

NATIONAL  
HERITAGE  
MEMORIAL  
FUND



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Report and Accounts  
2013–2014

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**NATIONAL  
HERITAGE  
MEMORIAL  
FUND**



## **National Heritage Memorial Fund**

Annual Report and Accounts for the year ended 31 March 2014

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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**Covers:** A view looking up the Gateway from Shambles Camp on the Great Ice Barrier – photograph taken by Captain Scott in December 1911, during the ill-fated Terra Nova Antarctic Expedition

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## Foreword by Dame Jenny Abramsky

Chair of the National Heritage Memorial Fund

The lost photographic negatives of Captain Scott's ill-fated Antarctic expedition, a First World War aerodrome, masterpieces of English Renaissance art. These are some examples of the outstanding heritage that the National Heritage Memorial Fund (NHMF) has helped to save during 2013–14. When it comes to national heritage at risk, no other UK funding body can act as quickly and decisively as NHMF. The results, as this report shows, continue to be truly inspiring.

As we commemorate the Centenary of the outbreak of the First World War, I am equally inspired by the way NHMF fulfils the other key aspect of its founding mission: to create a memorial to those who have given their lives in service to the nation. Every piece of heritage saved by NHMF forms part of that lasting memorial. At the same time, Trustees have also taken special pride in supporting heritage with an innate commemorative character.

Stow Maries Aerodrome in Essex dates from the early days of war in the air and contains no less than 24 listed buildings and a nature reserve. By saving the aerodrome from the threat of commercial development, NHMF is helping to preserve a vivid link to the history of the First World War. Meanwhile, the repair of the historic warship HMS *Caroline* is well underway in Belfast. Without an NHMF grant two years ago, this veteran of the 1916 Battle of Jutland would have been consigned to the scrapyard.

In previous years NHMF stepped in to save the papers of First World War soldier-poet Siegfried Sassoon and those of British army commander Sir John French for public collections in the UK. We have funded work on the Imperial War Museums' War Memorials Archive, and ensured that the home and family farm of the Welsh poet Hedd Wyn, who died in action on the Western Front, can remain intact and open to visitors. Now that combat experience of the First World War has passed out of living memory, it is through places, objects and records such as these that we will gain the most striking insights into a conflict whose legacy continues to shape our world.



“By saving Stow Maries Aerodrome NHMF is helping to preserve a vivid link to the First World War.”

An earlier formative period in our national history is embodied in four bronze angels commissioned by Cardinal Wolsey, statesman and confidant to Henry VIII, for his tomb. The complex and colourful story behind these magnificent works of art is one that the Victoria and Albert Museum will be able to share with generations of visitors, thanks to NHMF. Captain Scott's second attempt on the South Pole has become a symbol of heroic endeavour. With NHMF support, the Scott Polar Research Institute has acquired photographic negatives of the final phases of his expedition, long thought to have been lost. These images add a dramatic new dimension to the story.

Each exceptional, and irreplaceable, piece of heritage that NHMF has supported this year is described in more detail in the next section of this report. They join a roll call of outstanding heritage saved by NHMF over the past 34 years. I believe – and I hope you will agree – that there could hardly be a finer or more fitting memorial. Its capacity to evoke the past and enrich the future becomes stronger as the years pass.

This is my last report as Chair of NHMF. The past six years have been challenging and enjoyable in almost equal measure. Exhilarating, even, when I think of the astonishing range and variety of heritage at risk that NHMF has been instrumental in saving. The fact that all this has been accomplished within the limited financial resources at NHMF's disposal is a tribute to our Trustees, staff, and advisory and investment panels. I thank them for their hard work, commitment and experience. Together they ensure that NHMF does the job it was set up to do highly effectively. NHMF's annual government grant-in-aid currently stands at the same level as 17 years ago and has considerably less buying power in today's market. The truth is that the heritage NHMF has saved this year, which we celebrate in this report, represents a fraction of what needs to be done, and of what I know could be achieved.

“NHMF has been instrumental in saving an astonishing range and variety of heritage at risk.”



**Dame Jenny Abramsky**  
Chair of NHMF

## Stow Maries Great War Aerodrome

Stow Maries Great War

Aerodrome Trust

£1,505,000

Stow Maries Aerodrome was built in 1916, just 13 years after the Wright brothers' pioneering flight. During the First World War, which saw the earliest use of aeroplanes in combat, more than 250 aerodromes were built in Britain. A century later only 10 survive, of which Stow Maries Aerodrome in Essex is by far the best preserved.

The aerodrome was home to B Flight 37 (Home Defence) Squadron, Royal Flying Corps (RFC), whose role was to protect London from enemy Zeppelins and, later, Gotha bombers. The mostly young and inexperienced pilots showed remarkable bravery; the average survival time of an RFC pilot was just a few short weeks. Restoration work began at Stow Maries in 2009, with a team of outstandingly committed volunteers, and parts of the site have been open to visitors since 2010. It contains 24 Grade II\* listed buildings, some of which are the only remaining examples of their kind, and a nature reserve. In 2012, in response to a bid to develop the aerodrome for commercial use, Stow Maries Great War Aerodrome Trust approached NHMF.

The NHMF grant allowing the Trust to acquire Stow Maries opens the way to full restoration of the aerodrome and secures the future of public access to it. There are plans to extend the educational facilities to provide an unrivalled insight into the early history of war in the air. NHMF Trustees not only aimed to preserve the integrity of this historic site but also wanted to ensure that it will continue to serve as a memorial to those heroic pioneers, the airmen of the First World War.



**Main image:** Sunset at the aerodrome on Remembrance Day

**Left:** Members of 37 Squadron Royal Flying Corps at Stow Maries









## Bewick Papers Wordsworth Trust

£67,000

The artist and naturalist Thomas Bewick (1753–1828) combined an unprecedented mastery of woodblock engraving with exceptional powers of observation. The engraving technique he developed, which is still in use today, introduced a previously unimagined subtlety and intricacy into his illustrations. Best known for his *A History of British Birds*, Bewick also

produced some of the most evocative and enduring depictions of rural life in the late 18th and early 19th centuries. He was widely admired by his peers: William Wordsworth extolled his genius, while John Ruskin placed him 'in the first rank of the great artists not of England only, but of all the world and of all time'.

The NHMF grant to the Wordsworth Trust helped to secure a substantial group of Bewick's private papers for a public collection. Spanning more than 50 years, the papers include Bewick's correspondence with fellow naturalists and engravers, along with draft pages of a memoir and *A History of British*



*Birds.* Like Wordsworth, Bewick spent most of his life in the north of England, and his papers reveal how his work was shaped by his surroundings. NHMF's Trustees could think of no finer tribute to this British genius than to make sure the Wordsworth Trust could display Bewick's papers in the context of the landscape he loved, where his intimate understanding of the relationship between man and nature will continue to inspire future generations of writers and artists.



## Wolsey Angels

Victoria and Albert Museum

£2,000,000

Cardinal, statesman and confidant to Henry VIII, Thomas Wolsey (c.1473–1530) was, after the king, the most powerful man in England during the early 16th century. Determined to leave a memorial of unparalleled magnificence, he commissioned the Italian sculptor Benedetto da Rovezzano (1474–c.1554) to design his tomb. Benedetto had previously collaborated with Michelangelo and worked for other major patrons. He also contributed to work on Henry VII's chapel in Westminster Abbey.

A detailed inventory concerning Wolsey's tomb survives. Made from black stone, white marble and gilded bronze, it was nearly complete by 1529. Wolsey subsequently fell out of royal favour after failing to secure the king's divorce from Catherine of Aragon. On his death in 1530 the unfinished

tomb was appropriated by Henry, who planned to make it his own. The king's monument was to be even more magnificent than that of his cardinal. In the event, although the pieces were finished and the site in St George's Chapel at Windsor chosen, the tomb was never assembled.

Most parts of the monument were thought to have been lost over the years. In 1808 the marble sarcophagus originally intended for Wolsey became Lord Nelson's tomb. Da Rovezzano's four bronze angels and other statuary were assumed to have been lost. When the angels were rediscovered (in two separate collections) and offered for sale to the Victoria and Albert Museum, NHMF Trustees felt that it was vital to secure these nationally important symbols of Tudor power politics and outstanding examples of Renaissance design. Once fundraising is completed, they will take their place amongst the collections of the museum, where they will be an important addition to the Medieval and Renaissance galleries.



**Below:** On display at the Victoria and Albert Museum. The angels were separated in recent times, explaining the difference in their appearance.

**Right:** Head detail





**Clockwise from main image:**  
Prints from Scott's lost negatives, showing Mount Erebus, from the sea ice; the explorers foundering in soft snow at Beardmore Glacier; Petty Officer Edgar Evans with the pony Snatcher; Herbert Ponting working in Antarctic conditions





## Captain Scott's Negatives

### Scott Polar Research Institute

£233,450

When Captain Robert Falcon Scott (1868–1912) was preparing for his second expedition to the South Pole, he recruited the photographer Herbert Ponting (1870–1935) to record his team's discoveries. After receiving training from Ponting in the Antarctic, the explorers also took their own photographs. Scott's negatives were believed to have been lost, until 113 of them came to light in 2013. These images provide unprecedented insights into the ill-fated 1910 Terra Nova Antarctic Expedition.

Encumbered by heavy photographic equipment, Ponting remained at base camp in Cape Evans, while Scott and two other members of his team used field cameras to record their march towards the pole. They documented every stage, from the journey across the Great Ice Barrier to the struggle up the Beardmore Glacier and the panoramic view from the top. Here, in December 1911, Scott selected the final group who would proceed onwards to the pole. He sent the others back to base camp with his camera and negatives. Although later photographs of the expedition survive, these negatives are the last images taken by Scott himself.

With a fast-track grant from NHMF, Cambridge University's Scott Polar Research Institute was able to acquire Scott's negatives before they reached the auction room. These are now set to be conserved and scanned. Available to view online, the digitised images will help everyone discover more about Scott's final expedition.





**Left:** George Canning's despatch box, containing bundles of letters from Lord Liverpool and other colleagues

**Below:** An account of the duel fought between George Canning and Lord Castlereagh on Putney Heath on 21 September 1809



## Canning Family Archive

British Library

£800,000

George Canning (1770–1827) was a pivotal figure in early-19th-century British politics. Despite modest beginnings, he rose to positions at the highest levels of government. The greatest parliamentary orator of his day, he is remembered primarily for his influence as Foreign Secretary during the turbulence of the Napoleonic Wars and their aftermath. He also played a significant role in fostering the independence of emerging South American nations. For four months before his death, he briefly served as Prime Minister. His son Charles (1812–62) achieved prominence as Governor General of India between 1856 and 1862, later becoming the first Viceroy. He is best known for his determined, and fiercely opposed, policy of clemency in response to the Indian Uprising of 1857.

The papers of George and Charles Canning form part of the Canning family archive, which has been acquired by the British Library with support from NHMF. They illuminate great events of the 19th century and contain correspondence with many leading figures of the time. The archive has been further enriched by the papers of those who married into the Canning family. The letters and journals of Charles's wife, Charlotte (1817–61), a renowned watercolourist, provide a vivid picture of the couple's life in India. The papers of Ulick de Burgh (1802–74), husband of George's daughter Harriet, document his time as ambassador to St Petersburg and as Postmaster General.

The grant from NHMF has secured an archive of national importance for a national public collection. At the British Library the Canning papers will be available for study and public viewing. They will cast new light on a dynamic period in British history, from the perspective of a family that was directly involved in many of its major developments.

**Codex Zacynthius**  
University of Cambridge Library  
£500,000



In 1821 General Colin Maclay presented the British and Foreign Bible Society with a manuscript given to him by Prince Comuto of Zakynthos, an island at that time under British rule. The Codex Zacynthius contains a collection of New Testament texts dating from the 12th century. It is also a palimpsest (a manuscript that has been partially erased and written over), with the original text believed to date back to the 6th or 7th century.

Consisting of 176 vellum folios, inscribed in Greek with the text of the Gospel of St Luke, 1:1–11:33, the Codex contains the oldest known example of a New Testament manuscript with a catena, or commentary, written alongside the text rather than in a separate document. It is of great significance to the history of biblical interpretation and the study of how early Christianity was spread.

The grant from NHMF will enable Cambridge University Library to acquire the Codex Zacynthius after having held it on loan for almost 30 years. The fragile manuscript will be conserved and examined with sophisticated scanning techniques that will reveal its full text for the first time since the 12th century. The manuscript's importance has long been recognised by scholars. Having secured this unique treasure, the library hopes that it will also capture the imagination of the wider public.







## Lacock Cup

British Museum

£650,000

The Lacock Cup is a beautiful and extremely rare example of the medieval goldsmith's art. Made in the mid-15th century, this partially gilded silver chalice is thought to have belonged originally to a noble family from the village of Lacock in Wiltshire. It would have been used as a communal drinking cup, passed around at feasts, a symbol of wealth and hospitality.

Few examples of secular medieval silverware survive, most of which are spoons. Chalice such as the Lacock Cup were widely used in late medieval times, but, like much decorative art in precious

metals, almost all were eventually melted down. The Lacock Cup owes its survival to the fact that, following the Reformation, it was donated to St Cyriac's Church, Lacock. The simplicity of its design made it acceptable for use in post-Reformation worship, and it served as a communion chalice in the church for the next 400 years.

Recognising the Lacock Cup's historic importance, in 1962 the church loaned it to the British Museum. In 2013 the museum was offered the chance to acquire the cup for its permanent collection. NHMF support for the purchase has secured the Lacock Cup as the first object of its kind to enter a national collection. On display alongside other masterworks of the period, it will add to public enjoyment and scholarly understanding of the richness and vitality of medieval culture in Britain.



## Beadwork Basket

Holburne Museum

£48,000



This basket is an outstanding example of 17th-century domestic craftwork, skilfully constructed from thousands of brightly coloured wood, coral and glass beads. It is thought to depict King Charles II (1630–85) and his wife, Catherine of Braganza, at the Restoration, and was probably made around 1665. The beads were imported from Venice, the Netherlands and Nevers in France. Some bear a rare form of decoration known as lampwork, in which glass beads were embellished with three-dimensional designs. The imported

beads reflect a growing demand for exotic luxury goods among the English merchant classes; it was probably a young woman of this social group who made the basket.

The NHMF grant has enabled the Holburne Museum in Bath to acquire this rare example of an intricate, exacting craft at its most imaginative and sophisticated. The basket is now displayed and interpreted in the context of the museum's important collection of 17th-century decorative arts.



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## Silverdale Hoard

Lancashire County Council  
Museum Service

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£45,000

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A lead container (top left) helped to preserve the hoard – including beautiful arm-rings, fascinating coinage, hacksilver ingots and decorative pieces – in exceptionally good condition



In 2011 in a field in Lancashire a metal detectorist unearthed what turned out to be Britain's third-largest collection of Viking silver. The Silverdale Hoard is thought to have been hastily buried at some point between 900 and 910, a time when the Wessex royal family was struggling to drive Viking rulers from their kingdoms in the north of England. The hoard comprises 201 items, including finger and arm rings, brooches and coins. Almost all the pieces were held in a lead container, the only known example of this date to have survived entire.

The jewellery in the hoard is exceptional and of superb workmanship, displaying stylistic influences from the Anglo-Saxons, Irish and Carolingians. The coins comprise a mixture of Anglo-Saxon, Anglo-Viking, Frankish and Islamic currency, illustrating

the international reach of Viking trade networks. They include coins of rulers ranging from the English king Alfred the Great (849–99) to Caliph al-Mansur (714–75), founder of Baghdad. One coin has brought a previously unknown king to light, a ruler of Northumbria called Harthacnut (meaning 'tough knot').

In awarding this grant, NHMF Trustees wanted to ensure that the Silverdale Hoard would remain in the county where it lay buried for more than a thousand years and be freely accessible to local people. The hoard was exhibited at Lancaster City Museum in 2013 and can be seen at the Museum of Lancashire in Preston throughout 2014, before undergoing conservation.



# Report of the Trustees and Accounting Officer

## Strategic report

### Background information

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

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

### Principal activities

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

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

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

Under the 1980 Act (as amended) and the 1997 Act, Trustees are now also able to assist projects directed to increasing public understanding and enjoyment of the heritage and to interpreting and recording important aspects of the nation's history, natural

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

### Financial review

In 2013–14, we received 13 applications and all were considered by the Trustees. Eleven of the applications were supported with awards totalling £6,548,450. Due to high demand for our funds, we were unable to support two of the applications. Unlike previous years, the cases NHMF supported did not include items which were temporarily stopped from export out of the UK following advice from the Reviewing Committee for the Export of Works of Art. However, there has been an increase in these cases applying to HLF following the Trustees amending our policy to allow fast-track acquisitions to be supported with Lottery funds.

Two of the largest awards this year helped secure two very different parts of our heritage. One of the final awards of the year went to the Victoria and Albert Museum to acquire four bronze statues commissioned for Cardinal Wolsey's tomb. They are outstanding examples of Renaissance design and nationally important symbols of Tudor power politics, and they will be a major addition to the museum's Medieval and Renaissance galleries. Our other large award was to Stow Maries Great War Aerodrome Trust in Essex to secure the future of the aerodrome. This is one of only 10 surviving First World War aerodromes, and as we move towards the Centenary of the First World War this is a fitting reminder of the memorial nature of the Fund.

We have funded three archive collections this year, including a grant increase for the acquisition of the Rex Whistler archive for Salisbury and South Wiltshire Museum. The other two archives were very different in nature. We supported the Wordsworth Trust to secure a substantial collection of Thomas Bewick's private papers. Bewick, a renowned artist and naturalist, spent most of his life in the north of England, and his papers reveal how his work was shaped by his surroundings. In contrast, the Canning Family Archive contains the papers of George and Charles Canning alongside those of people who married into the family. Overall the archive, acquired by the British Library, illuminates many of the significant political and social events of the 19th century.

Another literary acquisition this year was the Codex Zacynthius for the Cambridge University Library.

The Codex contains the oldest known example of a New Testament manuscript with a catena, or commentary, written alongside the text rather than in a separate document. It is therefore of great significance to the history of biblical interpretation and the study of how early Christianity spread.

The smaller awards made this year helped the Holburne Museum acquire a beadwork basket and Lancashire County Council Museum Service acquire the Silverdale Hoard. The former is an exquisite example of 17th-century beadwork thought to depict King Charles II and his wife, Catherine of Braganza. Unusually for that time, it is thought to have been made by a craftswoman. The hoard has turned out to be Britain's third-largest collection of Viking silver and includes jewellery of exceptional workmanship as well as Anglo-Saxon, Anglo-Viking, Frankish and Islamic coins.

The Lacock Cup is a beautiful and extremely rare example of the medieval goldsmith's art. It was acquired by the British Museum after it was offered the chance by St Cyriac's Church of Lacock. Chalicees such as the Lacock Cup were widely used in late medieval times, but, like much decorative art in precious metals, almost all were eventually melted down. The cup owes its survival to the fact that, following the Reformation, it was donated to St Cyriac's Church in the village of Lacock. The cup

had been on loan from the church to the museum since the 1960s, so it is wonderful to acquire it for the permanent collection and add to public enjoyment and scholarly understanding of the richness and vitality of medieval culture in Britain.

One of the last awards of the year was to the Scott Polar Research Institute to acquire a set of 113 negatives by Captain Scott himself, previously thought lost, from the ill-fated 1910 Terra Nova Antarctic Expedition. Scott, as part of the preparation for his second expedition to the South Pole, recruited the photographer Herbert Ponting to record his team's discoveries. After receiving training from Ponting in the Antarctic, the explorers took their own set of photographs. These images provide unprecedented insight into the expedition through field cameras documenting every stage of the journey across the Great Ice Barrier to the struggle up the Beardmore Glacier.

Finally we made an award-in-principle to Save Britain's Heritage for the costs of the acquisition of Wentworth Woodhouse in Yorkshire. This in-principle award will only be taken up should there be a need for Save Britain's Heritage to save this exceptional example of a classical Palladian-style English country house of the 17th and 18th centuries.

A full list of grants awarded is as follows:

Acquisition	Applicant	Awarded
Stow Maries Aerodrome	Stow Maries Great War Aerodrome Trust	£1,505,000
Lacock Cup	British Museum	£650,000
Whistler Archive (grant increase)	Salisbury and South Wiltshire Museum	£150,000
Silverdale Hoard	Lancashire County Council Museum Service	£45,000
Beadwork Basket	Holburne Museum	£48,000
Bewick Papers	Wordsworth Trust	£67,000
Wentworth Woodhouse (in principle)	Save Britain's Heritage	£550,000
Codex Zacynthius	University of Cambridge Library	£500,000
Canning Family Archive	British Library	£800,000
Captain Scott's Negatives	Scott Polar Research Institute	£233,450
Wolsey Angels	Victoria and Albert Museum	£2,000,000
<b>Total grants awarded</b>		<b>£6,548,450</b>

We received grant-in-aid of £10million in the year; £5million was placed by the Trustees in the endowment fund to replace that taken out in 2011–12 when only £1 was received from DCMS and to reduce the deficit against the target value. The remaining £5million formed our budget for awards in 2013–14. In the end, we awarded over £6.5million, which means we will have to maintain a close eye over our cash-flow in 2014–15. The receipt of £10million means that we have received an average of £5million over the past three years.

There were no sums drawn down from the endowment in 2013–14 and hence no consequent income generated through the sale of investments. The endowment fund investment policy will remain one of capital accumulation until the target value is achieved. Consequently, the units we own in Schroder's Charity Multi-Asset Fund are designed for long-term capital gain rather than income. Trustees aim to use the endowment fund rarely and only for exceptional, high-cost, items – hence the long-term investment policy. There are small



## Report of the Trustees and Accounting Officer

amounts of income generated through our day-to-day operations; for example, bank interest. We aim to cover our administrative costs this way allowing our entire grant-in-aid to be used for awards. Hence, our grant award budget is linked to the value of our grant-in-aid. We succeeded this year with total income of £144,000 exceeding our administrative costs of £110,000.

The value of the endowment fund rose by £7.1million to £37million. This increase was not just due to the addition of £5million from our grant-in-aid; there were also significant gains earned by our investment managers in 2013–14. The return on the endowment fund was 6.4%, compared with 13% in the previous year. Trustees have a long-term target for the value of the endowment fund, which is that it be worth £10million at 1980 prices. Having experienced a large value of sums drawn down to make grant payments in past years, the endowment fund was £1.5million below its target at the year end.

Cash balances rose by £0.8million in the year. The reason for the rise is that our grantees often take a number of months to draw down funds after we make the grant award. There are usually a variety of reasons for this. Consequently, although we awarded £6.5million, we only paid out £4.2million and we ended up with outstanding grant liabilities of £5.3million at the year end. Our cash was placed with various financial institutions via our investment managers on short-term notice to allow us to earn much more interest than if the funds were left in our current account.

Operating costs fell from £116,000 to £110,000. This means that our administrative costs represent just over 2% of our income; a demonstration of the efficiency of the organisation. This amount of expenditure returns the Fund to its administrative expenditure level of 2010–11.

### Key performance indicators

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

	Target	2013 -14	2012 -13	2011 -12	2010 -11	2009 -10
Application processing times (months)						
– urgent applications	3	1.3	1.2	1.3	1.1	1.1
– non-urgent applications	6	2.2	2.6	2.1	1.7	3.4
Publicising decisions (working days)						
– post decisions on website	14	10	10	10	10	10
Paying grants (working days)						
– after payment request	15	5	4	7	3	3

The above indicators and targets will continue into 2014–15.

### Financial instruments and investment strategy

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 £10million as grant-in-aid in 2013–14 and a further £5million in April 2014. In addition, Trustees maintain an endowment and its underlying investment in Schroders' Charity Multi-Asset Fund is widely traded. Trustees are able to liquidate funds on a daily basis should the need arise to fund grant payments. Therefore, Trustees are satisfied that they have sufficient liquid resources, in the form of their cash balances (worth £3,081,000 at the date of the Statement of Financial Position) and the endowment fund (worth £37million at the date of the Statement of Financial Position) to cover all outstanding grant awards of £5.3million and administrative liabilities of £41,000. The endowment is invested in a fund that is mostly invested in unit trusts which are readily marketable – the prices are quoted daily in the Financial Times. NHMF monitors its cash balances on a daily basis and keeps in regular contact with grantees to ascertain their likely cash drawdown requirements. The Trustees consider that the Fund is not exposed to significant liquidity risks.

### Market and interest rate risk

Cash balances, which are used to pay grant commitments and operating costs, are held in a variety of bank accounts, some fixed rate and some variable rate. Our account with Barclays, which was a variable rate account, carried an interest rate of 0.35% in the year and was used to make grant payments and fund our administration. Larger sums of money were held in short-term fixed and variable rate accounts, paying between 0.9% and 0.99%, 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 £3,081,000 and were held as disclosed in the table below. Other financial assets and NHMF's financial liabilities carried nil rates of interest.

Schroders managed NHMF's endowment and invested it in a wide range of assets, from marketable shares to cash. At the year end, the market value of the endowment, excluding its cash element, was £37million. 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 6.4%. 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 the City of London.

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

	2013–14 £'000	2012–13 £'000
Cash balances		
– sterling at floating interest rates	3,081	2,241
– sterling at a mixture of fixed and floating rates	0	0
– sterling at fixed rates	0	0
	<b>3,081</b>	<b>2,241</b>

### Credit risk

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

### Foreign currency risks

The endowment fund is invested in Schroders' Charity Multi-Asset Fund, which is denominated in sterling. The Multi-Asset Fund invests in a large number of unit trusts and similar products, many of which include investment in assets denominated in other currencies. It is not possible to be precise about the proportion of the investments denominated in foreign currencies, but it is around 31%. 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

	2013–14 £'000	2012–13 £'000
Assets per the Statement of Financial Position		
Non-current assets	36,983	29,842
Cash and cash equivalents	3,081	2,241
Trade and other receivables	22	83
	<b>40,086</b>	<b>32,166</b>

### Financial liabilities by category

	2013–14 £'000	2012–13 £'000
Liabilities per the Statement of Financial Position		
– other financial liabilities		
• grant commitments	5,250	2,910
• operating payables	1	1
• other payables	4	7
• accruals	36	37
	<b>5,291</b>	<b>2,955</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 2014.

### Financial assets at 31 March 2014

	Book value £'000	Fair value £'000
Cash <sup>1</sup>	3,081	3,081
Investments <sup>2</sup>	29,178	36,983
Receivables <sup>3</sup>	22	22
	<b>32,281</b>	<b>40,086</b>

## Report of the Trustees and Accounting Officer

### Financial assets at 31 March 2013

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

### Financial liabilities at 31 March 2014

	Book value £'000	Fair value £'000
Grant commitments <sup>4</sup>	<b>5,250</b>	<b>5,250</b>
Operating payables <sup>5</sup>	<b>1</b>	<b>1</b>
Other payables <sup>5</sup>	<b>4</b>	<b>4</b>
Accruals <sup>5</sup>	<b>36</b>	<b>36</b>
	<b>5,291</b>	<b>5,291</b>

### Financial liabilities at 31 March 2013

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

As can be seen from the table below, NHMF has no long-term liabilities.

	2013–14 £'000	2012–13 £'000
In less than one year	<b>5,291</b>	2,955
In more than one year, but less than two	<b>0</b>	0
In two to five years	<b>0</b>	0
In more than five years	<b>0</b>	0
	<b>5,291</b>	<b>2,955</b>

For a description of our work in the area of environmental matters, please see the Environmental policies and sustainability reporting in the Directors' Report below.

The principal risks faced by NHMF during the year are set out in the Governance Statement below.

## Chair and Trustees of NHMF

### Chair

Dame Jenny Abramsky <sup>2</sup>

### Trustees

Sandie Dawe <sup>1</sup> from 18 February 2014  
 Angela Dean <sup>1</sup>  
 Sir Roger De Haan from 20 January 2014  
 Kim Evans <sup>2</sup>  
 Yinnon Ezra <sup>1</sup> to 3 February 2014  
 Kathy Gee to 9 September 2013  
 David Heathcoat-Amory <sup>1</sup> from 20 January 2014  
 Doug Hulyer <sup>1</sup> to 9 September 2013  
 Hilary Lade <sup>2</sup>  
 Alison McLean <sup>1</sup> to 17 February 2014  
 Steve Miller from 18 February 2014  
 Richard Morris  
 Atul Patel <sup>2</sup>  
 Dame Seona Reid  
 Ronnie Spence <sup>1</sup> to 31 December 2013  
 Virginia Tandy  
 Tom Tew from 20 January 2014  
 Manon Williams  
 Christopher Woodward to 31 October 2013

### Chief Executive

Carole Souter <sup>2</sup>

- 1 Member of Audit Committee
- 2 Member of Finance, Staffing and Resources Committee (which also covers remuneration)

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

The gender split of staff and Trustees at 31 March 2014 was as follows:

	Male	Female	Total
Trustees	6	8	14
Directors	0	0	0
Staff	0	2	2

Whilst we disclose two staff above (and in note 4 to the accounts), this is an amalgam of the contribution of many members of staff who spend almost all of their time on Lottery distribution activities. This is why there are no directors reported above; they are reported in the accounts of our Lottery distribution activities.

### 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 2014–15 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.

**Dame Jenny Abramsky**  
Chair

**Carole Souter**  
Chief Executive

3 July 2014

## Directors' report

### Employee consultation

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

### Equal opportunities

As an employer, NHMF abides by equal opportunities legislation. The Fund does not discriminate against staff or eligible applicants for job vacancies on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religious belief, disability, age or sexual orientation. Every possible step is taken to ensure that staff are treated equally and fairly, and that decisions on recruitment, selection, training, promotion and career management are based solely on objective job-related criteria. NHMF does not tolerate any form of discrimination, harassment or victimisation. The Fund welcomes job applications from people with disabilities, and currently around 5% (2012–13: 5.3%) of our workforce is made up of people with declared disabilities. All staff are required to co-operate in making this policy work effectively.

During the past year the Staff Disability Action Group has met twice and continued the concept of inviting selected charities to attend and present to staff. These have been well attended and the format ensures colleagues in the regional and country offices are able to video conference into the session and thus increase the number of participants. In 2013–14 representatives from the employee assistance provider Right Management were invited and along with other diversity and equality training this has enabled staff to have the confidence to declare a disability or discuss issues related to disability.

### Payables

NHMF adheres to the government-wide standard on bill-paying and the CBI Better Payment Practice Code, which is to settle all valid bills within 30 days. In 2013–14, the average age of invoices paid was seven working days (2012–13: 10 days). Over 94% of invoices were paid within 30 calendar days (2012–13: 90%).

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 2014, the figure was 31 days (2012–13: 27 days).

### Environmental policies and sustainability reporting

The Treasury required all public sector bodies to produce sustainability reports from 2011–12. 2010–11 was a “dry run” and from 1 April 2010, NHMF recorded its carbon footprint in terms of business travel undertaken, waste generated and energy consumption. As 2010–11 was the first year of collecting the information, it was not a reliable baseline; for example, none of our landlords provided figures for kilowatt hours of gas or electricity used nor were they able to bill quickly enough after the year end to provide figures in time for the production of year-end accounts. This means that we often had to use estimates for most offices. From 2011–12 onwards, the situation improved slightly, but we still have to estimate much of our consumption. From 2013–14, we have started to calculate our carbon dioxide equivalent consumption for water and for waste.

As we are one organisation, Trustees see no benefit in allocating sustainability reporting between their grant-in-aid activities and their Lottery distribution activities. Consequently, the information below covers all the activities of NHMF.

#### *Summary of performance*

Our emissions have risen in 2013–14. This is for the following reasons:

- i) staff numbers have increased and so it is inevitable that consumption will have increased;
- ii) as noted above, we have started to calculate the carbon dioxide equivalent consumption for water and for waste. Without this change, our figures would have fallen as gas and electricity usage fell slightly. This is as a result of the relatively mild winter in 2013–14.
- iii) DEFRA has altered their conversion factors for all our categories of consumption. Inevitably, this makes year-on-year comparison difficult.

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

## Report of the Trustees and Accounting Officer

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 consumption.

Area	2013-14	2012-13	2011-12	2010-11
Greenhouse-gas emissions scopes 1, 2 & 3 which incorporates business travel including international air/rail (tCO <sub>2</sub> e)	<b>1,076</b>	550	747	594
Estate energy – consumption (million kWh)	<b>0.9</b>	1.1	1.3	1.3
– expenditure (£)	<b>445,624</b>	489,638	384,532	358,000
Estate waste – amount (tonnes)	<b>28</b>	24	19	20
– expenditure (£)	<b>12,400</b>	5,518	6,640	8,000
Estate water – consumption (m <sup>3</sup> )	<b>5,655</b>	3,757	5,223	14,716
– expenditure (£)	<b>14,182</b>	11,253	18,786	19,000

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

Area per FTE	2013-14	2012-13	2011-12	2010-11
Greenhouse-gas emissions scopes 1, 2 & 3 which incorporates business travel including international air/rail (tCO <sub>2</sub> e)	<b>4.1</b>	2.2	3.3	2.5
Estate energy – consumption (million kWh)	<b>3,595</b>	4,249	5,701	5,686
– expenditure (£)	<b>1,716</b>	1,986	1,679	1,530
Estate waste – amount (tonnes)	<b>0.1</b>	0.1	0.1	0.2
– expenditure (£)	<b>48</b>	22	29	34
Estate water – consumption (m <sup>3</sup> )	<b>22</b>	15	23	63
– expenditure (£)	<b>55</b>	46	82	81

The 2012-13 figures have been revised in the second table following the recalculation of 2012-13 staff numbers working on Lottery distribution activities (see note 3 of the Lottery distribution accounts).

### Greenhouse-gas emissions

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

Kilowatt hours are converted to carbon dioxide equivalent tonnes using conversion factors supplied by the Department for Environment, Food and Rural Affairs (DEFRA). The carbon dioxide equivalent for emissions from our air conditioning chillers was calculated in the same way; using the formulae 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 to us and heating that we buy from landlords of our country and regional offices. Information about consumption in kilowatt hours is obtained from our landlords. Kilowatt hours are converted to carbon dioxide equivalent tonnes using conversion factors supplied by DEFRA at the above website. We are reliant on our landlords to improve performance.

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

### Waste

Waste generation has risen in 2013-14. 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 a legitimate 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.

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.

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

#### *Use of resources*

Water consumption rose in 2013–14. This is as a result of our fitting a water meter at Holbein Place so that we now have a much better idea of our consumption. It is obvious that the amounts we were billed by the water company up to that point significantly understated our consumption. We are now considering whether to install water meters at our other offices, but this would require the cooperation of our landlords. Our landlords provide information about the number of cubic metres of water consumed based on the space we occupy, rather than by individual metering.

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 has reduced. We believe that our review has made a small improvement in consumption, but we accept that the relatively mild winter will have been the main cause of the fall.

#### **Future developments**

Grant-in-aid in 2014–15 will be £5million, with a further £5million in 2015–16. There is always high demand for awards and that is why Trustees consider that an annual grant-in-aid of £10 million would be the minimum to allow NHMF to meet its statutory duties. This is particularly pertinent at a time when the number of items stopped for export, by the Reviewing Committee for the Export of Works of Art, is increasing and also the Centenary commemorations for the First World War may place further demands on the Fund. Inevitably, a level of grant-in-aid of only £5million per annum means we often have to give out a negative message to would-be applicants – we cannot save everything that comes to us and some items of our heritage could be lost.

Trustees hope that the value of the endowment fund will reach its target level during 2014–15. Should this be achieved, the opportunity will then exist for a review of investment policy with an option being to use the endowment fund to generate income to top up our grant-in-aid.

#### **Pension liabilities**

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

#### **Tax arrangements of public sector employees**

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

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

#### **Register of interests**

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

#### **Appointment of auditors**

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

### Events after the reporting period

There were no events that occurred after 31 March 2014, up until the date the Accounting Officer signed these accounts, which need to be brought to the attention of the reader. The Accounting Officer authorised the accounts for issue on 8 July 2014, which was the date the accounts were certified by the Comptroller and Auditor General.

### Personal data

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

### Sickness absence

In 2013–14, 946 days were lost due to 364 sickness episodes (2012–13: 1,151 days in 366 episodes), which continue to represent a very modest 0.96% of all working days (2012–13: 1.28%).

## Remuneration report

### Remuneration of the Chair and Trustees

All Trustees were entitled to receive an annual salary for the time spent on the activities of NHMF. In addition, NHMF reimbursed travel expenses of certain Trustees from their homes to their office of employment in London, Edinburgh, Cardiff or Belfast. The Fund met the tax liability on these expenses. Sir Roger De Haan waived his right to receive a salary in 2013–14.

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 2013–14 was £196,579 (2012–13: £202,111). 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

	2013–14 £'000	2012–13 £'000
Dame Jenny Abramsky <i>Chair</i>	40–45	40–45
Sandie Dawe <i>from 18 February 2014</i>	0–5	0
Angela Dean	5–10	5–10
Sir Roger De Haan <i>from 20 January 2014</i>	0	0
Kim Evans	5–10	5–10
Yinnon Ezra <i>to 3 February 2014</i>	10–15	5–10
Kathy Gee <i>to 9 September 2013</i>	0–5	5–10
David Heathcoat-Amory <i>from 20 January 2014</i>	0–5	0
Doug Hulyer <i>to 9 September 2013</i>	5–10	5–10
Hilary Lade	10–15	10–15
Alison McLean <i>to 17 February 2014</i>	5–10	5–10
Steve Miller <i>from 18 February 2014</i>	0–5	0
Richard Morris	5–10	5–10
Atul Patel	10–15	5–10
Dame Seona Reid	20–25	20–25
Ronnie Spence <i>to 31 December 2013</i>	15–20	20–25
Virginia Tandy	10–15	10–15
Tom Tew <i>from 20 January 2014</i>	0–5	0
Manon Williams	20–25	20–25
Christopher Woodward <i>to 31 October 2013</i>	5–10	5–10

## Remuneration of employees (Audited information)

The remuneration of directors was as follows:

	Salary 2013–14 £'000	Salary 2012–13 £'000	Bonus 2013–14 £'000	Bonus 2012–13 £'000	Real increase in pension and lump sum £'000	Total accrued pension at age 60 and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/03/14 £'000	CETV at 31/03/13 £'000*	Real increase in CETV funded by NHMF £'000
<b>Carole Souter</b> Chief Executive	<b>135 to 140</b>	130 to 135	<b>5 to 10<sup>#</sup></b>	0 to 5 <sup>#</sup>	0 to -2.5 and -2.5 to -5 lump sum	75 to 80 plus 225 to 230 lump sum	1,566	1,505	-35
<b>Robert Bewley</b> Director of Operations	<b>90 to 95</b>	90 to 95	<b>5 to 10</b>	5 to 10	0 to 2.5 and 0 to 2.5 lump sum	30 to 35 plus 95 to 100 lump sum	726	674	7
<b>Judith Cligman</b> Director of Strategy and Business Development	<b>90 to 95</b>	90 to 95	<b>5 to 10</b>	5 to 10	0 to 2.5 and 0 to 2.5 lump sum	30 to 35 plus 100 to 105 lump sum	659	612	6
<b>Steve Willis</b> Director of Finance and Corporate Services	<b>105 to 110</b>	105 to 110	<b>5 to 10</b>	5 to 10	0 to 2.5 and 0 to 2.5 lump sum	55 to 60 plus 165 to 170 lump sum	1,282	1,202	3

\* These figures are different to those quoted in last year's accounts. The actuarial factors used to calculate cash equivalent transfer values were changed in 2013–14. The CETVs at 31/03/14 and 31/03/13 have both been calculated using the new factors, for consistency.

# Carole Souter waived her right to a director's bonus in 2012–13 and a performance bonus in 2013–14.

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

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

### Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result

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

### Real increase in CETV

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

All senior employees had permanent contracts of employment and were ordinary members of the Principal Civil Service Pension Scheme (PCSPS). Their costs were allocated between HLF and NHMF on the basis of 99%: 1% (2012–13: 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



## Report of the Trustees and Accounting Officer

performance is reviewed in line with this. Performance is reviewed annually in March–April and rated on a scale of four different levels of achievement. There is a bonus scheme for the directors which takes into account the Finance, Staffing and Resources Committee's (membership of this committee is disclosed on page 24) view of the individual's contribution towards the wider success of the organisation, with particular reference to their management of their own department and their impact on other areas; the individual's impact on Trustees and their effectiveness; and any exceptional contribution or achievement during the year which was not reflected in the key objectives for the year. This policy is expected to continue in future years. Senior management are appointed on open-ended contracts with notice periods of no more than six months. In the event of considering termination payments, the Fund would adhere fully to the rules of the Civil Service Compensation Scheme and any associated guidance from Treasury or DCMS.

### Remuneration ratio

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

The banded remuneration of the highest-paid director in 2013–14 was £140,000 to £145,000. This was almost six times the median remuneration of the workforce, which was £24,851 (2012–13: £25,593). There were no employees who received remuneration in excess of the highest-paid director. In 2013–14 the Fund created a number of new posts and the starting salary of the majority of these new

entrants was less than £25,593, the median in 2012–13. That has had the effect of reducing the median salary in the organisation. The highest paid director was subject to the Government's 1% cap on pay increases.

### Exit packages

Under the terms of Employer Pensions Notice 296 issued by the Cabinet Office in March 2011, NHMF is required to publish details of all exit packages agreed in the financial year under review. Falling under the definition of exit packages are compulsory and voluntary redundancies, early retirement, compensation for loss of office, ex-gratia payments etc. There was one in 2013–14 (2012–13: one).

### Audited information

	2013–14 Number	2012–13 Number
£5,000–£10,000	0	1
£15,000–£20,000	1	0

**Carole Souter**  
Chief Executive

3 July 2014

## 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 (with the exception of commitment accounting for grant awards as required by the Secretary of State's accounts' direction) and must give a true and fair view of the Fund's state of affairs at the year end, and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

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

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

**Dame Jenny Abramsky**  
Chair

3 July 2014

**Carole Souter**  
Chief Executive

### Governance statement

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

#### The governance framework

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

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

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

The Board of Trustees operates as a group and held 11 meetings during the year to set policy for NHMF and make decisions in line with that policy. These meetings are held in my presence and that of my colleagues in senior management. All Board meetings held in 2013–14 were quorate. The overall average attendance rate of Trustees was 99%, with all but one Trustee achieving 100% attendance. Trustees have also delegated some of their tasks to three sub-committees – Finance, Staffing and Resources, Communications and Audit. These committees oversee the activities of management and provide support. The minutes of committee meetings are standing items on the agenda of Board meetings and the committee chairs provide a full report on their activities. A comprehensive list of the matters reserved for the Board was drawn up during 2013, and can be found on the HLF website.

The Finance, Staffing and Resources Committee comprises four Trustees and me, and is chaired by a Trustee. Two of my directors also attend each meeting. This Committee met three times during the year and was quorate on each occasion. Its terms of reference cover the preparation of the strategic framework and business plans of NHMF, setting and monitoring budgets for grant awards and operating costs, guiding management on

administrative and control structures, overseeing the investment of NHMF's endowment fund and approving the remuneration policy. The Committee changed its name during the year, by incorporating "Staffing" into its name. This was to demonstrate the importance of staff to its remit. The significant matters discussed by the Committee during the year included satisfying itself that management were adequately monitoring staff workloads at a time of increasing applications; discussing the latest Investors in People report where the Committee was pleased to see that NHMF continued to achieve the necessary standards; reviewing in depth the roll-out of the fourth strategic framework and the content of the 2014–15 Business Plan.

The Audit Committee currently comprises three Trustees, although it is envisaged that a fourth will be added during 2014. The Committee is chaired by a Trustee. It met three times during the year and was quorate on each occasion. There was significant turnover of membership of this Committee during the year as Trustees' contracts came to an end. I ensured that the replacement Trustees on the Committee had relevant knowledge and experience for this role.

I attend each meeting of the Audit Committee along with the Director of Finance and Corporate Services. Its terms of reference include the activities of the internal and external auditors and overseeing the risk culture of NHMF. A significant Committee action in the year was overseeing the re-tendering of the internal audit contract. The outcome was a change in internal auditors, who will begin their role in 2014–15. The Committee makes regular reports to the Board and Trustees are satisfied that the Committee is providing them with the assurance they require.

The Board is also supported by a Communications Committee which advises on communications' strategy and acts as a sounding board for key initiatives.

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

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

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

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

### **Risk assessment**

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

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

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

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

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

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

Whilst the Management Board and the Audit Committee take the lead on setting the risk framework, staff at middle-management level are fully involved in the system. The risk register is circulated to all middle management prior to their production of annual team plans. Each team annual plan makes specific reference to the risk register and expresses how their activities will operate in the light of the identified risks. They are also expected to bring to the attention of senior

management any emerging risks. Their plans are discussed and approved by senior management. In addition, the Managers' Forum has regular discussion of the risk environment in which NHMF operates and how the Fund should respond. All middle managers are appraised on an annual basis of the way in which they anticipate, identify and manage both risks and opportunities.

In 2013–14, NHMF considered the following to be the most significant areas of risk:

- i) the grant-in-aid resources of the National Heritage Memorial Fund are insufficient to rescue outstanding parts of our national heritage which are at risk;
- ii) the high number of changes to the membership of the Board, or delays in the process of appointment, undermines the Board's ability to provide effective governance and/or robust decisions on grant applications;
- iii) failure of applications and grants to meet our strategic objectives;
- iv) demand for awards, pre-application advice and monitoring exceeds our operational capacity;
- v) failure of our strategy to keep pace with the needs of the heritage and changes in the external environment, and therefore lack of support from our stakeholders;
- vi) failure to set and follow efficient procedures, thereby giving rise to the risk of inefficiency, fraud or of making decisions open to challenge;
- vii) failure to recruit, retain and motivate appropriately skilled staff;
- viii) risk that that the benefits of heritage investment are not understood and valued by stakeholders across the UK; and
- ix) risk of increased media and opinion-former scrutiny of our funding decisions in the current economic and political conditions with potential for adverse response.

NHMF has a fraud policy that is reviewed on an annual basis. It is given to all new staff when they receive a one-day training session on fraud awareness. NHMF also has an information risk policy which is compliant with the Cabinet Office documents, the Security Policy Framework and with the mandatory measures of the Data Handling Procedures in Government. All staff receive guidance on information risk as part of their induction. The policy, which is reviewed on an annual basis, requires all data to be held securely.

### Business Critical Models

I consider that 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 award budgets out of our Lottery income. We aim to ensure that we award the highest possible level of grants without the risk of running out of cash at a later date. The model was created by an external organisation around 10 years ago following consultation with our staff. The model remains in its original form other than to have had its life extended beyond 2014–15. Despite the significant changes to the way we operate and a variety of new grant programmes created since the model was formulated, we find that it provides a reasonable forecast of our balance at the NLDF – in 2013–14, the model forecast grant payments of £294million; the reality was £288million, a 2% variance. Consequently, we have not had to consider a re-design. The model is updated in two ways: (1) whenever DCMS issues an updated Lottery income projection, perhaps twice a year; and (2) after the year end when the model data is updated with all the actual figures for the year just completed. On both occasions, there is a thorough review of the accuracy of the updates before the Board makes a decision on whether the grant award budget, in both the short and long term, remains appropriate.

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

The most significant activity for the Board has been the roll out of the new strategic framework, *A lasting difference for heritage and people*. This included the introduction of a number of new grant programmes, such as Heritage Enterprise, as well as moving to an outcomes-based approach to the assessment of all applications. The Board had also introduced a new targeted delegated grant programme – First World War Then and Now; to meet the high level of interest in projects relating to the Centenary of the First World War.

After a significant rise in Lottery income in 2012–13, DCMS revised downwards their projections for future Lottery income in February 2014. In October 2013 Camelot launched a new £2 Lotto game to increase revenue for good causes; the impact of this change is not yet clear. In view of both these factors, and the level of over-commitment against the balance in the NLDF account, the Board agreed a budget of £375million for 2014–15.

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

## **The performance of the Board**

The Board membership changed significantly during 2013–14, with six Trustees reaching the end of their terms, and five new Trustees commencing their appointment within the year. As a result of this significant turnover in Board membership, the Board agreed not to hold a review of its effectiveness during the year. The Board did review progress against the actions arising from the effectiveness review held in January 2013. They were satisfied that all actions identified in the 2013 effectiveness review had either been completed or were close to completion. Therefore, the Board considered that it continued to meet the requirements of the Treasury's Corporate Governance Code. There was nothing in any of the internal or external audit reports put before the Board's Audit Committee that gave it any cause for concern. Consequently, the Board believes it can rely on the quality of data put before it by management and upon which it bases its decision.

All new Trustees receive induction at the time of their appointment, which introduces them to their obligations as a Trustee, the work of NHMF and its systems, thereby helping to prepare them to make a full contribution to the working of the Board. This formal induction is continued through an on-going programme of events to support new Trustees. The large number of new Trustees appointed within a short space of time increased the importance of effective induction. The effectiveness of Trustees is appraised by the Chair on a regular basis.

## **The governance year**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and senior management within NHMF who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. As a result of their work during the year, the internal auditors have produced an annual certificate of assurance with regard to the adequacy of the systems and the operation of internal controls within NHMF. In addition, I have seen the management letter prepared by the external auditors following their audit of the accounts for the year ended 31 March 2014. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Trustees and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the internal control system is in place.

The annual internal audit plan is created on a risk basis; the internal auditors were provided with a copy of the draft risk register for 2013–14 when

preparing their plan. The Audit Committee reviewed and approved the internal audit plan. I ensured that there was sufficient flexibility in the plan to allow for changes to be made during the year to reflect any significant changes in the risk environment or the emergence of new risks. However, there was none.

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

Our internal audit reports in the year looked at our upgraded procurement system with particular emphasis on major items of expenditure and reporting under the Government's transparency agenda; visits to some of our regional and country offices to explore financial and administrative matters such as health and safety as well as application processing; and the success in our bringing in-house the assessment and monitoring of the Repair Grants for Places of Worship scheme in England, which had been previously done for us by English Heritage (the programme has been renamed Grants for Places of Worship in 2013–14). The auditors identified areas where controls could be tightened and management has agreed to make the necessary changes. As a result, I was satisfied with the outcome of those internal audit reports.

No changes of any significance have been made to our systems in 2013–14 and no problems have emerged that lead me to believe that the internal control system is not operating effectively. The internal auditors described NHMF as having "controls that were suitably designed and operating effectively" in their annual report to the Audit Committee. There was nothing in the management letter produced by the external auditors after their audit of these accounts and those of the previous year that leads me to doubt the adequacy of our systems.

I also required all members of senior and middle management to sign annual memoranda of representation to me, detailing their responsibilities and confirming that they have carried out these responsibilities in 2013–14. All managers have signed the memorandum and they are aware that I have placed reliance on these assertions of my management.

## Report of the Trustees and Accounting Officer

The Audit Committee prepares a report of its activity to the Board of Trustees once a year as well as supplying copies of its meeting minutes. Neither internal nor external auditors had uncovered anything untoward during the year. The Committee concluded, at its most recent meeting in June 2014, that it had operated satisfactorily during 2013–14. The Board was pleased to hear this and endorsed this view at its June meeting. The Finance, Staffing and Resources Committee prepares two reports a year to the Board in addition to supplying the minutes of its meetings. They were able to report that we had a successful year where the grant budget was met; we kept within our operating budget and met DCMS's targets for Lottery-grant processing and total operating costs as a proportion of income; we had another successful year in attaining our service level targets and our customer satisfaction levels remain at a high point. All this was achieved at a time when grant applications are at their highest level and our cost base, in real terms, remains at its lowest since we opened our country and regional offices over a decade ago.

As a result of the above, I believe that the Fund's 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 systems for detecting and responding to inefficiency, for preventing conflicts of interest, for preventing and detecting fraud and for minimising losses of grant-in-aid and Lottery grant are not adequate. I believe that the governance structure has operated successfully in 2013–14.

### Attendance records

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

#### Board attendance record

	Number of eligible meetings	Number of eligible meeting days	Actual attendance
Dame Jenny Abramsky <i>Chair</i>	11	12	11
Sandie Dawe	2	2	2
Angela Dean	11	12	12
Sir Roger De Haan	3	4	4
Kim Evans	11	12	12
Yinnon Ezra	9	10	10
Kathy Gee	4	4	4
David Heathcoat-Amory	3	4	4
Doug Hulyer	4	4	4
Hilary Lade	11	12	12
Alison McLean	9	10	10
Steve Miller	2	2	2
Richard Morris	11	12	12
Atul Patel	11	12	12

Dame Seona Reid	11	12	12
Ronnie Spence	8	8	8
Virginia Tandy	11	12	12
Tom Tew	3	4	4
Manon Williams	11	12	12
Christopher Woodward	6	6	6

#### Audit Committee attendance record

	Number of eligible meetings	Actual attendance
Yinnon Ezra	2	2
Doug Hulyer	1	1
Alison McLean	2	2
Ronnie Spence	2	2
Angela Dean	2	2
David Heathcoat-Amory	1	1
Sandie Dawe	1	1

#### Finance, Staffing and Resources Committee attendance record

	Number of eligible meetings	Actual attendance
Dame Jenny Abramsky	3	3
Kim Evans	3	3
Hilary Lade	3	3
Atul Patel	3	3
Carole Souter	3	3

#### Communications Committee attendance record

	Number of eligible meetings	Actual attendance
Dame Jenny Abramsky	2	2
Doug Hulyer	1	1
Yinnon Ezra	2	1
Kathy Gee	1	1
Virginia Tandy	1	1
Dame Seona Reid	2	1

### Carole Souter Chief Executive

3 July 2014

# 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 National Heritage Memorial Fund for the year ended 31 March 2014 under the National Heritage Act 1980. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Trustees, Chief Executive and auditor

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

## Scope of the audit of the financial statements

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

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

## Opinion on regularity

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

## Opinion on financial statements

In my opinion:

- i) the financial statements give a true and fair view of the state of the National Heritage Memorial Fund's affairs as at 31 March 2014 and of its Comprehensive 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 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 Strategic Report and the Directors' 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
- ii) the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; 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

8 July 2014

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



## Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

	Notes	£'000	2013-14 £'000	2012-13 £'000
<b>Sundry operating income</b>	3		<b>96</b>	114
New awards made in the year	15	<b>(6,548)</b>		(4,686)
De-committed awards	15	<b>2</b>		335
			<b>(6,546)</b>	(4,351)
Staff costs	4	<b>(48)</b>		(46)
Depreciation	11	<b>(2)</b>		(2)
Other operating charges	6	<b>(60)</b>		(68)
			<b>(110)</b>	(116)
<b>Operating expenditure</b>			<b>(6,656)</b>	(4,467)
<b>Operating deficit</b>			<b>(6,560)</b>	(4,353)
Profit on the sale of investments	8	<b>0</b>		0
Interest receivable	9	<b>48</b>		57
<b>Non-operating income</b>			<b>48</b>	57
<b>Comprehensive net expenditure transferred to the accumulated fund</b>			<b>(6,512)</b>	(4,296)
<b>Other comprehensive income</b>				
Net gain on revaluation of available for sale financial assets	19		<b>2,095</b>	3,392
<b>Total comprehensive expenditure for the year ended 31 March 2014</b>			<b>(4,417)</b>	(904)

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 41 to 47 form part of the accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

	Fair value reserve £'000	Income and expenditure account £'000
Balance at 31 March 2012	2,318	22,804
<b>Changes in taxpayers' equity in 2012-13</b>		
Net gain on revaluation of investments	3,392	0
Comprehensive net expenditure transferred to the accumulated fund	0	(4,296)
Grant-in-aid from DCMS	0	5,000
Balance at 31 March 2013	5,710	23,508
<b>Changes in taxpayers' equity in 2013-14</b>		
Net gain on revaluation of investments	2,095	0
Comprehensive net expenditure transferred to the accumulated fund	0	(6,512)
Grant-in-aid from DCMS	0	10,000
<b>Balance at 31 March 2014</b>	<b>7,805</b>	<b>26,996</b>

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

# Statement of Financial Position

## as at 31 March 2014

	Notes	31 March 2014 £'000	31 March 2013 £'000
<b>Non-current assets</b>			
Property, plant and equipment	11	6	7
Long-term financial assets available for sale	12	36,983	29,842
		<b>36,989</b>	29,849
<b>Current assets</b>			
Trade and other receivables	13	22	83
Cash and cash equivalents	10	3,081	2,241
Cash held in the endowment fund	12	0	0
		<b>3,103</b>	2,324
<b>Total assets</b>		<b>40,092</b>	32,173
<b>Current liabilities</b>			
Administrative liabilities	14	(41)	(45)
Grant commitments due within one year	15	(5,250)	(2,910)
<b>Non-current liabilities plus net current assets</b>		<b>34,801</b>	29,218
<b>Non-current liabilities</b>			
Grant commitments due after one year	15	0	0
<b>Assets less liabilities</b>		<b>34,801</b>	29,218
<b>Taxpayers' equity</b>			
Fair value reserve	19	7,805	5,710
Income and expenditure account		26,996	23,508
		<b>34,801</b>	29,218

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 41 to 47 form part of the accounts.

**Dame Jenny Abramsky**  
Chair

**Carole Souter**  
Chief Executive

3 July 2014

## Statement of Cash Flows

for the year ended 31 March 2014

	Notes	2013-14 £'000	2012-13 £'000
<b>Operating activities</b>			
Cash from sundry operating income		166	60
Cash paid to and on behalf of employees		(48)	(46)
Interest received		52	53
Cash paid to suppliers		(77)	(66)
Cash paid to grant recipients	15	(4,206)	(2,805)
<b>Net cash outflow from operating activities</b>	17a	<b>(4,113)</b>	(2,804)
<b>Investing activities</b>			
Capital expenditure and financial investment	17b	(5,047)	(53)
Endowment fund net cash receipts		0	0
<b>Net cash outflow from returns on investments</b>		<b>(5,047)</b>	(53)
<b>Cash flows before financing</b>		<b>(9,160)</b>	(2,857)
<b>Financing activities</b>			
Grant-in-aid	17c	10,000	5,000
<b>Increase in cash and cash equivalents</b>		<b>840</b>	2,143

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

for the year ended 31 March 2014

	2013-14 £'000	2012-13 £'000
Increase in operating cash in the period	840	2,143
Cash used to increase liquid resources	0	0
<b>Changes in cash and cash equivalents</b>	<b>840</b>	2,143
Cash and cash equivalents at 1 April 2013	2,241	98
<b>Cash and cash equivalents at 31 March 2014</b>	<b>3,081</b>	2,241

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

# Notes to the Accounts

## for the year ended 31 March 2014

### I. Statement of accounting policies

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

#### a) Accounting convention

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

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

#### b) Government grants

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 which gives rise to a financial interest. This is done by making an adjustment to the accumulated income and expenditure account. No allocation is made between grants for revenue and capital purposes.

#### c) Non-current assets

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

These lives are as follows:

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

No internally generated costs are capitalised. Depreciation commences 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 Taxpayers' Equity.

#### e) Taxation

No provision is made for general taxation as NHMF is statutorily exempt under section 507 of the Income and Corporation Taxes Act of 1988. NHMF is unable to recover Value Added Tax (VAT) charged to it, and the VAT-inclusive cost is included under the relevant expenditure descriptions 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 and the percentage of pensionable pay is notified by the Cabinet Office prior to the start of each financial year. See note 5 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 awards

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

### i) Allocation of costs and segmental reporting

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

NHMF incurs indirect costs which are shared between activities funded by grant-in-aid and activities funded by the National Lottery. NHMF is required to apportion these indirect costs in accordance with *Managing Public Money*, issued by the Treasury. This cost apportionment seeks to reflect the specific proportion of time and expenses committed to each activity. At the end of the financial year, the proportion of joint costs apportioned to our Lottery distribution activities was 99% (2012–13: 99%).

## 2. Grant-in-aid

	2013–14 £'000	2012–13 £'000
Grant from DCMS	10,000	5,000

The increase in grant-in-aid to £10million was a one-off increase to compensate NHMF for the zero grant-in-aid of 2011–12. Grant-in-aid will revert to £5million in 2014–15.

## 3. Sundry operating income

This comprises:

	2013–14 £'000	2012–13 £'000
Repayments of grant	27	62
Donations and bequests	0	0
Receipts from investment managers	69	52
	96	114

In December 2012, we agreed with the Arkwright Society that they would reimburse part of a grant given in 1991 following their decision to sell off a small part of the property that we originally helped them to purchase. At the time of preparation of the accounts for 2012–13, it was expected that this sum would be £62,000; however, we actually received £89,000 in December 2013 as the property was sold for more than expected. The additional £27,000 has been recognised in this year's accounts.

Receipts from investment managers represent amounts paid to us by Schroders. It represents the difference between the fee negotiated under our contract with them and the underlying fee charged within the investment vehicle in which they invest – Schroders' Charity Multi-Asset Fund. The Multi-Asset Fund charges a higher fee rate than that agreed under our contract and so we receive a rebate each quarter. Schroders takes its underlying fee from within the Multi-Asset Fund by deducting an amount from the cash balances held within that fund; this obviously impacts upon the value of the individual investment units of the Multi-Asset Fund. In effect, the cost to NHMF of using Schroders is reflected within the value of its investment units. The Multi-Asset Fund invests in a number of unit and investment trusts, all of which will also have management fees built into them.

## 4. Staff costs and numbers

	2013–14 £'000	2012–13 £'000
Salaries	38	36
Employer's NI payments	3	3
Payments to pension scheme	7	7
Temporary staff costs	0	0
	48	46

Additional costs of £10,698,000 have been allocated to Lottery distribution activities and are reflected in those accounts.

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

	2013–14 Number	2012–13 Number
Grant applications	2	2
Finance and corporate services	0	0
Strategy and business development	0	0
Communications	0	0
	2	2

The above figures are disclosed as full-time equivalents. Additionally, an average of 257.75 permanent staff were employed on Lottery distribution activities.

## 5. Pensions

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

Staff who joined NHMF before 30 July 2007, or who have qualifying previous PCSPS membership on joining since that date, remain in one of three statutory

based 'final salary' defined benefit schemes (classic, classic plus and premium). The schemes are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, classic plus and premium and Nuvos are increased annually in line with pensions-increase legislation.

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and Nuvos. Employee contribution rates increased in April 2012 and April 2013 as outlined in Employer Pensions Notice 314 and 347. The size of the percentage increase depended upon salary. Further increases to employee contributions will apply from 1 April 2014 as per Employer Pensions Notice 367.

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

Members who joined NHMF from October 2002 could have opted for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution known as a Partnership Pension Account. The partnership pension account is a stakeholder pension arrangement with an employer contribution. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to PCSPS to cover the cost of centrally provided lump sum risk benefit cover (death in service and ill-health retirement). There are currently four members

of staff with a partnership pension account. No member of staff retired early on health grounds during 2013–14.

Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2013–14, employer's contributions of £6,865 (2012–13: £6,621) were paid to the PCSPS at the rates set out in the table below. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

The employer's payments were calculated on the basis of salary banding, as Employer Pensions Notice 350:

Salary in 2013–14	% in 2013–14
£21,500 and under	16.7%
£21,501–£44,500	18.8%
£44,501–£74,500	21.8%
£74,501 and above	24.3%

## 6. Operating deficit

The operating deficit is stated after charging the following:

	2013–14 £'000	2012–13 £'000
Auditor's remuneration	9	9
Payments under operating leases		
– leasehold premises	5	6
– hire of plant and machinery	0	0

Additional costs of £8,139,000 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%.

**Notes to the Accounts**  
for the year ended 31 March 2014

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

	2013-14 £'000	2012-13 £'000
Accommodation	8	9
Postage and telephone	2	2
Office supplies, print and stationery	5	5
Travel, subsistence and hospitality	1	1
Professional fees		
– grant-related	8	7
– non-grant-related	12	19
Communications	20	19
Sundry expenses	4	6
	<b>60</b>	<b>68</b>

**7. Income from investments**

	2013-14 £'000	2012-13 £'000
Long-term financial assets available for sale	0	0

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

**8. Profit on the sale of investments**

	2013-14 £'000	2012-13 £'000
Long-term financial assets available for sale	0	0

Profits are earned on the disposal of investments held in the endowment fund when NHMF requires funds to pay for grants. There have been no sales in the past two years.

**9. Interest receivable**

	2013-14 £'000	2012-13 £'000
Bank interest receivable		
– Barclay's Bank	0	0
– Schroder & Co. Limited	48	57
	<b>48</b>	<b>57</b>

**10. Cash and cash equivalents**

	2013-14 £'000	2012-13 £'000
Instant access		
– Barclay's Bank	11	32
– Schroder & Co. Limited	3,070	1,146
Seven-day notice		
– Schroder & Co. Limited	0	1,063
	<b>3,081</b>	<b>2,241</b>

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

**11. Property, plant and equipment**

	Short-leasehold property		IT and other equipment		Office fittings		Total	
	2013-14 £'000	2012-13 £'000	2013-14 £'000	2012-13 £'000	2013-14 £'000	2012-13 £'000	2013-14 £'000	2012-13 £'000
Cost at start of year	3	3	14	14	1	1	18	18
Additions	0	0	1	1	0	0	1	1
Disposals	(0)	(0)	(2)	(1)	0	(0)	(2)	(1)
<b>At end of year</b>	<b>3</b>	<b>3</b>	<b>13</b>	<b>14</b>	<b>1</b>	<b>1</b>	<b>17</b>	<b>18</b>
Depreciation at start of year	1	0	9	9	1	1	11	10
Charge for the year	0	1	2	1	0	0	2	2
Adjustment on disposal	(0)	(0)	(2)	(1)	0	(0)	(2)	(1)
<b>At end of year</b>	<b>1</b>	<b>1</b>	<b>9</b>	<b>9</b>	<b>1</b>	<b>1</b>	<b>11</b>	<b>11</b>
Net book value								
At start of year	2	3	5	5	0	0	7	8
<b>At end of year</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>7</b>

The Trustees have considered the current cost values of property, plant and equipment. A review of the current cost values at 31 March 2014 revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of property, plant and equipment. The value of property, plant and equipment represents a proportionate split of the assets used by both NHMF's grant-in-aid and its Lottery distribution activities. This split is currently 99% Lottery and 1% grant-in-aid.

### Finance leases

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

	2013-14 £'000	2012-13 £'000
Cost at start of year	1	1
Additions	0	0
Disposals	(1)	0
<b>At end of year</b>	<b>0</b>	<b>1</b>
Depreciation at start of year	1	1
Charge for the year	0	0
Adjustment on disposal	(1)	0
<b>At end of year</b>	<b>0</b>	<b>1</b>
Net book value		
At start of year	0	0
<b>At end of year</b>	<b>0</b>	<b>0</b>

Obligations under these finance leases are:

	2013-14 £'000	2012-13 £'000
Amounts for leases expiring		
– in one year	0	0
– in years two to five	0	0
	<b>0</b>	<b>0</b>

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

NHMF was set up as successor to the National Land Fund. The Trustees believed that, of the initial grant-in-aid that established NHMF, the sum of £10million should be regarded as the residue of the National Land Fund and 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 (ie the excess

over the current value of the initial £10million) can be drawn down to fund NHMF's grant-giving. On occasions, Trustees have drawn down funds that take the value of the endowment fund below its target value. Trustees do this reluctantly and only when faced with the possibility of losing a significant part of the UK's heritage. In these circumstances, Trustees monitor the shortfall and use future grant-in-aid to replenish the endowment fund if capital growth does not exceed the increase in the Retail Prices Index. Indeed, £5million was re-invested in the endowment fund in April 2013.

At 31 March 2014, the original £10million investment would be worth £38.5million taking into account indexation – the actual market value is £37million including cash held within the endowment.

The endowment fund comprises the following:

	Market value 2013-14 £'000	Book cost 2013-14 £'000
Long-term financial assets	<b>36,983</b>	<b>29,178</b>
Cash	<b>0</b>	<b>0</b>
	<b>36,983</b>	<b>29,178</b>

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

The endowment fund is invested in Schroders' Charity Multi-Asset Fund. The Multi-Asset Fund invests in a range of over 31 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.

	2013-14 £'000	2012-13 £'000
Cost and net book value		
At start of year	<b>24,132</b>	24,080
Additions	<b>5,046</b>	52
Disposals	<b>(0)</b>	(0)
<b>At end of year</b>	<b>29,178</b>	24,132
Net book value		
Listed on the		
London Stock Exchange	<b>0</b>	0
Unlisted investments	<b>29,178</b>	24,132
	<b>29,178</b>	24,132
Cost	<b>29,178</b>	24,132
Market value	<b>36,983</b>	29,842
Unrealised gain	<b>7,805</b>	5,710

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



**Notes to the Accounts**  
for the year ended 31 March 2014

An analysis of investments at the year end, was:

	2013-14 %	2012-13 %
Bonds	5	8
UK equity	40	40
Europe equity (excluding UK)	3	3
North America equity	5	4
Japan and other Asian equity	4	5
Emerging market equity	3	4
Global equity funds	6	7
Property	9	6
Absolute return/hedge	18	13
Infrastructure	1	3
Cash	3	4
Commodities	3	3
	<b>100</b>	<b>100</b>

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

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

	2013-14 £'000	2012-13 £'000
Repayment of grant	0	62
Prepayments and accrued income	22	21
	<b>22</b>	<b>83</b>

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

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

	2013-14 £'000	2012-13 £'000
Operating payables	1	1
Other payables including taxation and social security	4	7
Accruals and deferred income	36	37
	<b>41</b>	<b>45</b>

None of the liabilities of NHMF was secured. Of the above amounts for operating and other payables, £4,000 was payable to central government bodies (2012-13: £7,000).

### 15. Grant commitments

	2013-14 £'000	2012-13 £'000
At start of year	2,910	1,364
Grants paid in the year	(4,206)	(2,805)
Commitments created in the year	6,548	4,686
De-commitments	(2)	(335)
<b>At end of year</b>	<b>5,250</b>	<b>2,910</b>

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

	2013-14 £'000	2012-13 £'000
In one year	5,250	2,910
In two to five years	0	0
	<b>5,250</b>	<b>2,910</b>

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

	2013-14 £'000	2012-13 £'000
Balances owing to		
– central government	3,967	1,510
– local authorities	0	200
– other bodies	1,283	1,200
	<b>5,250</b>	<b>2,910</b>

### 16. Commitments

The total outstanding commitments under operating leases are as follows:

	2013-14 £'000	2012-13 £'000
Short-leasehold property		
– expiring in one year	0	0
– expiring in years two to five	0	0
– expiring thereafter	76	83
	<b>76</b>	<b>83</b>

In addition, short leasehold property lease commitments of £9,721,000 (2012-13: £10,877,000) 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.

### 17. Notes to the Statement of Cash Flows

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

	2013-14 £'000	2012-13 £'000
Operating deficit	(6,560)	(4,353)
Interest receivable	48	57
Add back non-cash items		
– depreciation	2	2
– movement in provisions	0	0
– increase in grant commitment reserve	2,340	1,546
Decrease/(increase) in receivables (excluding capital and investments)	61	(58)
(Decrease)/increase in non-capital payables	(4)	2
Net cash outflow from operating activities	<b>(4,113)</b>	<b>(2,804)</b>

b) Capital expenditure and financial investment

	2013-14 £'000	2012-13 £'000
Payments to acquire		
– property, plant and equipment	(1)	(1)
– intangible fixed assets	(0)	(0)
– long-term financial assets available for sale	(5,046)	(52)
Receipts from sales of		
– property, plant and equipment	0	0
– long-term financial assets available for sale	0	0
	<b>(5,047)</b>	<b>(53)</b>

c) Analysis of changes in net funds

	At 1 April 2013 £'000	Operating cash flows £'000	Grant-in-aid £'000	At 31 March 2014 £'000
Cash at bank	2,241	(9,160)	10,000	<b>3,081</b>

## 18. Related-party transactions

NHMF is a non-departmental public body sponsored by DCMS. DCMS is regarded as a related party. During the year, NHMF (including its Lottery distribution activities) has had various material transactions, other than grant awards, with DCMS itself and with three entities for which DCMS is regarded as the sponsor department – the Big Lottery Fund, the Arts Council of England and English Heritage. Further details of these transactions and balances can be found in the accounts of the Lottery distribution activities of NHMF.

In May 2011, the Committee on Climate Change (CCC) signed an underlease for most of the first floor of NHMF's offices, at 7 Holbein Place, London. CCC is a non-departmental public body which is jointly-sponsored by the Department of Energy and Climate Change, DEFRA, the Scottish Government, the Welsh Assembly Government and the Northern Ireland Executive. This underlease is for approximately 13 years and will result in rental payments to NHMF totalling £1.7million. In addition, CCC will make contributions towards the cost of running Holbein Place of approximately £70,000 per annum at 2013-14 price levels. At 31 March 2014, we owed CCC around £1,150 for over-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 their connection at the start of each meeting and absent themselves from any part of that meeting where that grant application is discussed. They take no part in the decision as to whether a grant is awarded or any subsequent decision made about the grant. There are strict rules on the circumstances in which Trustees and panellists can accept paid work from a grantee. Therefore, Trustees are satisfied

that in no case did the individuals have an influence on the decision-making process.

Two members of the NHMF Panel, which advises Trustees on the merit of applications received, had interests in awards which the Fund made in 2013-14. Details of interests in Lottery grants are set out in the accounts of the Lottery distribution activities of NHMF.

### *Holburne Museum*

A grant of £48,000 – acquisition of a 17th-century beadwork basket. Brian Allen declared an interest as he was a Trustee of the Holburne Museum.

### *Wentworth Woodhouse Trust*

Merlin Waterson has recently been appointed as a Trustee of the new Wentworth Woodhouse Trust. An award-in-principle of £550,000 was made to Save Britain's Heritage for the acquisition of Wentworth Woodhouse.

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

In 2013-14, there will also have been related-party transactions, in the form of grant payments, relating to awards made and disclosed in previous years. As those related-party transactions have been previously disclosed, they are not repeated here

## 19. Fair value reserve

	2013-14 £'000	2012-13 £'000
At start of year	5,710	2,318
Movement in the year	2,095	3,392
<b>At end of year</b>	<b>7,805</b>	<b>5,710</b>

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

## 20. Financial instruments

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

## 21. Statement of losses

NHMF made no losses during the year (2012-13: £0).

# Disclosure of Investments

## The investment of the endowment fund

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

Investment policy is the responsibility of the Investment Panel – a sub-committee of the Board's Finance, Staffing and Resources Committee. The Panel comprises two Trustees and three independent financial experts. The Panel meets with Schroders twice a year to discuss their performance.

### Charity Multi-Asset Fund Investment Selection

<b>UK Equities</b>	<b>39.6%</b>
Schroder Charity Equity Fund	5.2%
Schroder UK Alpha Plus Fund	4.0%
Scottish Widows Foundation Growth Fund	6.5%
AXA Framlington UK Select Opps Fund	6.3%
Artemis UK Special Sits Fund	6.1%
Majedie UK Equity Fund	5.6%
Troy Trojan Income Fund	5.9%
<b>Global Equities</b>	<b>5.9%</b>
Schroder QEP Global Active Value Fund	3.2%
Schroder QEP Global Quality Fund	2.7%
<b>European Equities</b>	<b>2.7%</b>
Schroder European Alpha Plus Fund	2.7%
<b>US Equities</b>	<b>4.5%</b>
Vanguard S&P 500 ETF	3.5%
Schroder US Mid Cap Fund	1.0%
<b>Asian Equities</b>	<b>2.3%</b>
Schroder Asian Alpha Plus Fund	1.7%
iShares MSCI World Far East ex Japan	0.6%
<b>Japanese Equities</b>	<b>2.0%</b>
Schroder Tokyo Fund	2.0%
<b>Emerging Market Equities</b>	<b>3.2%</b>
Schroder Global Emerging Mkt Fund	3.2%
<b>Total Equities</b>	<b>60.2%</b>

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 2014 and will be updated annually.

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

<b>Property</b>	<b>9.0%</b>
Henderson Property Unit Trust	3.5%
Property Income Trust for Charities	3.7%
Ignis UK Property Fund	1.8%
<b>Absolute Return</b>	<b>17.7%</b>
Ruffer Total Return Fund	2.9%
Troy Trojan Fund	4.5%
SISF Emerging Mkt Debt Absolute Return Fund	7.0%
Majedie Tortoise Fund	3.3%
Opus Multi-Strategy Hedge Fund Note	0.0%
<b>Infrastructure</b>	<b>1.5%</b>
3i Infrastructure	0.5%
HICL Infrastructure	0.5%
International Public Partnerships	0.5%
<b>Commodities</b>	<b>2.9%</b>
JPMorgan Natural Resources Fund	1.1%
Schroder Commodity Fund (£)	1.8%
<b>Total Alternatives</b>	<b>31.1%</b>
<b>UK Corporate Bonds</b>	<b>2.8%</b>
M&G Corporate Bond Fund	2.8%
<b>High Yield Bonds</b>	<b>2.3%</b>
AXA US Short Duration High Yield Fund	2.3%
<b>Cash</b>	<b>3.6%</b>
Cash	3.6%
<b>Total Cash &amp; Bonds</b>	<b>8.7%</b>

Source: Schroders 31 March 2014

\* 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*

Dame Jenny Abramsky<sup>2</sup>

### *Trustees*

Sandie Dawe<sup>1</sup> from 18 February 2014

Angela Dean<sup>1</sup>

Sir Roger De Haan from 20 January 2014

Kim Evans<sup>2</sup>

Yinnon Ezra<sup>1</sup> to 3 February 2014

Kathy Gee to 9 September 2013

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

from 20 January 2014

Doug Hulyer<sup>1</sup> to 9 September 2013

Hilary Lade<sup>2</sup>

Alison McLean<sup>1</sup> to 17 February 2014

Steve Miller from 18 February 2014

Richard Morris

Atul Patel<sup>2</sup>

Dame Seona Reid

Ronnie Spence<sup>1</sup> to 31 December 2013

Virginia Tandy

Tom Tew from 20 January 2014

Manon Williams

Christopher Woodward

to 31 October 2013

## Management Board

### *Chief Executive*

Carole Souter<sup>2</sup>

Robert Bewley

Karen Brookfield

Judith Cligman

Anne Jenkins

Louise Lane

Eilish McGuinness

Steve Willis

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

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

## NHMF investment panel

Sarah Bates

Simon Fraser

Richard Killingbeck

Sir Laurie Magnus

## NHMF advisory panel

Brian Allen

Janet Barnes from 1 January 2014

Tim Knox from 1 January 2014

Richard Ovenden

Rosalind Savill to 31 December 2013

James Stourton

Giles Waterfield to 31 December 2013

Merlin Waterson from 1 January 2014

Leslie Webster

## NHMF team

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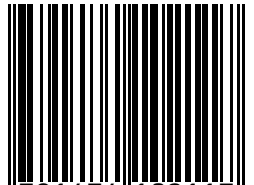
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