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# **National Heritage Memorial Fund**

Annual Report and Accounts for the year ended 31 March 2016

Report presented to Parliament pursuant to Section 7(1) of the National Heritage Act 1980, and accounts presented to Parliament pursuant to Section 7(3) of the National Heritage Act 1980.

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**The National Heritage Memorial Fund (NHMF) has a unique ability to help save a huge variety of heritage treasures. This year, in both our NHMF work and through delivery of the Government's Listed Places of Worship: Roof Repair Fund (LPOW), we have seen projects and applications stretch the length and breadth of the UK.**

We have responded to a number of bids relating to objects facing a real risk of being lost to the nation. Three applications were for items that had temporary export bars, preventing them from being sold to overseas buyers: a William Burges vase, a Lorenzo Bartolini sculpture of *The Campbell Sisters*, and a previously unknown manuscript of *Enchiridion militis Christiani* by Erasmus. With the help of NHMF funding, they will all now remain in the UK.

Archives also featured strongly in this year's applications, with several collections secured from important UK figures:

- The fascinating papers of British explorer and scholar of Chinese culture, Thomas Manning, were secured with NHMF support. Manning was the first British person to enter Lhasa and meet the Dalai Lama, and his papers include sketches of the five-year-old Dalai Lama.
- The Oliver Messel Archive, acquired by the University of Bristol Theatre Collection, shows the work of the talented British designer of fashion, film, theatre and interiors.
- The Gertrude Jekyll album of photographs displays the work of one of the most influential figures in English garden design.

This annual report also features works associated with famous women involved with arts, crafts and literature. They ranged from a carved slate sculpture by Barbara Hepworth and Mrs Brontë's book, to an incredibly intricate quilt cover designed by William Morris's daughter, May Morris.

These are some highlights of the 12 awards made by NHMF this year, but each is a unique part of our heritage, now available for everyone to enjoy.

“Each is a unique part of our heritage, now available for everyone to enjoy.”

This year we said farewell to our long-standing Chief Executive, Carole Souter. It is impossible to overstate Carole's contribution to the heritage of our nation. Over the past 13 years she has shown remarkable commitment, professionalism and leadership in her role as Chief Executive of both the National Heritage Memorial Fund and the Heritage Lottery Fund. Working with her has been a real pleasure and we wish her every success in her new roles.

We very much look forward to welcoming our new Chief Executive, Ros Kerslake, in July 2016 who joins us from the Prince's Regeneration Trust.

This year the Government's Listed Places of Worship scheme, which we administer, has been helping to protect and repair hundreds of places of worship. The NHMF team has helped many of the 500 initial successful applicants get their projects underway, and a number of these have already been completed. Grants range from a parish church in Aberdeen to a synagogue in Cheltenham and a Buddhist centre in London.

Given the success of the first round of LPOW awards, we were delighted to be able to deliver a second round of funding, which was announced by the Chancellor of the Exchequer. Awards will be announced later in 2016.

These places of worship are vital parts of our nation's heritage. They so often stand at the heart of the community – with at least one place of worship in almost every village or neighbourhood in the country. They play a crucial role in communities through civil and social activities, as well as worship. Protecting these buildings for the future is an urgent and necessary task – and one that we are proud to be helping to address.

“Protecting these buildings for the future is an urgent and necessary task.”



**Sir Peter Luff**  
Chair of NHMF



Left: A Chinese drawing

Top right: Letters and notes from one of Manning's notebooks

Bottom right: Pencil sketches of the five-year-old Dalai Lama

## The lost papers of Thomas Manning

Royal Asiatic Society of Great Britain

£51,000

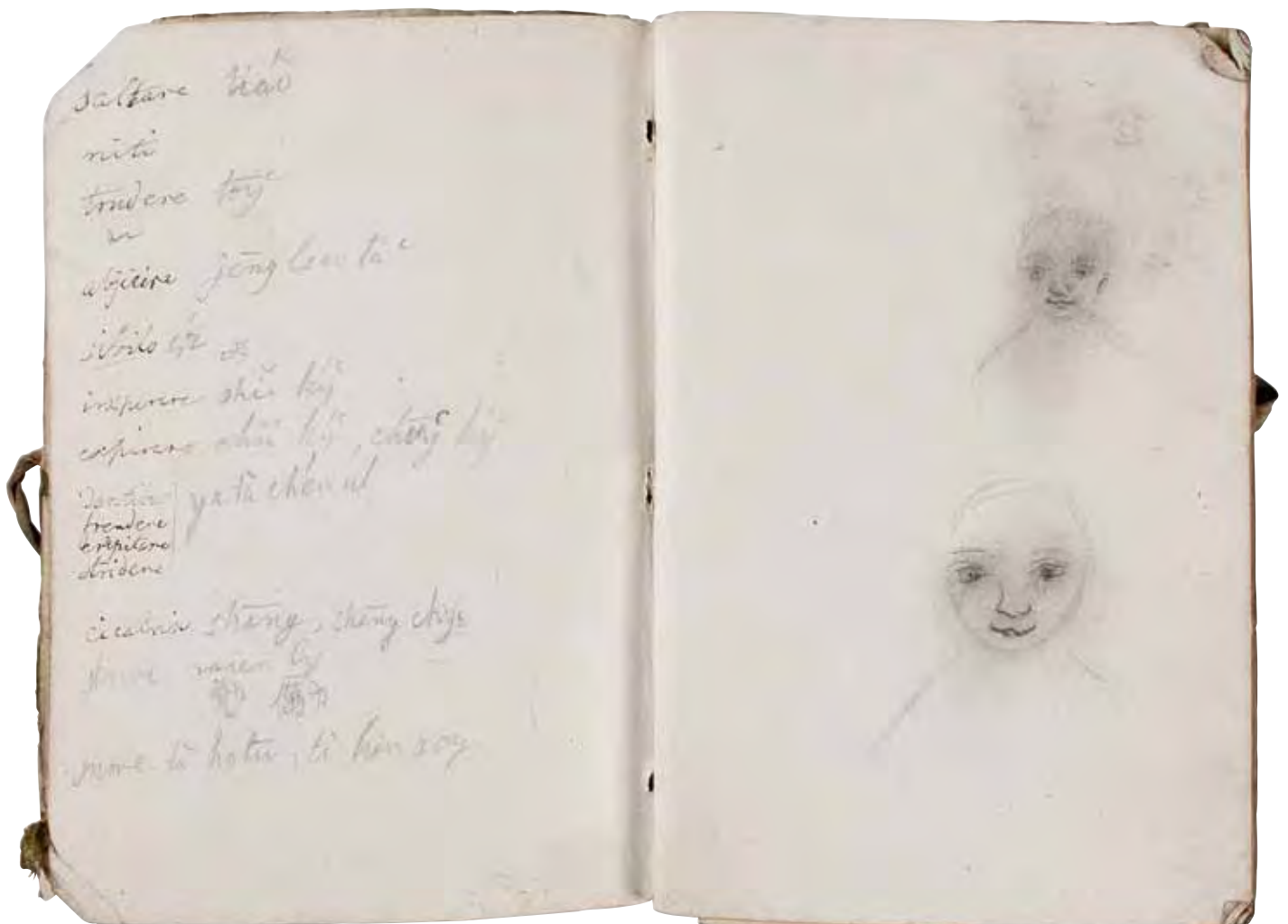
Thomas Manning (1772–1840) was one of Britain's first scholars of Chinese language and culture.

From an early age he developed a fascination with Chinese history and culture, his life's ambition was to visit and explore China. As Europeans were prohibited from entering China, Manning gained permission from the East India Company to live in Canton. From there he embarked on a mission to enter China via Tibet. He travelled overland from Calcutta to Tibet where he was the first British person to enter Lhasa and meet the Dalai Lama. He was, however, unsuccessful in his bid to enter

China via this route. Eventually Manning was given the opportunity to travel to China in 1816 as a Chinese interpreter for the ill-fated Amherst embassy, which suffered shipwreck on their return journey. He finally returned to England via St. Helena, where he met Napoleon.

The lost papers of Thomas Manning chart his attempts to visit China, his trip to Tibet and studies of Chinese language and culture. The archive consists of over 400 letters to and from Manning, papers, diaries and notebooks, all written in Manning's distinctive stream of consciousness prose. It also includes the manuscript copy of Narrative of the Journey of Thomas Manning to Lhasa.

Thomas Manning's papers will now be made available to the public for the first time after the Royal Asiatic Society of Great Britain was able to purchase the archive with the help of NHMF funding.





Acquisition of Erasmus's  
*Enchiridion militis Christiani*  
British Library

£150,000

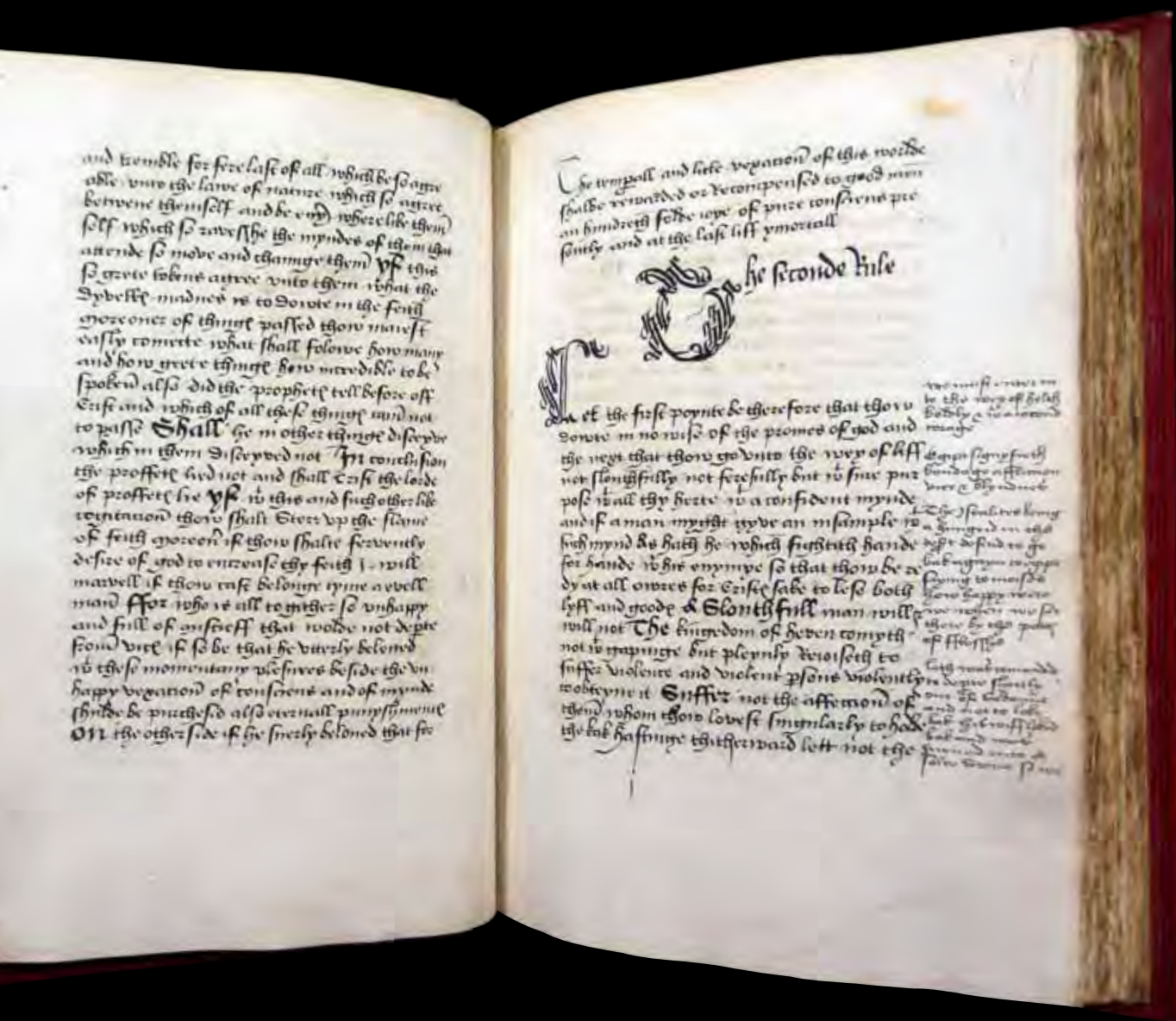
Called the 'Prince of the humanists' by his peers, Desiderius Erasmus (1466–1536) was an important intellectual of the 16th century.

Erasmus's work on new Greek and Latin editions of the New Testament was hugely influential on Protestant reformers. *Enchiridion militis Christiani* (Handbook of the Christian soldier), was originally designed to get a badly behaved soldier (a friend of a friend), to mend his ways. Erasmus later

expanded this into a book, as a summing up of the guiding principles of religious life.

The book was hugely popular at the time, with the original Latin text having fifty printed editions between 1501 and 1536. Erasmus spent many years working in England and was much admired by Henry VIII, whose library contained four copies. Between 1533 and 1545, 13 editions of the *Enchiridion* were published in English. This manuscript, written in 1523, is the earliest translation into English of any of the works of Erasmus and is thought to be the only surviving contemporary manuscript of the *Enchiridion*.

With the help of NHMF funding, the British Library in London has been able to add this important work to their collection.





**Clockwise from top left:** Ivy-covered cottage doorway with Mrs Goodchild, Hamledon, West Surrey 1886; George Evershed with a group of gourds (Potiron Rouge), Surrey, c.1885; sprigs of double white Scotch Briar roses in a Surrey garden, 1885; view of Edgeler Cottage with two flowered pea plant by the cottage door, 1886



## Gertrude Jekyll album of photographs

Garden Museum

£36,603

Gertrude Jekyll was one of the most influential figures in 20th century English garden design. Together with her contemporary, William Robinson, she changed the whole aesthetic of the 'classic' English garden from the ordered geometric formality of the Victorian era to one of picturesque naturalism.

This album of photographs contains 59 platinum prints of flowers, gardens and rural views taken by Jekyll between 1885 and 1886. They illustrate her signature style of rural traditions, cottage gardens and natural landscapes – for example the photograph of climbing roses on a cottage porch.

This is the only album of Jekyll photographs known to exist, outside of the Jekyll archive held at Berkeley College University of California. NHMF Trustees felt that it was essential to preserve this rare example of the work of one of our most talented designers, in the collections of the Garden Museum in London.

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**Two Forms (Orkney) 1967,**  
**Carved Slate, Barbara Hepworth**  
**Pier Arts Centre**

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£446,500

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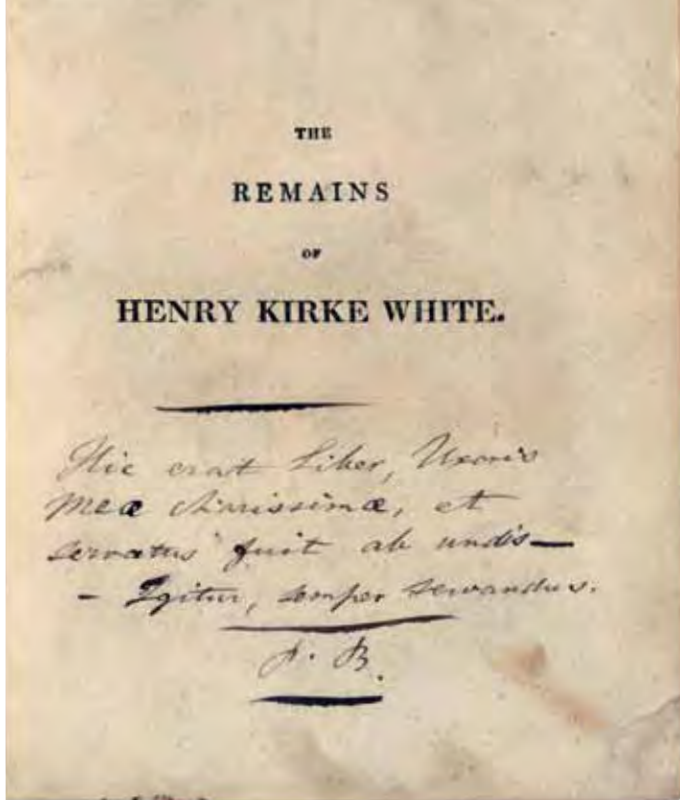
This sculpture, by Barbara Hepworth (1903–1975), is an expression of the British landscape and symbolic of the close friendship between Hepworth and the artist and founder of the Pier Arts Centre, Margaret Gardiner (1904–2005).

Hepworth and Gardiner met in London in the 1930s and became close friends and confidants. *Two Forms* alludes to the Neolithic structures found both in Cornwall, where Hepworth lived and worked, and Orkney, where Margaret Gardiner spent much of her time.

Carved in slate in 1967, *Two Forms* had been in a private Swiss collection since the 1980s. Having now been purchased by the Pier Arts Centre, in Stromness, Orkney with the aid of NHMF, the sculpture has been put on display at the gallery in Stromness, the first time it has been seen in public since the Tate Gallery's 1968 Barbara Hepworth retrospective in London.







## Mrs Brontë's book

The Brontë Society

£170,000

This book is a rare surviving possession of Mrs Maria Brontë – the mother of the world's most famous literary siblings.

This copy of *The Remains of Henry Kirke White* by Robert Southey originally belonged to Mrs Brontë and after her early death became a treasured family item. The book includes annotations and sketches by members of the family, as well as an unpublished poem and fragment of prose written by Charlotte Brontë. The book evidently was shared and valued by the whole family as a memento of their mother.

The book was saved when Maria Brontë's possessions were shipwrecked off the Devon coast shortly before her marriage to Patrick Brontë in 1812. It contains Latin inscriptions in Patrick's hand stating that this was '...the book of my dearest wife and it was saved from the waves. So then it will always be preserved.'

An NHMF grant has enabled the book to be returned to the Brontë family home in West Yorkshire, where it will be displayed at the Brontë Parsonage Museum.



Pages and notes from Mrs Brontë's book



**Left:** Photograph of Oliver Messel by James De Vries

**Centre:** Cleopatra mask and headdress created by Messel for the film *Caesar and Cleopatra*, 1945

**Main image:** Costume design for *The Sleeping Beauty*

## Saving the Messel Magic

University of Bristol Theatre Collection

£80,000

Oliver Messel was a talented and versatile British designer in the 20th century.

His career began in 1925 when he designed masks for the Ballet Russes at the invitation of Serge Diaghilev. He later joined the army during World War II and worked on designs for camouflage and tank traps. After the war he earned international renown as a theatre and film designer and applied his skills to interior design and décor – including decorating the Dorchester and the Royal Opera House.

The Oliver Messel Archive offers unrivalled insight into this remarkable artist's personal life and professional work. It includes scrapbooks, photo albums, designs, masks and costumes; as well as personal correspondence from friends and associates – including actors and artists, directors and royalty.

The archive was bequeathed to Messel's nephew and had remained in private hands ever since. NHMF Trustees felt it was essential that the work of this extraordinary talent be preserved with the help of NHMF funding. The archive is now in public ownership at the world-class University of Bristol Theatre Collection.

## Ted Hughes Archive

Pembroke College Cambridge

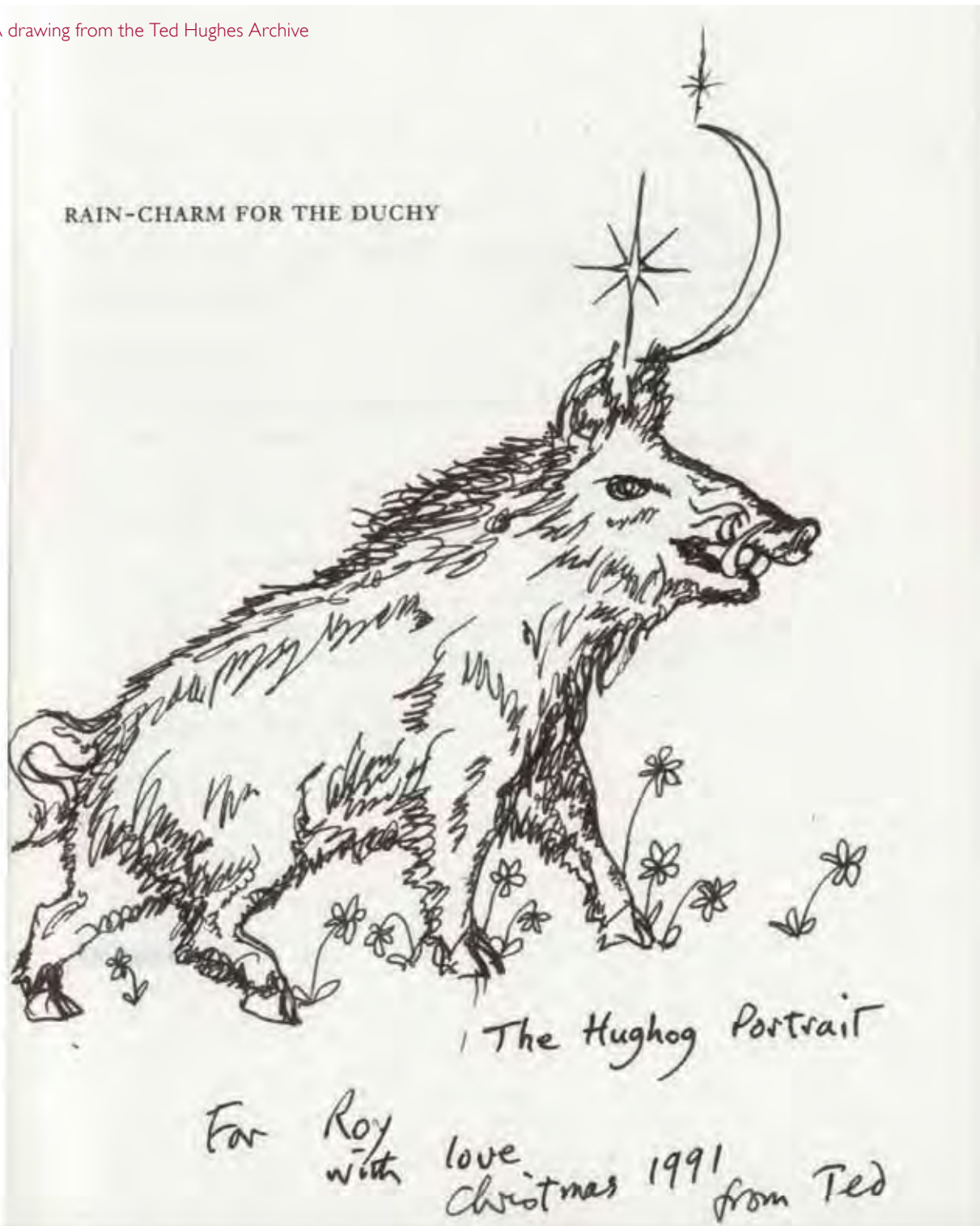
£65,000

Ted Hughes wrote some of the 20th century's most important poetry, often associated with the British countryside, its landscape, flora and fauna. In 1984 he was made Poet Laureate, and a monument to Hughes is in Poets' Corner in Westminster Abbey.

An archive belonging to the collector and close personal friend of Hughes, Roy Davids, was put up

for auction. NHMF's Trustees took an exceptional decision outside of their scheduled meetings so that Pembroke College, Cambridge could bid for the works of their former student. The archive was auctioned in two lots. Pembroke College secured the second; sixty printed works. Many are first or rare editions from special presses and more than half of them are annotated, hand illustrated or personally dedicated to Davids by Hughes. They include a special inscribed copy of the four-volume set *Collected Animals*, A First Edition of *The Hawk in the Rain* (1955), and *What is the Truth?* (1984) featuring signatures by the author and illustrator. These works have joined an existing Hughes Collection at Pembroke College, Cambridge.

Below: A drawing from the Ted Hughes Archive





## William Burges vase

Amgueddfa Cymru –  
National Museum Wales

£83,000

Architectural designer William Burges is best known in Wales for his work on Cardiff Castle where he rebuilt and redecorated the Welsh family home of the 3rd Marquess of Bute in the 19th century.

This tulip vase is one of a set of four, designed by Burges, for the smoking room at Cardiff Castle. The vases were created in a very unusual design, thought to have been influenced by Islamic

glassware, Chinese ceramics and the multiple chimneys of a French Medieval abbey kitchen.

The vase is an outstanding example of Victorian Gothic design and shows the 'progressive eclecticism' of William Burges's work.

After the 5th Marquess of Bute gifted Cardiff Castle to the people of Cardiff in 1947, the vases were sold on to private collectors.

Amgueddfa Cymru – National Museum Wales was able to acquire the vase after a temporary export bar prevented it being sold to an overseas buyer. As an important piece of Welsh design history, the vase will now remain in its original home city of Cardiff.





**May Morris quilt cover**  
**Society of Antiquaries of London**  
**£31,500**

*The Homestead and the Forest* is a child's cot quilt designed by May Morris, daughter of William Morris, pioneer of the Arts and Crafts movement.

Designed by May and embroidered by her mother, Jane Morris, the quilt shows Kelmscott Manor, the Morris family home, as a protected homestead, offering safety from the wilds of the forest.

May Morris was a talented embroiderer and designer. In 1885, aged only 23, she was appointed Director of Morris & Co's embroidery department. Under her leadership, the department created some of the finest embroidered work of the day.

The quilt is an exceptional piece of design work by May. When it was exhibited in 1890, it was praised for the complexity and originality of its design. May's design ideas were influenced initially by her father, but as this embroidery shows, she developed a style that was distinctively her own. In 1989, the quilt was part of an exhibition at the William Morris Gallery where the exhibition catalogue described it as 'one of the most important works featured'.

The owners of the quilt offered the Society of Antiquaries of London (SAL) first refusal to acquire the quilt, wishing it to return to Kelmscott Manor in Oxfordshire. Having secured the acquisition with the help of NHMF funding, SAL now plan to display the quilt cover on the bed of Jane Morris's room, on the first floor of the house.



**Left:** Quilt cover designed by May Morris

**Above:** Quilt cover at Kelmscott Manor

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**The Campbell Sisters by Bartolini**  
National Galleries of Scotland,  
Victoria and Albert Museum

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**£275,000**

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The Campbell sisters, Emma and Julia, were the nieces of the 6th Duke of Argyll and the two youngest daughters of Lady Charlotte Campbell, novelist and former lady-in-waiting to Caroline, Princess of Wales.

While Lady Campbell and her children were in Florence, Lorenzo Bartolini, one of Europe's leading 19th-century sculptors, was commissioned to create a sculpture of the sisters. Bartolini's final piece, *The Campbell Sisters Dancing a Waltz*, was displayed in Inveraray Castle, the Duke of Argyll's residence until the 1990s, when it went on long-term loan to the Scottish National Gallery in Edinburgh.

In 2014, a temporary export bar was placed on the sculpture after it was sold to an overseas buyer. NHMF supported the National Galleries of Scotland and the Victoria & Albert Museum in their joint purchase of the sculpture and these two great UK institutions will exhibit it in turn.



# Manuscripts from the Age of Shakespeare

Bodleian Library, Oxford University

£208,300

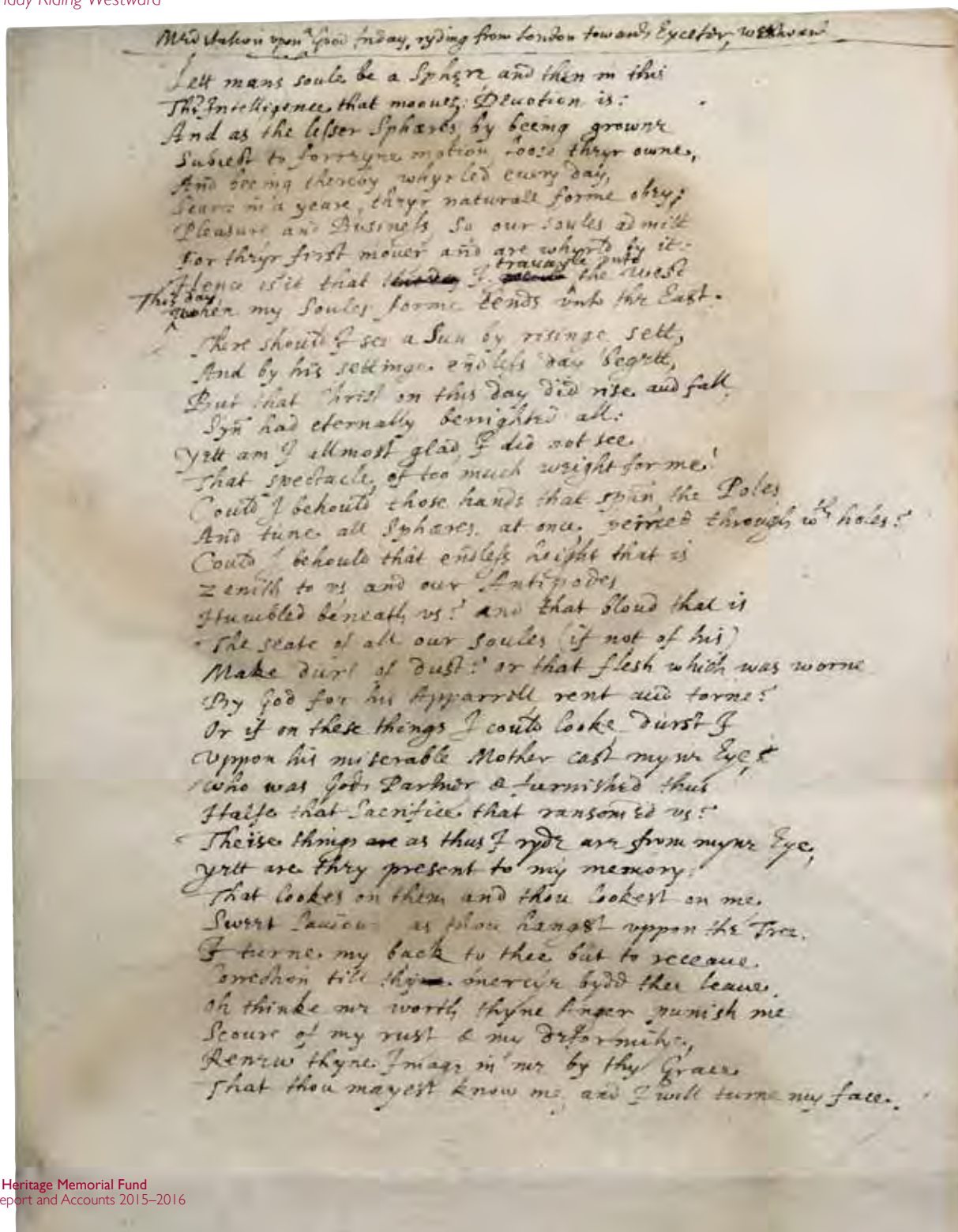
The Bodleian Library applied to NHMF for funding toward acquiring four important manuscripts they were hoping to secure at auction in New York of the collection of the late Robert Pirie, one of the world's leading book collectors.

They were outbid for three of the items but did succeed in securing an early manuscript of *Good*

*Friday Riding Westward*, one of John Donne's most famous poems. Written in the hand of Nathaniel Rich, a close associate of Donne; this manuscript is one of only two by this scribe known to exist – the other is in the collections at Princeton University. This early manuscript copy is of exceptional rarity and interest. Discovered in the early 1970s, its text differs substantially from other known manuscripts; lines are 'missing' and individual words altered. However, the poem is still complete, in that it is coherent and there have been convincing arguments put forward by academics that this is an earlier unknown version of *Good Friday*.

With NHMF support this manuscript has now been repatriated into a UK public collection.

Below: Manuscript of John Donne's poem  
*Good Friday Riding Westward*



## Performance report

### Overview

#### **Our performance in 2015–16 – a statement from the interim Chief Executive**

2015–16 was a year of significant challenge for us in our Memorial Fund grant distribution role. The fact that we successfully delivered the corporate priorities we set at the start of the year is a testimony to the commitment of the teams who work on the Memorial Fund side of our business alongside the leadership of the Board of Trustees and Management Board.

In terms of Memorial grant giving we saw the successful delivery of stage one of the Listed Places of Worship scheme from a standing start as well as the successful implementation of the application process for stage two. We dealt with many thousands of applications from a variety of bodies and the positive feedback from these applicants (both successful or unsuccessful) has been particularly satisfying.

Furthermore the continuing work of the Memorial Fund team on our 'standard grants' has saved some remarkable items of heritage for the nation (see our Performance Analysis below) and provided a widened public access to those items too.

In the Spending Review settlement announced in November 2015 our annual grant-in-aid was maintained at the level of £5million per annum through to 2020–21 – again a notable testimony to the value that heritage brings to the nation and the critical role that we play. This allows us to plan for the medium to longer term and at the same time protect the value of the original Memorial Fund endowment.

Shortly after the year end we said farewell to Carole Souter as our Chief Executive. The Fund is deeply in her debt for the remarkable and skilled leadership she has shown over thirteen years and her personal and professional commitment to heritage will be missed. In July 2016 we look forward to the arrival of our new Chief Executive, Ros Kerslake, who brings her own skills from the heritage and commercial sectors and we very much look forward to working with her.

Finally, let me thank all our NHMF staff– they are incredibly hard working, truly committed to the work of the Fund and provide an exceptional service to the nation's heritage, which too often goes unsung.

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

The National Heritage Memorial Fund (NHMF or 'the Fund') is vested in and administered by a body corporate known as the Trustees of 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.

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.

### Our key issues and risks

Our key issue in the Memorial Fund work has been very much focused on the Listed Places of Worship: Roof Repair Fund in 2015–16. We have had to create a new programme from a standing start – including creating an online application portal, online forms and payments, assessment of many thousands of applications, award of grants and follow-up work on delivery and monitoring.

This entailed significant risk and we managed this by providing specific, experienced leadership resources in both policy and operational delivery. This was supplemented by key support in the corporate areas to deliver the IT, staffing and payment arrangements. We have effectively managed the risk to this point and an internal audit review provided additional assurance on our risk management in this area. We will need to continue that through the early part of 2016–17 as we award grants in stage 2 of the programme.

The other main risk related to our Spending Review settlement and whether that would be maintained at historic levels. The settlement confirmed that it would and we successfully managed that risk through a detailed assessment of the economic and cultural benefits that Memorial funding brings and how this translated into 'gross value add' for the wider UK economy and heritage sector in particular.

### Going concern basis

The accounts have been prepared on a going concern basis. 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 2016–17 that is not expected to alter that position. The Board has no reason to believe that the Fund will not continue to operate in the foreseeable future.

The Listed Places of Worship: Roof Repair Fund has had a significant impact on our Statement of Financial Position. This is simply a timing difference in that our awards were made in 2014–15 and were reflected on the Statement of Financial Position at that time. However, we don't receive the grant-in-aid from DCMS until the associated grant payments are made – many of these took place in 2015–16, but there is still a large amount outstanding. Over time, the impact of LPOW will be neutral on our financial position.

### Performance summary

The scale of our Memorial Fund work means we have limited performance indicators but these are shown in the sections below. These have all been successfully met in 2015–16.

Indicator (standard awards)	Outcome in 2015–16:
NHMF costs will be under 5% of grant-in-aid	Met (4.6%)

Further indicators are shown below in the section on Key Performance Indicators. Overall the performance of the Memorial Fund grant giving and policy work has been very high in 2015–16.

### Performance Analysis

The Listed Places of Worship: Roof Repair Fund (LPOW) was announced by the Chancellor of the Exchequer in the 2014 Autumn Statement. NHMF was asked by our sponsor department to run the programme aimed at listed places of worship throughout the UK regardless of faith or denomination. We received over 1,900 applications with a grant request of some £105million by 30 January 2015 and we made awards of £26.4million to over 500 places of worship in March 2015. With the support of the LPOW team, those projects have got underway during 2015–16 and a number have been completed.

In response to the high demand, the Chancellor allocated £25million further funding for a second round of the programme to be committed during 2016–17. This round was launched in December 2015 with an application deadline of 26 February 2016.

The LPOW team reviewed the programme in the light of lessons learned from the first round. The focus on urgent repairs to roofs and rainwater goods was retained and the potential size of grant was kept at £10,000 to £100,000. The high number of applications received in the first round for projects where the repair was identified as being necessary within the next two years, suggested that it was sensible to narrow the criteria to projects that met that timeframe instead of five years. The application form was updated and the online application process was streamlined. A longer application period enabled staff to provide development workshops and other support to help potential applicants better understand the programme requirements.

By the application deadline in February, just over 1,500 applications requesting grant of nearly £88million were received. This echoed the level of applications received for the most urgent projects during the first round. Assessment of these bids is underway and the NHMF Board will be making decisions on the second round in June 2016.

## Report of the Trustees and Accounting Officer

Excluding LPOW, the NHMF received 14 applications of which 12 were funded. Of the fourteen applications one was rejected and one was withdrawn. One award, to SAVE Britain's Heritage, lapsed so was not taken up. The total amount awarded by Trustees for the twelve cases was £4,622,903 including the lapsed award.

Three of the applications were for items that were temporarily stopped from export out of the UK following advice from the Reviewing Committee for the Export of Works of Art. The British Library acquired a previously unknown manuscript of a contemporary translation of *Enchiridion militis Christiani* by Erasmus. This manuscript is dated 1523 and is the earliest translation as yet known of Erasmus' work into English. As far as it is known, it has always been in a private collection so there has never been public access to either see or examine the manuscript. The National Galleries Scotland and the Victoria & Albert Museum acquired the sculpture *The Campbell Sisters*, by the artist Lorenzo Bartolini. The sculpture was loaned to the Scottish National Gallery in 1991 until it was withdrawn and auctioned in 2014. Its subsequent sale to an American museum resulted in the application of an export stop. The two museums will alternate its display with Canova's *Three Graces*, which they also acquired as a partnership with the aid of NHMF funding in 1989.

Two acquisitions related to the Arts and Crafts movement were made this year, the first of which was subject to export review. A tulip vase acquired by the National Museum Wales is one of a set of four originally designed by the designer and architect, William Burges, for Cardiff Castle. Burges was an admirer of the Pre-Raphaelites and the vase was the subject of an export licence deferral on the grounds of aesthetic importance and outstanding significance for the study of Burges. Our funding allowed the vase to remain in Wales. Secondly, the Society of Antiquaries acquired *The Homestead and the Forest*, a child's cot quilt designed by May Morris and embroidered by her mother Jane Morris, which was sold in the auction of Kelmscott's contents following May's death in 1939. The quilt depicts Kelmscott Manor, the Morris's family home, and the Society will return it to the manor house.

Artworks have featured in our acquisitions this year. We provided funds for another sculpture, coincidentally also in Scotland. Pier Arts Centre in Stromness on Orkney acquired *Two Forms (Orkney)* 1967 by Dame Barbara Hepworth. The sculpture is an expression of the British landscape and symbolic of the close friendship between Hepworth and the artist and founder of the Pier Arts Centre, Margaret Gardiner. The Garden Museum acquired an album of photographs by Gertrude Jekyll, one of

the key figures in English garden design. The album contains 59 platinum prints of flowers, gardens and rural views taken by Jekyll between 1885 and 1886. The museum will display the album in their new gallery of garden design, which is currently being developed with the aid of HLF funding.

NHMF supported the acquisition of a number of varied archive collections this year. A collection of manuscripts, letters and drawings by the poet Ted Hughes, amassed by his close friend Roy Davids, was acquired by Pembroke College, Cambridge. The University of Bristol added the Oliver Messel personal archive to its extensive theatre collection. Messel was one of Britain's most talented film and theatre designers in the first half of the twentieth century. The archive had been on loan to the museum and, without NHMF funding, could have been broken up and sold at the end of the loan period. The third archive collection is the Thomas Manning papers for the Royal Asiatic Society, Manning was an early British sinologist and the archive charts his attempts to visit China, his trip to Tibet and studies of Chinese language and culture. Having Manning's papers accessible in a public institution should make him and his work better known and appreciated.

Other literary-related heritage saved for the nation included an early manuscript copy of one of John Donne's most famous poems *Good Friday Riding Westwards*. Only one English poem written entirely in John Donne's hand survives and only two in the hand of Nathaniel Rich, a close associate of Donne, of which this acquisition is one. The manuscript will be used in exhibitions, events and talks at the Bodleian Library, Cambridge. The other item of literary heritage is the Brontë family's copy of *The Remains of Henry Kirke White* by Robert Southey, which originally belonged to the Brontës' mother, Maria Brontë, and following her death evidently became a treasured family item. The book, acquired by the Brontë Society, includes numerous annotations and sketches by members of the Brontë family as well as two unpublished fragments of writing by Charlotte Brontë.

Total standard grants awarded came to £4.6million. In addition, another £2.1million of LPOW awards were made.

We received grant-in-aid of £21.5million in the year; £5million was our standard annual grant and a further £16.5million was received towards our grant payments and administrative costs for running LPOW. We made £26.4million of LPOW awards at the end of 2014–15, but received the associated grant-in-aid in 2015–16 when grant payments actually started. As a result, the reported operating deficit in 2014–15 was extremely large whilst this year it fell from £31.6million to £3.7million.

A full list of grants awarded is as follows:

Acquisition	Applicant	Awarded
English translation of Erasmus' <i>Enchiridion</i> manuscript	The British Library	£150,000
Gertrude Jekyll album of photographs	Garden Museum	£36,603
Manuscripts from the Age of Shakespeare	Bodleian Library, Oxford University	£208,300
May Morris quilt cover	Society of Antiquaries	£31,500
Mrs Brontë's Book	The Brontë Society	£170,000
Oliver Messel archive	University of Bristol	£80,000
Papers of Thomas Manning	Royal Asiatic Society	£51,000
Roy Davids – Ted Hughes Archive	Pembroke College Cambridge	£65,000
<i>The Campbell Sisters</i> by Lorenzo Bartolini	National Gallery Scotland, Victoria & Albert Museum	£275,000
<i>Two Forms (Orkney)</i> 1967 by Barbara Hepworth	Pier Arts Centre	£446,500
William Burges vase	Amgueddfa Cymru – National Museum Wales	£83,000
Wentworth Woodhouse (which lapsed later in the year)	SAVE Britain's Heritage	£3,025,000
<b>Total standard grants awarded</b>		<b>£4,621,903</b>

It is anticipated that the operating deficit will rise substantially again in 2016–17 as we award the second tranche of LPOW awards.

Despite the reported operating deficit, we had over £28million of net assets at the year end. In addition, Trustees have received an allocation letter from DCMS, our sponsor department, which makes it clear that NHMF will receive sufficient grant-in-aid in the next few years to cover its liabilities and planned grant budgets.

In addition to the impact on the normal level of awards, LPOW has also distorted our administrative costs, with a large increase in staff and other operating costs. This level of higher costs will continue whilst LPOW is in operation over the next few years. Staff costs almost doubled as we set up a separate LPOW team to handle the payment of the 2014–15 awards and assess the intended 2016–17 awards – the deadline for applications was February 2016. The rise in administrative costs mostly represents the cost of designing and implementing an IT system to allow us to process the programme effectively. These costs will, ultimately, diminish over the life cycle of the LPOW programme.

There were no sums drawn down from the endowment in 2015–16 and only a small sale of units to fund the fees of our investment managers. This means that the income generated by the endowment fund was minimal. There was a small unrealised loss on the market value of the endowment as the world's stock markets wobbled

during the year. This meant that the value has dipped slightly below its target value of being equal to its initial 1980 value in real terms. The endowment fund investment policy remains one of capital accumulation, but the Trustees' investment panel will revisit the strategy in 2016–17 when a re-tendering exercise for the investment management contract is undertaken.

Cash balances rose significantly during the year, from £487,000 to £3.5million. The de-commitment of our award to SAVE Britain's Heritage occurred right at the end of March following a number of contract extensions granted by Trustees. The consequence of this is that we had a lot of cash set aside for the grant payment that was no longer required. These surplus funds will be transferred back to our investment managers after the year-end for deposit at better interest rates than available from our main bank.

Outstanding grant commitments halved in 2015–16 from £28.7million to £13.7million. This was due to us paying grants for the LPOW awards made in 2014–15. This year the level of LPOW awards was much reduced. We held back £3million of the £30million allocation for LPOW in 2014–15. From past experience, we knew that grant increases would be inevitable once church roofs were removed and the full extent of the damage uncovered. As it was, we awarded £2.1million of increases and spent about £700,000 on LPOW administration. Unfortunately, the remaining £200,000 cannot be carried over to future years and will be lost to the programme.



## Report of the Trustees and Accounting Officer

### Key performance indicators

Trustees recognise that NHMF should strive for high performance in its activities. To this end, there are three performance indicators in our 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. The fund is achieving the majority of its targets thereby demonstrating an effective service to our applicants and grantees.

	Target	2015–16	2014–15	2013–14	2012–13	2011–12	2010–11
Application processing times (months)							
– urgent applications	3	0.9	0.7	1.3	1.2	1.3	1.1
– non-urgent applications	6	0.9	1.4	2.2	2.6	2.1	1.7
Publicising decisions (working days)							
– post decisions on website	14	20	10	10	10	10	10
Paying grants (working days)							
– after payment request							
Standard grants	15	4	3	5	4	7	3
LPOW	10	2	n/a	n/a	n/a	n/a	n/a

The above indicators and targets will continue into 2016–17.

### 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 2015–16, the average age of invoices paid was five working days (2014–15: 6 days). Over 96% of invoices were paid within 30 calendar days (2014–15: 96%).

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 2016, the figure was 29 days (2014–15: 18 days).

### 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' for this and from April 2010, NHMF recorded its carbon footprint in terms of business travel undertaken, waste generated and energy consumption. As 2010–11 was the first year of collecting the information, it was not a reliable baseline. In addition, the compilation of this data is unfortunately not an exact science; for example, none of our landlords provide figures for kilowatt hours of gas or electricity used nor are they able to bill quickly enough after a year-end to provide figures in time for the production of year-end accounts. As the majority of our offices are small minor occupancies with private sector landlords

fully robust reporting is a challenge. This means that we have to use estimates for most offices. In addition, we have signed a fixed cost contract with the supplier of water to our head office; this means we no longer receive consumption data. The overall position is improving slightly over time, but we still have to estimate much of our consumption. From 2013–14, we have also started to calculate our carbon dioxide equivalent consumption for water and for waste.

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 greenhouse gas emissions have risen in 2015–16 on a gross basis, although the rise is minimal on a full time equivalent basis (FTE). This is for the following reasons:

- i) staff numbers have increased from an average of 262 to 280 and so it is inevitable that consumption will have increased;
- ii) our travel and subsistence costs have increased by 20% in the year. This partly reflects an increase in the subsistence rates we utilise as they hadn't changed for a number of years; but we believe that the main reason is increased activity. This reflects the higher level of larger applications processed in the year and the on-going processing of a large portfolio of live projects;
- iii) Department for Environment, Food, and Rural Affairs (DEFRA) has altered its conversion factors for many of our categories of consumption. Inevitably, this has an impact on year-on-year comparison.

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 very little scope for further reducing greenhouse 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. Over the years, we have re-located some of our regional and country offices into smaller premises, which will have reduced consumption. Since May 2011, we have also rented out most of one of the floors of our head office building with the effect of reducing the consumption that we report.

### Greenhouse gas emissions

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

Kilowatt hours are converted to carbon dioxide equivalent tonnes using a conversion factor supplied by DEFRA. The carbon dioxide equivalent for emissions from our air conditioning chillers was also calculated using the formula set out in DEFRA's guidance at [www.ukconversionfactorscarbonsmart.co.uk](http://www.ukconversionfactorscarbonsmart.co.uk)

Indirect energy emissions relate to electricity generated by other organisations and sold directly

to us as well as heating that we buy from landlords of our country and regional offices. Information about consumption in kilowatt hours is obtained from our landlords, where possible; although their methodologies can vary. Kilowatt hours are converted to carbon dioxide equivalent tonnes using a conversion factor supplied by DEFRA. We are reliant on our landlords to improve efficiency.

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

### Waste

Waste generation has risen slightly in 2015–16, but, as discussed below, there is no reliable measure of the amount of waste we generate as it is simply taken away by councils and it would not be an appropriate use of resources to procure weighing equipment simply for the purpose of improving our reporting of this figure. We will continue to seek out a practical solution to calculating a reliable figure. Another reason for the small increase is that it is inevitable that the level of waste increases when an office move occurs as the opportunity is

Area	2015–16	2014–15	2013–14	2012–13	2011–12	2010–11
Greenhouse-gas emissions – scopes 1, 2 & 3 which incorporates business travel including international air and rail (tonnes CO <sub>2</sub> equivalent)	<b>635</b>	591	489	550	747	594
Estate energy – consumption (mkWh)	<b>1.1</b>	1.1	0.9	1.1	1.3	1.3
– expenditure (£)	<b>488,361</b>	429,425	445,624	489,638	384,532	358,000
Estate waste – amount (tonnes)	<b>28</b>	26	28	24	19	20
– expenditure (£)	<b>13,268</b>	14,095	12,400	5,518	6,640	8,000
Estate water – consumption (m <sup>3</sup> )	<b>4,350</b>	4,889	5,655	3,757	5,223	14,716
– expenditure (£)	<b>7,413</b>	11,825	14,182	11,253	18,786	19,000

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

Area per FTE	2015–16	2014–15	2013–14	2012–13	2011–12	2010–11
Greenhouse-gas emissions – scopes 1, 2 & 3 which incorporates business travel including international air and rail (tonnes CO <sub>2</sub> equivalent)	<b>2.3</b>	2.3	1.9	2.2	3.3	2.5
Estate energy – consumption (kWh/FTE)	<b>4,105</b>	4,134	3,595	4,249	5,701	5,686
– expenditure (£)	<b>1,744</b>	1,639	1,716	1,986	1,679	1,530
Estate waste – amount (tonnes)	<b>0.1</b>	0.1	0.1	0.1	0.1	0.2
– expenditure (£)	<b>47</b>	54	48	22	29	34
Estate water – consumption (m <sup>3</sup> /FTE)	<b>16</b>	19	22	15	23	63
– expenditure (£)	<b>26</b>	45	55	46	82	81

## Report of the Trustees and Accounting Officer

taken to dispose of surplus items accumulated over the years.

NHMF does not generate any hazardous waste. Further analysis of what happened to the waste we generated is not possible. All non-recycled waste is collected by councils local to the offices in which we operate. We do not know what they do with that waste and have made assumptions as to where the waste goes in order to produce the above figures. Only Kensington & Chelsea Council invoice us separately, but we have now started including the cost of removing shredded paper into the figures. We will explore more environmentally friendly storage and destruction options in 2016–17.

Our country and regional offices are small enough to weigh the waste they generate. There is no reliable way to measure the much greater volume of waste removed by 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 ratio to staff in London.

### Use of Resources

Water consumption fell in 2015–16. Our landlords provide information about the number of cubic metres of water consumed based on the space we occupy, rather than by individual metering. In 2015–16 we installed more efficient toilet facilities in our headquarters. We have also signed a fixed price contract for water supply for our head office. This has resulted in a much reduced charge, but at the expense of the supplier not providing us with details of actual consumption. Consequently, we have used the 2014–15 figure.

We undertook in 2013–14 a review of electricity consumption at our head office in London. This involved an investigation of power usage on each floor through the placement of meters and by undertaking enhanced maintenance to improve the efficiency of our electrical devices. Estate energy consumption fell in 2013–14 and remains at that level on an FTE basis following an anomaly in 2014–15. We have signed contracts to cap gas and electricity costs for our head office for 2016–17 and beyond. However, we have to accept that the weather has a bigger influence over our consumption than any improvements we can make to our energy efficiency.

### Colin Bailey

Interim Chief Executive and Accounting Officer

30 June 2016

## Accountability report

### Corporate governance report

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

### The directors' report

#### Chair and Trustees of NHMF

##### Chair

Sir Peter Luff <sup>2</sup>

##### Trustees

Sir Neil Cossons OBE *from 31 January 2016*

Sandie Dawe CBE <sup>1</sup>

Dr Angela Dean <sup>1</sup>

Sir Roger De Haan CBE <sup>2</sup>

Jim Dixon <sup>1</sup>

David Heathcoat-Amory <sup>1</sup>

Perdita Hunt OBE <sup>2</sup>

Steve Miller

Richard Morris OBE

Atul Patel <sup>2</sup>

Dame Seona Reid

Virginia Tandy *to 31 August 2015*

Dr Tom Tew

##### Chief Executive

Carole Souter CBE <sup>2</sup>

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

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

Details of other senior managers can be found in the Remuneration Report below.

The gender split of our staff (including those on a fixed-term contract) working on exchequer-related activities and our Trustees at 31 March 2016 on a headcount basis was as follows:

	Male	Female	Total
Trustees	9	4	13
Directors	0	0	0
Staff	3	13	16

Whilst we disclose 16 staff above, all the directors and staff in the support departments get involved in both our Lottery-distribution and grant-in-aid distribution activities. However, as the overwhelming majority of their time is spent on Lottery-distribution activities, their statistics are incorporated in those accounts.

### Register of interests

As a matter of policy and procedure, the Trustees declare any direct interests in grant applications and commercial relationships with NHMF and exclude themselves from the relevant grant appraisal, discussion and decision processes within NHMF. In their contacts with grant applicants, Trustees seek to avoid levels of involvement or influence that would be incompatible with their responsibilities as

a Trustee of NHMF. There are corresponding arrangements for staff to report interests and avoid possible conflicts of interest. The Register of Trustees' Interests is available for public inspection by contacting the Secretary to the Board, 7 Holbein Place, London SW1W 8NR.

### Future developments

Our standard grant-in-aid will be £5million, which was confirmed in the Spending Review, so we can plan out to 2020–21. There is always high demand for awards as evidenced by the number of applications and enquiries received this year, so the Trustees consider that a baseline of £5million grant-in-aid is the minimum needed to allow NHMF to meet its statutory duties. In the coming year we will be improving our application process by making it fully available online from pre-application through to grant payment.

In 2014–15 we reached the target level for the NHMF endowment meaning the endowment is at the level originally given to us. Whilst the value dipped slightly in 2015–16, we will review our investment strategy in 2016–17 in the light of the settlement and the re-tendering of our investment management services.

### Appointment of auditors

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

### Key stakeholders

The key stakeholder of NHMF is DCMS. We are also mindful of the needs of the heritage sector and the population of the UK when making decisions on applications for funding.

### Events after the reporting period

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made. The Accounting Officer signed the accounts on 30 June 2016 and they were authorised for issue on the date the accounts were certified by the Comptroller and Auditor General. A new Chief Executive and Accounting Officer is expected to be in place on 4 July 2016.

### Personal data

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

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

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

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

- 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.

Following the retirement of the Chief Executive in May 2016, the Principal Accounting Officer of DCMS has appointed the Director of Finance & Corporate Services as Interim Chief Executive and Accounting Officer for the Fund. His relevant responsibilities as Accounting Officer, including his 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 he ought to have taken to make himself aware of any relevant audit information and to establish that our auditors are aware of that information.

## Governance Statement

### Foreword

During 2015–16 the Chief Executive, Carole Souter, was Accounting Officer. She retired on 2 May 2016. I was appointed Interim Chief Executive from 3 May 2016 and Accounting Officer from that date.

## Report of the Trustees and Accounting Office

Throughout 2015–16 I was Director of Finance and Corporate Services so I am familiar with the arrangements for stewardship and control in the Fund. In the transition and handover discussions with the outgoing Chief Executive and Accounting Officer I satisfied myself with the application of the system of internal controls operating in the Fund.

On 4 July 2016 Ros Kerslake will take up post as the new Chief Executive and she will be appointed Accounting Officer from that date.

### Introduction

This Governance Statement is a summary of the arrangements for the stewardship of the National Heritage Memorial Fund, including how we manage risk and how we comply with the 2011 Code of Good Practice.

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

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

### Governance structure

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



### Board of Trustees

The Board of Trustees is responsible for:

- giving strategic leadership and direction;
- approving control mechanisms to safeguard public resources;

- approving grant programme and administration budgets;
- supervising the overall management of NHMF activities; and
- reporting on the stewardship of public funds.

The Board operates as a group and held 11 meetings during the year to set NHMF policy and make decisions in line with that policy. These meetings are attended by the Chief Executive and the Management Board. All Board meetings held in 2015–16 were quorate. Sir Peter Luff is chair of the NHMF and throughout the year regular liaison meetings were held between the Chair, the Chief Executive and Directors.

The Board is normally constituted of 15 Trustees including the Chair. Throughout 2015–16 we have awaited the appointment of a new Trustee for Northern Ireland – the mechanisms for this recruitment have now been agreed and we expect this post to be filled at some point in 2016–17. In the meantime we have temporary arrangements to handle this absence. Since February 2015 we have been without a Trustee for Wales and we also put in place temporary arrangements to cover this absence too. This post has now been appointed and from 1 April 2016 Baroness Kay Andrews has held that role.

The overall attendance rate of Trustees at Board meetings was 97%. Trustees have also delegated some of their tasks to the three Committees shown below – these Committees oversee the activities of management and provide guidance and support to senior staff. The minutes of Committee meetings are standing items at the Board's meetings. The Committee Chairs also provide a full report on their activities.

Attendance at the Board meetings throughout 2015–16 was as follows:

Trustee	Eligible meetings	Meetings attended
Sir Peter Luff	11	11
Sir Neil Cossons OBE <i>from 31 January 2016</i>	2	2
Sandie Dawe CBE	11	11
Sir Roger De Haan CBE	11	11
Dr Angela Dean	11	11
Jim Dixon	11	10
David Heathcoat-Amory	11	11
Perdita Hunt OBE	11	10
Steve Miller	11	11
Richard Morris OBE	11	10
Atul Patel	11	10
Dame Seona Reid	11	10
Virginia Tandy <i>to 31 August 2015</i>	4	4
Dr Tom Tew	11	11

### Board composition

Of the 14 Trustees who attended the Board throughout the year 36% were female and 64% were male. One (7%) came from an ethnic minority background.

### Board conflicts of interest

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

### Audit and Risk Committee

The Committee met on four occasions during the year and was quorate at each meeting. Following the committee's training in 2014–15 several items have been implemented to further improve the effectiveness of the Committee and these have continued successfully throughout 2015–16, for example in-camera pre-meetings by the Trustees and with the auditors, standing items on Internal Audit recommendations' completion and procurement exceptions.

The Chief Executive attended each Committee meeting with the Director of Finance and Corporate Services – other senior staff attended as required. The Committee is supported and serviced by the Fund's Secretariat. The Fund's external auditors (National Audit Office and KPMG) and internal auditors (Moore Stephens) also attend the meeting.

The Committee agreed a three-year audit strategy with Moore Stephens upon their appointment and

the reviews carried out in 2015–16 and reported to the Committee were in line with that strategic approach. A detailed one-year plan of internal audit reviews is approved annually.

During the year, the Committee considered reports on:

- the grant application portal
- server IT migration
- Listed Places of Worship: Roof Repair Fund (follow up)
- risk management (follow up)
- monitoring projects
- governance in decision making
- talent management and succession planning
- strategy development
- core financial controls

In addition the Committee considered two specialist reviews on projects in delivery and post-delivery in the north west of England.

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

The Committee also reviews the Annual Reports and Accounts for both the National Heritage Memorial Fund and Heritage Lottery Fund. During 2015–16 in addition to the above reports and accounts the Committee also considered the following:

- the arrangements for consolidating the new risk management processes at departmental level
- fraud and alleged fraud cases including a successful prosecution
- procurement arrangements including any exceptions to normal procurement tenders
- information assurance and management risks from a specialist report

The principal issues considered in this report included:

- information security, awareness and training needs
- document and information classification system
- information asset ownership
- data protection compliance
- information management processes

## Report of the Trustees and Accounting Officer

Attendance at the Committee meetings throughout 2015–16 was as follows:

Trustee	Eligible meetings	Meetings attended
Dr Angela Dean <i>Chair</i>	4	4
Sandie Dawe CBE	4	4
Jim Dixon	4	3
David Heathcoat-Amory	4	4

### Finance, Staffing and Resources Committee

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

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

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

- management accounts and financial management information (including efficiency targets)
- performance data against operational and service standards
- other performance management data
- staffing levels and personnel data such as sickness absence, training and development spending
- IT investment propositions
- functional strategies for IT, Estates, HR and Finance

The Committee approved the proposed budgets for grant programmes and administration for submission to the Board. The Committee also recommended the 2016–17 Business Plan.

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

Attendance at the Committee meetings throughout 2015–16 was as follows:

Trustee	Eligible meetings	Meetings attended
Atul Patel <i>Chair</i>	3	3
Sir Peter Luff	3	3
Sir Roger De Haan CBE	3	3
Perdita Hunt OBE	3	3
Carole Souter CBE	3	3

### Communications Committee

The Committee met on four occasions during the year and was quorate at each meeting. It is chaired by a Trustee. The Committee advises on communications strategy and acts as a sounding board for key initiatives. The Committee reviewed the following during the year:

- National Lottery messaging and positioning
- the work of the National Lottery Promotion Unit
- branding for the Heritage Lottery Fund activities
- the Heritage Index created with the RSA

Attendance at the Committee meetings throughout 2015–16 was as follows:

Trustee	Eligible meetings	Meetings attended
Sir Peter Luff	4	4
Jim Dixon	4	3
Dame Seona Reid	3	3
Virginia Tandy <i>to 31 August 2015</i>	2	2
Dr Tom Tew	2	2

### Delegated grant decision making

The Trustees have 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 a Trustee. In addition to making grant decisions, these Committees provide advice to the Board on priorities within their area and act as advocates for the organisation's work as a lottery distribution body. Chairs of Country and Regional Committees meet with the Board Chair and the Chief Executive, along with senior staff, twice a year.

New members of these committees have a formal induction with the Chief Executive and senior staff throughout the year depending on the recruitment and appointment cycle. In 2015–16 we undertook one formal induction session for several new members.

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

### Management Board

The Board delegate day-to-day management to the Chief Executive. The Chief Executive is supported by a Management Board consisting of all directors and deputy directors. The Management Board meet weekly to agree management actions and responses on operating matters. Each Departmental Director provides a monthly report to the Board on activities and issues within their remit. The Chief

Executive also holds regular meetings with the Managers' Forum consisting of senior and middle managers and ensures Board decisions and directions are communicated directly to key staff. These meetings include verbal reports on activities across all departments as well as discussion of thematic issues affecting all teams, for example risk management and business planning.

### **Structure**

The Chief Executive operates a four-department structure of:

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

The Secretariat team reports directly into the Chief Executive.

The annual operating plan – the Business Plan – is developed each year alongside financial budgets and grant programme planning. Like last year, this year we also integrated risk management into the business planning process more closely. The Business Plan is discussed with our sponsor department DCMS. DCMS also set policy directions and financial directions with which we have complied in our lottery activities. The Scottish and Welsh governments have also issued some policy directions with regard to lottery activities in those countries and we have also complied with those.

We operate in line with a Management Agreement and Financial Memorandum between ourselves and DCMS. This is supplemented by regular meetings with DCMS officials and other National Lottery Distributors.

In 2016–17 we expect to have a Tailored Review of our work led by DCMS. We also expect the Management Agreement to be reviewed as part of the normal cycle of governance.

### **Risk Management and internal control**

Our system of risk management and internal control is designed to manage risk to an acceptable level rather than eliminate risk to policies, aims and objectives – it can therefore only provide reasonable and not absolute assurance. In particular I am clear that the approach of risk management should not stifle innovation or business change where this is needed. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of policies, aims and objectives and to evaluate the likelihood of those risks being realised and the impact if that realisation occurred.

All policy setting and grant decision-making is informed by the risk management culture and approach of the NHMF. In 2014–15 the Management Board overhauled our risk management approach as part of a wider exercise on assurance across NHMF. In 2015–16 we embedded this further into individual departments – each with their own replicated risk identification and management process. Each department now has its own risk register in support of the corporate risk register.

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

The Board also reviewed its Risk Appetite for 2016–17 and maintained that at the level and content of the appetite for 2015–16. The Board also recognised the risks and challenges facing NHMF in 2016–17 especially in its lottery distribution role – these are expected to evolve from the principal risks for 2015–16 as set out below. Effective risk management in the year ahead will be particularly important.

We also recognise that well thought-through risk taking and innovation to achieve NHMF objectives should be encouraged. I believe that the Fund demonstrates innovation in its choice of grant awards and does not simply resort to making risk-free decisions.

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 that grant. We learn our lessons, improve our processes and in rare circumstances write off the grant. In cases where we suspect fraud or improper behaviour we will report the case to the police for further investigation. The Chief Executive approves all write-offs and this allows me to monitor the amount each year to provide assurance on our assessment and monitoring procedures.

As can be seen from the relevant note to the accounts, the level of grant write-off is extremely small relative to the level of grants that we distribute each year. On the other hand, the high level of customer satisfaction demonstrated in independent surveys suggests that our working



## Report of the Trustees and Accounting Officer

practices are not too onerous on applicants. Consequently I am able to conclude that there is no cause for concern about the level of risk implicit in our grant giving processes.

In 2015–16 NHMF considered the following to be the most significant areas of risk:

- we are not seen as effective in protecting heritage across the UK
- past lottery investment is put at risk because of reductions in funding/investment or changes in operating models of grantees
- devolution may require changes to our business model
- volume, variability and volatility of workloads

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

### Listed Places of Worship: Roof Repair Fund

In the Autumn Statement of December 2014 and the March 2015 Budget, the Chancellor of the Exchequer announced that the National Heritage Memorial Fund would administer a grant scheme for Listed Places of Worship across the UK. The original value of the first part of the programme was £30million in 2014–15 and a further £25million was announced for 2016–17.

Applications were invited by the end of February 2016 for this second round and these were successfully managed and received. To continue to manage the risk of this extra programme we have:

- continued with the appointment of a senior, experienced Programme Director to manage the end to end process
- close oversight by a Deputy Director of Operations to provide additional assurance
- the use of experienced and risk aware staff in support functions to help operational delivery
- a separate Funding Agreement with DCMS
- the replication of existing, well established controls, processes and systems to this programme

This approach allowed us to successfully deliver this Round 2 application stage. Grant announcements and decisions are due in the summer of 2016.

### Approach to fraud and information risk

NHMF has a fraud policy that is reviewed on an annual basis. All staff in NHMF undertook bespoke Fraud Awareness Training in 2015–16 delivered by a specialist assurance team from Moore Stephens supported by the NHMF Finance Team.

This focused on fraud risk in:

- grant giving
- procurements
- general fraud areas

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

In 2014–15 we improved risk awareness and intelligence gathering arrangements with other National Lottery Distributors and this continued in 2015–16 with better sharing of information, combined resources and consideration of the use of specialist third parties to identify fraud risk.

In 2015–16 we brought a successful prosecution for frauds committed against the Fund in its lottery role. A Proceeds of Crime Order has also been made to recover the sums defrauded. We continue to have a zero tolerance approach to fraud.

In November 2015, NHMF was approached by the Cabinet Office to participate in its Fraud and Error Detection Programme. NHMF agreed that this work would be undertaken by Moore Stephens to complement the Fraud Awareness Training and the Internal Audit programme.

The review sampled from all cases in delivery in 2014 to 2016, identified the main risks of fraud and error; used a monetary unit sampling approach and identified a sample of all cases in all programmes. These were extensively tested.

The main findings were:

- i) A low level of fraud and error across the sample, providing us with assurance on our existing processes/controls;
- ii) Notwithstanding the above some suggestions on improving the detection of fraud/error cases, which we will implement.

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

During 2015–16 we undertook a specialist review of information assurance and management. Overall the findings were satisfactory but we identified a number of specific issues that we will look to implement in 2016–17.

We also comply with government guidance on matters such as the transparency of spend and contracts. In 2015–16 we continued to improve procurement controls and processes.

### Business critical models

I consider we are compliant with the recommendations contained within the Macpherson Report. I judge that we utilise one business critical model – the cash flow forecast used for setting annual grant budgets out of our National Lottery income. We aim to ensure that we award the highest amount possible in terms of the level of grants without the risk of running out of cash or over extending ourselves. The model was created around 10 years ago and remains largely in its original form other than extending its lifecycle. The model has been employed against scenarios of different levels of lottery income, one-off contributions to the Olympics, and significant new grant programmes and we have found that it provides a reasonable forecast of our financial sustainability.

In 2014–15, based on the model, the Board created a Financial Framework setting out grant ratios linked to the total level of commitments, approved actual liabilities, income from the National Lottery and our balance at the National Lottery Distribution Fund (NLDF). We therefore believe that the model and the Financial Framework provide a robust basis for our grant giving. We have continued to use this approach in 2015–16.

The model is updated each year to reflect the latest projections of National Lottery income provided by DCMS and with the financial outturn for the previously completed year. The model including the Financial Framework is also ‘stress tested’ against different scenarios using the parameters set out in the Financial Framework.

### Board performance and effectiveness

The most significant activity for the Board has been oversight of the continuing roll out of Strategic Framework 4 including the application of SF4 to the Board decisions. The Board also undertook a mid-cycle review of SF4 and a forward look to the possible operating environment and risks emerging over the next few years.

This allowed the Board to decide to:

- Introduce new programmes in 2016–17 to respond to the needs of the heritage sector – including Heritage Endowments (building on the success of previous endowment programmes), Skills for the Future (again building on the previously successful model) and Resilient Heritage (combining previous programmes) designed to build organisational sustainability in the sector.
- Introduce a new Young Persons Programme opening in 2016–17 for decisions in 2017–18.

- The Board also agreed to extend the current Strategic Framework from 2018 for a further year into 2019.

The rise in National Lottery income since 2012–13 has stabilised and income in 2015–16 slightly exceeded expectations at £387million. The latest DCMS projections suggest that income will continue at around this level or just marginally below it. In view of this and in line with the Financial Framework (including the balance in the NLDF) the Board agreed to a continuing approach of oversubscribing the programme grant budget of £435million in 2016–17 but to reduce this to closer to income levels in the following years.

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

The Board membership changed in 2015–16 although not as much as in the previous year with one Trustee leaving their role and one being appointed. This has meant a reduction in the degree of turnover amongst the Trustees.

The Board undertook a full review of its effectiveness through a self-assessment model and facilitated review. The Board are satisfied that they continue to meet the requirements of the HMT Corporate Governance Code.

The main recommendations from the review were:

- Structure, composition and skills:
  - undertake a skills audit for all Board members
  - review the terms of appointments to better manage the replacement cycle
  - continue to explore ways to make the Board more diverse
- Role of Board in strategy and grant making:
  - explore ways to reduce the Board meetings to nine meetings a year
  - support a strategic away day for the Board
  - use external speakers more readily at Board meetings
- Meetings:
  - issue papers earlier and look to the use of different channels
- Leadership:
  - appoint a Senior Independent Director

There were no matters from the auditors put to the Audit and Risk Committee on behalf of the Board that gave it cause for any concern. The Board therefore believes that it can rely on the information and assurance provided by management for its decision making.

## Report of the Trustees and Accounting Officer

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

### The governance year

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

All senior staff have performance agreements set at the beginning of the year articulating their personal and corporate objectives for the year. These are linked to the Business Plan and our strategy. These are reviewed formally at mid-year and end-year reviews. I also hold informal meetings with Directors on a one-to-one basis throughout the year. Management Board meets weekly and Directors of Departments also meet regularly.

I have seen the Management Letter prepared by the external auditors following their audit of the financial statements for the year ended 31 March 2016.

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

The internal auditors upon appointment produced a three-year audit strategy. Last year covered the second year of this period and all intended reviews were undertaken and completed on time. The annual plan is extracted from the audit strategy and linked into the risk register and risk appetite.

In 2014–15 we introduced new quarterly liaison meetings with the internal auditors to help monitor progress against plan and redirect resources to emerging risks. These have continued to be used to monitor progress and delivery of the programme. We also introduced new controls in 2014–15 to improve accountabilities on audit reviews and the implementation of internal audit recommendations. These have continued in 2015–16 and

recommendations that were due to be implemented in 2015–16 have been implemented satisfactorily.

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

I also require all senior and middle managers to sign annual memoranda of representation to me, detailing their responsibilities and confirming they have carried out these responsibilities in 2015–16. All managers have signed the memorandum and they are aware that I have placed reliance on those assertions in this statement.

From April 2015, Letters of Delegated Authorities for all Directors were introduced – setting out their delegated authorities (financial, procurement etc.) to be agreed at the start of the year to complement the memorandum at the year end. This cycle has been completed in 2015–16.

In 2015–16 following the previous Internal Audit review we undertook an overhaul of our business continuity planning arrangements. We inaugurated a desktop test of our Business Continuity Plans, undertook revised business impact analyses for all sites and combined these into new Business Continuity Plans with complimentary arrangements for our back up sites and supporting arrangements.

To further manage risk we carried out an overhaul of our IT server estate and migrated to a more robust estate with improved resilience and back up arrangements.

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

## Remuneration and Staff 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. NHMF also provided Trustees and members of Regional and Country Committees with meals when they were holding meetings at their places of employment. The Fund met the tax liability on all these expenses. Sir Roger De Haan waived his right to receive a salary in 2015–16.

The remuneration of Trustees, including reimbursement of taxable expenses and the tax thereon, falls into the bands in the table below. All Trustees are appointed by the Prime Minister. They have three-year appointments, potentially renewable for a second term. 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 2015–16 was £162,440 (2014–15: £165,102). 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

	2015–16 £'000	2014–15 £'000
Sir Peter Luff <i>Chair from 30 March 2015</i>	35–40	0
Dame Jenny Abramsky <i>Chair to 31 August 2014</i>	0	15–20
Dame Seona Reid <i>Interim Chair from 1 September 2014 to 29 March 2015</i>	25–30	30–35
Manon Antoniazzi <i>to 11 January 2015</i>	0	15–20
Sir Neil Cossons OBE <i>from 31 January 2016</i>	0–5	0
Sandie Dawe CBE	5–10	5–10
Dr Angela Dean	5–10	5–10
Sir Roger De Haan CBE	0–5	0
Jim Dixon <i>from 1 October 2014</i>	10–15	5–10
Kim Evans <i>to 21 July 2014</i>	0	0–5
David Heathcoat-Amory	5–10	5–10
Perdita Hunt OBE <i>from 22 July 2014</i>	5–10	0–5
Hilary Lade <i>to 30 September 2014</i>	0	5–10
Steve Miller	5–10	5–10
Richard Morris OBE	5–10	10–15
Atul Patel	10–15	10–15
Virginia Tandy <i>to 31 August 2015</i>	5–10	15–20
Dr Tom Tew	10–15	5–10

### Remuneration of employees (Audited information)

The remuneration of directors was as follows:

	Salary 2015–16 (2014–15) £'000	Bonus 2015–16 (2014–15) £'000	Real increase in pension and lump sum £'000	Total 2015–16 (2014–15) £'000	Total accrued pension at age 60 and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/03/16 £'000	CETV at 31/03/15* £'000	Real increase in CETV funded by NHMF £'000
<b>Carole Souter</b> Chief Executive <i>retired 2 May 2016</i>	135 to 140 (135 to 140)	5 to 10 (5 to 10)	0 to 2.5 and 2.5 to 5 lump sum	155 to 160 (135 to 140)	75 to 80 plus 230 to 235 lump sum	1,742	1,616	9
<b>Eilish McGuinness</b> Director of Operations <i>from 1 January 2015</i>	80 to 85 (20 to 25)	0 to 5 (0 to 5)	2.5 to 5 and 10 to 15 lump sum	165 to 170 (40 to 45)	20 to 25 plus 60 to 65 lump sum	384	291	65
<b>Judith Cligman</b> Director of Strategy and Business Development	95 to 100 (90 to 95)	0 to 5 (0 to 5)	0 to 2.5 and 2.5 to 5 lump sum	125 to 130 (115 to 120)	35 to 40 plus 110 to 115 lump sum	790	708	27
<b>Colin Bailey</b> Director of Finance and Corporate Services	100 to 105 (80 to 85)	0 to 5 (0 to 5)	0 to 2.5 and 0 lump sum	130 to 135 (105 to 110)	0 to 5 plus 0 to 5 lump sum	49	20	20

\* or at date of appointment, if later.

## Report of the Trustees and Accounting Officer

The accrued pension 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. Members of alpha receive benefits at their normal pension age, which is equal to the member's State Pension Age (or 65 if higher).

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

### 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 that the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, 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, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

All senior employees had permanent contracts of employment and were ordinary members of the Principal Civil Service Pension Scheme (PCSPS) or the Civil Servants and Others Pension Scheme (known as alpha). Their costs were allocated between HLF and NHMF on the basis of 99%: 1%

(2014–15: 99%: 1%). The remuneration of senior managers is performance-related. The sum is based on performance against individual objectives and on overall contribution to corporate strategy and goals. Individual objectives for the Chief Executive are set by the Chair of the Board of Trustees, and the Chief Executive in turn agrees personal objectives with the function directors. Objectives reflect the strategic and operational goals of the Fund and the contribution expected of each individual senior manager to achieving the goals. The Fund has a performance management system, and performance is reviewed in line with this. Performance is reviewed annually in March–April and rated on a scale of four different levels of achievement. There is a bonus scheme for the directors that takes into account the Finance, Staffing and Resources Committee's (membership of this committee is disclosed on page 28) 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 that 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 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 lowest paid, full time equivalent, member of staff was £10,000 to £15,000. The banded remuneration of the highest-paid director in 2015–16 was £145,000 to £150,000 including bonus. This was about 5.4 times (2014–15: 5.6 times) the median remuneration of the workforce, which was £27,059 (2014–15: £25,888). There were no employees who received remuneration in excess of the highest-paid director. 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 were none in 2015–16 (2014–15: none).

### Staff costs and numbers

	2015–16 £'000	2014–15 £'000
Salaries	214	117
Employer's NI payments	10	7
Payments to pension scheme	44	16
Temporary staff costs	1	1
	269	141

Additional costs of £11,097,000 have been allocated to Lottery distribution activities and are reflected in those accounts.

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

	2015–16 Number	2014–15 Number
Grant applications	10	3
Finance and corporate services	0	0
Strategy and business development	0	0
Communications	0	0
	10	3

The above figures are disclosed as full-time equivalents and include an average of two staff on fixed term contracts. Additionally, an average of 250 permanent staff and twenty on fixed term contracts were employed on Lottery distribution activities.

### Sickness absence

In 2015–16, 1,175 days were lost due to 326 sickness episodes. This continues to represent a modest 1.79% of all working days (2014–15: 1.08%). The Fund continues to support and promote well-being policies through its provision of an employee assistance provider and other related benefits.

### 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, during most of 2015 a Staff Council was in existence. Comprising representatives from each department, it discussed matters of interest to staff with representatives from management. However, in March 2015 a voluntary ballot was conducted among staff on whether they wished management to formally recognise Trade Unions. In a 93% turnout, 62% of staff voted in favour of recognition.

Following a period of negotiation with the PCS and FDA Trade Unions, a Joint Agreement was signed ahead of recognition coming into effect as of 1 January 2016. The Fund also commissioned its first employee engagement survey in March 2016 as it continues to seek the views and opinions of all staff through informal and formal dialogue.

### Equal opportunities

#### Commitment to equality and diversity

The Fund is committed to its legal requirements and obligations under the Disability Discrimination Act 1995; the Disability Equality Duty 2006 and the Equality Act 2010. The Fund proactively works towards increasing equality and diversity in grant-making, governance, and the workforce, through its corporate priority and set out in its Inclusion Action Plan.

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 we continue to subscribe to the Two Ticks Disability Scheme, and currently around 3.3% (2014–15: 4.7%) of our workforce is made up of people with declared disabilities. The Fund also continues in its recruitment advertising to encourage job applications from Black, Asian and minority ethnic groups, recognising that its workforce is not yet fully representative of local or national diversity. All staff are required to co-operate in making this policy work effectively.

During the past year the Staff Disability Action Group met and continued to invite selected charities to present to staff. These have been well attended and the format ensures colleagues in the regional and country offices are able to attend via video conference. Representatives from the Leonard Cheshire Disability programme presented to the

Fund ahead of the London office hosting a Change 100 intern for three months. In January, representatives from Changing Places presented to the Fund after attending the Inclusive Heritage conference on heritage and disability at Tate Modern in October 2015.

### *Expenditure on consultancy*

NHMF spent £0 on consultants in 2015–16 (2014–15: £0). NHMF has used the definitions of consultancy contained within annex 6.1 of the Cabinet Office controls guidance: version 4.0.

### *Public sector employees tax arrangements*

HM Treasury requires all central government bodies to report on the tax status of senior management and long-term contractors. In particular HM Treasury requires all senior managers to be on the payroll and to pay tax under the PAYE regime. All senior staff, all Trustees and all regional and country committee members are on the payroll of NHMF and therefore pay tax and national insurance contributions through the PAYE route. In 2014–15 we identified two contractors who did not meet the HM Treasury guidance and these have now been brought within the guidance. Neither of the contractors occupied senior posts.

### *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.

### **Colin Bailey**

Interim Chief Executive and Accounting Officer  
30 June 2016

## Parliamentary Accountability and Audit Report

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

I certify that I have audited the financial statements of the National Heritage Memorial Fund for the year ended 31 March 2016 under the National Heritage Act 1980. The financial statements comprise the Statement of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Trustees' and Chief Executive's Responsibilities, the Trustees and Chief Executive as the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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 2016 and of the net expenditure 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 and Staff 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 Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- i) adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- ii) the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns or returns adequate for my audit have been received from branches not visited by my staff; 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.

**Sir Amyas CE Morse**

Comptroller and Auditor General

1 July 2016

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



## The Financial statements

### Statement of Comprehensive Net Expenditure

for the year ended 31 March 2016

	Notes	£'000	2015-16 £'000	2014-15 £'000
<b>Sundry operating income</b>	3		<b>421</b>	37
New standard awards made in the year	14	(4,623)		(4,803)
LPOWRRF* awards made in the year	14	(2,122)		(26,404)
De-committed awards	14	3,723		8
			<b>(3,022)</b>	(31,199)
Staff costs	22	(269)		(141)
Depreciation	10	(3)		(2)
Other operating charges	5	(808)		(303)
			<b>(1,080)</b>	(446)
<b>Operating expenditure</b>			<b>(4,102)</b>	(31,645)
<b>Operating deficit</b>			<b>(3,681)</b>	(31,608)
Profit on the sale of investments	7	6		1
Interest receivable	8	37		54
<b>Non-operating income</b>			<b>43</b>	55
<b>Comprehensive net expenditure transferred to the general reserve</b>			<b>(3,638)</b>	(31,553)
<b>Other comprehensive income</b>				
Net (loss)/gain on revaluation of available for sale financial assets	18		(845)	2,885
<b>Total comprehensive expenditure for the year ended 31 March 2016</b>			<b>(4,483)</b>	(28,668)

\* Listed Places of Worship: Roof Repair Fund

The expenditure statement excludes the Lottery distribution activities of NHMF, which are separately reported in the accounts of the Trustees' Lottery distribution activities. All figures shown relate to continuing activities. The notes on pages 42 to 53 form part of these accounts.

## Statement of Changes in Equity for the year ended 31 March 2016

	Fair value reserve £'000	Income and expenditure account £'000
Balance at 31 March 2014	7,805	26,996
<b>Changes in taxpayers' equity in 2014–15</b>		
Net gain on revaluation of investments	2,885	0
Comprehensive net expenditure transferred to the accumulated fund	0	(31,553)
Grant-in-aid from DCMS	0	5,205
Balance at 31 March 2015	10,690	648
<b>Changes in taxpayers' equity in 2015–16</b>		
Net gain on revaluation of investments	(845)	0
Comprehensive net expenditure transferred to the accumulated fund	0	(3,638)
Grant-in-aid from DCMS	0	21,541
<b>Balance at 31 March 2016</b>	<b>9,845</b>	<b>18,551</b>

The fair value reserve relates to the difference between book cost and market value of the investments in the endowment fund (see note 11 to the accounts). The difference between book and market value of property, plant and equipment (see note 10) is not material.

# Statement of Financial Position

## as at 31 March 2016

	Notes	31 March 2016 £'000	31 March 2015 £'000
<b>Non-current assets</b>			
Property, plant and equipment	10	6	6
Long-term financial assets available for sale	11	39,001	39,864
		<b>39,007</b>	39,870
<b>Current assets</b>			
Trade and other receivables	12	5	3
Cash and cash equivalents	9	3,448	487
Cash held in the endowment fund	11	0	0
		<b>3,453</b>	490
<b>Total assets</b>		<b>42,460</b>	40,360
<b>Current liabilities</b>			
Administrative liabilities	13	(318)	(291)
Grant commitments due within one year	14	(13,746)	(28,731)
<b>Non-current assets plus net current assets</b>		<b>28,396</b>	11,338
<b>Non-current liabilities</b>			
Grant commitments due after one year	14	0	0
<b>Assets less liabilities</b>		<b>28,396</b>	11,338
<b>Taxpayers' equity</b>			
Fair value reserve	18	9,845	10,690
Income and expenditure account		18,551	648
		<b>28,396</b>	11,338

This statement excludes balances relating to the Lottery distribution activities of NHMF, which are separately disclosed in the accounts of HLF. The notes on pages 42 to 53 form part of these accounts.

**Sir Peter Luff**  
Chair

30 June 2016

**Colin Bailey**  
Interim Chief Executive

## Statement of Cash Flows

for the year ended 31 March 2016

	Notes	2015-16 £'000	2014-15 £'000
<b>Operating activities</b>			
Cash from sundry operating income		421	55
Cash paid to and on behalf of employees		(336)	(47)
Interest received	8	37	54
Cash paid to suppliers		(716)	(146)
Cash paid to grant recipients	14	(18,007)	(7,718)
<b>Net cash outflow from operating activities</b>	16a	<b>(18,601)</b>	(7,802)
<b>Investing activities</b>			
Capital expenditure and financial investment	16b	(3)	(2)
Endowment fund net cash receipts	16b	24	5
<b>Net cash inflow from returns on investments</b>		<b>21</b>	3
<b>Cash flows before financing</b>		<b>(18,580)</b>	(7,799)
<b>Financing activities</b>			
Grant-in-aid	16c	21,541	5,205
<b>Increase in cash and cash equivalents</b>		<b>2,961</b>	(2,954)

The notes on pages 42 to 53 form part of these accounts.

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

for the year ended 31 March 2016

	2015-16 £'000	2014-15 £'000
Increase in operating cash in the period	2,961	(2,594)
Cash used to increase liquid resources	0	0
<b>Changes in cash and cash equivalents</b>	<b>2,961</b>	(2,594)
Cash and cash equivalents at 1 April 2015	487	3,081
<b>Cash and cash equivalents at 31 March 2016</b>	<b>3,448</b>	487

The notes on pages 42 to 53 form part of these accounts.

# Notes to the Accounts

## for the year ended 31 March 2016

### 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 HMT Financial Reporting Manual (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 International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The National Lottery Accounts' Direction issued by the Secretary of State specifically excludes the preparation of consolidated accounts.

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

#### b) Government grants

Our grant-in-aid from DCMS is not treated as income. Instead, it is treated as financing because it is regarded as a contribution from a controlling party that 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.

The amount of grant-in-aid recognised in these accounts reflects the amounts actually drawn down from our sponsor department (DCMS) during the financial year.

#### 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. Depreciation begins in the month after the asset is put into operation.

#### 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 these investments are reflected in the fair value reserve, which is disclosed in the Statement of Financial Position and the Statement of Changes in 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 in these accounts.

#### 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. Almost all of our staff are members of the PCSPS or the Civil Service and Others Pension Scheme and the percentage of pensionable pay is notified by the Cabinet Office prior to the start of each financial year. See note 4 for further details.

#### 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 decisions

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. NHMF accounts separately for its Lottery distribution activities, which we are required to do under our Lottery Accounts' Direction. In addition, note 21 separates our income and expenditure between our standard NHMF activity and that through operating the Listed Places of Worship: Roof Repair Fund (LPOW). The funds available under LPOW are much larger than for our standard grants and we believe their inclusion makes comparison with prior years difficult.

NHMF incurs indirect costs that are shared between activities funded by grant-in-aid and activities funded by the National Lottery. NHMF is required to apportion these indirect costs in accordance with *Managing Public Money*, issued by the Treasury. This cost apportionment seeks to reflect the specific proportion of time and expenses committed to each activity. At the end of the financial year, the proportion of joint costs apportioned to our Lottery distribution activities was 99% (2014–15: 99%).

### j) Loans

Trustees are entitled to make loans to heritage bodies under the National Heritage Act 1980. Interest rates and repayment terms are at the discretion of Trustees.

## 2. Grant-in-aid

	2015–16 £'000	2014–15 £'000
Grant from DCMS	21,541	5,205

The large increase in grant-in-aid reflects the impact of the Listed Places of Worship (Roof Repair Fund). £16.5million of grant-in-aid was drawn down to fund grant payments and administrative costs for that scheme. The remaining £5million represented our standard grant-in-aid.

## 3. Sundry operating income

This comprises:

	2015–16 £'000	2014–15 £'000
Repayments of grant	420	–
Donations and bequests	1	–
Receipts from our investment managers	–	37
	421	37

There was a significant grant repayment in the year, £420,000, from the Peak District National Park relating to an award made in 1983.

We have received £500 as a donation from Yvonne Rowe in the memory of Lieutenant Derek Mond.

Receipts from our investment manager represented amounts paid to us by Cazenove. It represented the difference between the fee negotiated under our contract with them and the underlying fee charged within the investment vehicle in which they invest – Cazenove's Charity Multi-Asset Fund. The Multi-Asset Fund used to charge a higher fee rate than that agreed under our contract and so we received a rebate each quarter. Cazenove took its underlying fee from within the Multi-Asset Fund by deducting an amount from the cash balances held within that fund; this obviously impacted upon the value of the individual investment units of the Multi-Asset Fund. In effect, the cost to NHMF of using Cazenove was reflected within the value of its investment units. During 2014–15, Cazenove changed its charging structure and lowered the cost of operating the Multi-Asset Fund. The result is that we no longer receive a rebate and instead pay a management fee directly to Cazenove. 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. Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

## Notes to the Accounts

for the year ended 31 March 2016

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with legislation for pension increases. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years, and 13 years and 5 months, from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions' increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. NHMF makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers.

The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

There is currently one member of staff working on NHMF business with a partnership pension account.

No members of staff retired early on health grounds during 2015–16.

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

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

Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge to the PCSPS or alpha. Departments, agencies and other bodies covered by the PCSPS and alpha meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2015–16, employer's contributions of £43,995 (2014–15: £16,039) were paid to the PCSPS and alpha at the rates set out in the table below. Employer contributions are to be reviewed every four years following a full valuation by the actuaries of the schemes. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the schemes.

The employer's payments were calculated on the basis of salary banding as per the Civil Service Pension Scheme website.

Salary in 2015–16	% in 2015–16
£22,000 and under	20.0%
£22,001–£45,000	20.9%
£45,001–£75,000	22.1%
£75,001 and above	24.5%

## 5. Operating deficit

The operating deficit is stated after charging the following:

	2015-16 £'000	2014-15 £'000
Auditor's remuneration	16	16
Payments under operating leases		
– leasehold premises	6	6
– hire of plant and machinery	–	–

Additional costs of £8,554,000 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:

	2015-16 £'000	2014-15 £'000
Accommodation	10	9
Postage and telephone	3	2
Office supplies, print and stationery	6	7
Travel, subsistence and hospitality	26	4
Professional fees		
– grant-related	7	10
– non-grant-related	267	177
Communications	27	26
Sundry expenses	3	3
Office equipment	208	2
LPOW overhead allocation	251	63
	808	303

The LPOW overhead allocation represents costs originally charged to our Lottery distribution activities that were regarded as being indirect LPOW costs. Direct LPOW costs (staff working for the LPOW team and external costs incurred running the programme) were charged directly to LPOW. Indirect costs represent a share of senior management and support department time normally allocated to our Lottery distribution activities.

## 6. Income from investments

	2015-16 £'000	2014-15 £'000
Long-term financial assets available for sale	–	–

Income has fallen to zero following the switch of investment manager from JP Morgan to Cazenove in 2010. JP Morgan mainly invested the endowment fund directly in unit trusts that paid regular dividends to NHMF. On the other hand, Cazenove has invested the endowment fund in units in one fund that invests in a wide range of assets. Whilst those underlying assets pay dividends, the main Cazenove fund does not pay dividends as its raison

d'être is capital growth. Note 11 has further information.

## 7. Profit on the sale of investments

	2015-16 £'000	2014-15 £'000
Long-term financial assets available for sale	6	1

Profits are earned on the disposal of investments held in the endowment fund when NHMF requires funds to pay grants or the administration costs of the Charity Multi-Asset Fund.

## 8. Interest received

	2015-16 £'000	2014-15 £'000
Bank interest received		
– Barclay's Bank	12	–
– Schroder & Co. Limited	25	54
	37	54

## 9. Cash and cash equivalents

	2015-16 £'000	2014-15 £'000
Instant access		
– Barclay's Bank	3,447	24
– Schroder & Co. Limited	1	463
Seven-day notice		
– Schroder & Co. Limited	–	–
	3,448	487

Cash is held in Barclays to support our day-to-day activities. Funds not required for immediate use are placed with our investment managers as they have access to better interest rates than we can source directly. Schroder & Co. Limited places the money on deposit with other financial institutions. However, at the year end, all NHMF funds were with Schroders itself.



## 10. Property, plant and equipment

	Short-leasehold property		IT and other equipment		Office fittings		Total	
	2015-16 £'000	2014-15 £'000	2015-16 £'000	2014-15 £'000	2015-16 £'000	2014-15 £'000	2015-16 £'000	2014-15 £'000
Cost at start of year	3	3	15	13	1	1	19	17
Additions	—	—	3	2	—	—	3	2
Disposals	—	—	—	—	—	—	—	—
<b>At end of year</b>	<b>3</b>	<b>3</b>	<b>18</b>	<b>15</b>	<b>1</b>	<b>1</b>	<b>22</b>	<b>19</b>
Depreciation at start of year	1	1	11	9	1	1	13	11
Charge for the year	1	—	2	2	—	—	3	2
Adjustment on disposal	—	—	—	—	—	—	—	—
<b>At end of year</b>	<b>2</b>	<b>1</b>	<b>13</b>	<b>11</b>	<b>1</b>	<b>1</b>	<b>16</b>	<b>13</b>
Net book value								
At start of year	2	2	4	4	—	—	6	6
<b>At end of year</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>6</b>	<b>6</b>

The Trustees have considered the current cost values of property, plant and equipment. A review of the current cost values at 31 March 2016 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.

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

NHMF was set up in 1980 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 was to be treated as an 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 spread of investments by type and region. The aim is that the surplus value of the endowment fund (i.e. 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.

At 31 March 2016, the original £10million investment would be worth £39.5million taking into account indexation – the actual market value is £39.0million including cash held within the endowment.

The endowment fund comprises the following:

	Market value 2015-16 £'000	Book cost 2015-16 £'000
Long-term financial assets	39,001	29,156
Cash	—	—
	<b>39,001</b>	<b>29,156</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 Cazenove's Charity Multi-Asset Fund. The Multi-Asset Fund invests in a range of 29 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.

	2015-16 £'000	2014-15 £'000
Cost and net book value		
At start of year	29,174	29,178
Additions	—	—
Disposals	(18)	(4)
<b>At end of year</b>	<b>29,156</b>	<b>29,174</b>
Net book value		
Listed on the London Stock Exchange	—	—
Unlisted investments	29,156	29,174
	<b>29,156</b>	<b>29,174</b>

Cost	<b>29,156</b>	29,174
Market value	<b>39,001</b>	39,864
Unrealised gain	<b>9,845</b>	10,690

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

An analysis of investments at the year end, was:

	2015-16 %	2014-15 %
Bonds	<b>2</b>	3
UK equity	<b>34</b>	36
Europe equity (excluding UK)	<b>6</b>	7
North America equity	<b>4</b>	3
Japan and other Asian equity	<b>7</b>	8
Emerging market equity	<b>4</b>	5
Global equity funds	<b>6</b>	6
Property	<b>11</b>	10
Absolute return/hedge	<b>16</b>	16
Infrastructure	<b>3</b>	2
Cash	<b>5</b>	1
Commodities	<b>2</b>	3
	<b>100</b>	100

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

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

	2015-16 £'000	2014-15 £'000
Repayment of grant	–	–
Prepayments and accrued income	<b>5</b>	3
	<b>5</b>	3

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

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

	2015-16 £'000	2014-15 £'000
Operating payables	<b>162</b>	61
Other payables including taxation and social security	<b>29</b>	152
Accruals and deferred income	<b>127</b>	78
	<b>318</b>	291

None of the liabilities of NHMF was secured. Of the above amounts for operating and other payables, £29,000 was payable to central government bodies (2014-15: £152,000).

## 14. Grant commitments

	2015-16 £'000	2014-15 £'000
At start of year	<b>28,731</b>	5,250
Grants paid in the year	<b>(18,007)</b>	(7,718)
Standard commitments created in the year	<b>4,623</b>	4,803
LPOW commitments created in the year	<b>2,122</b>	26,404
De-commitments	<b>(3,723)</b>	(8)
<b>At end of year</b>	<b>13,746</b>	28,731

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

	2015-16 £'000	2014-15 £'000
In one year	<b>13,746</b>	28,731
In two to five years	–	–
	<b>13,746</b>	28,731

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

	2015-16 £'000	2014-15 £'000
Balances owing to		
– central government	<b>342</b>	750
– local authorities	<b>345</b>	345
– other bodies	<b>13,059</b>	27,636
	<b>13,746</b>	28,731

## 15. Commitments

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

	2015-16 £'000	2014-15 £'000
Short-leasehold property		
– not later than one year	<b>9</b>	9
– later than one year but not later than five years	<b>34</b>	34
– later than five years	<b>29</b>	38
	<b>72</b>	81

In addition, short leasehold property lease commitments of £8,981,000 (2014-15: £9,847,000) have been charged to NHMF's Lottery distribution activities and are disclosed in those accounts.

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

## 16. Notes to the Statement of Cash Flows

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

	2015-16 £'000	2014-15 £'000
Operating deficit	(3,681)	(31,608)
Interest receivable	37	55
Add back non-cash items		
– depreciation	3	2
– movement in provisions	–	–
– (decrease)/increase in grant commitment reserve	(14,985)	23,481
(Increase)/decrease in receivables (excluding capital and investments)	(2)	19
Increase in non-capital payables	27	249
Net cash outflow from operating activities	(18,601)	(7,802)

b) Capital expenditure and financial investment

	2015-16 £'000	2014-15 £'000
Payments to acquire		
– property, plant and equipment	(3)	(2)
– intangible fixed assets	–	–
– long-term financial assets available for sale	–	–
Receipts from sales of		
– property, plant and equipment	–	–
– long-term financial assets available for sale	24	5
	21	3

c) Analysis of changes in net funds

	At 1 April 2015 £'000	Operating cash flows £'000	Grant-in-aid £'000	At 31 March 2016 £'000
Cash at bank	487	(18,580)	21,541	3,448

## 17. 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 DCMS itself and with three entities for which DCMS is regarded as the sponsor department – the Big Lottery Fund, Sport England and Historic England. 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 that 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 £1.9million. In addition, CCC will make contributions towards the cost of running Holbein Place of approximately £70,000 per annum at 2015-16 price levels. At 31 March 2016, CCC owed us around £14,800 for under-claimed service charges, most of which is reflected in the accounts of NHMF's Lottery distribution activities.

Trustees and expert panellists are required to declare any connection at the start of each meeting and absent themselves from that part of the decision 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.

Two members of the NHMF Panel, which advises Trustees on the merit of grant-in-aid applications received, had interests in awards which the Fund made in 2015-16. Details of interests in Lottery grants are set out in the accounts of the Lottery distribution activities of NHMF.

### *The Society of Antiquaries (SOA)*

A grant of £31,500 – May Morris Quilt Cover: The Homestead and the Forest.

Merlin Waterson declared a conflict of interest as he had co-written the Kelmscott Conservation Plan.

Leslie Webster declared a conflict of interest as she was a member of the Society's Library and Collections Committee.

### *SAVE Britain's Heritage*

A grant of £3,025,000 – Wentworth Woodhouse.

Merlin Waterson declared a conflict of interest as he was a member of the Wentworth Woodhouse Preservation Trust.

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

In 2015-16, 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.

## 18. Fair value reserve

	2015–16 £'000	2014–15 £'000
At start of year	10,690	7,805
Movement in the year	(845)	2,885
<b>At end of year</b>	<b>9,845</b>	10,690

The reserve relates to the difference between book cost and market value of long-term financial assets available for sale (see note 11). The difference between book and market value of property, plant and equipment (see note 10) is not material.

## 19. 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 £21.5million as grant-in-aid during 2015–16 and a further £5million in April 2016. In addition, under the terms of our agreement to run the LPOW scheme on behalf of DCMS, we are due to receive further sums in 2016–17 that will be sufficient to cover all our liabilities under that scheme. Furthermore, Trustees maintain an endowment fund and its underlying investment in Cazenove's Charity Multi-Asset Fund is widely traded. Trustees are able to liquidate assets 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 £3,448,000 at the date of the Statement of Financial Position) and the endowment fund (worth £39.0million at the date of the Statement of Financial Position) to cover all outstanding grant awards of £13.7million and administrative liabilities of £318,000. The endowment is invested in a fund that is mostly invested in unit trusts that 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 were 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 0.5% and 1.0%, 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 on-going 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 £3,448,000 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 under the trading name of Cazenove Capital Management 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 £39.0million. 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 a fall of 2.2%. The Trustees kept the performance of investments under review through their Finance, Staffing and Resources Committee and its investment panel, which includes three independent members with extensive experience in financial markets.

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 few 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.

	2015–16 £'000	2014–15 £'000
Cash balances		
– sterling at floating interest rates	3,448	487
– sterling at a mixture of fixed and floating rates	–	–
– sterling at fixed rates	–	–
	<b>3,448</b>	487

**Notes to the Accounts**  
for the year ended 31 March 2016

**Credit risk**

NHMF's receivables mostly comprise prepayments for rent and other services that we are currently receiving. It is not, therefore, exposed to significant credit risk.

**Foreign currency risks**

The endowment fund is invested in Cazenove's 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 30%. 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**

	2015–16 £'000	2014–15 £'000
Assets per the Statement of Financial Position		
– non-current assets	39,001	39,864
– cash and cash equivalents	3,448	487
– trade and other receivables	5	3
	<b>42,454</b>	<b>40,354</b>

**Financial liabilities by category**

	2015–16 £'000	2014–15 £'000
Liabilities per the Statement of Financial Position		
– other financial liabilities		
• grant commitments	13,746	28,731
• operating payables	162	61
• other payables	29	152
• accruals	127	78
	<b>14,064</b>	<b>29,022</b>

**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 2016.

**Financial assets at 31 March 2016**

	Book value £'000	Fair value £'000
Cash <sup>1</sup>	3,448	3,448
Investments <sup>2</sup>	29,156	39,001
Receivables <sup>3</sup>	5	5
	<b>32,609</b>	<b>42,454</b>

**Financial assets at 31 March 2015**

	Book value £'000	Fair value £'000
Cash	487	487
Investments	29,174	36,864
Receivables	3	3
	<b>29,664</b>	<b>40,354</b>

**Financial liabilities at 31 March 2016**

	Book value £'000	Fair value £'000
Grant payables <sup>4</sup>	13,746	13,746
Operating payables <sup>5</sup>	162	162
Other payables <sup>5</sup>	29	29
Accruals <sup>5</sup>	127	127
	<b>14,064</b>	<b>14,064</b>

**Financial liabilities at 31 March 2015**

	Book value £'000	Fair value £'000
Grant payables	28,731	28,731
Operating payables	61	61
Other payables	152	152
Accruals	78	78
	<b>29,022</b>	<b>29,022</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**

	2015–16 £'000	2014–15 £'000
In less than one year	14,064	29,022
In more than one year, but less than two	–	–
In two to five years	–	–
In more than five years	–	–
	<b>14,064</b>	<b>29,022</b>

**20. Statement of losses**

NHMF made no losses during the year (2014–15: £0).

**21. Segmental reporting**

Our Statement of Comprehensive Net Expenditure for 2015–16 split between our two functions is as follows. We believe that the operation of Listed Places of Worship: Roof Repair Fund (LPOW) distorts our reporting and so we have broken down the income and expenditure between our two activities – see note 1i) for further information.

	Standard £'000	LPOW £'000	Combined £'000
Sundry operating income	421	–	421
Awards made in the year	(4,623)	(2,122)	(6,745)
De-committed awards	3,577	146	3,723
Staff costs	(47)	(222)	(269)
Depreciation	(3)	–	(3)
Other operating charges	(181)	(627)	(808)
<b>Operating expenditure</b>	<b>(1,277)</b>	<b>(2,825)</b>	<b>(4,102)</b>
Operating deficit	(856)	(2,825)	(3,681)
Profit on sale of investments	6	–	6
Interest receivable	37	–	37
<b>Comprehensive net expenditure transferred to the accumulated fund</b>	<b>(813)</b>	<b>(2,825)</b>	<b>(3,638)</b>
Net loss on revaluation of available for sale financial assets	(845)	–	(845)
<b>Total comprehensive expenditure for the year to 31 March 2016</b>	<b>(1,658)</b>	<b>(2,825)</b>	<b>(4,483)</b>

## 22. Staff costs

	2015–16 £'000	2014–15 £'000
Salaries	214	117
Employer's NI payments	10	7
Payments to pension scheme	44	16
Temporary staff costs	1	1
	<b>269</b>	141

## 23. Events after the reporting period

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

## 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. During 2014–15, Schroders merged with Cazenove Capital Management and now use that name for their charity investment management business.

Investment policy is the responsibility of the Investment Panel – a sub-committee of the Board's Finance, Staffing and Resources Committee. The Panel

comprises two Trustees and three independent financial experts. The Panel meets with Cazenove 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 2016 and will be updated annually.

Cazenove 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. Cazenove complies with the United Nations' Principles for Responsible Investment. We require Cazenove to notify us if they are considering investment in any organisation that could lead to embarrassment to NHMF.

### Charity Multi-Asset Fund Investment Selection

<b>UK Equities</b>	<b>33.9%</b>
Schroder Charity Equity Fund	5.1%
Old Mutual UK Alpha Fund	6.0%
Aberdeen Foundation Growth Fund	3.0%
Artemis UK Special Situations Fund	5.0%
Majedie UK Equity Fund	6.0%
Troy Trojan Income Fund	5.0%
Schroder Equity Income Trust for Charities	3.8%
<b>Global Equities</b>	<b>6.3%</b>
Schroder QEP Global Core	6.3%
<b>European Equities</b>	<b>5.8%</b>
Schroder European Alpha Income Fund	1.9%
Jupiter European Special Situations Fund	2.0%
Argonaut European Alpha Fund	1.9%
<b>US Equities</b>	<b>4.5%</b>
Vanguard S&P 500 ETF	4.5%
<b>Asian Equities</b>	<b>3.5%</b>
Schroder Asian Alpha Plus Fund	3.5%
<b>Japanese Equities</b>	<b>3.8%</b>
Schroder Tokyo Fund	3.8%
<b>Emerging Market Equities</b>	<b>4.6%</b>
Schroder Global Emerging Mkt Fund	4.6%
<b>Total Equities</b>	<b>62.4%</b>

<b>Property</b>	<b>10.7%</b>
Henderson UK Property Fund	4.7%
Property Income Trust for Charities	4.4%
Ignis UK Property Fund	1.6%
<b>Absolute Return*</b>	<b>15.9%</b>
Ruffer Total Return Fund	3.6%
Troy Trojan Fund	4.0%
Henderson UK Absolute Return Fund	3.0%
SISF Emerging Mkt Debt Absolute Return Fund (£)	2.8%
Majedie Tortoise Fund	2.5%
<b>Infrastructure</b>	<b>2.7%</b>
3i Infrastructure	0.5%
HICL Infrastructure	1.0%
International Public Partnerships	1.2%
<b>Commodities</b>	<b>1.7%</b>
Guinness Global Energy Fund	0.5%
Schroder Commodity Fund (£)	1.2%
<b>Total Alternatives</b>	<b>31.0%</b>
<b>Bonds</b>	<b>1.8%</b>
AXA US Short Duration High Yield Fund	1.8%
<b>Cash</b>	<b>4.8%</b>
Cash	4.8%
<b>Total Cash and Bonds</b>	<b>6.6%</b>

Source: Cazenove 31 March 2016

\* 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.





## Chair, Trustees and Management

### *Chair and Trustees of NHMF*

#### **Chair**

Sir Peter Luff<sup>2</sup>

#### **Trustees**

Sir Neil Cossons OBE

Sandie Dawe CBE<sup>1</sup>

Dr Angela Dean<sup>1</sup>

Sir Roger De Haan CBE<sup>2</sup>

Jim Dixon<sup>1</sup>

David Heathcoat-Amory<sup>1</sup>

Perdita Hunt OBE<sup>2</sup>

Steve Miller

Richard Morris OBE

Atul Patel<sup>2</sup>

Dame Seona Reid

Virginia Tandy  
to 31 August 2015

Dr Tom Tew

### *Directors*

#### **Chief Executive**

Carole Souter<sup>2</sup>

Eilish McGuinness

Judith Cligman

Colin Bailey<sup>3</sup>

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

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

<sup>3</sup> Interim Chief Executive

### *NHMF advisory panel*

Brian Allen

Janet Barnes CBE

Tim Knox

Geoff Pick

James Stourton

Merlin Waterson

Leslie Webster

### *NHMF investment panel*

Sarah Bates

Simon Fraser

Sir Laurie Magnus

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Designed by Susan ...

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