

NATIONAL  
HERITAGE  
MEMORIAL  
FUND



Report and Accounts  
2012–2013







## **National Heritage Memorial Fund**

Annual Report and Accounts for the year ended 31 March 2013

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**Front cover:** Detail from  
James Guthrie's *In the Orchard*

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## Foreword by Dame Jenny Abramsky

Chair of the National Heritage Memorial Fund

Five years ago the National Heritage Memorial Fund (NHMF) gave a grant that enabled the National Gallery and the National Galleries of Scotland to acquire Titian's magnificent mythological painting *Diana and Actaeon*. It did what all our grants – large and small – are designed to do: secure outstanding heritage at risk for the nation. But the story does not end there.

The masterpiece secured by NHMF led to the acquisition of Titian's related painting *Diana and Callisto*, again by the National Galleries of Scotland and the National Gallery, this time with Heritage Lottery Fund and Art Fund support. In 2012 these two great works inspired one of the most innovative and breathtakingly beautiful artistic collaborations of recent times in the Royal Ballet's production *Metamorphosis* and the popular exhibition that accompanied it at the National Gallery. We can be sure that *Diana and Actaeon* will go on exciting and enthralling audiences, and stimulating creative work for years to come. Without the original grant from NHMF – which at £10million was a bold decision by Trustees – this would never have happened.

The organisations funded by NHMF are operating in an increasingly competitive market. But who can put a price on the profound enrichment of the UK's heritage that flows from the acquisitions we help them to make? Take the Staffordshire Hoard, which we helped Birmingham Museum and Art Gallery to acquire in 2010. This extraordinary assemblage of Anglo-Saxon goldwork has become a star visitor attraction and will soon be housed in a purpose-designed gallery. The Staffordshire Hoard is just one of many examples where an NHMF grant has opened up new possibilities, bringing opportunities for people throughout the UK to enjoy and learn from heritage.

I have no doubt that this process will be repeated with the rich and diverse heritage NHMF has helped to save this year. The archive of William Henry Fox Talbot represents an important moment in the history of photography, but it is also a highly personal collection of objects and documents that will continue to fascinate and inspire. So will the letters Charlotte Brontë wrote to her childhood friend Ellen Nussey, which provide vivid insights into the life of the great novelist.



“Acquiring James Guthrie's *In the Orchard* was an urgent case. We were able to approve the grant only hours before the painting was due to be auctioned.”

I am proud, too, of NHMF's crucial role in acquiring James Guthrie's *In the Orchard*, one of the best-loved Scottish paintings, which will be shared between two of Scotland's prominent public collections in Glasgow and Edinburgh. This was an urgent case, and no other heritage funding body could have reached a fully informed decision as swiftly as NHMF: we were able to approve the grant only hours before the painting was due to be auctioned.

This has also been a successful year for grants with a memorial element, a reminder of NHMF's purpose in commemorating those who have given their lives for the nation. Thanks to NHMF, HMS *Caroline* – a veteran of both world wars – has been saved from the breaker's yard. The urgent repairs we have funded will pave the way for longer-term restoration and public access as we look ahead to 2014 and the start of the First World War centenary commemorations. We are also assisting the RAF Museum with the recovery of a rare Kittyhawk fighter plane from the Western Desert in Egypt.

In the following pages we take a closer look at every acquisition we funded in the year and why we chose to support it. I thank our Trustees, staff, and advisory and investment panels for their part in wise and effective decisions, which have once again served the heritage of the UK so well. These decisions are made within very tight financial constraints – too tight, it must be said, to meet all the needs of a national heritage as rich as ours. Yet there is much to celebrate: the UK's heritage community is focused more than ever before on opening up and sharing heritage. The breadth of the acquisitions made possible by NHMF will help to ensure that future generations can enjoy all aspects of that heritage.

“Thanks to NHMF, HMS *Caroline* has been saved from the breaker's yard. Urgent repairs will pave the way for longer-term restoration.”



**Dame Jenny Abramsky**  
Chair of NHMF

## Rex Whistler archive

### Salisbury and South Wiltshire Museum

**£200,000**

As a mural painter, graphic artist and stage designer, Rex Whistler (1905–44) had a short but brilliant career in the 1920s and 1930s. His designs, epitomising the inter-war Romantic movement, were highly popular at the time and are still in use today.

Whistler was killed in action near Caen shortly after the D-Day landings, at the age of 39. This grant therefore has a memorial element as well as securing a uniquely representative archive of one of the most influential British designers of his era. Compiled by Whistler's younger brother Laurence, the archive comprises more than a thousand items, including drawings for murals, advertisements and stage sets, book jackets and illustrations, as well as letters and ephemera.

The NHMF grant will enable Salisbury and South Wiltshire Museum to acquire the Rex Whistler archive and provide a permanent home for it, where items can be exhibited and made accessible for study. It is also hoped that the acquisition will provide a basis for collaborations with other museums holding Whistler collections.





**This page:** *Approach to my house*,  
a drawing from Whistler's juvenilia

**Opposite:** (clockwise from top right)  
Self-portrait, 1924; design for a 1928 London  
Underground poster encouraging visitors  
to the London Museum; illustration for  
Laurence Whistler's book *Emperor heart*,  
1936; a letter to Whistler's mother, 1936





## Kittyhawk recovery

RAF Museum

£70,000

In February 2012 oil workers in the Western Desert in Egypt stumbled across the remains of an aircraft. Investigations confirmed that it was a Second World War RAF fighter plane, a Curtis Kittyhawk 1A, that crash-landed in summer 1942.

Its 24-year-old pilot, Flight Sergeant Dennis Copping, was ferrying the battle-damaged plane for repair when he took a wrong bearing and ran out of fuel 100 miles from the nearest settlement. He is

thought to have survived the landing and left the plane in search for help, but was later reported missing in action; his body has never been found.

Preserved in the sand, the plane was largely intact. Of thousands of RAF planes to have served during the pivotal North African campaign, this is the only surviving aircraft of any kind.

The Allies' first victory at El Alamein marked a turning point in this campaign. In the run-up to the battle, the RAF's role was critical; sorties by ground-attack Kittyhawks slowed the German advance, allowing the El Alamein defensive line to be completed. This Kittyhawk received flak damage in one of these skirmishes in the early morning of 28 June 1942; it was posted as missing later that same day.



The Kittyhawk's discovery attracted wide media coverage. The plane was targeted by souvenir hunters, and the RAF Museum gained permission to recover it urgently for safe storage at El Alamein Military Museum. NHMF is contributing to the costs of bringing it back to the UK and the emergency conservation work necessary due to its removal from the desert environment. The aim is for the Kittyhawk to go on display at the RAF Museum at Hendon, where it will help visitors to understand more about the North African campaign of the Second World War and glimpse the lives of the pilots who were part of it.



**Main photo:** The Kittyhawk in the Western Desert, July 2012

**Inset:** Pilots of the RAF's No.73 Operational Training Unit walk past a line of Kittyhawks in Egypt, 1945







## Clarendon papers

Bodleian Libraries, University of Oxford

**£205,000**

The rumour mill of Victorian high society meets the grave concerns of state in the voluminous correspondence of George Villiers, 4th Earl of Clarendon (1800–70). Clarendon held many senior political and diplomatic positions in British Government in the early to mid-19th century. His papers contain detailed insights into major events of this period, such as the Great Famine in Ireland, the Crimean War and the American Civil War.

They also testify to the wit and insatiable appetite for gossip for which Clarendon was notorious. Queen Victoria, it is said, blamed him entirely for stoking speculation about her relationship with John Brown, a servant at Balmoral.

Clarendon's letters provide unusually frank and illuminating commentaries on the politics and personalities of his time. His correspondents included the Duke of Wellington and prime ministers Lord Palmerston, William Ewart Gladstone and Lord John Russell. Clarendon's papers have been held on loan by the Bodleian Library since 1949. The grant from NHMF means that this exceptionally important archive will remain intact and in a UK public collection, available to scholars and students.



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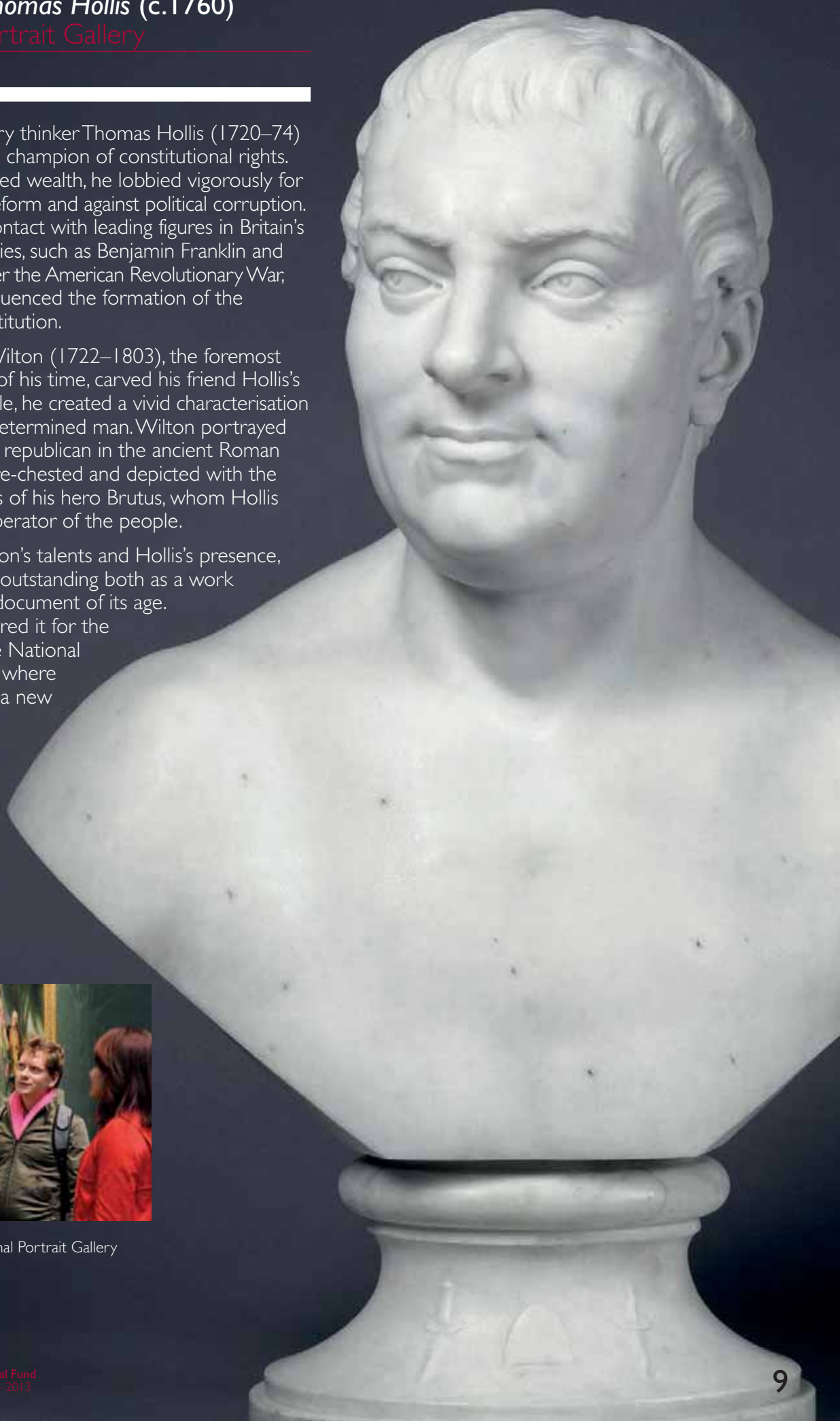
**Joseph Wilton,  
Portrait of Thomas Hollis (c.1760)**  
National Portrait Gallery  
**£100,000**

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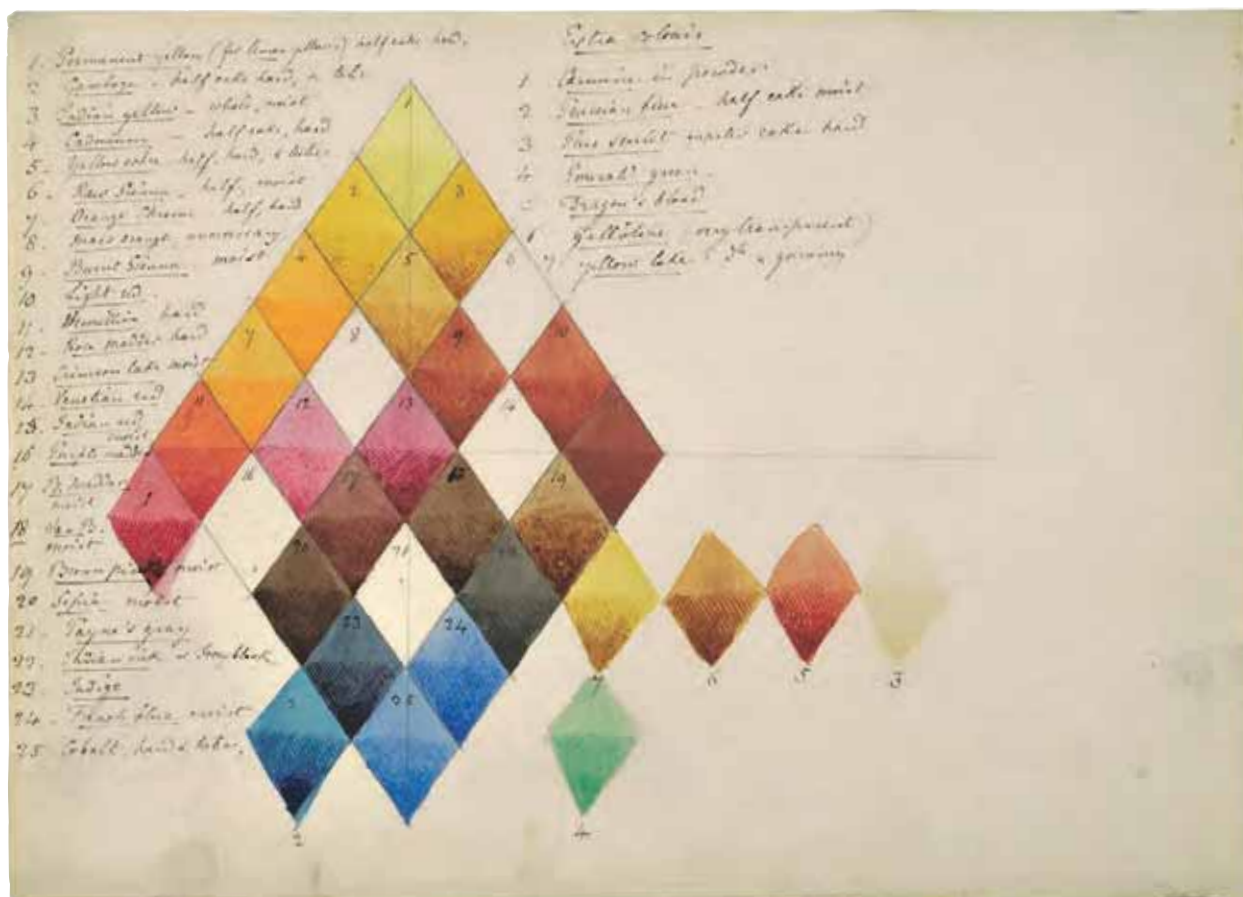
The 18th-century thinker Thomas Hollis (1720–74) was a dedicated champion of constitutional rights. Using his inherited wealth, he lobbied vigorously for parliamentary reform and against political corruption. He had close contact with leading figures in Britain's American colonies, such as Benjamin Franklin and John Adams. After the American Revolutionary War, Hollis's ideas influenced the formation of the American Constitution.

When Joseph Wilton (1722–1803), the foremost British sculptor of his time, carved his friend Hollis's portrait in marble, he created a vivid characterisation of a frank and determined man. Wilton portrayed Hollis as a great republican in the ancient Roman mode. He is bare-chested and depicted with the dagger emblems of his hero Brutus, whom Hollis regarded as a liberator of the people.

Combining Wilton's talents and Hollis's presence, this sculpture is outstanding both as a work of art and as a document of its age. NHMF has secured it for the collection of the National Portrait Gallery, where it will feature in a new 'radicals and revolutionaries' visitor trail.



Visitors to the National Portrait Gallery  
viewing the sculpture



## Personal archive of William Henry Fox Talbot

Bodleian Libraries, University of Oxford  
**£1,200,000**

The world's first family photograph album and the first known photograph by a woman are some of the treasures to be found in this archive relating to the pioneering photographer William Henry Fox Talbot (1800–77). The development of photography in the early 19th century involved near-simultaneous discoveries by Henri Daguerre in France and Fox Talbot. But it was Fox Talbot's invention of the process for printing positive images from a photographic negative that laid the foundation for modern photography and triggered its rapid emergence as a popular art.

Thanks to NHMF support, the Fox Talbot archive has been acquired by the Bodleian Library, where it will be available for study and display. This collection provides a unique window into the artistic and intellectual family life in which Fox Talbot developed his ideas. It shows a new perspective, particularly with regard to the women of the Talbot family and their influence on and involvement in his work. The archive includes material that contributed to *The Pencil of Nature*, the first commercial work to contain photographic illustration. Family sketches and watercolour albums tell the story of what prompted Fox Talbot to experiment with photography – namely his frustration at his own failed attempts to sketch a scene at Lake Como.

Through a series of planned events and exhibitions, the Bodleian will introduce new audiences to the fascinating world of Fox Talbot's experiments with photography and the intimate family setting for his work.



### Clockwise from above:

*Villa of Diomedes, Pompeii* – salt print from a calotype negative, by George Wilson Bridges. An example of work Fox Talbot received from fellow photographers looking to consult him on his own technique

'*Hair up, collar up*', a three-quarter portrait of Fox Talbot – collodion negative on glass, by an unknown artist, c. 1858

Portrait of one of Fox Talbot's daughters, probably Ela – salt print from a calotype negative, by Fox Talbot, 17 August 1843

*Fern* – Experimental photoglyphic engraving, by Fox Talbot, 1858 or later

Experiments with watercolours on Whatman's Rough Imperial paper, with extensive notes in ink, probably by Fox Talbot, early 19th century





## **HMS *Caroline*** National Museum of the Royal Navy **£1,097,423**

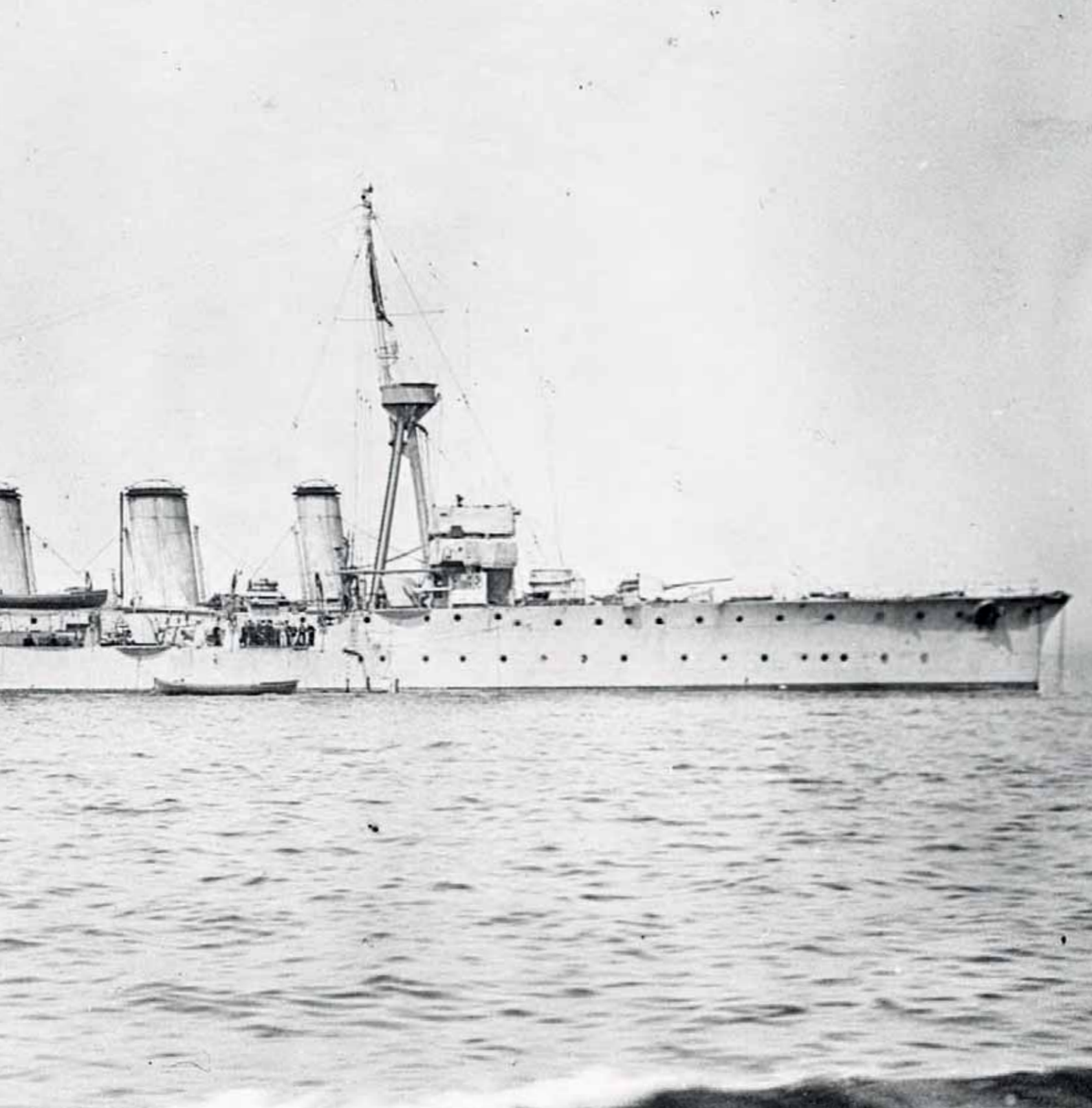
**Main photo:** HMS *Caroline*  
in the North Sea, 1917

**Inset:** In Alexandra Dock, Belfast

After Nelson's *Victory*, HMS *Caroline* was the Royal Navy's longest serving ship in commission. When she was built in 1914, this light cruiser (3,750 tons, 446ft long) was one of the most advanced warships of the day; she was finally retired in 2011.

HMS *Caroline* is the only ship that now survives to reflect the huge technological advances made as a result of the Anglo-German naval race. Built in response to the increasing threat of long-range torpedo attack, she could rapidly locate an enemy fleet and carry the news back to British battleships. She is also the only surviving large ship to have fought in the Battle of Jutland in 1916, the greatest naval engagement of the First World War.

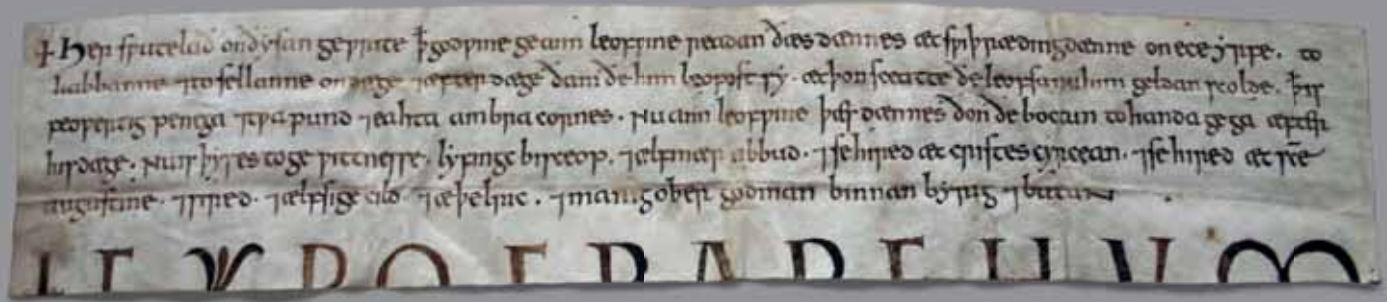




HMS *Caroline* was subsequently converted for other uses. Berthed in Belfast, she provided a static base for operations to protect Atlantic convoys during the Second World War, after which she served as a drill ship. By 2012, however, HMS *Caroline* was in imminent danger of being broken up for scrap.

The NHMF grant is funding urgent repairs to keep the ship watertight while a full-scale restoration and access project is developed. HMS *Caroline* still contains many original features and fittings, alongside a collection relating to both world wars and surviving accounts by crew members of life on board, which provide a wealth of material for telling the ship's story.





## Godwine Charter

Canterbury Cathedral Archives

£114,500

Drawn up in Kent a thousand years ago, the Godwine Charter documents a legal transaction between two Anglo-Saxon landholders, Godwine and Leofwine the Red. It consists of five beautifully legible lines of Old English inscribed in brown ink on vellum. The manuscript's brevity and day-to-day subject-matter (a pasture at Southernden) belie the rich insights it provides into British history and the development of written English in the decades before the Norman Conquest. It was probably the last complete text in Old English ever to appear on the open market.

The charter was witnessed by the community of Canterbury Cathedral, where it is thought this copy was first deposited for safekeeping. By the mid-17th century it had been removed into a private collection. The grant from NHMF has helped to return the Godwine Charter to its original and most appropriate home, the archives of Canterbury Cathedral, where this fragile manuscript will be preserved, exhibited and made available for study.

## Charlotte Brontë letters

### Brontë Parsonage Museum, Haworth, Yorkshire

**£198,450**

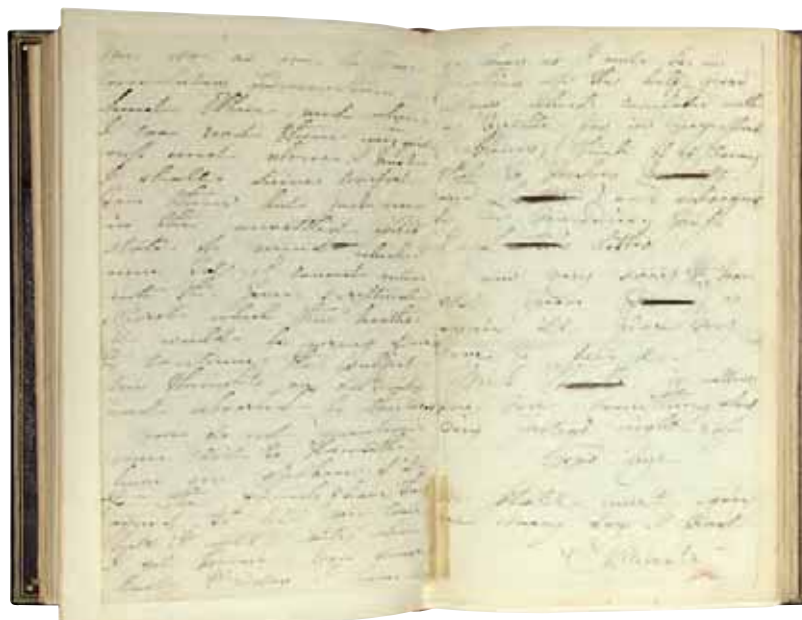
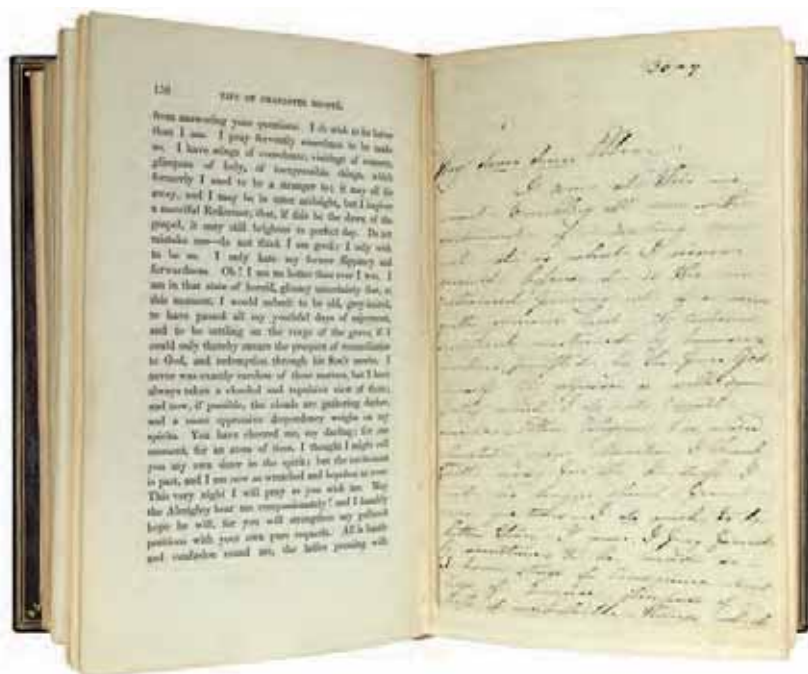
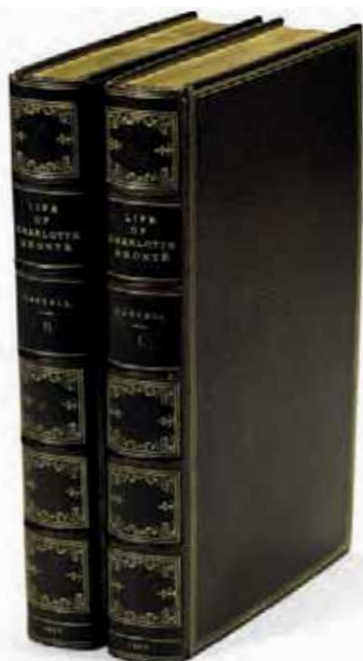
Charlotte Brontë (1816–55) kept up a correspondence with her close friend Ellen Nussey from their schooldays until a few days before her death. After Charlotte died, her husband and father requested that the author's personal letters be destroyed by those who held them. Charlotte's husband was especially insistent that those to Ellen Nussey should be disposed of, believing them to contain Charlotte's most shockingly intimate confessions. Ellen agreed but did not carry out the destruction, and these letters are the most significant examples of Charlotte's private correspondence to survive. Passed on to Elizabeth

Gaskell by Ellen herself, they became invaluable source material for Mrs Gaskell's early biography of Charlotte Brontë.

Tipped into a first edition of the biography, these six letters from Charlotte to Ellen were acquired by the Brontë Parsonage Museum in Yorkshire with the aid of a grant from NHMF. They have never been displayed in public or available for study before. The first was written just after Charlotte Brontë left school and the last shortly before her death in 1855. They include insights into the unhappy period when she was teaching at Roe Head, and later when she was writing *Jane Eyre*.

The museum occupies the former family home of the Brontë sisters and is an international centre for studying these great British novelists. The letters are an important addition to its collection and will be a focal point in the touring exhibition planned for 2016, the bicentenary of Charlotte Brontë's birth.

**Clockwise from top left:** The volumes of *Life of Charlotte Brontë*, by Elizabeth Gaskell; two of Charlotte's letters to Ellen Nussey; visitors viewing the letters at the Brontë Parsonage Museum in Haworth





**James Guthrie,**  
***In the Orchard* (1885–86)**  
National Galleries of Scotland  
and Glasgow Museums  
**£672,180\***

When the National Galleries of Scotland and Glasgow Museums learned that James Guthrie's *In the Orchard* was due to be auctioned, NHMF received an urgent joint request for support. Just hours before the auction, NHMF was able to confirm that a grant would be available, securing the painting for these two public collections. *In the Orchard* holds a special place in the history of Scottish art. Hailed as 'indescribably perfect' by an early critic, it is one of the nation's best-loved 19th-century paintings.

James Guthrie (1859–1930) was a leading member of the group of Scottish painters known as the Glasgow Boys. While many of his colleagues travelled abroad in search of inspiration, Guthrie remained in Scotland. His work is rich in local associations and stories – some of the descendants of the children featured in Guthrie's paintings still live in and around his beloved Glasgow.

*In the Orchard* is widely regarded as Guthrie's personal masterpiece. It was one of the highlights of the exhibition *Pioneering Painters: The Glasgow Boys 1880–1900*, which broke attendance records at Kelvingrove Art Gallery and Museum in 2010. NHMF has ensured that the painting will remain in Scotland, where it will be on public display alternately in Glasgow and Edinburgh.

\* Final purchase price at auction was £636,500. Our grant was adjusted according to the original grant percentage.















**Clockwise from large image bottom left:**  
Patent creating Sir Francis Fane, Knight, Baron Burghersh and Earl of Westmorland, 1624

Early account roll of Oundle and Fotheringhay college, 1472–1539

*Collectanea Apethorpeana*, a book of sketches, letters and notes compiled by Revd Henry Kaye Bonney in the 19th century, including drawings and designs for Apethorpe Hall

Commission from Oliver Cromwell to Col. A. Scrope to command a Company of Foot of 100 men for the defence of Bristol, 1653

Embroidered cover of a book of advice to children, compiled by generations of ladies at Apethorpe, 1620s–1770s

Grant of a crest to John Layke of Normanton, 1564

## Westmorland of Apethorpe papers

### Northamptonshire Record Office

**£650,000**

Daily life in a 16th-century manor house is documented in extraordinary detail in the Westmorland of Apethorpe papers. So, too, is state business of the Elizabethan age. The archive contains beautifully illustrated communications between Elizabeth I and her chancellor Sir Walter Mildmay (c.1520–89), lord of Apethorpe Manor in Northamptonshire and founder of Emmanuel College, Cambridge. It is the insight into the lives of women in the 16th and 17th centuries, however, that makes this archive particularly outstanding.

One volume, passed down through the generations of Mildmay women, is packed with unique domestic detail: notes and advice about family life, and recipes for food and medicines.

The Westmorland of Apethorpe papers span 600 years and also contain highly illustrated and visually arresting genealogical rolls, the only surviving archive material directly relating to Edward, Duke of York (1373–1415), and invaluable records of Northamptonshire history, including centuries of deeds and estate records.

Northamptonshire Record Office's Heritage Education Service is planning to integrate the papers into their outreach and education activities. In partnership with regional and national museums, they will organise touring exhibitions of key documents from the archive.

# Report of the Trustees and Accounting Officer

## Management commentary

### Background information

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

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

### Principal activities

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

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

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

Under the 1980 Act (as amended) and 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. Trustees use these extended powers primarily in connection with HLF. Trustees believe that NHMF has a vital role as the central bulwark in the nation's defence of items of outstanding importance which are at risk. Trustees will continue to use the resources provided by government, as well as resources generated by its endowment fund, to offer financial assistance as a fund of last resort towards the acquisition, preservation and maintenance of heritage which is threatened by destruction or loss.

### Financial instruments

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

### Liquidity risk

NHMF received £5million as grant-in-aid in 2012–13 and a further £10million in April 2013. In addition, Trustees maintain an endowment and its underlying investment in Schroder & Co. Limited's Charity Multi-Asset Fund is widely traded. Trustees are able to liquidate funds on a daily basis should the need arise to fund grant payments. Therefore, Trustees are satisfied that they have sufficient liquid resources, in the form of their cash balances (worth £2,241,000 at the date of the Statement of Financial Position) and the endowment fund (worth £29.8million at the date of the Statement of Financial Position) to cover all outstanding grant awards of £2.9million and administrative liabilities of £45,000. The endowment is invested in a fund that is mostly invested in unit trusts which are readily marketable – the prices are quoted daily in the Financial Times. NHMF monitors its cash balances on a daily basis and keeps in regular contact with grantees to ascertain their likely cash drawdown requirements. The Trustees consider that the Fund is not exposed to significant liquidity risks.



### Market and interest rate risk

Cash balances, which are used to pay grant commitments and operating costs, are held in a variety of bank accounts, some fixed rate and some variable rate. Our account with Barclays, which was a variable rate account, carried an interest rate of 0.35% in the year and was used to make grant payments and fund our administration. Larger sums of money were held in short-term fixed and variable rate accounts, paying between 0.99% and 2.07%, arranged via Schroder & Co. Limited ('Schroders') and used to fund our Barclays account when required. The sharp decline in market interest rates that occurred during 2008–09 has had an impact on returns, but as there is little room for rates to fall further, the risk is small. The year-end cash balances, held by the Fund in the bank and via their endowment fund investment managers, were £2,241,000 and were held as disclosed in the table below. Other financial assets and NHMF's financial liabilities carried nil rates of interest.

Schroders managed NHMF's endowment and invested it in a wide range of assets, from marketable shares to cash. At the year end, the market value of the endowment, excluding its cash element, was £29.8million. Returns are dependent upon global stock and commodity markets and performance of companies included within the portfolio. In the year, the return on the endowment was 13%. The Trustees kept the performance of investments under review through their Finance and Resources Committee and its investment panel, which includes three independent members with extensive experience in the City of London.

As the balance of cash and investments within the endowment fund significantly exceeds the current value of existing liabilities, and because NHMF has been informed of the level of its grant-in-aid over the next two years, no detailed sensitivity analysis has been carried out. Should the value of its endowment fund significantly decline in the long term, Trustees would seek an increase in their grant-in-aid whilst reducing their future grant-award budgets. Should this request be turned down by the Secretary of State, Trustees will review their long-term grant-award strategy.

	2012–13 £'000	2011–12 £'000
Cash balances		
– sterling at floating interest rates	2,241	16
– sterling at a mixture of fixed and floating rates	0	0
– sterling at fixed rates	0	82
	2,241	98

### Credit risk

NHMF's receivables mostly comprise sums due from their investment managers and a grantee. It is not, therefore, exposed to significant credit risk.

### Foreign currency risks

The endowment fund is invested in Schroders' Charity Multi-Asset Fund, which is denominated in sterling. The Multi-Asset Fund invests in a large number of unit trusts and similar products, many of which include investment in assets denominated in other currencies. It is not possible to be precise about the proportion of the investments denominated in foreign currencies, but it is around 32%. The Multi-Asset Fund mitigates its exposure to foreign exchange risks by investing in a global spread of equities, bonds and commodities and, therefore, currencies. The Trustees' investment panel monitors the investment of our endowment fund, including the exposure to foreign currencies within the Multi-Asset Fund. All other assets of NHMF are denominated in sterling.

### Financial assets by category

	2012–13 £'000	2011–12 £'000
Assets per the Statement of Financial Position		
Non-current assets	29,842	26,398
Cash and cash equivalents	2,241	98
Trade and other receivables	83	25
	32,166	26,521

### Financial liabilities by category

	2012–13 £'000	2011–12 £'000
Liabilities per the Statement of Financial Position		
– other financial liabilities		
• grant commitments	2,910	1,364
• operating payables	1	1
• other payables	7	4
• accruals	37	38
	2,955	1,407

### Fair values

Set out below is a comparison, by category, of book values and fair values of NHMF's financial assets and liabilities as at 31 March 2013.

### Financial assets at 31 March 2013

	Book value £'000	Fair value £'000
Cash <sup>1</sup>	2,241	2,241
Investments <sup>2</sup>	24,132	29,842
Receivables <sup>3</sup>	83	83
	26,456	32,166

## Financial assets at 31 March 2012

	Book value £'000	Fair value £'000
Cash	98	98
Investments	24,080	26,398
Receivables	25	25
	<b>24,203</b>	<b>26,521</b>

## Financial liabilities at 31 March 2013

	Book value £'000	Fair value £'000
Grant commitments <sup>4</sup>	<b>2,910</b>	<b>2,910</b>
Operating payables <sup>5</sup>	<b>1</b>	<b>1</b>
Other payables <sup>5</sup>	<b>7</b>	<b>7</b>
Accruals <sup>5</sup>	<b>37</b>	<b>37</b>
	<b>2,955</b>	<b>2,955</b>

## Financial liabilities at 31 March 2012

	Book value £'000	Fair value £'000
Grant commitments	1,364	1,364
Operating payables	1	1
Other payables	4	4
Accruals	38	38
	<b>1,407</b>	<b>1,407</b>

### Basis of fair valuation:

1. The figure here is the value of short-term money market investments and deposits with commercial banks. It is expected that book value equals fair value.
2. Investments are made in readily marketable securities and are valued at mid-market at close of business on the date of the Statement of Financial Position. Where relevant, the closing exchange rate between the base currency and sterling is taken at the date of the Statement of Financial Position. Book value reflects the price actually paid in sterling at the date of completion of the transaction.
3. No provision for bad debt is deemed necessary. None of the debts are long term and so no discounting factor has been applied.
4. No discount factor has been applied.
5. All payables are due within normal contractual terms, usually 14–30 days, and so no difference exists between book value and fair value.

## Maturity of financial liabilities

	2012–13 £'000	2011–12 £'000
In less than one year	<b>2,955</b>	1,407
In more than one year; but less than two	<b>0</b>	0
In two to five years	<b>0</b>	0
In more than five years	<b>0</b>	0
	<b>2,955</b>	1,407

## Future developments

Grant-in-aid in 2013–14 will be £10million, with a further £5million in 2014–15. £5million will be placed by the Trustees in the endowment fund to replace that taken in 2011–12 when no grant-in-aid was received. The remaining £5million will form the budget for awards in 2013–14; although at the time of preparing this text, we had already received

applications for £7.4million of awards. This demonstrates the high demand for awards and is why Trustees consider that an annual grant-in-aid of £10million represents the bare minimum to allow NHMF to meet its statutory duties. Thus, the recent average level of grant-in-aid of £5million per annum will inevitably mean that some items of our heritage could be lost. Demand for funding remains strong and we regularly have to disappoint potential applicants who require sums beyond our resources. Therefore, we will continue to make the case for a return to £10million per annum.

## Employee consultation

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

## Equal opportunities

As an employer, NHMF abides by equal opportunities legislation. The Fund does not discriminate against staff or eligible applicants for job vacancies on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religious belief, disability, age or sexual orientation. Every possible step is taken to ensure that staff are treated equally and fairly, and that decisions on recruitment, selection, training, promotion and career management are based solely on objective job-related criteria. NHMF does not tolerate any form of discrimination, harassment or victimisation. The Fund welcomes job applications from people with disabilities, and currently around 5.3% (2011–12: 6%) of our workforce is made up of people with declared disabilities. All staff are required to co-operate in making this policy work effectively.

During the past year the Staff Disability Action Group has met twice and continued the concept of



inviting selected charities to attend and present to staff following the business meeting. These have been well attended and the format ensures colleagues in the regional and country offices are able to video conference into the session and thus increase the number of participants. In 2012–13 representatives from Dyslexia Assessment and Consultancy and Action on Hearing Loss were invited and along with other diversity and equality training this has enabled staff to have the confidence to declare a disability.

### Payables

NHMF adheres to the government-wide standard on bill-paying and the CBI Better Payment Practice Code, which is to settle all valid bills within 30 days. In 2012–13, the average age of invoices paid was ten working days (2011–12: 8 days). Over 90% of invoices were paid within 30 calendar days (2011–12: 95%).

Another way of measuring our commitment to paying suppliers is the ratio of creditor days – the ratio of trade payables at the end of the year to the total value of purchases in the year expressed in terms of days. At 31 March 2013, the figure was 27 days (2011–12: 19 days).

### Pension liabilities

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

### Tax arrangements of public sector employees

Following recent concerns about tax avoidance in the public sector, the Treasury now requires all central government bodies to report on the tax affairs of senior management and long-term contractors. In particular, the Treasury requires all senior management to be on the payroll. They also require contractors to provide assurance regarding their income tax and national insurance obligations – the contract should be terminated if that assurance is not provided.

All senior employees of the National Heritage Memorial Fund, including Trustees and regional/country committee members are on the payroll and, therefore, pay tax and national insurance on the money received from us. There are no long-term contractors whose income exceeds the Treasury threshold of £220 per day and so we have not sought assurance on their tax arrangements.

### Register of interests

As a matter of policy and procedure, the Trustees declare any direct interests in grant applications and

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

### Appointment of auditors

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

### Key stakeholders

The key stakeholder of NHMF is the Department for Culture, Media and Sport (DCMS).

### Events after the reporting period

There were no events that occurred after 31 March 2013, up until the date the Accounting Officer signed these accounts, that need to be brought to the attention of the reader. The Accounting Officer authorised the accounts for issue on 5 July 2013, which was the date the accounts were certified by the Comptroller and Auditor General.

### Key performance indicators

Trustees recognise that NHMF should strive for high performance in its activities. To this end, there are three performance indicators in their current funding agreement with DCMS. These indicators cover the most significant aspects of customer service – the speed of processing a grant application; the speed of processing a grant payment request; and the speed of publicising decisions on our website.

	Target	2012 –13	2011 –12	2010 –11	2009 –10	2008 –09
Application processing times (months)						
– urgent applications	3	1.2	1.3	1.1	1.1	0.8
– non-urgent applications	6	2.6	2.1	1.7	3.4	2.7
Publicising decisions (working days)						
– post decisions on website	14	10	10	10	10	10
Paying grants (working days)						
– after payment request	15	4	7	3	3	4

A new funding agreement is in place for 2013–14. It contains new indicators that we will report upon next year in addition to the above.

### Personal data

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

### Sickness absence

In 2012–13, 1,151 days were lost due to 366 sickness episodes (2011–12: 1,579 days in 327 episodes), which continue to represent a very modest 1.28% of all working days (2011–12: 1.93%).

### Environmental policies and sustainability reporting

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

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

### Summary of performance

Our emissions have fallen in 2012–13. This is because we have reduced the size of our estate. We have also increased staff numbers occupying the smaller estate and so there has been an even sharper fall in the full time equivalent figures.

NHMF has control over only one of the properties that it occupies; the headquarters in London. In 2010–11 we replaced the 25-year-old gas boilers for the heating, the chillers for the air conditioning, and installed sensor-controlled lighting that is both movement and daylight sensitive. Having undertaken

such a major refit there is no scope for further reducing greenhouse-gas emissions in the one office we control.

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

Area	2012–13	2011–12
Greenhouse-gas emissions		
– scopes 1, 2 & 3 business travel including international air/rail travel (tCO <sub>2</sub> e)	550.2	747.1
Estate energy		
– consumption (million kWh)	1.1	1.3
– expenditure	£489,638	£384,532
Estate waste		
– amount (tonnes)	24.2	18.9
– expenditure	£5,518	£6,640
Estate water		
– consumption (m <sup>3</sup> )	3,757	5,223
– expenditure	£11,253	£18,786

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

Area per FTE	2012–13	2011–12	2010–11
Greenhouse-gas emissions			
– scopes 1, 2 & 3 business travel including international air/rail travel (tCO <sub>2</sub> e)	2.1	3.3	2.5
Estate energy			
– consumption (million kWh)	4,059	5,701	5,686
– expenditure	£1,898	£1,679	£1,530
Estate waste			
– amount (tonnes)	0.1	0.1	0.2
– expenditure	£21	£29	£34
Estate water			
– consumption (m <sup>3</sup> )	15	23	63
– expenditure	£44	£82	£81

### Greenhouse-gas emissions

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

Kilowatt hours are converted to carbon dioxide equivalent tonnes using a conversion factor supplied by the Department for Environment, Food and Rural Affairs (DEFRA). The carbon dioxide equivalent for emissions from our air conditioning chillers was also calculated using the formula set out in DEFRA's

guidance ([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/69555/pb13773-ghg-conversionfactors2012.xls](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69555/pb13773-ghg-conversionfactors2012.xls).)

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

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

### Waste

Waste generation has risen in 2012–13. This is inevitable in a year where there were a number of office relocations – items are junked rather than being moved to the new location. The fact that the new offices were smaller than previously occupied was a further incentive to throw away unnecessary items.

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

Our country and regional offices are small enough to weigh all the waste they generated. There is no reliable way to measure the much greater volume of waste removed by Kensington & Chelsea Council in London because the council does not tell us the weight of what they remove. We have therefore calculated the amount of waste generated per person based on actual weights in our country and regional offices and applied that to staff in London. It would be helpful if councils routinely weighed the waste they removed from offices.

### Use of resources

Water consumption fell in 2012–13. This is a result of our replacement of the air conditioning system in 2010–11. We did not empty the water tanks utilised by the old system until 2011–12 and this inevitably generated a lot of waste water.

Water consumption information is derived from the supplier's invoices for our head office in London. We have installed new water meters at our head office to enable us to monitor consumption more effectively in the future. For the other offices we occupy, landlords provide information about the number of cubic metres consumed based on the space we occupy, rather than by individual metering.

We are currently undertaking a review of electricity consumption at our head office in London. This involves an investigation of power usage on each floor through the placement of meters and undertaking enhanced maintenance to improve the efficiency of our electrical devices.

### Chair and Trustees of NHMF

#### Chair

Dame Jenny Abramsky <sup>2</sup>

#### Trustees

Angela Dean from 12 June 2012

Kim Evans <sup>2</sup>

Yinnon Ezra <sup>1</sup>

Kathy Gee

Doug Hulyer <sup>1</sup>

Hilary Lade <sup>2</sup>

Alison McLean <sup>1</sup>

Richard Morris

Atul Patel <sup>2</sup>

Seona Reid

Ronnie Spence <sup>1</sup>

Virginia Tandy

Manon Williams

Christopher Woodward

#### Chief Executive

Carole Souter <sup>2</sup>

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

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

**Dame Jenny Abramsky**  
Chair

**Carole Souter**  
Chief Executive

2 July 2013



### Financial review

In 2012–13, we received 11 applications and all were considered by the Trustees. All of the applications met our criteria so were supported with awards totalling £4,685,698. Unlike in previous years, NHMF has not been asked to support items which were temporarily stopped from export out of the UK following advice from the Reviewing Committee for the Export of Works of Art. In part this is due to some cases applying to the Heritage Lottery Fund following that Fund's policy change for fast-track acquisitions.

A highlight of the year was the award of £1,097,423 to the National Museum of the Royal Navy (NMRN) in order to save HMS *Caroline*, which is berthed in Belfast. HMS *Caroline* is the last survivor of the Battle of Jutland and the only large warship remaining from the First World War British fleet. The Ministry of Defence decommissioned *Caroline* in 2011, and a partnership of NMRN and the Department of Employment, Trade and Industry in Northern Ireland will oversee the safeguarding of her future in Belfast. As we come up to the anniversary of the commencement of the First World War next year, this is a poignant contribution from NHMF.

NHMF was set up in the memory of those who have given their lives for this country, so a further two awards, both to the RAF Museum, are fitting tributes. In 2011–12 we made an award to the RAF Museum to help recover a Dornier Do 17 bomber from the Goodwin Sands off the coast of Kent. At the time we agreed that the RAF Museum would raise the aircraft when the optimum conditions for recovering it occurred. This year we gave a grant increase following a revision of costs of the project, and in 2013 we will see the aircraft recovered from the sands. We have also supported the RAF Museum with the costs of conserving an RAF Kittyhawk and transporting it back to the UK in the future. Of thousands of RAF planes to have served in the pivotal North African campaign during the Second World War, this is the only surviving aircraft of any kind. It was discovered in early 2012 in the Western Desert in Egypt. The aircraft was removed from the desert in July and is now in safe storage at El Alamein, awaiting transport back to the UK.

This year we have funded a number of archive collections, starting with the archive of the Westmorland family, formerly of Apethorpe Hall, Northamptonshire, in June. Northamptonshire

Record Office acquired this family archive with material spanning six centuries including autograph documents from both English and Scottish monarchs, extensive state papers from Tudor governments and rare domestic ephemera. The Bodleian Library in Oxford acquired the archive of the 4th Earl of Clarendon (1800–70) under the terms of a hybrid acceptance-in-lieu agreement. Clarendon held many senior political and diplomatic positions in the British Government in the early to mid-19th century, and his papers offer a unique insight into many of the major events of this period: the Great Famine in Ireland, the Crimean War and the American Civil War, amongst others.

The other two archives both had artistic connections. The personal archive of William Henry Fox Talbot was the second of two archives acquired by the Bodleian Library with the support of NHMF this year. The archive was the last remaining portion of the wider Fox Talbot archive held by the family, and includes photographs, photoglyphic engravings and original manuscript material by Fox Talbot, as well as material generated or collected by other family members. This personal archive is fascinating because it gives a valuable insight into the artistic and intellectual family context for the development of Fox Talbot's ideas. It holds great potential for interpretation and engagement, particularly around the women of the family and their role in Fox Talbot's work.

An NHMF grant will support Salisbury and South Wiltshire Museum to acquire the archive of the inter-war artist and designer Rex Whistler. The archive was assembled after the artist's death by his brother Laurence and has been on loan to the museum. Our grant will help to secure the successful sale of the archive and ensure that it remains intact.

Canterbury Cathedral Archives was successful in its bid to acquire the Godwine Charter, an Anglo-Saxon document from the early 11th century. The Godwine Charter was known as one of only three complete Anglo-Saxon documents remaining in private hands. It had been deposited with the cathedral, probably just after origination, but was removed by a collector in the 17th century. After the charter did not sell at auction, our funds helped the cathedral return it to its rightful home.

Unusually, we have only funded two works of art this year. The first, a marble bust of the 18th-century radical, philosopher and philanthropist Thomas Hollis, was acquired by the National Portrait Gallery (NPG). The bust, which NPG had held on loan since 2003 and displayed in their 18th Century Gallery, was

A full list of all the grants awarded is as follows:

Acquisition	Applicant	Awarded
Recovery of Kittyhawk	RAF Museum	£70,000
Joseph Wilton's <i>Portrait of Thomas Hollis</i>	National Portrait Gallery	£100,000
Godwine Charter	Canterbury Cathedral Archives	£114,500
Dornier Do 17 recovery	RAF Museum	£178,145
Charlotte Brontë letters	Brontë Parsonage Museum	£198,450
Rex Whistler archive	Salisbury and South Wiltshire Museum	£200,000
Papers of 4th Earl of Clarendon	Bodleian Libraries	£205,000
Westmorland of Apethorpe papers	Northamptonshire Record Office	£650,000
James Guthrie's <i>In the Orchard</i>	National Galleries of Scotland and Glasgow Museums	£672,180
HMS <i>Caroline</i>	National Museum of the Royal Navy	£1,097,423
Fox Talbot archive	Bodleian Libraries	£1,200,000
<b>Total awards</b>		<b>£4,685,698</b>

offered to the museum via a private treaty sale. Created by the renowned British sculptor Joseph Wilton, the bust is one of only three surviving portraits of Hollis.

The National Galleries of Scotland and Glasgow Museums jointly acquired *In the Orchard* by James Guthrie (1859–1930), a leading member of the late-19th-century artists' movement known as the Glasgow Boys. *In the Orchard* is considered to be one of the seminal works of 19th-century Scottish art. The majority of the Glasgow Boys' works are held in public collections, notably at Kelvingrove in Glasgow, which has a gallery dedicated to their art. Signature pieces, of which *In the Orchard* is one, do not often appear on the market, so we were delighted to help the museums in this rare opportunity.

With NHMF support, the Brontë Parsonage Museum in Haworth, Yorkshire, was successful in acquiring at auction a first edition of Elizabeth Gaskell's 1857 work *Life of Charlotte Brontë*. The biography is presented in two volumes and also contains six original autographed letters from Charlotte to her closest friend Ellen Nussey. The letters have always been in private ownership and never previously exhibited. Versions had been published but were based on flawed transcripts, and our award means that the originals will now be on display at the museum.

We received grant-in-aid of £5million in the year. Thus, there was no need for the Trustees to dip into the endowment to fund our grant payments. This, combined with significant gains earned by our investment managers, meant that the endowment fund rose in value by £3.4million in the year, from £26.4million to £29.8million. The return on the endowment fund was 13% this year compared with 0.6% in 2011–12. Trustees have a long-term target for the value of the endowment fund, which is that it be worth £10million at 1980 prices. Drawdowns in recent years, coupled with poor stock market returns, have meant that the endowment fund is £7.9million below its target. In April 2013, Trustees added £5million to the endowment fund out of the 2013–14 grant-in-aid to further reduce the deficit. As there were no sales of investments, the income from our investments was £nil. This is because the units we own in Schroders' Charity Multi-Asset Fund are designed for long-term capital gain rather than income. Trustees aim to use the endowment fund rarely and only for exceptional, high-cost, items – hence the long-term investment policy. Grant-in-aid is used for our normal grants and this is why the grant award budget is linked to the value of our grant-in-aid.

Cash balances rose by £2.1million in the year. This basically represents the difference between our grant-in-aid and our grant payments. Whilst we awarded almost £4.7million, we only paid out £2.8million in grants leaving £2.9million owed at the year end. The cash was placed with various financial institutions via our investment managers on short-term notice to allow us to earn much more interest than if the funds were left in our current account.



By earning as much interest as possible, in a risk-free manner, we are able to cover all our administrative costs allowing all our grant-in-aid to be set aside for grants.

Operating costs rose from £102,000 to £116,000. This is less than our costs in 2010–11 and was almost covered by our interest earned and sundry income received from our investment managers. There are two main causes for the rise in costs. We have no control over the types of grant applications we receive and some require us to appoint expert advisers to comment on the applications before Trustees make their decision. The cost of this in 2012–13 was higher than previous years. Secondly, we incurred some information technology costs in making some enhancements to our website to improve navigation and we have introduced a new electronic pre-application form in order to simplify our processes for potential applicants.

The accounts have been prepared on a going concern basis as required by International Accounting Standards. This is because assets significantly exceeded liabilities at the date of the Statement of Financial Position and because Trustees have set a grant award budget for 2013–14 that is not expected to alter that position.

### Remuneration report

#### Remuneration of the Chair and Trustees

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

The remuneration of those Trustees that received payment, including reimbursement of taxable expenses and the tax thereon, falls into the bands in the table below. All Trustees are appointed by the Prime Minister. They have three-year appointments, potentially renewable for a second term. With the approval of the Prime Minister, Ronnie Spence, Doug Hulyer, Kathy Gee and Christopher Woodward have been appointed for shorter third terms. They are not members of the pension scheme utilised by NHMF. No contributions were made by the Fund to a pension scheme on the Trustees' behalf.

All Trustees' remuneration was allocated between NHMF and its Lottery distribution activities on the basis of 1%: 99%. The total remuneration of Trustees in 2012–13 was £202,111 (2011–12: £205,235). The pay and contracts of Trustees are discussed and set by DCMS. Their contracts do not contain any bonus clauses. There were no benefits in kind or non-cash elements paid to Trustees or directors.

#### Audited information

	2012–13 £'000	2011–12 £'000
Dame Jenny Abramsky <i>Chair</i>	40–45	40–45
Angela Dean <i>from 12 June 2012</i>	5–10	0
Kim Evans	5–10	5–10
Yinnon Ezra	5–10	10–15
Kathy Gee	5–10	10–15
Doug Hulyer	5–10	5–10
Dan Clayton Jones <i>to 11 Jan 2012</i>	0	15–20
Hilary Lade	10–15	10–15
Alison McLean	5–10	5–10
Richard Morris	5–10	5–10
Atul Patel	5–10	5–10
Seona Reid	20–25	20–25
Ronnie Spence	20–25	20–25
Virginia Tandy	10–15	10–15
Richard Wilkin <i>to 11 Jan 2012</i>	0	5–10
Manon Williams <i>from 12 Jan 2012</i>	20–25	0–5
Christopher Woodward	5–10	5–10

## Remuneration of employees (Audited information)

The remuneration of directors was as follows:

	Salary 2012–13 £'000	Salary 2011–12 £'000	Bonus 2012–13 £'000	Bonus 2011–12 £'000	Real increase in pension and lump sum £'000	Total accrued pension at age 60 and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/03/13 £'000	CETV at 31/03/12 £'000*	Real increase in CETV funded by NHMF £'000
<b>Carole Souter</b> Chief Executive	<b>130 to 135</b>	130 to 135	<b>0 to 5<sup>#</sup></b>	0 to 5 <sup>#</sup>	0 to 2.5 and 2.5 to 5 lump sum	55 to 60 plus 165 to 170 lump sum	1,120	1,050	12
<b>Robert Bewley</b> Director of Operations	<b>90 to 95</b>	90 to 95	<b>5 to 10</b>	0 to 5	0 to 2.5 and 0 to 2.5 lump sum	30 to 35 plus 95 to 100 lump sum	674	627	11
<b>Judith Cligman</b> Director of Strategy and Business Development	<b>90 to 95</b>	90 to 95	<b>5 to 10</b>	0 to 5	0 to 2.5 and 0 to 2.5 lump sum	30 to 35 plus 95 to 100 lump sum	612	570	10
<b>Steve Willis</b> Director of Finance and Corporate Services	<b>105 to 110</b>	100 to 105	<b>5 to 10</b>	0 to 5	0 to 2.5 and 0 to 2.5 lump sum	55 to 60 plus 175 to 180 lump sum	1,314	1,237	8

\* These figures are different to those quoted in last year's accounts. The actuarial factors used to calculate cash equivalent transfer values were changed in 2012–13. The CETVs at 31/03/13 and 31/03/12 have both been calculated using the new factors, for consistency.

# Carole Souter waived her right to a director's bonus in both 2012–13 and 2011–12.

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

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

### Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension

arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

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

All senior employees had permanent contracts of employment and were ordinary members of the Principal Civil Service Pension Scheme (PCSPS). Their costs were allocated between HLF and NHMF on the basis of 99%: 1% (2011–12: 99%: 1%). The remuneration of senior managers is performance-related. The sum is based on performance against individual objectives and on overall contribution to corporate strategy and goals. Individual objectives for the Chief Executive are set by the Chair of the Trustees, and the Chief Executive in turn agrees



personal objectives with the function directors. Objectives reflect the strategic and operational goals of the Fund and the contribution expected of each individual senior manager to achieving the goals. The Fund has a performance management system, and performance is reviewed in line with this. Performance is reviewed annually in March–April and rated on a scale of four different levels of achievement. There is a bonus scheme for the directors which takes into account the Finance and Resources Committee's (membership of the committee is disclosed on page 25) view of the individual's contribution towards the wider success of the organisation, with particular reference to their management of their own department and their impact on other areas; the individual's impact on Trustees and their effectiveness; and any exceptional contribution or achievement during the year which was not reflected in the key objectives for the year. This policy is expected to continue in future years. Senior management are appointed on open-ended contracts with notice periods of no more than six months. In the event of considering termination payments, the Fund would adhere fully to the rules of the Civil Service Compensation Scheme and any associated guidance from Treasury or DCMS.

### Remuneration ratio

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

The banded remuneration of the highest-paid director in 2012–13 was £130,000 to £135,000. This was five times the median remuneration of the workforce, which was £25,593 (2011–12: £26,372). There were no employees who received remuneration in excess of the highest-paid director. In 2012–13 the Fund created 17 new posts and the starting salary of the majority of the new entrants was less than £26,372, the median in 2011–12. That has had the effect of reducing the median salary in the organisation. The highest paid director was subject to the Government's 1% cap on pay increases.

### Exit packages

Under the terms of Employer Pensions Notice 296 issued by the Cabinet Office in March 2011, NHMF is required to publish details of all exit packages agreed in the financial year under review. Falling under the definition of exit packages are compulsory and voluntary redundancies, early retirement, compensation for loss of office, ex-gratia payments etc. There was one in 2012–13 (2011–12: one).

#### Audited information

	2012–13 Number	2011–12 Number
£5,000–£10,000	1	0
£30,000–£35,000	0	1

**Carole Souter**  
Chief Executive

2 July 2013

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## Statement of Trustees' and Chief Executive's responsibilities

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

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

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

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

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

**Dame Jenny Abramsky**  
Chair

**Carole Souter**  
Chief Executive

2 July 2013

### Governance statement

As the Accounting Officer of the National Heritage Memorial Fund, I am required by the accounts' direction issued by the Secretary of State to account separately for my two main sources of income – grant-in-aid and Lottery. Other than that, NHMF operates as a single entity because I believe that this is a more efficient way to distribute grants. Consequently, there is one governance structure and this statement covers the distribution of both grant-in-aid and Lottery grants.

### The governance framework

I have responsibility for maintaining a sound system of internal control that supports the achievement of NHMF's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible. This is in accordance with the responsibilities assigned to me in *Managing Public Money*.

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

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

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

The Board of Trustees operates as a group and held 10 meetings during the year to set policy for NHMF and make decisions in line with that policy. These meetings are held in my presence and that of my colleagues in senior management. All Board meetings held in 2012–13 were quorate. The overall average attendance rate of Trustees was 90%, with no Trustee attending less than 73% of Board meetings. Trustees have also delegated some of their tasks to two sub-committees – Finance and Resources, and Audit. These committees oversee the activities of management and provide support. The minutes of committee meetings are standing items on the

agenda of Board meetings and the committee chairs provide a full report on their activities.

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

The Audit Committee comprises four Trustees and is chaired by a Trustee. It met three times during the year and was quorate on each occasion. I attend each meeting along with the Director of Finance & Corporate Services. Its terms of reference include the activities of the internal and external auditors and overseeing the risk culture of NHMF. The committee makes regular reports to the Board and Trustees are satisfied that the committee is providing them with the assurance they require.

The Trustees have also delegated their grant-decision-making responsibilities for certain types and values of Lottery awards to country and regional committees. There are 12 of these committees and each contains one Trustee. In addition to making grant decisions, these committees provide advice to the Board on priorities within their area and act as advocates of Trustees' Lottery activities. Trustees have also delegated grant-decision-making for grants under £100,000 to staff; specifically heads of regions and countries. Members of country and regional committees attend meetings to advise on small grants decisions and committees annually review small grants activity, including risk management. An annual report on the impact of small grants across all committees is presented to the Board. All decisions made by staff and committees are reported to the Board.

I operate a four-department structure within NHMF. The department heads and their deputies form my Management Board. I chair each meeting of the Management Board, which meets weekly. The



Management Board controls the day-to-day activity of the Fund. I benefit greatly from the expertise of my colleagues who have many years of experience in their respective fields. I also hold regular meetings with the Managers' Forum comprising all middle and senior managers. The agenda of these meetings regularly includes planning and risk, and allows staff from various departments to share their views on good practice.

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

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

### **Risk assessment**

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

The Fund's appetite for risk, as set out in the risk-management strategy, states: "Well-thought-through risk-taking and innovation to achieve NHMF objectives should be encouraged. This means that a 100%

risk-avoidance culture is not the most effective use of our resources." I believe that the Fund demonstrates innovation in its choice of grant awards and it does not resort to simply making risk-free decisions. To this end, we are prepared to accept that some of the organisations to whom we give grants will not subsequently demonstrate competence in the administration of the grant. We learn our lessons, improve our processes and, in rare circumstances, write off the grant. In the worst cases, we may have to call in the police. I approve all write-offs and this allows me to monitor the amount each year to ensure that there is no suggestion that our assessment and monitoring processes are lax. As can be seen from the relevant note to the accounts, the level of grant write-off is extremely small relative to the amount of money we distribute each year. On the other hand, the high level of customer satisfaction demonstrated in independent surveys suggests that our working practices are not too onerous for applicants. Consequently, I am able to conclude that there is no cause for concern about the level of risk implicit in our processes.

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

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

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

Whilst the Management Board and the Audit Committee take the lead on setting the risk framework, staff at middle-management level are fully involved in the system. The risk register is circulated to all middle management prior to their production of annual team plans. Each team annual plan makes

specific reference to the risk register and expresses how their activities will operate in the light of the identified risks. They are also expected to bring to the attention of senior management any emerging risks. Their plans are discussed and approved by senior management. In addition, the Managers' Forum has regular discussion of the risk environment in which NHMF operates and how the Fund should respond. All middle managers are appraised on an annual basis of the way in which they anticipate, identify and manage both risks and opportunities.

In 2012–13, NHMF considered the following to be the most significant areas of risk:

- i) growing demand in a worsening economic climate puts pressure on the NHMF endowment fund and/or loss of heritage resulting in negative publicity and reduction of stakeholder confidence;
- ii) the high number of forthcoming changes to the membership of the Board, or delays in the process of appointment, undermines the Board's ability to provide effective governance and/or robust decisions on grant applications;
- iii) failure of awarded grants to meet our strategic objectives;
- iv) demand for awards, pre-application advice and monitoring exceeds our operational capacity;
- v) 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;
- vi) failure to set and follow efficient procedures, thereby giving rise to the risk of inefficiency, fraud or of making decisions open to challenge;
- vii) failure to recruit, retain and motivate appropriately skilled staff;
- viii) that support and influence lessen as a result of low awareness and understanding of the benefits of our investment by stakeholders; and
- ix) risk of increased media and opinion-former scrutiny of our funding decisions in current economic and political conditions with potential for adverse response.

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

data to be held securely. NHMF is compliant with the Security Policy Framework and with the mandatory measures of the Data Handling Review.

### **Significant issues dealt with by the Board during the year**

The most significant activity for the Board has been the preparation for its new strategic framework, known as SF4. It was issued in 2012–13 having been in preparation for a number of years. The new policies and procedures outlined within that document are relevant to 2013–14 and beyond. As there were a large number of new programmes as well as changes to existing programmes, Trustees spent a lot of their time considering the impact of the changes on potential applicants and the UK's heritage.

The significant rise in Lottery income over recent years, as a result of improving ticket sales, the government's decision to increase our share of good causes' money to 20%, and the ending of the transfers to help fund the 2012 Olympics, has allowed large rises in the grant budget. This has been coupled with steep rises in the number of grant applications. Trustees sought and received assurances from management that the administrative structure of NHMF is capable of handling such a large increase in work. To this end, Trustees approved a significant increase in staff numbers following a review by management of resources.

Nothing of concern emerged from any of the committees set up by the Board. Reports from the internal and external auditors were satisfactory (more details below).

### **The performance of the Board**

The Board undertook its annual assessment of its own effectiveness in January 2013. In line with its decision to engage external facilitation to assist the review once every three years, the Board appointed Grant Thornton to design and analyse responses to a self-evaluation questionnaire, and assist the Board in considering its results. The review concluded that the organisation was well run, with effective governance and audit procedures. The Board was happy with its performance in the year and considered that it had met the Treasury's Corporate Governance Code. There was nothing in any of the internal or external audit reports put before the Board's Audit Committee that gave it any cause for concern. Consequently, the Board believes it can rely on the quality of data put before it by management and upon which it bases its decisions.

As part of its annual review, the Board agreed the following:

- 1 to articulate more specifically those matters reserved for the Board
- 2 that non-grant board papers should begin with a summary drawing attention to any decisions required
- 3 to look more closely at planned research activity and at how the Board could most effectively monitor and evaluate grants awarded
- 4 that sectoral and specialist briefings for staff also be of benefit for trustee learning
- 5 to introduce an exit interview process for trustees and committee members
- 6 to ask Committees to also reflect on their own effectiveness

All new Trustees receive induction at the time of their appointment, which introduces them to their obligations as a Trustee, the work of NHMF and its systems, thereby helping to prepare them to make a full contribution to the working of the Board. The effectiveness of Trustees is appraised by the Chair on a regular basis.

### **The governance year**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and senior management within NHMF who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. As a result of their work during the year, the internal auditors have produced an annual certificate of assurance with regard to the adequacy of the systems and the operation of internal controls within NHMF. In addition, I have seen the management letter prepared by the external auditors following their audit of the accounts for the year ended 31 March 2013. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Trustees and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the internal control system is in place.

The annual internal audit plan is created on a risk basis; the internal auditors were provided with a copy of the draft risk register for 2012 when preparing their plan. The Audit Committee reviewed and approved the internal audit plan. I ensured that

there was sufficient flexibility in the plan to allow for changes to be made during the year to reflect any significant changes in the risk environment or the emergence of new risks. However, there was none.

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

The most significant audit reports in 2012–13 resulted from a review of our preparation for the delivery of our new strategic framework, which goes live in April 2013, and the changes we made to the distribution of grants within our small grant programmes – award decisions are made by our regional and country heads with a total value of around £30million. In April 2012, we increased the maximum award threshold from £50,000 to £100,000 and invited members of our regional and country committees to attend the decision-making meetings. I was gratified to note that the auditors were satisfied with the framework preparation and threshold transition and that my management has readily accepted the minor recommendations that the auditors made. Other internal audit reports looked at our payroll system, general controls in the finance section, and expert advice received as part of the grant application assessment process. The auditors identified areas where controls could be tightened and management has agreed to make the necessary changes. As a result, I was satisfied with the results of those internal audit reports.

No changes of any significance have been made to our systems in 2012–13 and no problems have emerged that lead me to believe that the internal control system is not operating effectively. The internal auditors described NHMF as having “a sound and effective internal control framework in place” in their annual report to the Audit Committee. There was nothing in the management letter produced by the external auditors after their audit of these accounts and those of the previous year that leads me to doubt the adequacy of our systems.



I also required all members of senior and middle management to sign annual memoranda of representation to me, detailing their responsibilities and confirming that they have carried out these responsibilities in 2012–13. All managers have signed the memorandum and they are aware that I have placed reliance on these assertions of my management.

The Audit Committee prepares a report of its activity to the Board of Trustees once a year. Neither internal nor external auditors had uncovered anything untoward during the year. The committee concluded, at its meeting in June 2013, that it had operated satisfactorily during 2012–13. The Board was pleased to hear this and endorsed this view at its June meeting. The Finance and Resources Committee prepares two reports a year to the Board in addition to supplying the minutes of its meetings. They were able to report that we had a successful year where the grant budget was met; we kept within our operating budget and met DCMS's targets for Lottery-grant processing and total operating costs as a proportion of income; we had another successful year in attaining our service level targets and our customer satisfaction levels remain at a high point. All this was achieved at a time when grant applications are at higher levels than previous years and our cost base, in real terms, remains at its lowest since we opened our country and regional offices over a decade ago.

As a result of the above, I believe that the Fund's framework provides me with the level of assurance that I require. There is nothing of which I am aware that leads me to believe that our systems for detecting and responding to inefficiency, for preventing conflicts of interest, for preventing and detecting fraud and for minimising losses of grant-in-aid and Lottery grant are not adequate. I believe that the governance structure has operated successfully in 2012–13.

### Attendance records

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

#### *Board attendance record*

	Number of eligible meetings	Number of eligible meeting days	Actual attendance
Dame Jenny Abramsky <i>Chair</i>	<b>10</b>	15	15
Angela Dean	<b>8</b>	12	12
Kim Evans	<b>10</b>	15	15
Yinnon Ezra	<b>10</b>	15	15
Kathy Gee	<b>10</b>	15	13
Doug Hulyer	<b>10</b>	15	15
Hilary Lade	<b>10</b>	15	15
Alison McLean	<b>10</b>	15	15
Richard Morris	<b>10</b>	15	13
Atul Patel	<b>10</b>	15	12
Seona Reid	<b>10</b>	15	14
Ronnie Spence	<b>10</b>	15	15
Virginia Tandy	<b>10</b>	15	15
Manon Williams	<b>10</b>	15	15
Christopher Woodward	<b>10</b>	15	11

#### *Audit Committee attendance record*

	Number of eligible meetings	Actual attendance
Yinnon Ezra	<b>3</b>	2
Doug Hulyer	<b>3</b>	3
Alison McLean	<b>3</b>	3
Ronnie Spence	<b>3</b>	3

#### *Finance and Resources Committee attendance record*

	Number of eligible meetings	Actual attendance
Dame Jenny Abramsky	<b>4</b>	4
Kim Evans	<b>4</b>	4
Hilary Lade	<b>4</b>	3
Atul Patel	<b>4</b>	3
Carole Souter	<b>4</b>	4

**Carole Souter**  
Chief Executive

2 July 2013

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

I certify that I have audited the financial statements of the National Heritage Memorial Fund for the year ended 31 March 2013 under the National Heritage Act 1980. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Trustees' and Chief Executive's Responsibilities, the Trustees and Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Heritage Act 1980. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Heritage Memorial Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Heritage Memorial Fund; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

## **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by

Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on financial statements**

In my opinion:

- i) the financial statements give a true and fair view of the state of the National Heritage Memorial Fund's affairs as at 31 March 2013 and of its comprehensive net expenditure transferred to the accumulated fund for the year then ended; and
- ii) the financial statements have been properly prepared in accordance with the National Heritage Act 1980 and Secretary of State directions issued thereunder.

## **Opinion on other matters**

In my opinion:

- i) the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Heritage Act 1980; and
- ii) the information given in the Management Commentary and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

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

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

## **Report**

I have no observations to make on these financial statements.

**Amyas CE Morse**

Comptroller and Auditor General

5 July 2013

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

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

	Notes	£'000	2012-13 £'000	2011-12 £'000
<b>Sundry operating income</b>	3		114	69
New awards made in the year	15	(4,686)		(4,989)
De-committed awards	15	335		643
			(4,351)	(4,346)
Staff costs	4	(46)		(46)
Depreciation	11	(2)		(2)
Other operating charges	6	(68)		(54)
			(116)	(102)
<b>Operating expenditure</b>			(4,467)	(4,448)
<b>Operating deficit</b>			(4,353)	(4,379)
Profit on the sale of investments	8	0		164
Interest receivable	9	57		25
<b>Non-operating income</b>			57	189
<b>Comprehensive net expenditure transferred to the accumulated fund</b>			(4,296)	(4,190)
<b>Other comprehensive income</b>				
Net gain/(loss) on revaluation of available for sale financial assets	19		3,392	(63)
<b>Total comprehensive expenditure for the year ended 31 March 2013</b>			(904)	(4,253)

The expenditure statement excludes the Lottery activities of NHMF, which are separately reported in the accounts of HLF. All figures shown relate to continuing activities. The notes on pages 41 to 47 form part of the accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2013

	Fair value reserve £'000	Income and expenditure account £'000
Balance at 31 March 2011	2,381	26,994
<b>Changes in equity in 2011-12</b>		
Net loss on revaluation of investments	(63)	0
Retained deficit	0	(4,190)
Grant-in-aid from DCMS	0	0
Balance at 31 March 2012	2,318	22,804
<b>Changes in equity in 2012-13</b>		
Net gain on revaluation of investments	3,392	0
Retained deficit	0	(4,296)
Grant-in-aid from DCMS	0	5,000
<b>Balance at 31 March 2013</b>	<b>5,710</b>	<b>23,508</b>

The fair value reserve relates to the difference between book cost and market value of the investments in the endowment fund (see note 12 to the accounts). The difference between book and market value of property, plant and equipment (see note 11) is not material.



# Statement of Financial Position

as at 31 March 2013

	Notes	31 March 2013 £'000	31 March 2012 £'000
<b>Non-current assets</b>			
Property, plant and equipment	11	7	8
Long-term financial assets available for sale	12	29,842	26,398
		<b>29,849</b>	26,406
<b>Current assets</b>			
Trade and other receivables	13	83	25
Cash and cash equivalents	10	2,241	98
Cash held in the endowment fund	12	0	0
		<b>2,324</b>	123
<b>Total assets</b>		<b>32,173</b>	26,529
<b>Current liabilities</b>			
Administrative liabilities	14	(45)	(43)
Grant commitments due within one year	15	(2,910)	(1,364)
Non-current liabilities plus net current assets		<b>29,218</b>	25,122
<b>Non-current liabilities</b>			
Grant commitments due after one year	15	0	0
<b>Assets less liabilities</b>		<b>29,218</b>	25,122
<b>Taxpayers' equity</b>			
Fair value reserve	19	5,710	2,318
Income and expenditure account		23,508	22,804
		<b>29,218</b>	25,122

This statement excludes balances relating to the Lottery activities of NHMF, which are separately disclosed in the accounts of HLF. The notes on pages 41 to 47 form part of the accounts.

**Dame Jenny Abramsky**  
Chair

**Carole Souter**  
Chief Executive

2 July 2013

## Statement of Cash Flows

for the year ended 31 March 2013

	Notes	2012-13 £'000	2011-12 £'000
<b>Operating activities</b>			
Cash from sundry operating income	3	60	69
Cash paid to and on behalf of employees		(46)	(46)
Interest received		53	43
Cash paid to suppliers		(66)	(64)
Cash paid to grant recipients	15	(2,805)	(9,649)
<b>Net cash outflow from operating activities</b>	17a	(2,804)	(9,647)
<b>Investing activities</b>			
Capital expenditure and financial investment	17b	(53)	3,013
Endowment fund net cash receipts		0	0
<b>Net cash inflow from returns on investments</b>		(53)	3,013
<b>Cash flows before financing</b>		(2,857)	(6,634)
<b>Financing activities</b>			
Grant-in-aid	17c	5,000	0
<b>Increase/(decrease) in cash and cash equivalents</b>		2,143	(6,634)

## Reconciliation of Net Cash Flows to Movement in Net Funds

for the year ended 31 March 2013

	2012-13 £'000	2011-12 £'000
Increase/(decrease) in operating cash in the period	2,143	(6,634)
Cash used to increase liquid resources	0	0
<b>Changes in cash and cash equivalents</b>	2,143	(6,634)
Cash and cash equivalents at 1 April 2012	98	6,732
<b>Cash and cash equivalents at 31 March 2013</b>	2,241	98

The notes on pages 41 to 47 form part of the accounts.

# Notes to the Accounts

## for the year ended 31 March 2013

### I. Statement of accounting policies

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

#### a) Accounting convention

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

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

#### b) Government grants

Government grants are treated as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest. This is done by making an adjustment to the accumulated income and expenditure account. No allocation is made between grants for revenue and capital purposes.

#### c) Non-current assets

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

These lives are as follows:

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

No internally generated costs are capitalised.

#### d) Investments

Non-current financial assets – our investments – are included in the accounts at market value. Realised gains and losses are included in the Statement of Comprehensive Net Expenditure and are calculated as the difference between sales proceeds and historic cost. Unrealised gains and losses on fixed asset investments are reflected in the fair value reserve and Statement of Changes in Taxpayers' Equity.

#### e) Taxation

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

#### f) Pension

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

#### g) Leases

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

#### h) Grant awards

Positive decisions by Trustees are recognised in the Statement of Comprehensive Net Expenditure at the time of award. De-commitments occur when an award or part award is not taken up by a grantee.



### i) Allocation of costs and segmental reporting

International Financial Reporting Standard 8 requires information to be provided on segmental reporting where this is relevant to the activities of the organisation. Where relevant, senior management would identify separate streams of activity and assign operating costs to them pro-rata based upon the level of grant awarded, unless there was a significant difference in the manner in which applications were processed, in which case ad hoc methods would be utilised. However, other than accounting separately for its Lottery distribution activities, which NHMF is required to do under its Lottery accounts' direction, Trustees do not believe that their grant-in-aid or their Lottery distribution activities can be divided into separate segments.

NHMF incurs indirect costs which are shared between activities funded by grant-in-aid and activities funded by the National Lottery. NHMF is required to apportion these indirect costs in accordance with *Managing Public Money*, issued by the Treasury. This cost apportionment seeks to reflect the specific proportion of time and expenses committed to each fund. At the end of the financial year, the proportion of joint costs apportioned to HLF was 99% (2011-12: 99%).

## 2. Grant-in-aid

	2012-13 £'000	2011-12 £'000
Grant from DCMS	5,000	0

## 3. Sundry operating income

This comprises:

	2012-13 £'000	2011-12 £'000
Repayments of grant	62	9
Donations and bequests	0	1
Receipts from investment managers	52	59
	114	69

In December 2012, we agreed with the Arkwright Society that they would reimburse £62,000 from a grant given in 1991 following their decision to sell off a small part of the property that we originally helped them to purchase.

Receipts from investment managers represent amounts paid to us by Schroders. It represents the difference between the fee negotiated under our contract with them and the underlying fee charged within the investment vehicle in which they invest – Schroders' Charity Multi-Asset Fund. The Multi-Asset Fund charges a higher fee rate than that agreed

under the contract and so we receive a payment each quarter. The underlying fee charged within the Multi-Asset Fund is acquired by Schroders deducting the amount from the cash balances held within that Fund each quarter, thus impacting upon the value of the individual units of the Multi-Asset Fund. Thus the cost to NHMF of using Schroders is reflected within the value of its units. The Multi-Asset Fund invests in a number of unit and investment trusts, all of which will also have management fees built into them.

## 4. Staff costs and numbers

	2012-13 £'000	2011-12 £'000
Salaries	36	36
Employer's NI payments	3	3
Payments to pension scheme	7	7
Temporary staff costs	0	0
	46	46

Costs of £10,093,000 have been allocated to Lottery distribution activities and are reflected in those accounts.

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

	2012-13 Number	2011-12 Number
Grant applications	2	2
Finance and corporate services	0	0
Strategy and business development	0	0
Communications	0	0
	2	2

The above figures are disclosed as full-time equivalents. Additionally, an average of 237 permanent staff were employed on HLF activities.

## 5. Pensions

Pension benefits are provided through the Civil Service pension arrangements – the PCSPS. Since 30 July 2007, new staff without any previous membership of PCSPS are able to join Nuvos, which is an index-linked defined benefit pension scheme. Pension age is 60 for members of classic, premium and classic plus and 65 for members of Nuvos.

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

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and Nuvos. Increases to employee contributions will apply from 1 April 2013. 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 and benefits for service after that date worked out as in premium. In Nuvos, a member builds up a pension based on pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions-increase legislation. In all cases members may opt to commute pension for a lump sum up to the limits set by the Finance Act 2004.

Members who joined NHMF from October 2002 could have opted for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution known as a Partnership Pension Account. The partnership pension account is a stakeholder pension arrangement with an employer contribution. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to PCSPS to cover the cost of centrally provided lump sum risk benefit cover (death in service and ill-health retirement). There are currently two members of staff with a partnership pension account. No member of staff retired early on health grounds during 2012–13.

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

Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge

to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2012–13, employer's contributions of £6,621 (2011–12: £6,498) were paid to the PCSPS at the rates set out in the table below. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

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

Salary in 2012–13	% in 2012–13
£21,000 and under	16.7%
£21,001–£43,500	18.8%
£43,501–£74,500	21.8%
£74,501 and above	24.3%

## 6. Operating deficit

The operating deficit is stated after charging the following:

	2012–13 £'000	2011–12 £'000
Auditor's remuneration	9	9
Payments under operating leases		
– leasehold premises	6	5
– hire of plant and machinery	0	0

Costs of £7,816,000 have been allocated to NHMF's Lottery distribution accounts. As disclosed in note 1 to these accounts, NHMF is required to apportion its costs to its Lottery distribution activities. At the end of the financial year, the proportion of joint costs apportioned was 99%.

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

	2012–13 £'000	2011–12 £'000
Accommodation	9	9
Postage and telephone	2	2
Office supplies, print and stationery	5	4
Travel, subsistence and hospitality	1	0
Professional fees		
– grant-related	7	4
– non-grant-related	19	11
Communications	19	19
Sundry expenses	6	5
	68	54

## 7. Income from investments

	2012-13 £'000	2011-12 £'000
Long-term financial assets available for sale	0	0

Income has fallen significantly following the switch of investment manager from JP Morgan to Schroders in 2010. JP Morgan mainly invested the endowment fund directly in unit trusts which paid regular dividends to NHMF. On the other hand, Schroders has invested the endowment fund in units in one fund which invests in a wide range of assets. Whilst those underlying assets pay dividends, the main Schroders fund does not pay dividends as its raison d'être is capital growth. Note 12 has further information.

## 8. Profit on the sale of investments

	2012-13 £'000	2011-12 £'000
Long-term financial assets available for sale	0	164

Profits are earned on the disposal of investments held in the endowment fund when NHMF requires funds to pay for grants.

## 9. Interest receivable

	2012-13 £'000	2011-12 £'000
Bank interest receivable		
– Barclay's Bank	0	1
– Schroder & Co. Limited	57	24
	57	25

## 10. Cash and cash equivalents

	2012-13 £'000	2011-12 £'000
Instant access		
– Barclay's Bank	32	16
– Schroder & Co. Limited	1,146	82
Seven-day notice		
– Schroder & Co. Limited	1,063	0
	2,241	98

Schroder & Co. Limited places the money on deposit with other financial institutions. At the year end, NHMF funds were with Nationwide Corporate International (Isle of Man) and Scottish Widows Bank Plc.

## 11. Property, plant and equipment

	Short-leasehold property		IT and other equipment		Office fittings		Total	
	2012-13 £'000	2011-12 £'000	2012-13 £'000	2011-12 £'000	2012-13 £'000	2011-12 £'000	2012-13 £'000	2011-12 £'000
Cost at start of year	3	3	14	14	1	1	18	18
Additions	0	0	1	0	0	0	1	0
Disposals	(0)	(0)	(1)	(0)	0	(0)	(1)	(0)
<b>At end of year</b>	<b>3</b>	<b>3</b>	<b>14</b>	<b>14</b>	<b>1</b>	<b>1</b>	<b>18</b>	<b>18</b>
Depreciation at start of year	0	0	9	7	1	1	10	8
Charge for the year	1	0	1	2	0	0	2	2
Adjustment on disposal	(0)	(0)	(1)	(0)	0	(0)	(1)	(0)
<b>At end of year</b>	<b>1</b>	<b>0</b>	<b>9</b>	<b>9</b>	<b>1</b>	<b>1</b>	<b>11</b>	<b>10</b>
Net book value								
At start of year	3	3	5	7	0	0	8	10
<b>At end of year</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>8</b>

The Trustees have considered the current cost values of property, plant and equipment. A review of the current cost values at 31 March 2013 revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of property, plant and equipment. The value of property, plant and equipment represents a proportionate split of the assets used by both NHMF's grant-in-aid and its Lottery distribution activities. This split is currently 99% Lottery and 1% grant-in-aid.



## Finance leases

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

IT and other equipment:

	2012-13 £'000	2011-12 £'000
Cost at start of year	1	1
Additions	0	0
Disposals	0	0
<b>At end of year</b>	<b>1</b>	<b>1</b>
Depreciation at start of year	1	0
Charge for the year	0	1
Adjustment on disposal	0	0
<b>At end of year</b>	<b>1</b>	<b>1</b>
Net book value		
At start of year	0	1
<b>At end of year</b>	<b>0</b>	<b>0</b>

Obligations under these finance leases are:

	2012-13 £'000	2011-12 £'000
Amounts for leases expiring		
– in one year	0	1
– in years two to five	0	0
	<b>0</b>	<b>1</b>

## 12. Long-term financial assets available for sale

NHMF was set up as successor to the National Land Fund. The Trustees believed that, of the initial grant-in-aid that established NHMF, the sum of £10million should be regarded as the residue of the National Land Fund and is known as the endowment fund. They decided to invest it with the aim to maintain its capital value in real terms when compared to the Retail Prices Index. Beyond that, the investment aim is to achieve sufficient growth in real terms to enable NHMF to meet its obligations. To this end, investment in readily marketable financial assets can be made outside the UK. A table below summarises the global investment spread. The surplus value of the endowment fund (ie the excess over the current value of the initial £10million) can be drawn down to fund NHMF's grant-giving. On occasions, Trustees have drawn down funds that take the value of the endowment fund below its target value. Trustees do this reluctantly and only when faced with the possibility of losing a significant part of the UK's heritage. In these circumstances, Trustees monitor the shortfall and use future grant-in-aid to replenish the endowment fund if capital growth does not exceed the increase in the Retail Prices Index.

Indeed, £5million was re-invested in the endowment fund in April 2013.

At 31 March 2013, the original £10million investment would be worth £37.7million taking into account indexation – the actual market value is £29.8million including cash held within the endowment.

The endowment fund comprises the following:

	Market value 2012-13 £'000	Book cost 2012-13 £'000
Long-term financial assets	<b>29,842</b>	<b>24,132</b>
Cash	<b>0</b>	<b>0</b>
	<b>29,842</b>	<b>24,132</b>

The proportion of this fund held in cash is disclosed in these accounts as a current asset – as part of the cash balances.

The endowment fund is invested in Schroders' Charity Multi-Asset Fund. The Multi-Asset Fund invests in a range of over 30 unit and investment trusts across many asset types and geographic markets. Units in the Multi-Asset Fund are sold to raise funds for grant payments and administrative expenses. This is the reason that the assets are described as 'available for sale'. Trustees have no plans to liquidate the entire endowment fund.

	2012-13 £'000	2011-12 £'000
Cost and net book value		
At start of year	<b>24,080</b>	26,929
Additions	<b>52</b>	88
Disposals	<b>(0)</b>	(2,937)
Accrued income	<b>0</b>	0
<b>At end of year</b>	<b>24,132</b>	<b>24,080</b>
Net book value		
Listed on the		
London Stock Exchange	<b>0</b>	0
Unlisted investments	<b>24,132</b>	24,080
	<b>24,132</b>	<b>24,080</b>
Cost	<b>24,132</b>	24,080
Market value	<b>29,842</b>	26,398
Unrealised gain	<b>5,710</b>	2,318

There is no liability to taxation on gains realised by NHMF.

## Notes to the Accounts

for the year ended 31 March 2013

An analysis of investments (at book cost), at the year end, was:

	2012-13 %	2011-12 %
Bonds	8	7
UK equity	40	41
Europe equity (excluding UK)	3	2
North America equity	4	4
Japan and Far East equity	5	6
Emerging market equity	4	3
Global equity funds	7	6
Property	6	7
Absolute return/hedge	13	16
Infrastructure	3	2
Cash	4	2
Commodities	3	4
	<b>100</b>	<b>100</b>

Further information about the underlying investments of the endowment fund is elsewhere in the Annual Report.

### 13. Trade and other receivables – all due within one year

	2012-13 £'000	2011-12 £'000
Repayment of grant	62	0
Prepayments and accrued income	21	25
	<b>83</b>	<b>25</b>

No bad debt provision has been created as none of the above items is considered irrecoverable.

### 14. Payables: amounts falling due within one year

	2012-13 £'000	2011-12 £'000
Operating payables	1	1
Other payables including taxation and social security	7	4
Accruals and deferred income	37	38
	<b>45</b>	<b>43</b>

None of the liabilities of NHMF was secured. Of the above amounts for operating and other payables, £7,000 was payable to central government bodies (2011-12: £4,000).

### 15. Grant commitments

	2012-13 £'000	2011-12 £'000
At start of year	1,364	6,667
Grants paid in the year	(2,805)	(9,649)
Commitments created in the year	4,686	4,989
De-commitments	(335)	(643)
<b>At end of year</b>	<b>2,910</b>	<b>1,364</b>

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

	2012-13 £'000	2011-12 £'000
In one year	2,910	1,364
In two to five years	0	0
	<b>2,910</b>	<b>1,364</b>

Commitments at the year end represent amounts owing by sector; as follows:

	2012-13 £'000	2011-12 £'000
Balances owing to		
– central government	1,510	624
– local authorities	200	350
– other bodies	1,200	390
	<b>2,910</b>	<b>1,364</b>

## 16. Commitments

The total outstanding commitments under operating leases are as follows:

	2012-13 £'000	2011-12 £'000
Short-leasehold property		
– expiring in one year	0	0
– expiring in years two to five	0	0
– expiring thereafter	83	91
	<b>83</b>	<b>91</b>

In addition, short leasehold property lease commitments of £10,877,000 (2011-12: £10,839,000) have been disclosed within the accounts of NHMF's Lottery distribution activities.

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

## 17. Notes to the Statement of Cash Flows

- a) Reconciliation of operating deficit to net cash outflow from operating activities

	2012-13 £'000	2011-12 £'000
Operating deficit	(4,353)	(4,379)
Interest receivable	57	25
Add back non-cash items		
– depreciation	2	2
– movement in provisions	0	0
– increase/(decrease) in grant commitment reserve	1,546	(5,303)
(Increase)/decrease in receivables (excluding capital and investments)	(58)	9
Increase/(decrease) in non-capital payables	2	(1)
<b>Net cash outflow from operating activities</b>	<b>(2,804)</b>	<b>(9,647)</b>

b) Capital expenditure and financial investment

	2012-13 £'000	2011-12 £'000
Payments to acquire		
– property, plant and equipment	(1)	(0)
– intangible fixed assets	(0)	(0)
– long-term financial assets available for sale	(52)	(88)
Receipts from sales of		
– property, plant and equipment	0	0
– long-term financial assets available for sale	0	3,101
	(53)	3,013

c) Analysis of changes in net funds

	At 1 April 2012 £'000	Operating cash flows £'000	Grant-in-aid £'000	At 31 March 2013 £'000
Cash at bank	98	(2,857)	5,000	2,241

## 18. Related-party transactions

NHMF is a non-departmental public body sponsored by DCMS. DCMS is regarded as a related party. During the year, NHMF (including its Lottery distribution activities) has had various material transactions, other than grant awards, with two entities for which DCMS is regarded as the sponsor department, being the Big Lottery Fund and English Heritage. There have also been material transactions with the National Assembly of Wales as we use Cadw to provide expert advice and monitoring on some Lottery transactions. Further details of these transactions and balances can be found in the accounts of the Lottery distribution activities of NHMF.

In May 2011 the Committee on Climate Change (CCC) signed an underlease for most of the first floor of NHMF's offices, at 7 Holbein Place, London. CCC is a non-departmental public body which is jointly sponsored by the Department of Energy and Climate Change, DEFRA, the Scottish Government, the Welsh Assembly Government and the Northern Ireland Executive. This underlease is for approximately 13 years and will result in rental payments to NHMF totalling £1.7million. In addition, CCC will make contributions towards the cost of running Holbein Place of approximately £78,000 per annum at 2012-13 price levels. At 31 March 2013, there was £9,000 owed for service charges, most of which is reflected in the accounts of NHMF's Lottery distribution activities.

Trustees and expert panellists are required to declare their connection at the start of each meeting and absent themselves from any part of that meeting where that grant application is discussed. They take

no part in the decision as to whether a grant is awarded or any subsequent decision made about the grant. There are strict rules on the circumstances in which Trustees and panellists can accept paid work from a grantee. Therefore, Trustees are satisfied that in no case did the individuals have an influence on the decision-making process.

The following Trustee had an interest in an NHMF award which the Fund made in 2012-13. Details of interests in Lottery grants are set out in the accounts of the Lottery distribution activities of NHMF.

An award of £100,000 was made to the National Portrait Gallery towards the purchase of a bust of Thomas Hollis. Kim Evans is a trustee of the National Portrait Gallery.

A member of the NHMF expert panel, Richard Ovenden, is an employee of the Bodleian Library in Oxford. The library received two awards in the year: a grant of £205,000 to acquire the papers of the 4th Earl Clarendon and a grant of £1,200,000 to acquire the William Henry Fox Talbot archive.

There were no other commercial transactions in which Trustees or staff had a material interest or influence.

In 2012-13, there will also have been related-party transactions, in the form of grant payments, relating to awards made and disclosed in previous years. As those related-party transactions have been previously disclosed, they are not repeated here.

## 19. Fair value reserve

	2012-13 £'000	2011-12 £'000
At start of year	2,318	2,381
Movement in the year	3,392	(63)
<b>At end of year</b>	<b>5,710</b>	<b>2,318</b>

The reserve relates to the difference between book cost and market value of long-term financial assets available for sale (see note 12). The difference between book and market value of property, plant and equipment (see note 11) is not material.

## 20. Financial instruments

Full disclosure under IFRS 7, 'Financial Instruments: Disclosures', is in the management commentary.

## 21. Statement of losses

NHMF made no losses during the year (2011-12: £0).



# Disclosure of Investments

## The investment of the endowment fund

The Trustees regard a £10million lump sum given to the National Heritage Memorial Fund in 1980 as an endowment to be occasionally used alongside its grant-in-aid to help save the UK's heritage. The endowment fund is invested in order to maximise the return over the long term. Investment management is out-sourced to specialist fund managers following a tendering exercise. NHMF has been using Schroders since 2010 and the entire endowment fund is invested in Schroders' Charity Multi-Asset Fund. The Charity Multi-Asset Fund is a common investment fund established and approved by the Charity Commission.

Investment policy is the responsibility of the Investment Panel – a sub-committee of the Board's Finance & Resources Committee. The Panel comprises two Trustees and three independent financial experts.

### Charity Multi-Asset Fund Investment Selection

<b>UK Equities</b>	<b>40.6%</b>
Schroder Charity Equity Fund	7.0%
Schroder UK Alpha Plus Fund	4.2%
iShares FTSE100	9.0%
AXA Framlington UK Select Opps Fund	6.5%
Artemis UK Special Sits Fund	5.8%
Kames UK Equity Fund	2.0%
Troy Trojan Income Fund	6.1%
<b>Global Equities</b>	<b>6.6%</b>
Schroder QEP Global Active Value Fund	3.6%
Schroder QEP Global Quality Fund	3.0%
<b>European Equities</b>	<b>3.1%</b>
Schroder European Alpha Plus Fund	3.1%
<b>US Equities</b>	<b>4.2%</b>
iShares S&P500	3.1%
Schroder US Mid Cap Fund	1.1%
<b>Asian Equities</b>	<b>2.9%</b>
Schroder Asian Alpha Plus Fund	2.3%
iShares MSCI World Far East ex Japan	0.6%
<b>Japanese Equities</b>	<b>2.1%</b>
Schroder Tokyo Fund	2.1%
<b>Emerging Market Equities</b>	<b>3.8%</b>
Schroder Global Emerging Mkt Fund	3.8%
<b>Total Equities</b>	<b>63.3%</b>

Source: Schroders 31 March 2013

\* Absolute Return funds – unlike traditional asset managers, who try to track and outperform a benchmark (a reference index such as the FTSE100), these managers employ different strategies in order to produce a positive return regardless of the direction and the fluctuations of capital markets. These funds are sometimes referred to as hedge funds.

The Panel meets with Schroders twice a year to discuss their performance. The Board recognises that there can be public interest in disclosure of the investments being made and sets out details of them below. The Charity Multi-Asset Fund invests in a large number of investment trusts and other types of investment most of which are regularly buying and selling assets. The information below was correct at 31 March 2013 and will be updated annually.

Schroders has its own responsible investment policy that it adopts when making investments. They consider environmental, social and governance issues and they produce an annual responsible investment report detailing their activities. Schroders complies with the United Nations' Principles for Responsible Investment. We require Schroders to notify us if they are considering investment in any organisation that could lead to embarrassment to NHMF.

<b>Property</b>	<b>6.0%</b>
Henderson Property Unit Trust	2.0%
Property Income Trust for Charities	2.6%
Ignis UK Property Fund	1.4%
<b>Absolute Return*</b>	<b>12.9%</b>
Ruffer Investment Company	2.4%
Troy Trojan Fund	4.5%
SISF Emerging Mkt Debt Absolute Return Fund	4.0%
Bluecrest Allblue	0.8%
Opus Multi-Strategy Hedge Fund Note	0.1%
Absolute Return Trust	0.3%
BH Macro	0.8%
<b>Infrastructure</b>	<b>2.7%</b>
3i Infrastructure	0.9%
HICL Infrastructure	0.8%
International Public Partnerships	1.0%
<b>Commodities</b>	<b>3.4%</b>
Schroder Commodity Fund (\$)	0.4%
Schroder Commodity Fund (£)	1.1%
Gold Bullion Securities	1.9%
<b>Total Alternatives</b>	<b>25.0%</b>
<b>UK Corporate Bonds</b>	<b>5.0%</b>
M&G Corporate Bond Fund	5.0%
<b>High Yield Bonds</b>	<b>3.0%</b>
AXA US Short Duration High Yield Fund	3.0%
<b>Cash</b>	<b>3.7%</b>
Cash	3.7%
<b>Total Cash &amp; Bonds</b>	<b>11.7%</b>



# Chair, Trustees and Management

## Chair and Trustees of NHMF

### Chair

Dame Jenny Abramsky <sup>2</sup>

### Trustees

Angela Dean *from 12 June 2012*

Kim Evans <sup>2</sup>

Yinnon Ezra <sup>1</sup>

Kathy Gee

Doug Hulyer <sup>1</sup>

Hilary Lade <sup>2</sup>

Alison McLean <sup>1</sup>

Richard Morris

Atul Patel <sup>2</sup>

Seona Reid

Ronnie Spence <sup>1</sup>

Virginia Tandy

Manon Williams

Christopher Woodward

## Management Board

### Chief Executive

Carole Souter <sup>2</sup>

Robert Bewley

Karen Brookfield

Judith Cligman

Anne Jenkins

Louise Lane

Eilish McGuinness

Steve Willis

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

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

## NHMF investment panel

Sarah Bates

Richard Killingbeck

Sir Laurie Magnus

## NHMF advisory panel

Brian Allen

Noel Annesley

Sir John Guinness

Richard Ovenden

Rosalind Savill

Jonathon Scott\*

James Stourton

Giles Waterfield

\* Jonathon Scott served on the NHMF Panel until his sudden death in December 2012. His insightful contributions were highly valued and he will be very much missed.

## NHMF team

### Head of NHMF

Fiona Talbott

020 7591 6008

### Senior Grants Officer

Vanessa Wells

020 7591 6115

### Grants Officer

Suzanne Baker

020 7591 6068

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## National Heritage Memorial Fund

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### Telephone

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### Facsimile

020 7591 6001

### Textphone

020 7591 6255

### Website

[www.nhmf.org.uk](http://www.nhmf.org.uk)

# Acknowledgements

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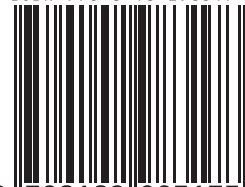
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