00
West Devon Borough Council	Tamar Valley Mining Heritage Project	£2,331,000.00
Whitechapel Gallery	Whitechapel Project	£3,368,000.00
Whiting Bay and Kildonan Parish	Whiting Bay and Kildonan Parish Church	£102,000.00
Wigan Council	Hindley Town Centre Renaissance	£315,000.00
Wigan Metropolitan Borough Council	Wigan, Mesnes Park	£124,000.00
Wiltshire Wildlife Trust	Clouts Wood (SSSI) and Markham Banks (CWS)	£173,000.00
Wolverhampton City Council	Molineux Hotel / Archives and Local Studies, Wolverhampton	£3,307,000.00
Women's Royal Voluntary Service(WRVS)	WRVS Heritage Plus - Sussex	£775,500.00
Wrexham County Borough Council	The Regeneration of Ponciau Banks Park	£504,500.00
Yorkshire Film Archive	A Digital Film Archive for Yorkshire	£362,500.00

## 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 its 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 2006/07.

#### 2.1 Permanent staff in post as at 31 March 2007

##### Ethnic origin and sex of all permanent employees as at 31.03.2007

Ethnic Origin	All employees		Women		Men	
	Total no.	% of all staff	Total no.	% of all staff	Total no.	% of all staff
African	6	2.39%	3	1.19%	3	1.19%
Any Chinese	1	0.39%	0		1	0.39%
Any other	5	1.99%	4	1.59%	1	0.39%
Black African & White	1	0.39%	1	0.39%	0	
Caribbean	4	1.59%	4	1.59%	0	
Indian	5	1.99%	4	1.59%	1	0.39%
Other mixed ethnic origin	1	0.39%	1	0.39%	0	
Pakistani	3	1.19%	2	0.79%	1	0.39%
White	225	89.68%	158	62.9%	67	26.69%
<b>Total</b>	<b>251</b>	<b>100%</b>	<b>177</b>	<b>70.51%</b>	<b>74</b>	<b>29.49%</b>
<b>Total (ethnic minority)</b>	<b>10.32%</b>		<b>7.53%</b>		<b>2.79%</b>	

## 2.2 Applications for employment in 2006/07

Monitoring information of job applicants, including internal applicants, who applied through our response-handling agency, and of candidates put forward by employment agencies\* between 1 April 2006 and 31 March 2007

Information	Group	Request Information	Returning Application	Successful at Sift*	Successful at Interview
AGE	25 - 34	437	270	40	25
AGE	35 - 44	299	152	28	7
AGE	45 - 54	235	122	16	3
AGE	Not Stated	326	9	1	1
AGE	Over 54	87	41	8	
AGE	Under 25	163	129	36	7
DISABILITY	No	1180	699	101	39
DISABILITY	Not Stated	303	116	1	
DISABILITY	Yes	64	18	7	4
ETHNIC ORIGIN	African	36	15		
ETHNIC ORIGIN	Asian and White	13	7		
ETHNIC ORIGIN	Asian Other	3			
ETHNIC ORIGIN	Bangladeshi	5	4		
ETHNIC ORIGIN	Black African and White	8	5		
ETHNIC ORIGIN	Black Caribbean and White	8	4		
ETHNIC ORIGIN	Black Other	9	4		
ETHNIC ORIGIN	Caribbean	26	9	2	1
ETHNIC ORIGIN	Chinese	5	4		
ETHNIC ORIGIN	Indian	27	15	2	
ETHNIC ORIGIN	Mixed Other	26	9	1	
ETHNIC ORIGIN	Not Stated	24	28	4	
ETHNIC ORIGIN	Other	22	15	1	1
ETHNIC ORIGIN	Pakistani	9	7		
ETHNIC ORIGIN	White	1019	601	91	41
GENDER	Female	775	406	69	31
GENDER	Male	772	327	37	12
NATIONALITY	British or Mixed British	778	366	64	31
NATIONALITY	English	341	240	26	5
NATIONALITY	Irish	31	23	5	1
NATIONALITY	Not Stated	309	12	2	
NATIONALITY	Other	79	59	4	2
NATIONALITY	Scottish	7	6	2	2
NATIONALITY	Welsh	69	27	8	2

\* Incomplete data provided by employment agencies in some cases.

### 2.3 Numbers of training days undertaken by staff

The Fund's database on internal training and development recorded a total of 1001 training days undertaken by white employees in 2006/07, and 94 training days undertaken by employees in all other racial groups.

### 2.4 Applications for internal promotion

During 2006/07, 3 white employees were promoted internally. 3 white employees and one non white employee were temporarily promoted.

### 2.5 Outcome of performance-assessment procedures (for year ended 31.03.2007)

Distribution of appraisal ratings of employees for 2006/07, by ethnic origin.

	Outstanding	Good	Acceptable	Unsatisfactory
African	1	5		
African and White		1		
Chinese		1		
Any other	2	4		
Caribbean	1	2		
Indian	1	1	2	
Pakistani		2		1
White	32	168	21	2
<b>Totals</b>	<b>38</b>	<b>184</b>	<b>23</b>	<b>3</b>

### 2.6 Number of employees involved in grievance procedures during 2006/07

There was one formal grievance raised by a non-white employee.

### 2.7 Number of employees subject to disciplinary procedures during 2006/07

Two white employees were subject to formal disciplinary proceedings during this period..

### 2.8 Number of employees leaving the Fund's permanent employment in 2006/07

White employees: 34

All other racial groups: 5

## 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 ethnic minorities, recognising that its workforce is not yet fully representative of local or national diversity.







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