



National Heritage Memorial Fund

Annual Report and Accounts 2021–2022
For the period 1 April 2021 to 31 March 2022

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Saving the UK's greatest treasures

The National Heritage Memorial Fund (NHMF) has been awarding grants to safeguard the UK's most important heritage since 1980.

As a fund of last resort, NHMF has helped save thousands of our most-loved treasures from being lost forever. These range from historic houses and works of art to trains, boats and ancient landscapes.

Taken together, these treasures form a permanent memorial to those who have given their lives for the UK.

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Foreword by Dr Simon Thurley CBE

Chair of the National Heritage Memorial Fund

This has been an exceptional year, not least for the National Heritage Memorial Fund (NHMF). I was pleased to start the year by belatedly marking the Fund's 40th anniversary in June 2021. With some pandemic restrictions still in place, we celebrated with a virtual gathering and an in-person panel discussion reflecting on 40 years of achievement and thinking about future directions.

The Fund's role in safeguarding nationally important heritage was celebrated, by spotlighting the investment of more than £365million over the Memorial Fund's history. I wish to thank Dr Tristram Hunt for ably chairing the panel debate with contributions from Dr Gus Casely-Hayford OBE, Martha Lytton Cobbold, Dr Jamie Davies, Dr Gabriele Finaldi, Philip Long OBE and Sara Wajid.

Our anniversary celebrations also saw the launch of the NHMF Covid Response Fund, a £40million fund to safeguard nationally important heritage at risk due to the impact of the pandemic, across the UK. This fund includes a £20million allocation secured from government, the Cultural Assets Fund, for distribution to outstanding heritage assets within England. An additional commitment from NHMF of £20million will enable us to ensure a balance of funding to exceptional heritage across the UK. We will continue to deliver this across 2022–23.

This year our funding focus for the NHMF Covid Response Fund has been on delivery of the Cultural Assets Fund within England, including major awards to safeguard the Ironbridge Gorge World Heritage Site and Torre Abbey, which will ensure these nationally important heritage assets are saved for future generations. I was particularly pleased to be able to accompany the Minister for Sport, Tourism, Heritage and Civil Society, Nigel Huddleston MP, to Ironbridge where a £9.9million grant will help secure the long-term future of the 49 historic buildings and structures that make up this UNESCO World Heritage site. The Ironbridge Gorge has been significantly impacted by the pandemic with visitor figures dropping by almost 75% in 2020. I'm delighted with the role that the NHMF Covid Response Fund has been able to play in safeguarding one of the most important historic sites in the UK, the cradle of the industrial revolution and monument of global heritage significance. Despite the ongoing challenges facing the sector, during this year we saw exceptional demand for NHMF's support through our core funding stream. Grant awards such as that to the Friends of the National Libraries for the Honresfield Library

“ Despite the ongoing challenges facing the sector, during this year we saw exceptional demand for NHMF’s support.”



Manuscripts acquisition and to Derby Museums for the acquisition of an exceptional self-portrait by Joseph Wright of Derby reflect how NHMF’s grant funding can make a transformative difference in securing outstanding heritage for the nation.

Alongside this, through the administrative body of NHMF, we have also invested to support recovery from the pandemic through partnerships with the Department for Environment, Food and Rural Affairs (DEFRA) on a second round of the Green Recovery Challenge Fund, focused on environmental renewal and creating and retaining jobs, and on the Trees Call to Action Fund. Further support for natural heritage has been offered through partnerships with the Welsh Government. In addition, partnerships with the Northern Ireland Executive and the Welsh Government have supported community and local heritage schemes. These have provided continued support to assist heritage organisations across the UK in their recovery from the impacts of the pandemic, diversifying and building on our response in 2020–21.

In December this year, we said goodbye to Ros Kerslake CBE, who stepped down after five and a half years as CEO of NHMF. Ros led the response to the crisis last year. What she achieved, particularly in turning around the organisation to deliver emergency funding to the sector, has been outstanding and there are many across the industry who are hugely grateful to her. I am delighted that Eilish McGuinness took up post as CEO in January. Eilish has worked in heritage all her professional life and has extensive experience across the sector and the breadth of the UK’s heritage. She has a true passion for the wonderful heritage, which this annual report celebrates.

A handwritten signature in black ink that reads "Simon Thurley".

Dr Simon Thurley CBE
Chair of NHMF

NHMF projects

Overview

This year, our NHMF standard funding stream continued to be successfully distributed, providing grants to support eleven projects of outstanding importance to heritage across the UK.



Tipperary (1914) by Walter Sickert

Imperial War Museum

£30,000

Born in Germany, Walter Sickert (1860–1942) moved to the UK with his family when he was eight. He later became central to Modernist movements within British art, inspired by Whistler and Degas.

Tipperary (1914) captures public feeling in the UK at the time of the First World War – patriotic and supportive of military action. Sickert painted four versions of *Tipperary*, with this being the only version that features a soldier.

At the start of the First World War, in the midst of intensely anti-German feeling, Sickert was investigated by the British police. He may have written and painted positively about the First World War as a demonstration of loyalty to Britain.

The painting will now be displayed in IWM London's new Art, Film and Photography Galleries when they open in late 2023.



“Walter Sickert was one of the most important artists of his era. Because so few artists broached the subject of the war as early as 1914, this is a highly significant acquisition for IWM, which will illuminate British cultural attitudes at the start of the First World War.”

Rebecca Newell
Head of Art,
Imperial War Museum



Honresfield Library

Friends of the National Libraries £4,000,000

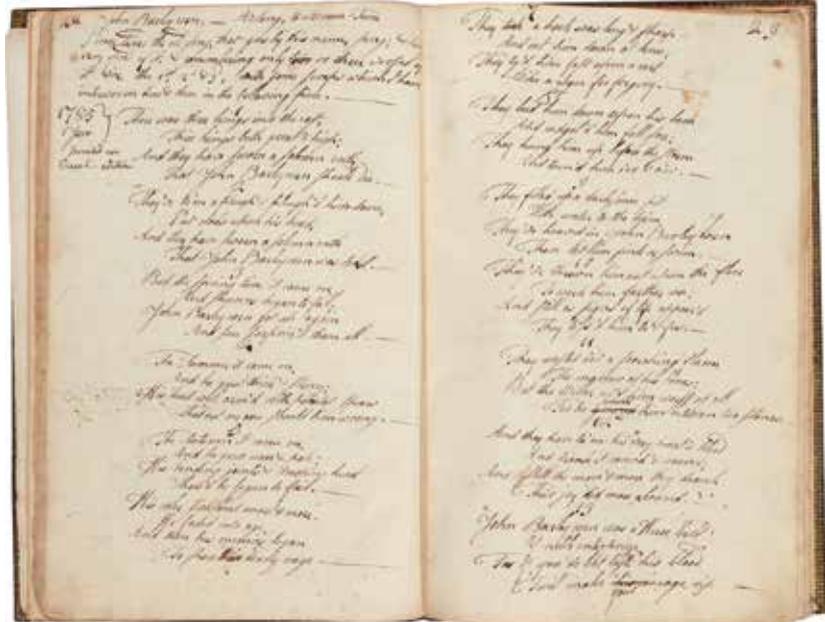
The Blavatnik Honresfield Library is an outstanding and nationally significant collection of manuscripts.

The collection was formed in the 19th century by William Law, a Rochdale mill owner, and contains manuscripts by the Brontë sisters, Jane Austen, Robert Burns and Sir Walter Scott, including:

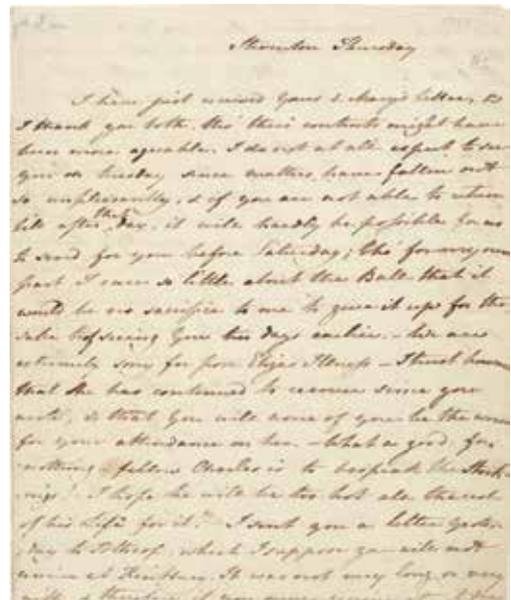
- Emily Brontë’s notebook of 31 poems, believed by many scholars to have been lost
- seven of Charlotte Brontë’s famous ‘little books’, each a work of art
- the complete working manuscript of Sir Walter Scott’s iconic novel Rob Roy
- some of Robert Burns’ earliest recorded literary works

In 2021, the collection was at risk of being split up and sold to private owners as it was due to go under the hammer in three separate auction sales.

The Friends of the National Libraries purchased the library outright thanks to the generosity of many funding bodies and individuals. The total included a £4million NHMF grant and the lead donation of £7.5million from Sir Leonard Blavatnik. The saved manuscripts will now be donated to eight institutions and the printed books to nearly 70 museums, historic houses and libraries in all four home nations – so as many people as possible can enjoy this treasure trove of literature. Shared activities between the institutions and a communal digital presence will ensure the Library manuscripts remain connected.



Clockwise from top left: Robert Burns, First Commonplace Book; Little books by Charlotte Brontë; Burns’s letter to his father; Jane Austen’s letter to her sister Cassandra; Manuscript of Rob Roy by Sir Walter Scott





“There has been unprecedented public interest in this collection of manuscripts and books hidden for almost a century. The collection will be shared by libraries and writers’ houses all across our island, restoring a treasure trove of manuscripts to their birthplaces.”

Geordie Greig
Chairman of FNL

Royal Research Ship Discovery

Dundee Industrial Heritage Limited £408,768

Royal Research Ship Discovery is the world's first polar research ship and the sole survivor from the 'Heroic Age of Antarctic Exploration'. The ship was built in Dundee in 1900 for Captain Scott's first Antarctic expedition, which also involved the great explorer Sir Ernest Shackleton.

RRS Discovery was one of the last wooden, three-masted sailing ships to be built in Britain and is now the only example of the type to survive.

Recent specialist surveys indicated the need for urgent conservation work and NHMF funding has now safeguarded the ship from critical deterioration. The grant will be used to repair timbers in the ship's stern, repair leaking supports along the portside, and recaulking to ensure the ship is watertight.

This funding secures the ship's future as an internationally acclaimed visitor attraction alongside Dundee's historic waterfront.



“The Royal Research Ship Discovery has over 100 years' worth of stories to tell. We intend that this conservation work will ensure Discovery will survive her next 100 years.”

Emma Halford-Forbes
Dundee Heritage Trust



The Nativity by Baldassare Peruzzi

Ulster Museum, National Museums NI £99,990



“Peruzzi’s rare and beautiful night scene is an exciting acquisition for the Ulster Museum as it represents the first Renaissance painting to enter a public collection in Northern Ireland.”

Anne Stewart
Senior Curator of Art,
National Museums NI

The Nativity, by Baldassare Tommaso Peruzzi (1481–1536), was painted in Rome around 1515, shortly after the completion of Michelangelo’s Sistine Chapel ceiling. Peruzzi was an architect and painter, and is considered one of the leading artistic figures in Rome during the High Renaissance.

Very few works by Peruzzi have survived as much of his painted work was in fresco and most is lost. Almost no work by Peruzzi exists outside Italy and *The Nativity* is the only one of his paintings in the UK. The painting is significant for the study of early 16th

century painting in Rome and, due to its provenance, for the study of British connoisseurship of Italian art.

The painting was at risk of being exported to America and was placed under an export bar, temporarily preventing its sale overseas. The painting will now remain in the UK having been saved by the Ulster Museum with the support of NHMF funding. National Museums NI will now be able to offer access to Renaissance art of the highest quality to audiences and communities in Northern Ireland and visiting audiences from across the UK and the world.



Lalique mascot collection

National Motor Museum

£83,500

A collection of 28 car mascots by renowned French glass designer, René Lalique, have been acquired permanently by the National Motor Museum after being on loan for five years.

The glass figurines would originally have been mounted on the front of luxury cars. The collection also includes an original Breves mount, which enables the figurines to be lit from below creating a glittering and interactive exhibit.

NHMF helped the National Motor Museum to acquire the glass figurines with a grant of £83,500. The museum now hosts the most complete collection of Lalique car mascots in public ownership anywhere in the world.



“The acquisition of this exquisite collection of Lalique glass car mascots has been a significant step to enrich our collection of decorative art. It has allowed us to develop programmes encouraging people of all ages and interests to engage with motoring history through the inspiration of art and design.”

Gail Stewart-Bye
Senior Curator (Objects & Display,
The National Motor Museum

Left: Perche Butterscotch.
Below (left to right): Libellule,
Tete-D'aigle, Grenouille, Tete
De Paon, Victoire, Longchamp B

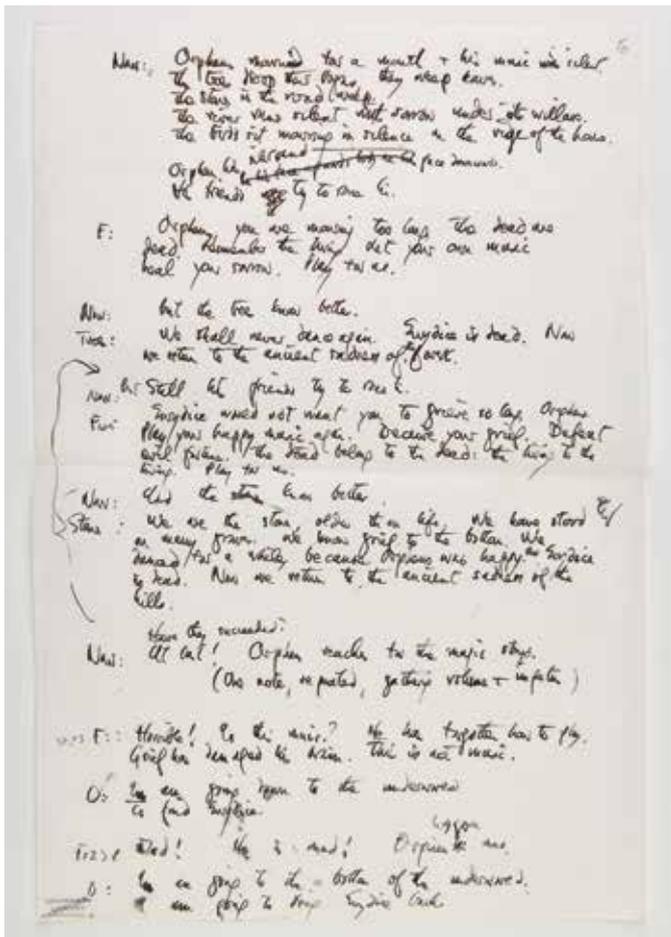
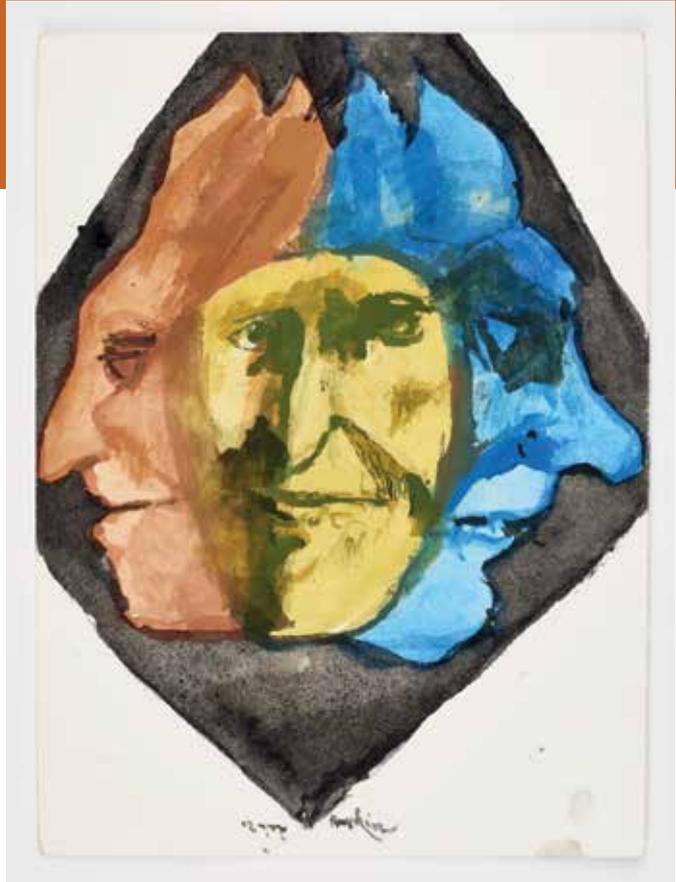


Hinchliffe Ted Hughes collection

University of Huddersfield

£33,775

Righ: Leonard Baskin's *Four Heads* watercolour for *Howls and Whispers*
Below: Orpheus Holograph



“We are thrilled to be able to preserve Mark Hinchliffe’s fantastic collection at Heritage Quay, where for the first time it will be freely accessible for all. We can’t wait to welcome researchers to explore the collection here at the University of Huddersfield.”

Dr Rebecca Bowd
University Archivist,
University of Huddersfield

Ted Hughes is one of the most important English poets of the 20th century. He was best known for his unique poetry, children’s books, and for serving as poet laureate from 1984 until his death in 1998.

This collection of books, manuscripts and artwork was originally compiled by Mark Hinchliffe. For 20 years, Hinchliffe corresponded with Hughes after discovering his poetry as a schoolboy, and went on to build up this extensive collection. Hinchliffe had a long association with the Ted Hughes Network at the University of Huddersfield, and after sadly passing away in 2019, the University was offered first refusal

on the collection. They secured funding for 165 of the 170 items and the final five items were secured with the support of NHMF.

The items included Saint Botolph’s Review, a small-circulation student literary magazine containing four early Hughes poems; an extended and unpublished manuscript of the radio play *Orpheus*; and a photo album containing over 200 photos including those of Ted Hughes, Sylvia Plath and the Hughes family.

These items will now be made available for public access through the University of Huddersfield, Heritage Quay archive.

Self-portrait at the age of about forty by Joseph Wright

Derby Museums

£2,271,621



“This self-portrait and the rare oil sketch for the painting now credited as his masterpiece combine to mark an object of outstanding significance to the study and understanding of Wright and the remarkable 18th century world to which he belonged.”

Lucy Bamford

Senior Curator of Art and
the Joseph Wright Collection,
Derby Museums

Joseph Wright of Derby is recognised as one of the leading artists of the late 18th century. His painting *Self-portrait at the age of about forty* is the only self-portrait in which he depicts himself as an artist. Completed around 1772, at the height of his career, the picture is double-sided. The reverse side features a sketch for his acclaimed *An Experiment on a Bird in an Air Pump*, which was acquired by the National Gallery in 1863.

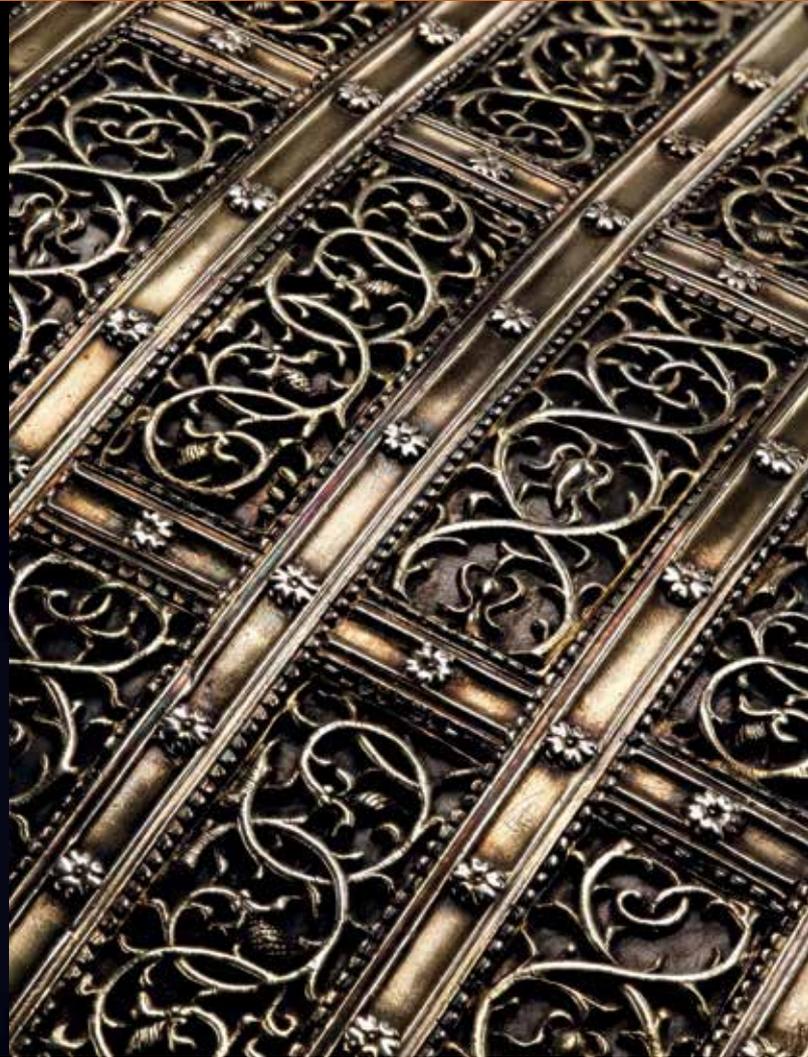
The portrait had been owned privately but was acquired for the nation partly through a scheme that allows people to donate artworks in lieu of inheritance tax. The acquisition by Derby Museum and Art Gallery allows the painting to be on permanent display in the city where Joseph Wright was born.



Mary, Queen of Scots casket

National Museums Scotland

£810,000



Made in Paris, probably between 1493 and 1510, the Mary, Queen of Scots casket is an excellent example of early French silver and holds a fascinating history.

It is thought that the casket was given to Mary by her first husband, François II of France, and came to Scotland in 1561 after his death in 1560.

A note stored with it since the late 17th century records the belief that it is the casket produced at a 1568 hearing ordered by Elizabeth I against Mary at Westminster.

That casket contained what have become known as the Casket Letters: a set of love poems and letters, allegedly from Mary to her third husband, the Earl of Bothwell, which implicated them both in a conspiracy to murder her second husband, Lord Darnley.

With the support of NHMF funding, the casket will now be put on permanent display at the National Museum of Scotland and viewed by millions of visitors.



“The Mary Queen of Scots casket, made in Paris around 1500, is a superb and extremely rare work of early French silver, very little of which survives even in France. Its long-standing association with Mary makes this extraordinary casket truly one of Scotland’s national treasures.”

Dr Stuart Allan
Keeper of Scottish History & Archaeology,
National Museums Scotland

Portrait of Horace Walpole

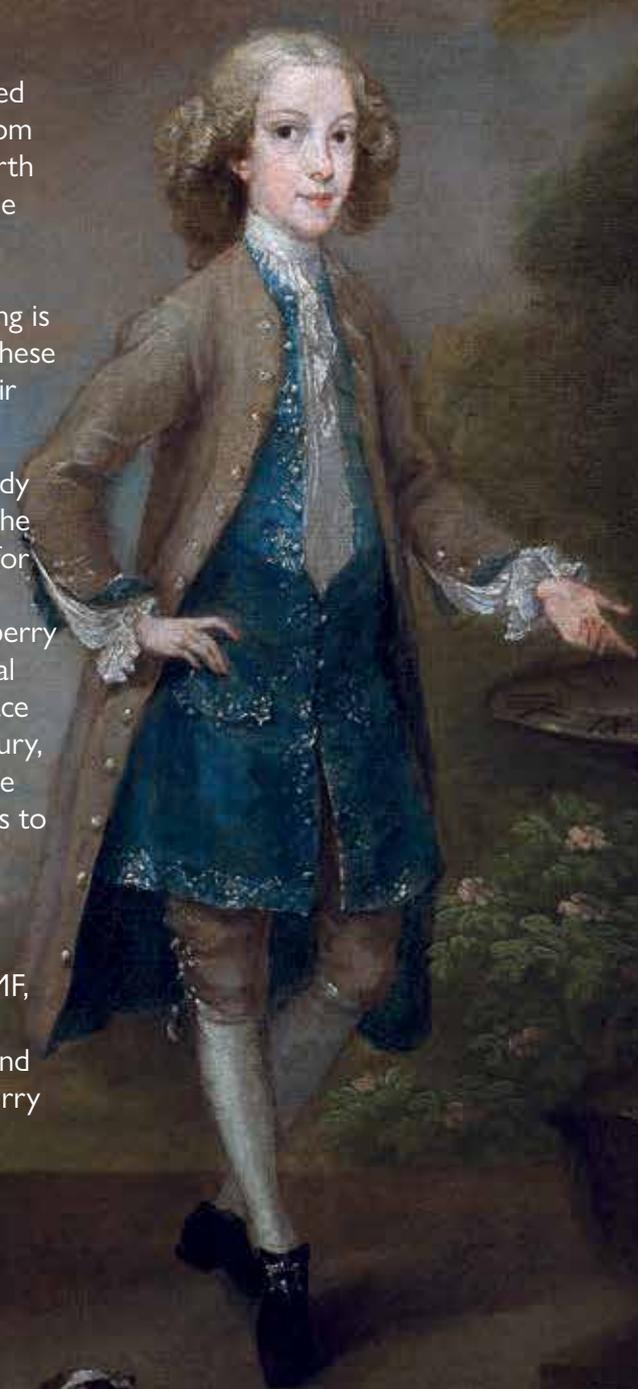
The Strawberry Hill Trust

£115,000

Horace Walpole (1717–97) was the youngest son of Sir Robert Walpole, Britain's first Prime Minister. His portrait was commissioned by Sir Robert Walpole from the painter William Hogarth when the latter was at the outset of his career and Horace was a student at Eton, aged 10. The painting is a celebration of both of these esteemed figures and their long friendship.

The portrait, having already been sold three times in the late 1800s, was available for sale again from a private collection in 2022. Strawberry Hill House, a gothic revival mansion created by Horace Walpole in the 18th century, was keen to 'bring Horace home' by raising the funds to purchase the painting.

Following a successful fundraising campaign and with the support of NHMF, the painting will now be returned to public view and put on display at Strawberry Hill House.



“The value of this painting lies in the fact that it allows us to celebrate Walpole and Hogarth at the same time, their contributions to the 18th century British art world and their relationship.”

Derek Purnell
Director,
Strawberry Hill House
and Garden, Leisure
and Tourism

North Shropshire Bronze Age Hoards

Shropshire Museums

£11,100

Seven separate prehistoric hoards were discovered by metal detectorists in Shropshire over a three-year period. The hoards were discovered in the wetland landscape of North Shropshire and point to the possibility of a series of deposits and rituals in a sacred landscape that were repeated for more than a thousand years.

Items include jewellery, daggers, chariot fittings, spearheads and razors. One of the highlights – believed to be a devotional offering – is a unique package consisting of a lead sheet wrapped around two gold pieces of jewellery, known as lock rings.

The items were at risk of being dispersed and potentially sold privately but will now join the permanent collection of Shropshire Museums.



“The discovery in 2018 of many Late Prehistoric artefacts in the North Shropshire wetlands took Shropshire Museums by surprise. Many were finds that have already changed our understanding of this period.”

Emma-Kate Lanyon
Head of Collections
and Curatorial Services,
Shropshire Council



The Foundling Museum: Building and Collection

Foundling Museum

£1,500,000

The Foundling Museum tells the story of the UK's first children's charity and its first public art gallery.

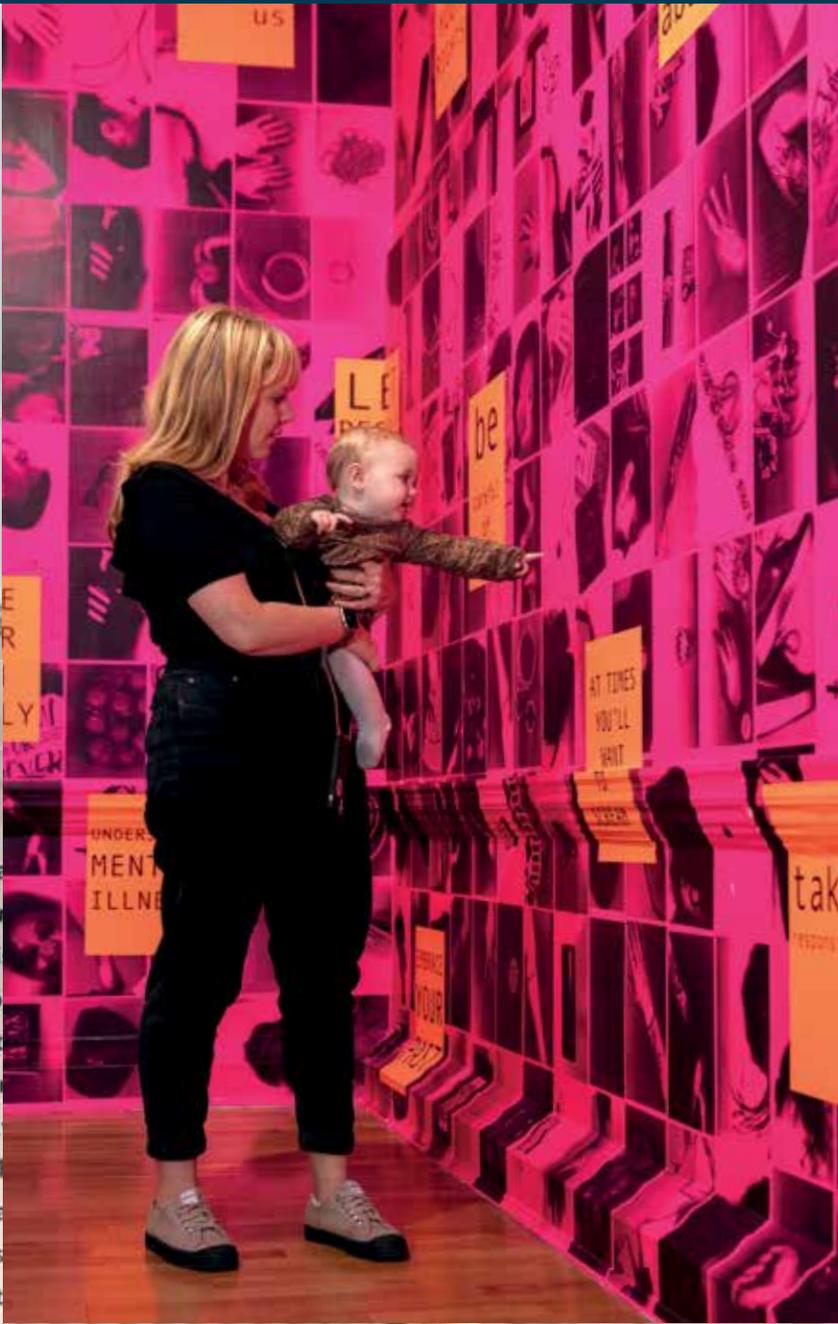
The Foundling Hospital was set up in 1739 by Thomas Coram to care for babies at risk of abandonment. The hospital was also transformed into the UK's first public art gallery with the help of artist William Hogarth and composer Handel. To attract wealthy donors, Hogarth encouraged leading artists to donate their work and Handel held benefit concerts of Messiah in the Hospital's chapel.

The Foundling Museum is situated in the grounds of the old hospital in Bloomsbury, constructed in the 1930s. The NHMF grant has enabled the museum, which previously had a short lease on the building and loan on some of the collection, to kick-start a major campaign to protect the future of the collection and the grounds by securing a 999-year lease of the listed building and a long-term exclusive loan agreement for the care of the collection.



“Generations of audiences, especially those with experience of care, have the opportunity to engage with our unique heritage and celebrate the role of the arts and artists in transforming young lives.”

Caro Howell
Director,
Foundling Museum



NHMF COVID-19 Response Fund projects

Overview

Launched in June 2021, our COVID-19 Response Fund supports heritage that is of outstanding importance to the national heritage and at risk due to the impact of coronavirus across the UK.

A total of £40million is being distributed by NHMF, made up of two lots of £20million:

1. NHMF has made a commitment of £20million, which is available to applicants from across the UK.
2. A £20million Cultural Assets Fund has been made available by DCMS as part of the government's wider Culture Recovery Fund. This funding will safeguard nationally important heritage assets within England.

In 2021–22 we began distributing Cultural Assets Fund supported grants to projects in England and will continue to distribute funding UK-wide up until the end of April 2023.



Ironbridge Gorge:
Conserving the
historic estate

£9.975m



Shieldhall hull
protection

£196,415



Torre Abbey:
Emergency repairs

£364,748



Birnbeck Pier:
Back from the brink

£3.55m



Joem locomotive
restoration

£124,842



Type Archive
collection

£1.41m

Ironbridge Gorge: Conserving the historic estate

Ironbridge Gorge Museum Trust



The Ironbridge Gorge Museum Trust was the first announced recipient of our COVID-19 Response Fund.

Ironbridge Gorge Museum Trust runs ten museums across the internationally significant World Heritage Site, regarded as the birthplace of the Industrial Revolution. Of the 32 World Heritage Sites in the UK, Ironbridge is unique in terms of the number, breadth and range of monuments, structures and buildings it contains. Its arts, library and archive collection are also designated as being of national significance, making the entirety of the heritage assets within the Trust's care incomparable internationally.

Impact of the COVID-19 pandemic

Throughout the pandemic, visitor figures dropped by almost 75% leaving the Trust's funds for essential repair and conservation work substantially reduced. The site had also recently suffered from severe flooding.

Looking to the future

The Trust will now be carrying out urgent restoration and conservation work to 49 historic buildings and structures. These include five scheduled monuments and 30 listed buildings. The grant includes £4.5m endowment funding, which will be invested to generate income for ongoing conservation maintenance, ensuring the long-term future of Ironbridge's heritage assets.

Shieldhall hull protection

Steamship Shieldhall Charity



Steamship Shieldhall started life in 1955 as a 'Clyde sludge boat', travelling down the River Clyde from Shieldhall in Glasgow to dispose of treated sewage sludge at sea. These steamships had a tradition of taking disadvantaged families and wounded ex-service personnel on leisure trips during summer months.

Since 1988, the ship has been preserved as a working heritage attraction, carrying on the tradition of leisure cruises. Shieldhall is the largest still-operating steamship in Britain, and one of only 200 vessels that form the National Historic Fleet.

Impact of the COVID-19 pandemic

The steamship usually enjoys a busy schedule of summer leisure trips but with covid lockdowns, this abruptly ended.

Without regular visitors, the charity lost its main source of income, which would have been used for ongoing maintenance and repairs. The ship was also at risk due to this physical inactivity – with barnacles, mussels and other marine life building up on the ship's hull, it's anti-fouling coating was compromised and repair was urgently needed.

Looking to the future

With the support of the COVID-19 Response Fund, one of the UK's best surviving steamships will now be repaired and saved for the future.

The SS Shieldhall will be taken to a dry dock for repairs, ready to be put back to sea in time for 2022's summer season.

Torre Abbey: Emergency repairs

Torbay Council



Torre Abbey is Torbay's most historic building, a Scheduled Monument dating back to 1196. It is set within 18 acres of garden and parkland and houses a large art collection of over 600 works of art from the 18th century to the present day.

Impact of the COVID-19 pandemic

Throughout lockdown, only a small number of staff members were on site to care for the buildings. Without the usual conservation and care for the building, it has deteriorated and some areas are now in critical condition.

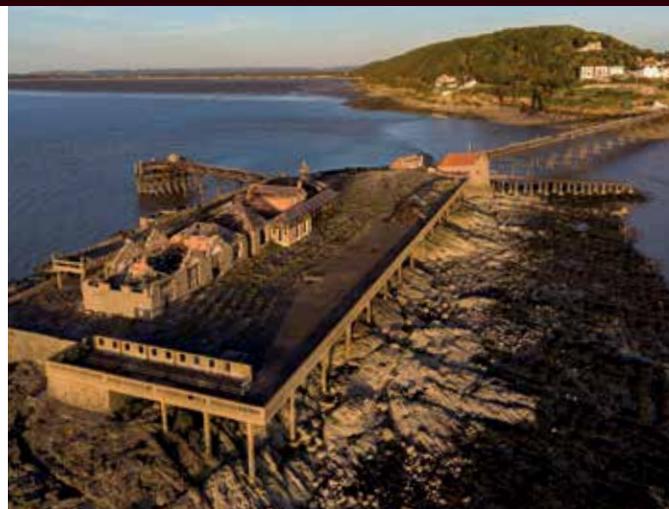
Without a steady stream of visitors, the site also lost out on income, which means they have been unable to fund emergency backlog repairs.

Looking to the future

Torre Abbey will now be able to make urgent repairs including fixing areas damaged by rainwater leaks and making sure that these areas are protected and made safe for the future. The project will repair windows, masonry and repointing, and urgent landscaping works will lower the ground to original levels, to improve drainage and prevent further leaking and water damage.

Birnbeck Pier: Back from the brink

North Somerset Council



The Grade II Birnbeck Pier in Weston-super-Mare was designed by Victorian pier builder Eugenius Birch and opened over 150 years ago. It is one of only seven Grade I or II* listed piers in the UK and the only one to be linked to an island.

Beyond the pier, the site contains four other Grade II listed buildings, including the 1902 lifeboat house and slipway, clock tower, Toll House Lodge and entrance gates. Known locally as the Old Pier, Birnbeck is a central part of Weston-super-Mare's history as a seaside town. During the Second World War, the site was used as HMS Birnbeck as a base for secret weapons development including the 'bouncing bomb' and 'hedgehog' anti-submarine devices.

Impact of the COVID-19 pandemic

The pier has deteriorated rapidly and parts of the structure have now collapsed, it is categorized as the highest risk category on Historic England's risk register. Without urgent repairs, there is a real risk that more of the pier will be lost with every storm that passes.

Looking to the future

With the support of the COVID-19 Response Fund, the iconic structure will now be stabilised and emergency structural works will be carried out, as the essential first stage of longer term plans to fully restore and reinstate public access to the pier. This work includes stabilising the legs of the pier and providing temporary public access across the deck of the pier.

Joem locomotive restoration

North Eastern Locomotive Preservation Group



The Class J72 tank locomotive No 69023, affectionately known as 'Joem,' symbolises almost 200 years of locomotive building in the Darlington area.

Built in 1951, Joem is a sole survivor of 230 similar shunting locomotives originally designed by TW Worsdell in 1886 for the North Eastern Railway. These locomotives assembled trains at major stations and assisted in the move of coal and goods of all types across northern England. After withdrawing from service, Joem, privately owned, starred in the BBC adaptation of 'The Railway Children,' and the film 'Agatha,' and was subsequently acquired by the North Eastern Locomotive Preservation Group (NELPG) to assure its regular public operation.

Impact of the COVID-19 pandemic

Before the COVID-19 pandemic began, the restoration work needed to keep Joem in active operation work would normally have been funded under NELPG's cyclical maintenance programme, but COVID-19 has broken this cycle and external support was needed to bring the locomotive back into operation and safeguard its future. Without additional funding, NELPG could not carry out vital repairs to Joem's boiler, leaving the locomotive in storage and inaccessible to the public.

Looking to the future

NELPG are now able to conduct the boiler overhaul and with plans now back on track, the engine should be able to fully participate in the 2025 bicentenary celebrations of the opening of the Stockton and Darlington Railway, the world's first public steam railway.

Type Archive collection

Science Museum Group



The Type Archive is a collection of artefacts that illustrate the history of type founding in the UK. It holds the National Typefounding Collection, which includes the typefounding materials of the Sheffield typefounders, Stephenson Blake; and the hot-metal archive and plant of the Monotype Corporation. The collections are the original and unique starting point for printing through the centuries through to many commonplace things we see today such as font designs.

Impact of the COVID-19 pandemic

The impact of the COVID-19 pandemic has led Type Archive to make the difficult decision to relinquish its premises, leaving an unknown future for the collections.

Looking to the future

With this funding support, the collections will now be moved to the Science Museum Group's National Collections Centre in Wiltshire, where they can be conserved and long-term plans for their future display and interpretation can be developed. Plans also include recording oral histories and working practices of the collection's volunteers, and the potential for digitisation.

Report of the Trustees and Accounting Officer

Performance report

Overview

This section provides information on the main objectives and strategies of the National Heritage Memorial Fund (NHMF or the Fund). The overview section gives the user information on the organisation's purposes and activities, the key risks to the achievement of its objectives and how it has performed during the year. The analysis section is where the Board reports on its most important performance measures, including analysis using financial information from the financial statements.

Our performance in 2021–22: A statement from the Chief Executive

The value and significance of heritage across all parts of the UK has never been more apparent as the sector continues to see the impact of the COVID-19 pandemic. Consequently, 2021–22 has presented another year of remarkable challenge for NHMF in its role of safeguarding the UK's most important heritage.

We rose to this challenge through vital investment and significant support. We continued to use our expertise to invest funding where it was most needed on behalf of our partner organisations, as well as our own funding, so that over £100million was committed in the year. This was in addition to the sums invested in the previous year (circa £190million). Thanks to this investment, people and communities have been able to continue to care for the heritage they love, projects have been saved, and jobs, livelihoods and wellbeing for so many have been protected.

NHMF funding

Last year also saw a significant and welcome return to the investments we usually make as NHMF. We have been able to support and award grants to save some truly remarkable items of heritage and add them to the world-class collection that belongs to the people of the United Kingdom forever.

These continue to display the unique value that the NHMF brings to the nation's heritage and have included:

- Honresfield Library
- The Hinchliffe Ted Hughes collection
- Mary, Queen of Scots casket
- Portrait of Horace Walpole for Strawberry Hill
- Self-portrait of Joseph Wright for Derby Museums

- An award to secure the long term estates and collection for the Foundling Museum

COVID-19 Response Fund

We also launched our COVID-19 Response Fund, made up of a £20million contribution from NHMF and a £20million Cultural Assets Fund (CAF) from DCMS as part of the government's Culture Recovery Fund. This innovative approach will enable us to support and protect a varied range of heritage. In 2021–22, we began distributing the CAF grants to projects in England including:

- nearly £10million to the Ironbridge Gorge Museum Trust – which runs ten museums across the UNESCO World Heritage Site of Ironbridge Gorge in Shropshire, a site widely considered the 'birthplace of the Industrial Revolution'
- nearly £200,000 to the Steamship Shieldhall, Southampton, to repair underwater hull damage to the steamship, which has occurred as a direct result of the vessel being mothballed and static due to the pandemic
- £1.4million for the Science Museum to recover, conserve and eventually display two nationally significant Type collections – the Monotype Collection and the Stephenson Blake Collection
- just over £360,000 to Torre Abbey to restore and protects parts of the scheduled ancient monument

The diversity and nature of these awards demonstrates the unique ability of the Fund to protect outstanding heritage, especially when working in partnership with others.

In prioritising applications to the CAF, we are grateful for the partnership support of Historic England, Arts Council England and The National Archives, whose expertise has assisted in ensuring this funding safeguards those nationally important assets most at risk due to the impacts of the pandemic.

We will focus in the year ahead on extending the COVID-19 Response Fund to other parts of the UK.

Additional funding for heritage

We jointly worked with our sponsor department – the Department for Digital, Culture, Media and Sport (DCMS) and other Arm's-Length Bodies to deliver further rounds of the Culture Recovery Fund throughout the year.

In addition to the work with DCMS on COVID-19 recovery, we also invested in partnership with the Department for Environment, Food and Rural Affairs (DEFRA) on a second round for the Green Recovery Challenge Fund, awarding a little under £38million for this important initiative.

Beyond the immediate investment, responses to the pandemic were also extended into wider investment schemes in order to protect a huge range of heritage. These included:

- in natural heritage, a further £5.8million with DEFRA for the Trees Call to Action Fund, £7.2million with the Welsh Government on Nature Networks and just over £1million on Local Places for Nature in Wales.
- investment in other areas like the £2.9million scheme for Community Heritage with the Northern Ireland Executive and smaller local heritage schemes with the Welsh Government.

All of these initiatives have built on the work we began in 2021–22 and the partnerships we have built. Their success is proof of the exceptional commitment and hard work of the teams at the Fund.

I would like to thank our NHMF team and the NHMF panel, who advise and support on distributing NHMF funds to deliver the greatest benefit to heritage. I would like to extend my thanks to those panel members whose terms came to an end in 2021: James Stourton, Brian Allen, Lesley Webster, Merlin Waterson, Janet Barnes and Tim Knox. Their in-depth knowledge and expertise has been vital in helping us make challenging decisions and direct our funding to where it is needed most.

Finally, I would like to acknowledge the hard work of all our staff who have operated at pace to deliver our grant-in-aid funding. They work with great integrity and professionalism, are truly committed to our work and provide an exceptional service even in the most challenging of circumstances.

Our purpose and activities

NHMF is vested in and administered by a body corporate known as the Trustees of the National Heritage Memorial Fund, consisting of a Chair and not more than 14 other members appointed by the Prime Minister. The Fund was set up on 1 April 1980 by the National Heritage Act 1980 ('the 1980 Act') in succession to the National Land Fund as a memorial to those who have given their lives for the UK. 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 the proportion of National Lottery proceeds allocated to 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 National Lottery Heritage Fund for receipts under the provisions of the 1993 Act.

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

1. any land, building or structure which in the opinion of the trustees is of outstanding scenic, historic, aesthetic, architectural, archaeological or scientific interest
2. any object which in their opinion is of outstanding historic, artistic or scientific interest
3. 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 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 The National Lottery Heritage Fund. Trustees believe that NHMF has a vital role as the central defence in protecting the nation's items of outstanding importance that are at risk, and as a memorial to those who have given their lives for the UK. Trustees will continue to use the resources

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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 that is threatened by destruction or loss.

Our key issues and risks

Our Exchequer/grant-in-aid distribution activities have faced a number of notable risks throughout the year, and we have actively, and effectively, managed these to minimise the impact on our customers and other stakeholders as well as on ourselves.

Trustees consider the risks faced by the organisation at Board meetings and through the detailed scrutiny provided by the Audit and Risk Committee.

Owing to the COVID-19 pandemic we adapted our risk reporting to make for more frequent and flexible reporting to the Board, Audit and Risk Committee, and senior staff. A top-level risk assessment, with narrative, status and trend data was provided throughout the year. We did this until the autumn of 2021 and afterwards we reverted to our normal risk management reporting and risk registers. Details are set out in the governance statement from page 39.

Our principal risks last year related to the COVID-19 pandemic and these continued, in different forms, throughout the whole of the year.

We grouped risks relating to the crisis between external and internal risks, while recognising that these two groups are not discrete and overlap.

1. External crisis risks

The key risks here have centred on our continued ability to deliver the grant-in-aid programmes from the UK government and devolved administrations throughout the year (both crisis related investment programmes and wider programmes too). These have included:

- further strands of the Culture Recovery Fund for DCMS as well as the Cultural Assets Fund for DCMS
- the next round of Green Recovery Challenge Fund for DEFRA
- Covid Recovery Programme Northern Ireland
- in Wales we have distributed funding via 15 Minute Heritage Fund, Nature Networks Fund, Local Places for Nature Fund and the Community Woodlands Fund

These have reflected an investment of around £101million against our normal investment of around £5million per annum.

We built on our responses to the crisis from 2020–21 to refine these further last year and we have also managed the risks attached to these by reallocating staff capacity from our Lottery work, backfilling these roles, bringing in additional staff on short-term contracts and additional external expertise to support the programmes.

2. Internal crisis-based risks

Our principal risk here was the continuation of our business continuity plans and the need to ask all staff to work remotely from home and in a virtual environment.

Our use of mobile technology, cloud-based solutions and apps has meant that all our services have been available to all applicants and grantees. We began re-opening our offices in the summer of 2021 and these have remained open throughout the year and staff began to return to workplaces later in the year under hybrid working arrangements.

Our arrangements in our business continuity planning for our Crisis Management Team, Business Continuity Team and work areas like IT continuance, communications and approvals, etc were all implemented fully and without any problems. We provided all staff with display screen equipment or specific work needs specialist equipment and adjustments for working from home.

We formally stood down all our business continuity towards the end of the year.

Our other main internal risk, which we recognised early in the crisis, was the critical role of supporting all teams in respect of their physical health, mental health and wellbeing. We put in place a series of well received and effective public health/protection messages alongside clear, open communications to keep all teams up-to-date with developments within business continuity planning. These were adapted and modified during the year to reflect different public health messages across the UK.

Throughout the year we also continued to deliver a series of support packages for colleagues' mental health and wellbeing.

We also recognised that the pandemic brought with it new and different risks for fraud and error, so we put in place extensive safeguards, checks and controls

to minimise these risks. We continue to monitor and manage these very closely.

3. Other principal risks

Besides risks associated with the COVID-19 pandemic we also recognised other risks in the year.

Throughout the year we closely monitored the impacts on the sector and ourselves of the UK's departure from the European Union. This included cost increases to existing investment, supply chain disruptions and raw material shortages (like timber), and we put in place separate budgetary arrangements to help handle these pressures. We also managed our internal risks effectively (staffing, data, supply chains etc.) and saw no adverse impact following the departure.

We also continued to respond to the risk arising from the climate emergency. We have ensured that our carbon footprint, internal practices and internal management are reflecting a better management of this risk and we have commissioned specific research to identify a plan for the Fund to attain net zero carbon emissions for our operations by 2030.

In 2021–22 we continued to develop our new investment management system and plan the de-commissioning of our existing grant management systems. We have actively risk managed the development of the new system through extensive testing with customers and internal users, managed suppliers and developers accordingly and maintained effective control of the data integrity, security and protection. Work will continue on this in 2022–23 with a view to completing the delivery this year.

We will continue to be flexible and responsive throughout the year to all risks and ensure that we effectively manage those risks at all levels across the Fund.

Our corporate strategy

The corporate strategy set out our vision for the role of NHMF over the three years from 2018 until 2021. The strategy took further steps towards a stronger position, supporting and collaborating with organisations across the heritage sector, building on our role as the largest dedicated source of funding for heritage across the UK. There was a particular focus on opportunities beyond pure grant giving and by using our National Lottery funding we levered additional funding for heritage from partners and collaborators.

In 2021–22 we continued to play a strong role in supporting organisations to withstand risks from the COVID-19 pandemic, delivering a total of £101million in funds awarded via grant-in-aid from DCMS, DEFRA and the devolved governments in Northern Ireland and Wales. In 2021 we also launched the Cultural Assets Fund, with a £20million contribution from DCMS and a further £20million from the NHMF endowment to secure the future of significant heritage assets at risk as a result of the pandemic.

We anticipate continuing the need to support delivery of funds on behalf of Governments during 2022–23 both to support sector recovery and where our grant-making expertise and reach mean we are ideally placed to achieve a wide range of positive outcomes for heritage and communities on behalf of our partners.

During 2022–2023, we will develop a refresh of our strategic approach to funding. Whilst that will focus, primarily on our lottery funding, we will also factor our NHMF activities into our thinking. The refreshed strategy will be launched later in 2022.

Our emergency programmes

Following the successful delivery of emergency programmes in 2020–21, the trustees were pleased to continue to make a contribution to alleviate the struggle that many heritage bodies faced through the pandemic.

We distributed funds on behalf of our sponsor department DCMS, as well as DEFRA, the Welsh Government and the Northern Ireland Executive. The programmes were:

Green Recovery Challenge Fund

The Green Recovery Challenge Fund is an £80million COVID-19 fund, which we distributed on behalf of DEFRA. The fund supports environmental renewal across the themes of nature conservation and restoration, nature-based solutions and connecting people with nature, while creating and retaining a range of jobs across England. 100% of the funding came from DEFRA, and the fund is delivered in partnership with Natural England, Environment Agency and Forestry Commission. Grants ranged from £50,000–£5million in round one, and £50,000–£2million in round two.

The 69 projects awarded through the first round of Green Recovery Challenge Fund in 2019–20 (£37.8million) continued in monitoring throughout the year, with many projects producing excellent results despite challenging circumstances.

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The second round of the fund opened to applications on 9 March 2021. 74 expressions of interest for projects over £250,000 were received, seeking £69million. 49 projects were invited to submit full applications, leading to 27 awards to a total value of £25.7million. An additional 238 applications for grants of £50,000–£250,000, seeking £45million, were received in April 2021, leading to a further 63 awards worth £12.3million. All round two projects were publicly announced on 28 July 2021 and will remain in delivery until 31 March 2023.

Trees Call to Action Fund

The Trees Call to Action Fund is a £6million fund established to build capacity in organisations and partnerships to help deliver the England Trees Action Plan (ETAP). It is 100% funded by DEFRA, and delivered in partnership with the Forestry Commission.

The fund was competitive and open to local authorities, environmental not-for-profit organisations and their partners. Projects were required to deliver one or more of the objectives of ETAP: expanding and connecting our trees and woodlands; trees and woodlands as part of the green economy; protecting and improving our trees and woodlands; connecting people with trees and woodlands.

The fund opened on 3 November 2021. 64 expressions of interest were received, and 28 organisations were invited to progress to full application. 25 full applications were received by the 20 January 2022 deadline, totalling grant requests of £11.5million. On 18 March 2022, 12 organisations received funding awards ranging from £367,700 to £500,000, totalling £5.8million. Projects will be in delivery until 31 March 2025.

The Culture Recovery Fund for Heritage: Round Three

On 3 August 2021, DCMS launched round three of the Culture Recovery Fund for Heritage, to continue to support key cultural organisations in England as the nation began to recover from the pandemic. We had a budget of £40million for this third round to be delivered in partnership with Historic England, based on criteria set by DCMS. The funding was distributed under two strands:

- Strand One: Culture Recovery Fund for Heritage – Emergency Resource Support
- Strand Two: Culture Recovery Fund for Heritage – Continuity Support

Expressions of interest for the Emergency Resource Support strand opened before the wider programme launch on 7 July 2021. The first round of this strand, offered grants of between £10,000 and £1million. It was designed to support heritage organisations in England who had not previously received funding through the Culture Recovery Fund and could demonstrate that they were at clear risk of no longer trading viably within 12 weeks. The first round received 99 expressions of interest by the deadline on 30 September 2021. In total, we received 25 applications by the deadline of 14 October 2021 requesting £1.9million. Decisions were made on a rolling basis from September to December 2021 and, in total, 12 awards were made with an investment of £760,300.

In order to continue to support the sector throughout the winter period, the Emergency Resource Support programme was re-opened with a budget of £5million to both new applicants and past grantees with the aim of giving more organisations, at imminent risk of financial failure, an opportunity to bid for support up until 31 March 2022. The scheme was open to expressions of interest up until 18 January 2022 and 123 were received by the deadline. In total we received 58 applications requesting £4.8million. Decisions were made in January and March 2022, awarding 30 grants with an investment of £3.1million.

The Continuity Support strand, opened to applications on 16 August 2021, offering additional support for organisations that had already received funding from the Culture Recovery Fund and could demonstrate that they were still in need. The fund closed to applications on the 29 October 2021 and, in total, 215 applications were received requesting £28.7million. Decisions were made on a monthly basis between September and December 2021 with £15.8million awarded to 126 applicants. Grants ranged from £10,000 to £1million and were initially awarded to cover the period October 2021–January 2022.

In January 2022, both Continuity Support and existing Emergency Resource Support grantees were offered the chance to apply for an extension to their grant up to 31 March 2022, to offer more time to spend the grants and adapt plans in response to the impact of further strains of COVID-19.

Covid Recovery Programme Northern Ireland

Department for Communities funding supports organisations and individuals working in the heritage sector in Northern Ireland as they continue to confront the financial impact of the pandemic. Up to

£2.9million of grant funding was available. The scheme was split into three strands targeting: Organisations; Individuals; Employment and Skills.

79 applications were received in total across the three strands. On 9 March 2022, the Board awarded £18,000 to nine Individuals and £331,560 to 10 Organisations. These will be monitored and closed in the 2022–23 financial year. On 29 March 2022 £2.5million was awarded under the Employment and Skills Initiative to support 27 jobs in the sector. These are three year commitments and will be monitored over the next few financial years.

15-Minute Heritage Grants: Round Two

This programme was jointly funded by Cadw – the historic environment service of the Welsh Government – and The National Lottery Heritage Fund (grants of £3,000 to £10,000). The total budget for this funding programme was £360,000: £300,000 was contributed by Cadw and £60,000 was contributed by The National Lottery Heritage Fund.

The experience of the COVID-19 lockdowns during 2020 and 2021 was a powerful reminder of the value of the local environment to communities. This programme built on the first round of grants offered through 15-Minute Heritage Grants and helped people to strengthen their connections with their local area. Whether they live in a city, town or the countryside, everyone can benefit from the heritage that can be found within 15 minutes or so from their front door.

We received 38 applications in total with one application withdrawn by the applicant prior to assessment, with a total grant request of £306,104. Decisions were made against them on 29 November 2021. 24 awards were made with a total grant spend of £193,502. These grants will continue to be monitored in 2022–23 with the expectation that grants will complete by end of December 2022.

Nature Networks

Nature Networks aims to strengthen the resilience of Wales' network of protected land and marine sites, supporting a green recovery for nature and communities in Wales. Funding comes from Welsh Government and was available to anyone who had the correct permissions to do the work. It was predominantly a capital fund, although grantees were able to apply for up to 10% revenue to enable them to engage with communities on their sites. The programme opened to applications in April 2021 and projects have until 31 March 2023 to complete. We

received 32 applications and awarded £7.2million to 29 projects across Wales. All projects were between £50,000 and £500,000.

Welsh Government environmental programmes

In 2021–22 the Fund continued to distribute funds for the environmental initiatives, Local Places for Nature and Community Woodlands. A further small tranche of Green Recovery Fund (£116,000), was distributed to organisations that could not be funded in the previous year due to lack of funds and a new 100% grant-in-aid revenue fund 'Breaking Barriers' was also delivered. By February 2022, Local Places for Nature allocated £1million to support 'nature on your doorstep' in areas of urban deprivation helping diverse communities transform redundant tennis courts into community orchards and wildflower meadows, and fund the installation of a green roof on a new build social housing apartment block (completes in 2022–23). The scheme has helped community councils develop new community food growing space, and change mowing practices to ensure that wildflowers flourish on roadside verges. Community associations have also planted native wildflowers and trees to create a greener welcome to their village.

Breaking Barriers is part of the suite of Local Places for Nature initiatives supported by Welsh Government. Five applicants including those representing women, Roma and BAME communities shared £289,000 to identify barriers that discourage their communities from accessing Local Places for Nature schemes, and suggesting ways to remove those barriers. The Community Woodlands scheme has distributed about £860,000 to restore, enhance and create woodland areas. While it is very much about trees, the scheme focuses on the creation of woodland mosaics that include ponds, scrapes and wildflower meadows. Connecting restored ancient woodland with hedgerows and new planting has been supported on unimproved pasture land in north Powys. An outdoor therapeutic centre is also being planned to include creating a significant woodland mosaic on land adjacent to mental health and rehabilitation units at a major hospital in south Wales.

Going concern

The accounts have been prepared on a going concern basis. This is because:

1. Assets significantly exceeded liabilities at the date of the statement of financial position.
2. Trustees have set a grant award budget for 2022–23 that is not expected to alter that position.

- We have not signed up to deliver any emergency programmes that will prove unduly onerous in financial terms.

The impact of the COVID-19 pandemic is ongoing. However, trustees have no reason to believe that their chief source of income – grant-in-aid – will not continue to be received. We continue to remain open for business and will be able to provide a full service to the heritage sector. Therefore, the Board has no reason to believe that the Fund will not continue to operate in the foreseeable future.

Performance summary

The scale of our work means we have limited performance indicators. These are shown in the section of this report on key performance indicators on page 34. Our most significant indicator was as follows:

Indicator (for standard awards only)	Outcome in 2020–21	Outcome in 2021–22
NHMF costs will be under 5% of grant-in-aid	Met (3.9%)	Met (4.5%)

As in 2020–21, our activities in the year – distributing emergency programmes on behalf of central government bodies – have had a significant impact on the above figure. Instead of receiving grant-in-aid of around £5million, which is what happens in a normal year, we received over £120million. Trustees are pleased to note that they met this target in an exceptionally challenging year.

If we exclude our work distributing emergency programmes, then the percentage rises to 16.5%.

This higher figure is largely driven by the fact that only £2million of grant-in-aid was received, rather than the expected £5million. It is disappointing that this cost is above the target but driven by exceptional circumstances. Trustees expect that this figure will fall in 2022–23 once the impacts of the pandemic recede and budgets are expected to be restored to normal levels.

Performance analysis

NHMF operates two funds: its original grant-in-aid fund (NHMF) and its National Lottery distribution activities (The National Lottery Heritage Fund). It is required, by the accounts' direction of the Secretary of State for DCMS, to account for these activities separately and so no consolidated accounts are prepared. This review discusses solely the activities of NHMF's grant-in-aid work.

The purpose of this section is to discuss the performance of NHMF in distributing funds derived from DCMS and other government bodies in 2021–22. The analysis below discusses highlights of the year including significant movement on the Statement of Comprehensive Net Income and the Statement of Financial Position as well as some key performance indicators.

NHMF made awards to 11 projects this year, the applications of which were supported by trustees, to a total of £9,363,754, awarded across a range of heritage, spanning the whole of the UK. Awards are made to safeguard nationally important heritage assets, not all approaches to the fund meet this high standard of importance, the NHMF Panel assist in prioritising early funding approaches, the highest priority cases proceed to make applications.

This year we made our largest grant award for a literary manuscript collection, in supporting the acquisition of the Honresfield Manuscripts. This quite exceptional collection includes original works by the Brontë siblings, Jane Austen, Sir Walter Scott and Robert Burns. Acquisition by the consortium convened by Friends of the National Libraries ensures that this will be a truly UK-wide collection, maximising public access to these literary treasures.

NHMF supported a number of acquisitions of nationally important artworks where the items were offered under the Acceptance in Lieu scheme, and where the payment of a hybrid element was necessary. The acquisition by Derby Museums of an exceptional Joseph Wright self portrait, painted at the height of the artist's career, ensures that this work will join Derby Museum's outstanding collection of Wright's work. The rarity of this work is enhanced by, on the verso, there being an oil sketch of Wright's famous painting, *An Experiment on a Bird in an Air Pump*. A second acquisition supported through the Acceptance in Lieu scheme was that of a late 15th–early 16th century French silver casket believed to have belonged to Mary, Queen of Scots. This rare Marian artefact is associated with events surrounding Mary's trial. Its acquisition by National Museums Scotland will enable it to be permanently displayed in a public collection for the first time. Also supported as part of an Acceptance in Lieu acquisition was an early portrait by William Hogarth of Horace Walpole as a child. The portrait will join collections at Strawberry Hill House and partnerships with Hogarth's House and the Sir John Soane Museum will ensure a breadth of public access and engagement with the work.

NHMF also provides grant-in-aid support for the acquisition of items of nationally important heritage that are at risk of loss to the UK and whose export has been temporarily deferred. This year we supported the acquisition of Baldassare Peruzzi's *The Nativity*, the only painting by this Renaissance master within the UK. Joining the collections of National Museums NI the work will form a central feature of Ulster Museum's chronological rehang of their art collection. Partnerships with the Robinson Library Armagh and the British Museum will enable the juxtaposition of this work with Peruzzi prints.

Established as a lasting memorial to those that have given their lives in conflict for this country, the Fund can help fund items of outstanding importance to the national heritage, at risk of loss or of memorial character. This year we supported the acquisition of *Tipperary* by Walter Sickert, a rare depiction of a military subject by the artist and painted in 1914, at the very beginning of the First World War. The painting will be displayed in IWM London's new Art, Film and Photography gallery, where artworks will be used to interpret the experiences of war across society. We also funded emergency repairs to RRS Discovery, the exploration ship of Captain Scott, supporting urgent timber and stern repairs to safeguard the vessel, a key part of Dundee's historic waterfront.

NHMF also provides support for rare and unique collections. For the National Motor Museum, our grant enabled the purchase of the Lalique mascot collection. On long-term loan to the museum, this collection of exquisite glass car mascots produced in the 1920s plays a central role in illustrating the rise of private car ownership during this period. NHMF's support ensures the collection will continue to be seen at the museum. We were also able to support the acquisition for the University of Huddersfield of five unique items from the Mark Hincliffe collection of Ted Hughes material. These items will now be permanently displayed at the Heritage Quay Archive as the core of the Ted Hughes collection there.

NHMF is also a source of support for items acquired through the Treasure process, we enabled the acquisition of a group of seven significant hoards from the North Shropshire Wetlands by Shropshire Museums. As a group, these hoards hold the potential to reveal the unique importance of this landscape in the Bronze Age. Shropshire Museums will work with the British Museum to ensure that all recent finds from the site are interpreted in their full context.

We were also able to support a proposal that will secure the long-term future of the Foundling Museum. This will enable the grantee to purchase the long-term lease on the museum building, alongside which a long-term loan of the Coram Collection will also be completed. This proposal will secure the future of the Foundling Museum, ensuring its exceptional collections remain publicly accessible and enabling the museums' future planning.

As noted earlier in this report NHMF also began delivery of the £40million NHMF COVID-19 Response Fund during this financial year, which includes the £20million Cultural Assets Fund (CAF) allocated by government, alongside NHMF's own allocation of £20million. Six awards have been made within England and delivery of the fund will continue UK wide across 2022–23. The NHMF COVID-19 Response Fund will support emergency repairs to the hull of Steamship Shieldhall, enabling the ship to continue in active operation and preventing the risk it would face in falling out of use. A significant award will enable the Ironbridge Gorge Museum Trust to carry out the most urgent repairs needed to heritage assets within the Ironbridge Gorge World Heritage Site, as well as providing an endowment ringfenced to fund future maintenance of the heritage assets in the trust's care. Emergency repairs to Birnbeck Pier will address the pressing risks to the Grade II* listed structure, stabilising the pier and ensuring its survival, while the longer term project to deliver its full restoration is planned. The nationally important collections held by the Type Archive will be safeguarded by the Science Museum Group, as the impact of the pandemic has led to the Type Archive's decision to wind up. A rare survivor of its locomotive class, Joem, will be repaired and returned to active use by the North Eastern Locomotive Preservation Group. Urgent repairs necessary to the Grade I listed Torre Abbey will, alongside repairs funded through the MEND scheme, safeguard the historic structure that is currently at risk.

During this year we continued to mark NHMF's 40th anniversary with a virtual celebratory event for stakeholders and partners. Held in June, at the British Library, this featured a keynote speech by our Chair, Dr Simon Thurley, a panel discussion of the future impacts NHMF's funding can achieve and a film highlighting the outstanding collection of UK-wide heritage safeguarded by the Fund across 40 years.

A list of standard grants awarded is shown on page 32. Total standard grants awarded came to just over

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Acquisition/Project	Applicant	Awarded
Baldassare Tommaso Peruzzi <i>The Nativity</i> , c.1515	National Museums NI	£99,990
Hinchliffe Ted Hughes collection: Unique items	University of Huddersfield	£33,775
Honresfield Manuscripts	Friends of the National Libraries	£4,000,000
Lalique mascot collection	National Motor Museum	£83,500
Portrait of Horace Walpole	The Strawberry Hill Trust	£115,000
Self-Portrait by Joseph Wright	Derby Museums	£2,271,621
Seven hoards from North Shropshire Wetlands	Shropshire Museums	£11,100
The Foundling Museum: Securing the Future of the Building and Collection	Foundling Museum	£1,500,000
The Mary, Queen of Scots Casket	National Museums Scotland	£810,000
<i>Tipperary (1914)</i> by Walter Sickert	Imperial War Museum	£30,000
Urgent conservation work to RRS Discovery	Dundee Industrial Heritage Ltd.	£408,768
Total standard grants awarded		£9,363,754

£9million. In addition, we made awards of £92million as part of various emergency and other programmes on behalf of other funders, as follows:

Programme name	Amount awarded (before de-commitments) £'000
Standard Memorial Fund activity	9,364
Culture Recovery Fund 2	261
Culture Recovery Fund 3	19,768
Cultural Asset Fund	15,618
Green Recovery Challenge Fund 2	37,831
Trees Call for Action Fund	5,773
Various programmes on behalf of the Welsh government	9,712
Covid Recovery Programme Northern Ireland	2,884
Total	101,211

We received grant-in-aid of £120million in the year (2020–21: £183million). £2million was our standard annual grant, but we received further sums from DCMS to operate its emergency funding programmes and those of other departments of the UK and devolved administrations.

Overall, the balance on our income and expenditure account rose by £18million as a result of receiving more funding than awards made in year.

The return on the endowment fund in 2021–22 was a rise of 9.2% (2020–21: 27.3%). This is in sharp contrast to returns available from bank interest (0% interest for much of the year) and the National Lottery Distribution Fund (0.2%). This return reflects the optimism of world stock markets as we begin to emerge from the pandemic.

Our operating costs fell by £1.7million. However, they remain significantly higher compared to 2019–20 and before, as the Fund continues its distribution of a number of emergency and other special programmes on behalf of other bodies.

As mentioned in the previous year's report, we changed from income generating units in our multi asset fund to capital accumulation units. We continue that approach through 2021–22 and, as a result our non-operating income, was modest at £5,000 (£215,000 in 2020–21).

The value of investments in capital accumulation units fell from £64million to £53million. As a result of cashing out some units, cash held at the year end was £21.6million (£4.1million in 2020–21).

Key performance indicators

Trustees recognise that NHMF should strive for high performance in its activities. To this end there are three performance indicators in our current funding agreement with DCMS (along with the administrative efficiency indicator reported above). 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 award decisions on our website (although changes to the way in which information is uploaded to our website meant that we were not able to calculate a figure for this statistic for the last three years). The Fund has achieved some of its targets for the year, but we must recognise the impact that the pandemic had on our ability to deliver an effective service to our applicants and grantees (see table on page 34).

Payables

NHMF adheres to the government-wide standard on bill-paying and the Public Contracts Regulations 2015, which states that all valid bills should be settled within 30 days. In 2020–21 the average age of invoices paid was seven working days (2020–21: ten working days). Over 93% of invoices were paid within 30 calendar days (2020–21: 92%).

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 calendar days. At 31 March 2022, the figure was 35 days (2020–21: 30 days). The creditor days' figure is much higher at the year-end than at other times of the year because we encourage suppliers to submit their invoices before the year finishes and this results in a surge in invoices being received in early April.

Environmental policies and sustainability reporting

Sustainability has been integral to the Fund's operations and approach for many years. Our Strategic Funding Framework outlines our commitment to requiring all applicants to demonstrate a positive impact on the environment and 'Playing our part in tackling climate change' was a key outcome of our Corporate Strategy for this year.

We have gone further in our commitment to decarbonisation, and have set a target for our operation of reaching net-zero by 2030. We have commissioned research to improve our environmental reporting and help us to establish a decarbonisation pathway for our investments.

2021–22 has seen the Fund support central government in the distribution of a further £40million of funding as part of the Green Recovery Challenge Fund and £6million for the Trees Call to Action Fund to support organisations to meet the objectives of the England Trees Action Plan.

Greenhouse gas emissions

Our offices reopened to staff in July 2021 and as a result we have seen an increase in energy use for this year, compared to 2020–21. Consumption and resulting emissions are still drastically reduced compared to 2019–20. We have taken steps to reduce our environmental impact by selecting smaller, more efficient offices. We have also seen a large drop in business travel, facilitated by improvements in video calling functionality.

We occupy eleven offices in total, of which eight are serviced. This makes it difficult to collect accurate consumption data as sub-metering is not available, for the majority of office spaces, consumption has been apportioned using square area. Where possible and relevant, we have included apportioned energy consumption of communal office space. Our data is limited by the information provided by landlords. Where there is less confidence in the information, we have chosen to rely on emissions and energy data given in the energy performance certificates (EPCs). Real data has been used for our offices in Leeds, Birmingham, Belfast, Exeter, London, Cambridge, Cardiff, Newcastle and Nottingham. Estimates based on EPCs have been used for Edinburgh and Manchester.

Very few of our office spaces use natural gas for heating with most using electricity for heating and cooling. Gas is used in our offices in Edinburgh, Nottingham, Leeds and London. This stands us in good stead to achieve our target to decarbonise our operations by 2030 through encouraging landlords to switch to 100% renewable electricity. We have started to collect data on renewable energy, with 13% of the electricity used to power our office spaces coming from renewable sources.

In 2021–22, we travelled over 350,000 miles across the UK (compared to less than 14,000 miles in 2020–21). 61% of this distance was travelled by rail, and 34% by car, we will be revising our travel policy this year to encourage public transport use above all other options and support access to electric vehicles where road transport can't be avoided.

We have not included homeworking greenhouse gas emissions in our reporting as these currently fall out of reporting guidelines. We will review this on an annual basis, to ensure we reflect best practice. Concurrently, we are monitoring estimated electricity usage from devices, which are likely to be the largest additional contributor to the environmental impact of homeworking, and will use that data to inform future procurement.

Waste minimisation and management and Finite Resources Consumption

Despite our offices reopening, we have continued to see low levels of waste from our operations. As colleagues have adjusted to more online working we have seen an overall reduction in consumption, reflected in the relative low quantity of paper use in comparison to 2019–20. Going forward we are reviewing the quantity of printers available in our

Report of the Trustees and Accounting Officer

Key performance indicators by year

	Target	2021–22	2020–21	2019–20	2018–19	2017–18	2016–17
Application processing times (months)							
– urgent applications	3	1.3	0.7	1.2	0.6	1.2	1.0
– non-urgent applications	6	1.9	See note 1	2.6	0.7	2.3	4.7
Publicising decisions (working days)							
– post decisions on website	14	See note 2	See note 2	See note 2	14	20	20
Grant payment (number of working days after payment request)							
– standard grants	15	13	21	12	11	8	2

Note 1: There were no non-urgent applications in 2020–21. No targets were set for the speed of processing emergency programmes and so we have not reported upon them. Most emergency programmes had only one or two decision dates and so processing was geared up to bringing applications to those decision-making meetings.

Note 2: We no longer collect this information. Furthermore, a change in our system of uploading decisions on our website in 2015–16 meant that we could no longer meet the target set for us in our management agreement with DCMS.

The above indicators and targets will continue into 2022–23.

Greenhouse gas emissions

		2021–22	2020–21	2019–20
Greenhouse gas emissions	Scope 1 emissions (tCO ₂ e)	26	14	50
	Scope 2 emissions (tCO ₂ e)	44	36	203
	Scope 3 emissions (tCO ₂ e)	70	9	167
	Total gross emissions (tCO₂e)	140	59	420
Energy and water consumption	Electricity (kWh)	207,051	58,301	794,149
	– from renewable sources (kWh)	27,777		
	– from non renewable sources (kWh)	179,274		
	Gas (kWh)	140,457	76,429	270,794
	Water (m ³)	1,530	2,434	4,820
Expenditure (£'000s)	Utilities (inc. service charges)	329	278	589
	Business travel (inc. accommodation)	172	2	486

Waste minimisation and management

		2021–22	2020–21	2019–20
Waste (tonnes)	Hazardous (inc. WEEE*)	–	0.3	–
	Landfill	–	–	124
	Energy from waste	0.77	1.4	–
	Mixed recycling	0.43	0.3	26
	Total waste	1.20	2	150
Waste expenditure (£'000s)	Total waste (inc. cleaning)	26	19	48

* WEEE = waste electrical and electronic equipment

Finite resource consumption

		2021–22	2020–21	2019–20
Finite resources	Water (m ³)	1,530	2,434	4,820
	Paper use (sheets)	6,903	–	172,500
	Paper use (tCO ₂ e)	0.73	–	0.80

offices with the hope that we can continue to reduce the use of paper. This reduced consumption has also resulted in reduced waste.

We have worked with an external consultant to establish a Green Impact Scheme across this organisation which among other areas has a key focus on waste minimisation and reduction in single use plastics, recognising that waste reduction is reliant on culture change and the behaviour of our staff.

Water use (used to service toilets and office kitchens) has increased this year. We will work with landlords to update these facilities where possible and implement water-saving measures. Costs for water are incorporated into total utilities charges provided above.

Nature recovery and biodiversity action planning

Our greatest reach and impact on the natural environment is realised through our land and nature projects. In the last year, we have partnered with The Wildlife Trusts to support 200 new groups to undertake micro-projects that help nature thrive and tackle climate change. Alongside the Welsh Government we are providing grants to underserved communities to help residents connect with nature on their doorstep and through our Heritage Horizon Awards we are supporting the UK's first major experiment in wet farming as part of the Peatland Progress project. We ask all projects to report on their environmental performance, our guidance is available on our website.

Sustainable procurement

Our approach is aligned with government standards, however, we plan to improve on our sustainable procurement policies and recognise the need to provide more sustainable procurement guidance. Our first step will be to embed sustainability requirements into future decision making for office lease agreements.

Climate change adaptation

We are in the process of developing a Sustainability Strategy, our approach and action plan will ensure that our policies with long term implications are robust in the face of changing weather, extreme events and sea level rises from climate change. The strategy will draw upon existing guidance such as the Climate Change Risk Assessment, UK Climate Projections and the National Adaptation Programme.

Reducing environmental impacts from IT and digital uses

Reducing the environmental impact of the technology we use has been embedded into our new IT strategy, We have commissioned research in the last year to help us to better understand the environmental impact of our digital estate. Once this baseline is established, we will do further work to reduce its impact in line with our net-zero 2030 aspiration. The review will consider retention policies and data storage approaches as well as provide information and support to staff.

Policy objectives and targets

We are in the process of developing our Sustainability Strategy which will embed the commitments of the Greening Government Commitments 2021–2025 and align to the Sustainable Development Goals. We have set a target to reach net-zero emissions for our operations by 2030, within this target we will be incorporating the scope 3 emissions of our supply chain and have started the process to measure its impact. We recognise, however, that the emissions related to the projects we fund are substantial, and an area in which we have many data gaps. We are working with an external organisation to help us understand the carbon footprint of our projects and to set a science-based reduction target, which includes these emissions. We hope by gaining a greater understanding of the environmental impact of the projects we fund, we are able to provide practical support and leadership to support the heritage sector in the transition to a sustainable future.

Rural proofing

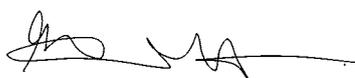
The National Lottery Heritage Fund has a national reach, supporting projects all across the UK. Many of our projects are in rural areas and our investment helps to create jobs and support communities. We recognise the challenges that rural communities face, including, representation, access to public transport and availability and equality of paid work. These are areas that we already support our grantees to address in their applications, however, rural proofing is not a formalised aspect of our decision making. This is something we will look to review as part of our wider strategy work in the year.

As an organisation we support our colleagues to work nationwide and expect to see a larger shift to hybrid working in the coming years. More flexibility in the location of our staff could further support recruitment of employees living in more rural areas.

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Sustainable construction

As an organisation we are not responsible for new construction or any capital assets.



Eilish McGuinness

Chief Executive and Accounting Officer

13 July 2022

Accountability report

The accountability report has three sections:

- a corporate governance report – a discussion of our governance structure and its achievements in the year under review.
- a remuneration and staff report – this details remuneration for trustees and senior management as well as pension arrangements for staff. In addition, we discuss our achievements in workplace equality and diversity of staff.
- a parliamentary accountability and audit report – a report by our auditors on the results of their audit of our accounts for 2021–22 in line with accounting and auditing standards.

Corporate governance report

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

The directors' report

Chair and Trustees of NHMF

Chair	Dr Simon Thurley CBE from 1 April 2021
Trustees	Maria Adebowale-Schwarte ¹ Baroness Kay Andrews OBE Jim Dixon ¹ to 30 June 2021 Dr Claire Feehily ¹ Sarah Flannigan to 15 May 2021 Perdita Hunt OBE DL ¹ to 21 April 2021 Ray Macfarlane Mukesh Sharma MBE DL Dr David Stocker
Chief Executive	Ros Kerslake CBE to 31 December 2021 Eilish McGuinness from 1 January 2022

¹ Member of Audit and Risk Committee

Details of other senior managers can be found in the remuneration and staff report starting on page 48

The gender split of our staff (including those on fixed term contracts) working on our exchequer-related activities, and our trustees at 31 March 2022, was as follows:

	Male	Female	Total
Trustees	3	4	7
Executive directors	1	3	4
Staff	57	182	239

Excluding our work on emergency and other special programmes, we had two members of staff working on standard NHMF activities at the year-end. All the above staff also worked on Lottery-distribution activities. We also had 111 staff at the year-end who worked solely on our Lottery-distribution activities. Their gender split is incorporated within the staff gender split reported in our Lottery distribution accounts.

Register of Trustees' 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 on the website of The National Lottery Heritage Fund – www.heritagefund.org.uk.

Future developments

We will continue to deliver our strategic investment plans in 2022–23 alongside the development of a refreshed strategy, taking account of the impacts of the pandemic and reflecting our long-term ambitions for heritage over the next ten years.

As the UK emerges from the COVID-19 crisis, we will focus on supporting organisations working with heritage to adapt, thrive and look to the future in what remains an uncertain world. We will make sure we are responsive to the needs of UK heritage now and in the future, working collaboratively to advocate for heritage and the value it brings to life in the UK. Our work to improve the Fund's use of data analysis, evidence and insight has moved significantly in the last 18 months, and we will continue to embed this across our organisation, so our decisions are more evidence-led. Our key business priorities are:

1. Deliver National Lottery and grant-in-aid programmes with a focus on heritage sector recovery, resilience and place/levelling up

Our National Lottery project funding will continue with funding offered from £3,000 to £10,000, £10,000 to £250,000 and £250,000 to £5million. All projects will deliver some or all of our prioritised outcomes – inclusion (mandatory), organisational resilience, skills, economic impact, wellbeing and supporting places to thrive. Projects will also need to

demonstrate how they intend to reduce their carbon footprint and contribute to greater environmental sustainability, and we will expect to develop our approach to the environmental sustainability requirements of projects during 2022–23. We will seek to support a balance of existing investment and fresh investment opportunities.

Our support for sector recovery and resilience will continue through the Digital Skills for Heritage and Business Support and Enterprise development programmes. These initiatives equip heritage organisations of all sizes to grow their capability in working digitally and to develop business models that support their sustainability. Our Dynamic Collections campaign is also designed to support organisations focus on engagement, re-interpretation and collections management as part of their wider COVID-19 recovery. Funding will be delivered through our open programme approach, combined with resources to support knowledge sharing.

In terms of innovation, we will pilot a new Innovation Fund to support organisations across heritage sectors to tackle shared challenges. We will also look to pilot the use of funding for green finance to test new ways of supporting environmental projects. Our Future Parks Accelerator partnership with the National Trust and the Department for Levelling-Up, Housing and Communities (DLUHC) has driven pioneering and systemic change in the funding and management of urban green spaces across the eight places where we have been jointly working. Learning is to be shared at a major conference in September 2022, and work is underway to explore how we deploy these new ways of investing in urban green space across Northern Ireland, northern England and more broadly through the Fund's new place-based investment initiative focussed on both built and natural heritage.

We will introduce an increased focus on the strategic funding of places across the UK working collaboratively with area based strategic partners and engagement with other Arm's-Length Bodies. This work will build on our existing place-based investment through the Strategic Funding Framework in Areas of Focus. Our approach to our place and economy outcomes will be strengthened in engagement, assessment and decision making. Through this work, we will continue to engage with the Department for Levelling Up, Housing and Communities, and other government departments on UK wide funds such as the Levelling Up Fund and UK Shared Prosperity Fund, and with

Report of the Trustees and Accounting Officer

the devolved governments on place-based funding and the role of heritage in places.

We will continue to deliver funding programmes for heritage on behalf of governments across the UK, that support the heritage sector's recovery and long-term sustainability. NHMF will continue to provide grants for the acquisition, preservation and maintenance of the UK's most significant heritage as a fund of last resort.

To support all of our grant-making, we will deliver an end-to-end process for our new investment management system, enabling our customers and people to work more efficiently, improve our data reporting capabilities and establishing the foundations to create a better long-term customer experience and customer relationship management.

2. Strategy development including sector collaboration and strategic partnerships

We will refresh our strategy in consultation with our sponsor Department, DCMS, wider stakeholders and the public, informed by research and insight.

We aim to set out a longer-term vision for heritage with implementation plans from 2023–24 onwards. We will focus on developing strategic partnerships, building on the expertise of others to deliver our strategic aims. Through the National Lottery Forum, we will continue our collaborative work with other National Lottery distributors to demonstrate the collective impact of the National Lottery for the UK's national life. In 2022–23 our joint work will focus on our collective contributions to the Queen's Platinum Jubilee and the Commonwealth Games in Birmingham. Other cross-cutting and supporting priorities include:

- **Environmental sustainability in our investment and operations**
We will complete research into the carbon footprint of both our investment and internal operations reporting this financial year. This research will inform our approach to our investment priorities and resourcing to identify a plan for the Fund to attain Carbon Net Zero for operations by 2030.
- **Equality, diversity and inclusion in our investment and operations**
We will refresh our approach to our 'wider range of people' outcome to ensure it is being applied as intended across our investment. This approach will be informed by research undertaken in 2021–22. Partnerships and collaborative working will support us to ensure projects led by people

underrepresented in heritage can access our funding. We will continue to implement the Equality, Diversity and Inclusion (EDI) actions identified in the EDI review, published in 2021 to address improvements across our workforce, governance and organisational culture.

- **Developing and embedding new ways of working to meet customer and business needs in a post COVID-19 environment**

As we move out of the pandemic, we will adapt our ways of working to meet customer, stakeholder and business needs, learning from the ways we have adapted during the last two years. This work will encompass our estate, technology, office, hybrid and home working, workforce development and our culture.

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 National Lottery distribution activities of trustees.

Key stakeholders

The key stakeholder of NHMF is DCMS. Other key stakeholders include the funders of our emergency and other programmes – DEFRA, the Welsh Government and the Northern Ireland Executive. We are also mindful of the needs of the heritage sector and the population of the UK when making decisions on applications for funding.

Personal data

NHMF had two incidents where personal data was inadvertently disclosed to a third party. However, in line with the information commissioner's office (ICO) guidance, neither of these incidents required reporting to the ICO. Lessons have been learnt and remedial actions have been taken to minimise the possibility of any reoccurrence. NHMF will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of its systems.

Statement of Trustees' and Accounting Officer's responsibilities

Under section 7(3) of the 1980 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 Digital, Culture, Media and Sport (DCMS) with the consent of HM Treasury. The accounts are prepared on an accruals' basis and must give a true and fair view of the Fund's state of affairs at the year end and

of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, Trustees of NHMF are required to comply with the government financial reporting manual (FREM) and in particular to:

1. observe the accounts' direction issued by the Secretary of State for DCMS, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
2. make judgements and estimates on a reasonable basis
3. 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
4. prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Fund will continue in operation

The principal Accounting Officer of DCMS appointed the senior full-time official, the Chief Executive, as Accounting Officer for the Fund.

Their relevant responsibilities as Accounting Officer, including their 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 section titled 'Accounting Officers' 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.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and that she takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and reasonable.

Governance statement

Foreword

I was appointed Chief Executive and Accounting Officer on 1 January 2022. Prior to that, Ros Kerslake was Chief Executive and Accounting Officer until she retired on 31 December 2021. There was an

effective handover of accountabilities.

I am fully aware of my accountabilities and responsibilities as set out in my appointment letter, *Managing Public Money* etc. I have held introductory meetings with the National Audit Office (NAO) and the Fund's internal auditors (BDO). I also held introductory meetings with DCMS and have followed those with informal meetings with DCMS as well as formal quarterly reviews.

Introduction

This governance statement is a summary of the arrangements for the stewardship of the National Heritage Memorial Fund (NHMF), including how we manage risk and how we comply with the HMT Code of Good Practice for Central Government.

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

The National Heritage Memorial Fund and The National Lottery Heritage Fund are operated as a single entity as I believe that this is more efficient and effective. Consequently, there is one governance structure, and this statement covers the distribution of both grant-in-aid awards and National Lottery grants. Although we operate one overall governance structure we have adapted and flexed our governance to meet the demands of our grant-in-aid programmes. This has been through using small panels of trustees and providing flexibility for some of our delegated decisions.

COVID-19 pandemic

The crisis from COVID-19 has continued to affect us significantly during 2021–22.

The pandemic has also had a continuing impact on the heritage sector including:

- loss of income from public health restrictions, impacting on visitor numbers, membership cancellation, commercial income
- reduced sponsorship and/or partnership funding
- delays to project in delivery

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- increases in project costs
- adverse impacts on project delivery – furloughing of staff, the need to redirect and reprioritise resources
- resilience of the sector, especially in volunteer led or dependent organisations
- withdrawal of government sponsored support such as furlough provisions
- need to bolster reserves for longer term resilience
- availability of key skills and staffing
- need to adapt to digital ways of working

Our operating environment has been challenging and demanding, with our own organisation impacted by public health restrictions while also continuing to have to respond to the sector and support heritage across the UK. We have developed new partnerships and worked with different UK government departments, along with the devolved administrations in Northern Ireland and Wales

We continued with delivery of our grant-in-aid programmes – both generally and COVID-19 specific response programmes. We also fully re-opened our National Lottery open programmes in 2021–22 with a specific focus on recovery and resilience.

Cashflow and liquidity continued to be key to the health and survival of the heritage sector. We were able to inject investment to maintain support for projects, help communities, protect jobs and ensure the survival of large parts of the sector that might have otherwise not succeeded in navigating the crisis. We were also able to provide over £25million in specific support to cover grant increases for existing projects to help cover cost pressures through, for example supplier failure and supply chain cost pressures.

I am pleased to report that our governance arrangements have allowed us not just to operate through the crisis but deliver a range of responses across the UK that have been pivotal in protecting the heritage sector.

During the year, we commissioned a specific review of our own Business Continuity Plans and implementation within the Fund's operations. This concluded that our actions had been very effective and well implemented and we will take forward the actions into refreshed plans and impact analyses in 2022–23.

The governance of the Fund has continued to be both resilient and flexible throughout the whole of the year.

Framework agreement between DCMS and the NHMF

During the year the Fund agreed a draft Framework Agreement with DCMS setting out our governance arrangements as an Arm's-Length Body (ALB) of the department, our delegations, spending controls and wider operating arrangements. We expect this to be finalised in 2022–23.

Governance review

As outlined in this statement last year, we commissioned an independent review of our internal governance in 2019–20. The Board expressed support for the findings and recommendations of the review, and the Legal and Governance team prepared an implementation plan for the main recommendations. We have now completed implementation of most of the recommendations and have ongoing plans for completion for all the recommendations. These include:

- **Moving to a smaller number of trustees in practice (9 or 10):**
This is now in hand, several trustees have retired, some have been re-appointed.
- **The appointment of additional trustees to chair English area committees**
We await these appointments with the aim of providing similar arrangements to Scotland, Northern Ireland and Wales committees.
- **Developing skills matrices for trustees and committee members covering business, corporate governance and heritage skills**
These are completed and have been used in our own and DCMS-led recruitment campaigns.
- **The close down of the Finance, Staffing and Resources Committee**
This has been completed and we have moved its functions to the Board and Executive.

Governance structure

The governance structure in NHMF during 2021–22 is set out in the diagram below. The Board and its sub-committees are as described, alongside the Executive and the Strategy and Performance Group.



Board of Trustees

The Board is responsible for:

- giving strategic leadership and direction
- approving control mechanisms to safeguard public resources
- approving investment and administration budgets
- supervising the overall management of NHMF activities
- reporting on the stewardship of public funds

The Board operates as a group and held seven meetings during the year to set NHMF policy and make decisions in line with that policy. These meetings are attended by the Chief Executive and the executive directors. All Board meetings held in 2021–22 were quorate.

Dr Simon Thurley CBE is Chair of the Fund and throughout the year regular liaison meetings were held between him, the Chief Executive and senior staff. The Board is legally constituted up to a maximum of 15 trustees including the Chair. In 2021–22, three trustees were re-appointed and three trustees retired.

The overall attendance rate of trustees at Board meetings was 94%. Trustees have also delegated some of their tasks to the two committees shown above – these committees oversee the activities of management and provide guidance and support to senior staff. The minutes of committee meetings are standing items at the Board’s meetings. The committee chairs also provide a full report on their activities.

Attendance at the Board meetings throughout 2021–22 was as follows:

Trustee	Eligible meetings	Meetings attended
Dr Simon Thurley CBE	7	7
Maria Adebawale-Schwarte	7	7
Baroness Kay Andrews OBE	7	6
Jim Dixon to 30 June 2021	2	2
Dr Claire Feehily	7	7
Sarah Flannigan to 15 May 2021	1	1
Perdita Hunt OBE DL to 21 April 2021	0	0
Ray Macfarlane	7	7
Mukesh Sharma MBE DL	7	6
Dr David Stocker	7	6

During part of 2021–22 the former committee chairs of the English areas also attended Board as observers.

In May 2022 it was confirmed that we would have three new Trustees joining the Board who are Julian Glover, Taryn Nixon and Carol Pyrah.

Board composition

Of the 10 trustees who attended the Board throughout the year 60% were female and 40% were male. Two (20%) came from ethnic minority backgrounds.

Board conflicts of interest

Trustees and staff are responsible for ensuring that their entries in the Register of Interests are maintained and updated as necessary. The Legal and Governance team oversee a process to ensure that these entries are updated each year. At the beginning of each Board meeting all Trustees and staff are asked to declare any potential conflict of interests. These are noted in the minutes where the matter is deemed to constitute a conflict and Trustees and staff remove themselves from Board discussions on those matters.

Audit and Risk Committee

The Committee met on four occasions during the year and was quorate at each meeting. It is chaired by a Trustee.

The Chief Executive attends each Committee meeting with the Executive Directors of Business Delivery and Business Services – other senior staff attend as required. The Committee is supported and serviced by the Fund’s Legal and Governance team. The Fund’s external auditors (National Audit Office) and internal auditors (BDO) also attend the meetings. The Committee hold in-camera sessions before meetings and also private discussions with the auditors before the meetings.

In addition to trustees, non-executive independent members are also members of the Committee – these are David Michael and Carole Murray. Both members will be retiring from their roles on 30 June 2022 and will be replaced by new members with effect from 1 July 2022.

The Committee agreed a multi-year audit strategy with BDO upon their appointment and the reviews carried out in 2021–22 and reported to the committee were in line with that strategic approach. A detailed one-year plan of internal audit reviews is approved annually.

During the year, the Committee agreed the Executive’s recommendation for the extension of the contract with BDO, who have consequently been re-appointed as internal auditors. A refreshed strategic plan for internal audit was agreed within the year as was the one-year programme of work for 2022–23.

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The Committee received internal audit reports during the year on:

- culture
- investment management system
- fraud risk assurance
- governance review implementation
- HR system
- grant making
- payroll

The Committee meeting minutes, and summary reports are shared with the Board. The Committee Chair verbally updates the Board on Committee business and decisions. The Committee also received internal management reviews of business continuity plans and cyber security during the year.

The Committee reviews the Annual Reports and Accounts for both the NHMF and The National Lottery Heritage Fund. During 2021–22 in addition to the above reports and accounts, the Committee also considered the following:

- the arrangements for risk management and business continuity during the crisis
- further reports on the Investment Management System
- fraud and alleged fraud cases including detailed fraud risk assessment and post evaluation assessment for our grant-in-aid programmes in the crisis
- procurement arrangements including any exceptions to normal procurement tenders

Attendance at the Committee meetings throughout 2021–22 was as follows:

Trustee	Eligible meetings	Meetings attended
Dr Claire Feehily Chair	4	4
Maria Adebowale-Schwarte	4	2
Jim Dixon to 30 June 2021	2	2
Perdita Hunt OBE DL to 21 April 2021	1	0
David Michael	4	4
Carole Murray	4	4

The Committee also conducted a self-assessment exercise on its effectiveness and drew up a short list of improvements for example using more deep dives on risk, improved induction for new members etc.

These recommendations are being taken forward into practical implementation in 2022–23.

In 2021–22 we undertook a self-assessment of our compliance against Cabinet Office Functional Standards. We reported this to DCMS, informally benchmarked ourselves against other Lottery Distributors and provided the Committee with an overall assessment.

Of the 11 Functional Standards applicable to the Fund we assessed ourselves (against the average assessment) as:

- Best against 2 standards
- Better against 4 standards
- Good against 3 standards
- Developing against 2 standards

The developing standards related to analysis and communication. Improvements will be included in our business plans for 2022–23.

A new suite of spending controls were introduced and the Fund ensured we remained compliant against these, and any exceptions are reported to the committee.

The Chair of the Committee also attends the DCMS Audit Chairs Forum providing feedback and further assurance to the Accounting Officer during the course of the year.

Nominations and Remuneration Committee

The Committee did not meet in 2021–22.

Delegated grant decision making

In 2021–22 the Board delegated some grant decision making to a subset of trustees acting as Board panels. This covered decisions for COVID-19 response funding and other grant-in-aid programmes funded by DCMS, DEFRA, the Welsh Government and the Northern Ireland Executive.

The Trustees have delegated their grant decision making responsibilities for certain types and values of Lottery awards to Country and in England Area Committees. Following our internal re-organisation that came into effect in April 2019 there are six of these committees (three countries and three English areas) and each contained a trustee. In addition to making grant decisions, these committees provide advice to the Board on priorities within their area and act as advocates for the organisation's work as a Lottery distribution body. Chairs of Country and Area Committees met with the Board Chair and

Chief Executive, along with senior staff during the year. The Executive Director (Business Delivery) attend each committee for each country and English area throughout the year.

Trustees have also delegated grant decision making for grants under £250,000 to staff, specifically Country and Area Directors in Countries and English areas. An annual report on the impact of delegated grants across all Committees is presented to the Board. All decisions made by Committees and staff are reported to the Board.

Executive and Strategy & Performance Group (SPG)

The Board delegate day-to-day management to the Chief Executive.

An Executive consisting of the Chief Executive and the three Executive Directors for each department came into effect in 2019 and has continued since. This Executive are responsible for wider strategic management issues and delivery of business in the Fund. The Executive meets weekly or fortnightly according to business need.

The SPG consist of senior directors and staff across all three departments and have responsibility for horizon scanning, day-to-day performance management and corporate planning. The SPG met regularly and in several of these meetings the Executive attended too.

Each Executive Director provide reports to the Board on activities and issues within their remit.

In addition, at the start of each year, I issue a Letter of Responsibility to each Executive Director setting out their responsibilities and the need to operate within Fund, Cabinet Office and HM Treasury guidance and rules. At the end of each year I received signed Memorandums of Assurance from each Executive Director confirming their compliance or identifying any breaches. There was full compliance reported for 2021–22.

I also attend the Lottery Forum (a grouping of all the Lottery Distributors Chief Executives) throughout the year, and includes liaison with DCMS and the Lottery Commission. The Executive Director (Business Services) also attends the equivalent forum for finance directors and attends the DCMS finance director meetings too. Feedback and assurance is provided to the Accounting Officer via those routes.

Business continuity arrangements

In March 2020 we invoked our business continuity plans in response to the COVID-19 pandemic. The Executive met as the Crisis Management Team twice weekly to oversee the response of the Fund, interactions with stakeholders and governments across the UK, as well as support the Board.

The Business Continuity Team met twice weekly, from April to June, to implement the detailed operational aspects of the business and our response plan. The composition of this team reflected the different teams across the department and different needs in the early stages of the pandemic.

Our business continuity arrangements worked as intended and there was no disruption to any part of business throughout the year.

These practices continued until February 2022 when all business continuity plans, and arrangements, were formally stood down.

Organisational design and structure

During the year, as Chief Executive, I operated a three department structure of:

- Business Innovation and Insight (strategy, policy, data and insight along with marketing and communications)
- Business Delivery (operational delivery)
- Business Services (support functions)

The annual operating plan – the Business Plan – is developed each year alongside financial budgets and investment programme planning. Like previous years, this year we also integrated risk management into the business planning process closely. The Business Plan is discussed with our sponsor department DCMS.

DCMS also set UK policy directions and financial directions with which we have complied in our lottery activities. The Scottish and Welsh governments have also issued some policy directions with regard to Lottery activities in those countries and we have also complied with those. We also have policy directions from DCMS for England. We operated in line with our draft Framework Agreement and Financial Memorandum between ourselves and DCMS. The priorities set out in the draft framework document sit alongside the UK and country Policy Directions. This is supplemented by regular meetings with DCMS officials and other National Lottery distributors.

Report of the Trustees and Accounting Officer

Strategic Funding Framework

In 2019 we launched our Strategic Funding Framework. This framework runs to 2024 and represents a major devolution of decision-making across the whole of the UK as part of our proposals to distribute more than £1billion of National Lottery money to the UK's heritage.

Decisions on over 80% of all funding by The National Lottery Heritage Fund are made in Scotland, Northern Ireland, Wales and English areas. During the year we had a particular focus on:

- demonstrating and championing the economics, social and community impacts of heritage
- bringing together organisations working across heritage to share knowledge and resource
- encouraging and leading greater innovation and new income generating opportunities for heritage

Our overall approach includes:

- a major focus on nature, communities, and on ensuring everyone is able to enjoy heritage – three top priorities for people who responded to the consultation
- new models of investment, moving beyond grants to include loans and partnerships, designed to attract others to invest money alongside the National Lottery
- more support for commercial, sustainable approaches to tackling heritage that's in danger of being lost
- investment and support to help heritage organisations to be more financially sustainable
- a requirement for every heritage project that receives funding to be environmentally sustainable
- simpler, streamlined and more efficient funding
- greater engagement and support in communities that have in the past been less successful securing funding
- continued support for large-scale, iconic projects over £5million

Our investment portfolio is now simpler and easier to access and includes:

- National Lottery Grants for Heritage – open programmes for any type of heritage project from £3,000–£5million

- funded and other campaigns designed to fulfil strategic needs or funding gaps
- joint funds to deliver strategic initiatives in partnership with other organisations, such as the Future Parks Accelerator partnership with the National Trust
- social investments such as impact funds and loans

This overall approach and portfolio reflect the extensive consultation exercise we undertook with National Lottery players and key stakeholders across the heritage sectors prior to the launch of the Strategic Funding Framework.

Early in 2020–21, we took the difficult decision to suspend the open programmes. This was done to allow us to develop and then deliver our Lottery funded response to the crisis and to provide capacity to then deliver our grant-in-aid programmes in our NHMF capacity. We re-opened these programmes in February 2021, and they have run for a full year in 2021–22. These had particular emphasis on the following:

- boost the local economy
- provide job creation and encourage skills development
- support local health and wellbeing
- strengthen the resilience of organisations in heritage
- ensure that local places and communities can thrive

In 2022–23 we expect to start work on the refresh of our Strategic Funding Framework with a view to have a new strategic approach to our investment for 2023 and beyond.

Risk management and internal control

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

All policy setting and grant decision making is informed by the risk management culture and approach of the NHMF. A few years ago we overhauled our risk management approach as part of a wider exercise on assurance across NHMF. We have continued to operate this approach in 2021–22, albeit adapted to fit the needs of the crisis.

The risk registers/assessments and underpinning process assign a risk owner who is accountable to the Chief Executive for the effective management of that risk. The registers also identify associated risks so that any “multiplier effect” is taken account of. It also distinguishes between the “inherent” level of risk (impact and probability) and the “residual” level of risk so that it is possible to judge the effectiveness of existing controls and mechanism for mitigating the risk. That also permits the risk owner to identify further measures needed to bring the risk within the appetite and the specific dates for those actions. During the course of the crisis we have adapted our risk reporting to the Board and to the Audit & Risk Committee to reflect the dynamic nature of risks, the external and internal risks from the crisis, trends, patterns and forward projections of risks.

The Board also reviewed its Risk Appetite for 2021–22 and continued to reflect greater appetite for business change and the need to be responsive to the risks posed by the pandemic.

We also recognise that well-thought-through risk-taking and innovation to achieve NHMF objectives should be encouraged. I believe that the Fund demonstrates innovation in its choice of grant awards and does not simply resort to making risk-free decisions. In a time of crisis it was more important than ever to ensure that our investment reaches as widely into the community as possible be that through National Lottery or grant-in-aid funding.

To this end we are prepared to accept that some of the organisations to whom we give grants will not subsequently demonstrate full competence in the administration of that grant. We learn our lessons, improve our processes and in rare circumstances write-off the grant. In cases where we suspect fraud or improper behaviour, we will report the case to the police for further investigation. I approve all write-offs, and this allows me to monitor the amount each year to provide assurance on our assessment and monitoring procedures.

As can be seen from the relevant note to the accounts, the level of grant write-off is extremely small relative to the level of grants that we distribute each year. On the other hand, the high level of customer satisfaction demonstrated in independent surveys suggests that our working practices are not too onerous on applicants. Consequently, I am able to conclude that there is no cause for concern about the level of risk implicit in our grant giving processes.

In 2021–22 NHMF considered the following to be the most significant areas of risk:

- Lottery income management through the crisis alongside our liquidity exposure, long-term funding projections and the ability to fund these and ensure our financial key performance indicators remain within our risk tolerance in terms of demand for awards, commitments (liabilities) and potential commitments (contingent liabilities) and cash held, as shown in the Performance Analysis on page 30
- our ability to provide immediate short term and longer-term investment into the sector ahead of wider governmental support schemes (like business loans, furlough etc.) and grant-in-aid investment programmes
- that costs associated with our grant-in-aid work do not become fixed or have an adverse impact on our strategic cost base going forward
- capacity and resilience within the sector to allow for such interventions to be effective
- our business continuity planning and implementation
- the wellbeing and mental health of our teams
- the challenges posed by the climate and ecological emergency
- developing the new investment management system
- handling economic uncertainty for our projects in terms of costs, inflation, supply chains, etc
- handling political risk across the UK
- managing the impacts on economic risks (inflation, supply chain stability, etc) across our investment portfolio
- ensuring our data and insight is used to optimal effect

Report of the Trustees and Accounting Officer

- ensuring we achieve cultural changes across the Fund to support the changes we have to deliver

Each of these risks has a risk owner at the Executive level charged with managing the risk and ensuring appropriate mitigation actions are undertaken. I believe we have effectively managed those risks throughout 2021–22.

Approach to fraud and information risk

NHMF has a fraud policy that is reviewed on an annual basis. All staff in NHMF undertake Fraud Awareness training, this was refreshed for key staff in 2021–22. This focuses on fraud risk in:

- grant giving
- general fraud areas

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

Over recent years we improved risk awareness and intelligence gathering arrangements with other National Lottery distributors and we continued this last year with better sharing of information, combined resources and consideration of the use of specialist third parties to identify fraud risk. We continue to report all potential cases of fraud to the police and actively contact them in such cases to ensure effective investigation.

In 2019–20, we undertook significant work to refresh our work in this area and to align to the Government Functional Standard on Fraud (GovS013: Counter Fraud). We improved guidance and policy in areas such as:

- fraud, bribery and corruption policy and response plan
- counter fraud strategy
- fraud risk assessment
- post event assurance
- our annual action plan

We saw a further embedding of this during 2021–22. As mentioned last year, we recognised and understood in the very initial stages in the crisis, the imperative from governments across the UK to ensure effective early interventions and especially cash injections into the cultural and wider heritage sectors. We also recognise the wider risk appetites for this outside of the Fund and worked alongside DCMS, DEFRA etc. to meet their requirements in this respect.

We also recognised and continue to recognise the increased risk to fraud and error that the COVID-19 pandemic created. We have continued to use our existing robust anti-fraud arrangements and built on these with new tools and services from the Cabinet Office.

Each investment programme (National Lottery or grant-in-aid funded) was subject to a refreshed or new Fraud Risk Assessment completed by the Fund and verified by DCMS. Each programme also carried their own Post Event Assurance review (updated as necessary). The fraud and post event work have been independently reviewed for us by our internal auditor partners in BDO. Feedback from DCMS and Cabinet Office on our work has been positive and provided additional assurances.

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

In February 2022 we again achieved Cyber Security Plus accreditation.

Business critical models

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

We also developed a supplementary cash flow model in 2020–21 to help plan and manage Lottery cashflow and liquidity risks throughout the year. This has worked very well and been effective in managing risks and we have used this supplementary model in 2021–22, we expect to stand this down next year as the business risk closes.

In 2014–15, based on the main model, the Board created a Financial Framework setting out grant ratios linked to the total level of commitments, approved

actual liabilities, income from the National Lottery and our balance at the National Lottery Distribution Fund (NLDF). We therefore believe that the model and the Financial Framework provide a robust basis for our grant giving. We have continued to use this approach in 2021–22 and indeed used this in modelling for our Lottery Income planning scenarios and assumptions. We reviewed the key ratios in 2021–22 and adapted these for the longer term. These will continue to be kept under review.

Board performance and effectiveness

The most significant activity for the Board has been oversight of the Fund's response to the ongoing crisis from both a National Lottery and grant-in-aid perspective. The Board have had detailed and regular updates on all interventions and subsets of the trustees have acted as decision makers in the grant-in-aid funded programmes in England, Wales and Northern Ireland.

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

The Board are satisfied that they continue to meet the requirements of HMT Corporate Governance Code.

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

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

The governance year

As Accounting Officer I have responsibility for reviewing the effectiveness of the systems of internal control. My review is informed by the work of the internal auditors (BDO) and senior management within the NHMF who have responsibility for ensuring the effective maintenance and implementation of the

internal control framework alongside comments made by the external auditors in their management letter and other reports.

All staff have performance agreements set at the beginning of the year articulating their personal and corporate objectives for the year. These are linked to the Business Plan and our strategy. These are reviewed formally at mid-year and end-year reviews. I also hold informal meetings with Executive Directors on a one-to-one basis throughout the year. As mentioned, the Executive and Strategy and Performance Group teams meet regularly.

I have seen the Management Letter prepared by the external auditors following their audit of the financial statements for the year ended 31 March 2022.

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

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

With BDO we introduced new quarterly liaison meetings with the internal auditors to help monitor progress against plan and redirect resources to emerging risks. These have continued to be used to monitor progress and delivery of the programme. We also introduced new controls several years ago to improve accountabilities on audit reviews and the implementation of internal audit recommendations.

These have continued in 2021–22 and recommendations that were due to be implemented in 2021–22 have been implemented satisfactorily or there is a legitimate reason for the delay linked to COVID-19.

All reports of the internal auditors are discussed by the Audit and Risk Committee with senior members of staff in attendance, including those whose departments were reported upon – this gives me and the Committee the opportunity to discuss in detail the findings, recommendations and proposed management actions. Where recommendations for

improvements or correction were accepted Directors also had to provide an implementation response and timetable for each recommendation. The implementation of these recommendations is tracked and monitored by the Business Services directorate and the internal auditors. That control list is also seen as a standing item by the Audit and Risk Committee.

In 2018 we introduced a new Code of Conduct for all staff and contractors in the Fund, following a recommendation of the Tailored Review. This included areas such as:

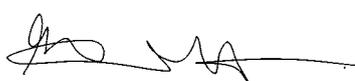
- the principles of service in public life
- conflicts of interest
- gifts and hospitality
- whistleblowing

The Code was publicised to all staff and placed on our Intranet. During the year we refreshed the conflicts guidance within the code and next year we will update all parts of the code. We also refreshed our Whistleblowing Policy in the year.

As mentioned above, Letters of Delegated Authorities/ Responsibilities for all Executive Directors were introduced – setting out their delegated authorities (financial, procurement etc.) to be agreed at the start of the year to complement the memorandum at the year end. This cycle has been completed in 2021–22.

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

Following the Russian invasion of Ukraine we have ensured that we have no risks to our supply chains and that our investments (endowment) are compliant with the Government's policies on Russia and compliant with the sanction arrangements.



Eilish McGuinness
Chief Executive and Accounting Officer

13 July 2022

Remuneration and staff report

Remuneration of the Chair and trustees

All trustees were entitled to receive an annual salary for time spent on the activities of NHMF. In addition the Fund reimburses travel expenses of trustees when travelling from their homes to their office of employment in London, Edinburgh, Cardiff or Belfast – although the offices were closed for parts of 2021–22. NHMF also provided trustees and members of country and area committees with meals when they were holding meetings at their places of employment. The Fund met the tax liability on these expenses.

Our Governance Review in 2019 recommended changes to our remunerations for trustees and for members who sit on our country and area committees. This was to improve the attractiveness of the roles, to support our drive to diversify the composition of our Board and committees and to align the remuneration with equivalent roles in other Arm's-Length Bodies. In 2020 DCMS also agreed to changes in the remuneration of trustees. All these arrangements continued throughout 2021–22.

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.

Trustees have three-year appointments, which are potentially renewable for a second term. They are not members of the pension scheme used by NHMF. No contributions were made by the Fund to a pension scheme on the trustees' behalf.

Trustees' remuneration was allocated between NHMF and its National Lottery distribution activities on the basis of 1%:99%. The total remuneration of trustees in 2021–22 was £154,418 (2020–21: £110,468). 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 executive directors.

Remuneration of the Chair and trustees (audited information)

	2021–22 £'000	2020–21 £'000
René Olivieri Interim Chair from 1 January 2020 to 31 March 2021	0	5–10
Dr Simon Thurley CBE Chair from 1 April 2021	40–45	0
Maria Adebawale-Schwarte	10–15	5–10
Baroness Kay Andrews OBE	20–25	20–25
Jim Dixon to 30 June 2021	0–5	5–10
Dr Claire Feehily	15–20	5–10
Sarah Flannigan to 15 May 2021	0–5	5–10
Perdita Hunt OBE DL to 21 April 2021	0–5	5–10
Ray Macfarlane	20–25	20–25
Mukesh Sharma MBE DL	20–25	10–15
Dr David Stocker	10–15	5–10

Remuneration of employees (audited information)

The remuneration of the Chief Executive and the Executive Directors is set out in the two tables below.

	Salary 2021–22 £'000	Salary 2020–21 £'000	Pension benefits accrued during 2021–22 £'000	Pension benefits accrued during 2020–21 £'000	Total 2021–22 £'000	Total 2020–21 £'000
Ros Kerslake CBE Chief Executive and Accounting Officer to 31 December 2021	110–115*	145–150	44	57	150–155	200–205
Eilish McGuinness Chief Executive and Accounting Officer from 1 January 2022 Executive Director: Business Delivery to 31 December 2021	115–120	115–120	92	54	205–210	170–175
Colin Bailey Executive Director: Business Services	110–115	120–125	41	45	150–155	165–170
Isabel Hunt Executive Director: Business Innovation & Insight	120–125	125–130	47	47	165–170	170–175
Anne Jenkins Executive Director: Business Delivery from 10 January 2022	20–25**	0	61	0	80–85	0

* The full-year equivalent of Ros Kerslake's salary in 2021–22 was in the band £145,000 to £150,000

**The full-year equivalent of Anne Jenkins' salary in 2021–22 was in the band £105,000 to £110,000

	Real increase in pension and lump sum £'000	Total accrued pension at pension age and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/03/22 £'000	CETV at 31/03/21 £'000	Real increase in CETV funded by NHMF £'000
Ros Kerslake CBE Chief Executive and Accounting Officer to 31 December 2021	2.5–5	15–20	317	277	36
Eilish McGuinness Chief Executive and Accounting Officer from 1 January 2022 Executive Director: Business Delivery to 31 December 2021	2.5–5 and 5–7.5 lump sum	45–50 plus 130–135 lump sum	1,096	958	77
Colin Bailey Executive Director: Business Services	0–2.5	15–20	288	243	25
Isabel Hunt Executive Director: Business Innovation & Insight	2.5–5	5–10	92	53	29
Anne Jenkins Executive Director: Business Delivery from 10 January 2022	2.5–5 and 5–7.5 lump sum	35–40 plus 80–85 lump sum	775	712	57

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos and the higher of 65 or state pension age for members of alpha. The pension figures quoted for directors show pension earned in PCSPS or alpha as appropriate.

Where the director has benefits in both PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.

Report of the Trustees and Accounting Officer

Cash equivalent transfer values (CETV)

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

The figures include the value of any pension benefit in another scheme or arrangement that the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax that may be due when pension benefits are taken.

Real increase in CETV

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

All senior staff roles had permanent contracts of employment and were ordinary members of the Principal Civil Service Pension Scheme (PCSPS) or alpha. Their costs were allocated between The National Lottery Heritage Fund and NHMF on the basis of 99%:1% (2019–20: 99%:1%).

Remuneration ratio (audited information)

One of the outcomes of the Hutton Review of Fair Pay is that we are required to disclose the relationship between the remuneration of the highest paid Executive Director (including the Chief Executive) and the median remuneration of our workforce.

The annualised banded remuneration of the highest paid executive director in 2021–22 was £145,000 to

£150,000 (2020–21: £145,000 to £150,000). This was about 4.5 times (2020–21: 4 times) the median remuneration of the workforce, which was £31,126 (2020–21: £36,828). There were no employees who received remuneration in excess of the highest paid executive director. Remuneration ranged from £18,180 to a banding of £145,000 to £150,000 (2020–21: £18,180 to a banding of £145,000–£150,000).

In line with the pay remit, all colleagues earning less than £24,000 per annum received an award of £250 this year. This was consolidated and added onto their normal salary. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

We are also required to disclose the ratio of the Chief Executive's total remuneration as compared to the 25th, 50th and 75th percentile full time equivalent of staff pay. This information is disclosed below.

	£	Ratio
25th percentile	41,265	3.4
50th percentile	31,126	4.5
75th percentile	23,551	5.9

Exit packages (audited information)

As required by the Cabinet Office, the Fund 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, and ex-gratia payments.

The Fund did not incur any such packages in 2021–22 (2020–21: nil).

Staff costs and numbers (audited information)

	2021–22 £'000	2020–21 £'000
Salaries	2,682	3,720
Employer's NI payments	197	370
Payments to pension schemes	523	757
Temporary staff costs	169	73
	3,571	4,920

Additional costs of £14,186,000 have been allocated to National Lottery distribution activities and are reflected in those accounts. Due to the way our systems operate we are not able to provide a breakdown of costs between staff on permanent contracts and those on fixed term contracts.

The average number of employees during the year working on our activities was as follows:

	2021–22 Number	2020–21 Number
Grant applications	42	71
Finance and corporate services	5	1
Strategy and business development	3	5
Communications	2	3
	52	80

The above figures are disclosed as full-time equivalents and include an average of nine staff on a fixed term contract. The average numbers of staff are obviously distorted by the people who worked on our emergency and other programmes. Excluding those people, the average FTE in the year was two. In addition to the above staff, the average number of staff who worked on our National Lottery distribution activities, was 234 permanent staff and 42 on fixed term contracts. Temporary and agency staff have not been included in the above figures as our systems do not allow for the collection and calculation of a full-time-equivalent figure.

Pensions

Pension benefits are provided through civil service pension arrangements. From April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member’s state pension age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha.

Prior to that date, civil servants participated in PCSPS, which has four sections: three providing benefits on a final salary basis (classic, premium and classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with legislation for pension increases. Existing members of PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in PCSPS after 1 April 2015. Those who were between 10 years from their normal pension age and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha between 1 June 2015 and 1 February 2022. All members who

switch to alpha have their PCSPS benefits banked, with those who have earlier benefits in one of the final salary sections of PCSPS having those benefits based on their final salary when they leave alpha. Members who joined from October 2002 may opt for either the appropriate defined benefit arrangement or a money purchase stakeholder pension with an employer contribution (a partnership pension account).

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

The partnership pension account is a stakeholder pension arrangement. Employer’s contributions of £113 (2020–21: £40) were paid to a panel of appointed stakeholder pension providers. NHMF makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. During 2018–19, the panel was reduced to one supplier, Legal & General. 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Report of the Trustees and Accounting Officer

There are two members of staff working on NHMF business with a partnership pension account.

No members of staff retired early on health grounds during 2021–22.

Further details about civil service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

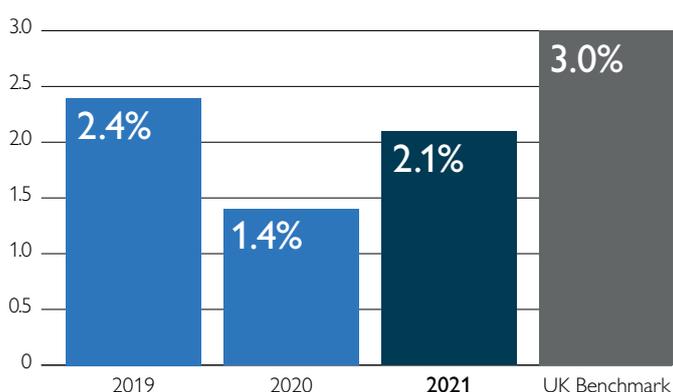
Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge to PCSPS or alpha. Departments, agencies and other bodies covered by PCSPS and alpha meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis.

For 2021–22, employer's contributions of £523,508 (2020–21: £756,686) were paid to PCSPS and alpha at the rates set out in the following table. The large increase is due to the need for extra staff to deliver the emergency programmes.

Salary in 2021–22	% in 2021–22
£23,000 and under	26.6%
£23,001–£45,500	27.1%
£45,501–£77,000	27.9%
£77,001 and above	30.3%

Absence levels

Sickness absence levels across the Fund decreased to 2.1% in the year. This is higher than previous year and remains below the comparable public sector UK wide benchmark from the Office of National Statistics (ONS).



The UK benchmark level quoted in the above chart is the national average for the Civil Service taken from Office for National Statistics.

Part of this increase was attributable to a small number of long-term absences and part is also attributable to infections from waves of the pandemic as well as general ill health causes

As part of our response to the COVID-19 crisis we introduced a comprehensive mental health and

wellbeing programme for staff, and this continued in 2021–22 as did the provision of influenza vaccinations for all staff who were also encouraged to take COVID-19 vaccinations and boosters.

Employee engagement and consultation

We continue to regularly engage and inform our staff in discussions on our strategic direction and operational matters. All staff receive daily news digests, weekly newsletters and intranet articles updating them with news and we have active, popular social media channels and discussion groups.

The Fund also meets monthly with our trade union partners (FDA and PCS). Further information about our trade union activity is in the section 'The Trade Union (Facility Time Publication Requirements) Regulations 2017'.

We have continued to run Check-In Surveys throughout the year to ensure staff were able to provide feedback on our response to the pandemic, making sure they had the information they needed and support of management.

These had strong participation rates and the feedback from staff was very positive in terms of support and help available. We chose not to run a full survey in the year because of the crisis and will instead run that again in summer 2022.

In addition, we have run a series of All Staff meetings, held virtually, throughout the year to keep staff up to date on business issues, our grant programmes and our external and internal responses to the crisis.

These have been well attended; to accompany these meetings we also ran open questionnaires to allow staff to ask questions or raises issues ahead of and in the staff meetings. These have proved to be successful.

The Trade Union (Facility Time Publication Requirements) Regulations 2017

Under this statutory instrument, we are required to disclose information about trade union facility time and relevant employee expenditure for the year 2021–22. This information covers both our grant-in-aid and National Lottery distribution activities.

Trade Union Facility Time

The Fund recognises two trade unions, PCS and FDA, with whom it holds formal quarterly meetings and monthly informal meetings. We believe in partnership working and support trade union membership. All trade union representatives play valuable roles in the workplace and have a statutory

right for reasonable paid time off during normal working hours to complete union duties, according to their trade union role and to undertake trade union activities. We also have a statutory requirement to disclose information about trade union facility time and relevant expenditure.

Trade union representatives and full-time equivalents

	Number of representatives
Trade union representatives	18
FTE trade union representatives	16.21

Percentage of working hours spent on facility time

Percentage of working hours	Number of representatives
0%	0
1–50%	18
51%–99%	0
100%	0

Total pay bill and facility time costs

Total cost of facility time	£26,065
Total pay bill	£14,236,727
Percentage of pay spent on facility time	0.18%

Paid trade union activities

Hours spent on paid facility time	1043
Percentage of total paid facility time hours spent on paid TU activities	7%

Equality and diversity and employment monitoring

Equality, Diversity and Inclusion (EDI) are a central part of our work in grant-giving as well as core to our governance and workforce. They are also core to our values and to our behaviours.

During the year we continued to deliver and implement our Workforce Diversity Action Plan that we drew up in 2019–20 and also ongoing Disability Action Plan.

As part of its commitment to EDI, the Fund welcomes and promotes applications for roles from persons with a disability. We remain a Disability Confident employer and promote this in our recruitment portals and literature. We maintained our recruitment frameworks, policies and procedures at the end of 2020–21 and these reflected our wider EDI commitment including a commitment to disabled applicants and colleagues. We make reasonable adjustments for all applicants at interview and in the selection process.

For candidates who are successful and join us and also existing employees, we make reasonable

adjustments for working in the Fund including the roles, working environment, specialist adjustments etc. The Fund is compliant with its obligations under the Equality Act 2010.

Furthermore, the Fund also uses a specialist occupational health referral system and specialist contractor to provide detailed advice, guidance and support for all staff. In addition, the Fund also provides an Employee Assistance Programme available to all staff 365 days a year, 24 hours a day. The Fund has been very aware of the challenges to staff mental health and wellbeing throughout the COVID-19 crisis and the risks of so-called ‘hidden disabilities’.

During the year we continued our partnership with Leonard Cheshire in their Change 100 programme. Change 100 is their flagship programme of paid summer work placements, professional development and mentoring. It aims to remove barriers experienced by disabled people in the workplace, to allow them to achieve their potential.

We continued our strategic partnership with the Windsor Fellowship and created more posts for graduates to work with us for a year and develop career opportunities in heritage. Our second cohort of fellows started in the year.

We also implemented a partnership with 2027 in Scotland. This is a year-long programme with fully salaried roles and professional development to help people from diverse backgrounds begin a career on grant-giving organisations.

We also launched Staff Network Groups in 2021–22 for a range of staff with different diversity interests, each of these is sponsored by a senior leader from across the Fund.

We also recognise that we have scope to improve in this area too as a part of ongoing activities.

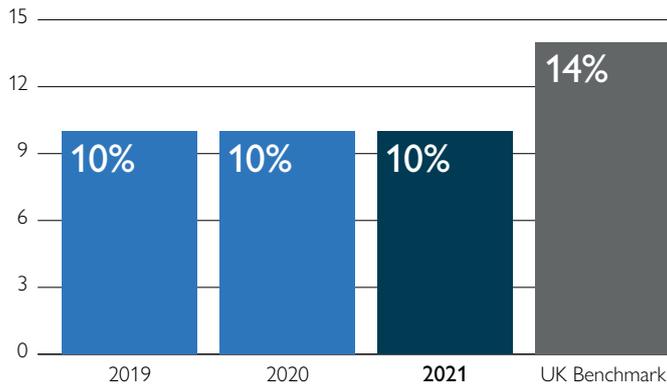
Workforce diversity analysis

The information contained in the charts below shows the picture of our workforce diversity across the Fund, looking through separate lenses for ethnicity, gender, sexual orientation and disability. Comparable benchmark data is also shown (based on UK working population levels).

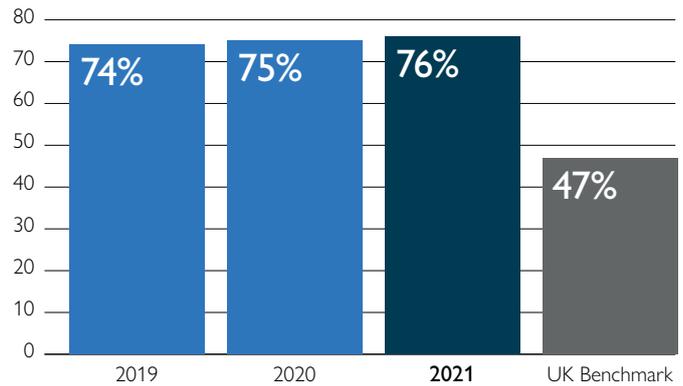
We continue to recognise that in some areas our workforce is not as diverse in comparison with national levels, and we acknowledge there are under-represented staff groups. We also continue to recognise wider heritage sector trends and barriers

Report of the Trustees and Accounting Officer

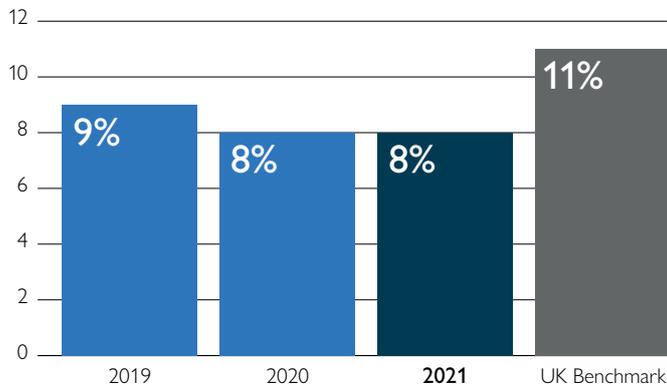
Ethnic diversity: BAME in the workforce



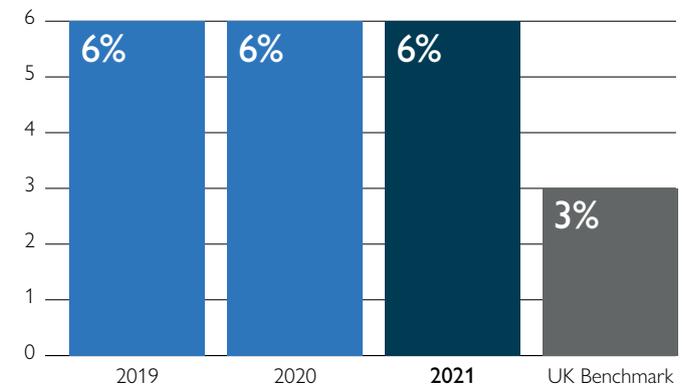
Gender diversity: Women in the workforce



Disability diversity: Disability in the workforce



Sexual orientation diversity: LGBTQ+ in the workforce



The UK Benchmark figures quoted in the above charts are national levels external to the Fund. Data has been taken from Office for National Statistics and other similar sources.

Value	Workforce Diversity Focus
Inclusive: of all aspects of heritage, and the interests of all people and communities	We celebrate our inclusive working environment that promotes fairness, equality and diversity and recognise that our external goals to drive inclusion in heritage need to be twinned with internal actions to increase our workforce diversity.
Ambitious: and enterprising for our people, our communities and our sector	We recognise the need for new, proactive actions and strategies to improve our future workforce diversity – looking externally through re-focussed recruitment actions but also internally through talent management and succession planning.
Collaborative: by working in and learning from partnerships	We recognise the power of harnessing a diverse workforce which works collaboratively towards our core goals. We value individual differences and the contributions of all and together we are stronger for it.
Trusted: for our integrity, judgement and expertise	It is essential our people, customers and stakeholders trust our vision and processes. We support fairness, dignity and respect for all. We understand that recruitment, career development, learning and support must be fair and objective.

to entry, unconscious or conscious, that all have impacts on the shape of our workforce. We have, as a result, continued to improve our HR management information system to assist in this work and allow staff direct access to their personal data to encourage full disclosure of information.

We have continued with our new recruitment processes and system based on our values and the accompanying policy to support this, with new guidelines on embedding EDI into our recruitment especially recruitment channels.

We will continue to focus on working towards our six core goals:

Goal 1 To improve diversity in recruitment

Goal 2 To improve the management of workforce diversity

Goal 3 To improve career development for under-represented staff

Goal 4 To improve inclusion through enhanced staff support

Goal 5 To improve diversity through apprenticeships and work placements

Goal 6 To improve workforce diversity governance

The Fund complies with the Equality Act 2010 and our statutory duties under Section 75 of the Northern Ireland Act 1998. We continue to hold the Disability Confident award for recruitment.

Health & safety at work

The COVID-19 crisis significantly changed our approach to health and safety throughout the year. Our primary objective was keeping all our staff safe and sound. Fortunately, we have continued to see relatively modest levels of infection throughout the Fund. Throughout the year we provided updates and frequently asked questions to staff in line with the public health guidance that applied across all parts of the UK, and this was regularly refreshed throughout the year. We provided additional support materials to line managers to help look after their teams and continued with over 30 mental health and wellbeing initiatives for staff during the year.

The Fund's offices re-opened in the summer of 2021, and we saw a graduated return to staff working in offices and workplaces until the winter. This was abated with the Omicron outbreak over part of the winter and the public health regulations that were

then implemented. We have subsequently lifted all restrictions for our offices and our staff have resumed returning to offices and workplaces. We continued to meet DSE requirements for all staff who have worked at home during the year including ongoing training.

The Fund also provided flu jabs to all staff as part of our commitment to wellbeing and wider health.

Human capital management

The Fund has an agreed policy with our recognised trade unions. Reward and recognition for pay matters operates within that framework. The pay award for 2021 was also compliant with the applicable Civil Service Pay Remit for that year and was approved by our sponsor department, DCMS. The Fund developed a new performance management framework for all staff in 2020–21 and this continued throughout the last year.

In addition, the Fund also continued delivery of our Workforce Development Strategy for all staff, line managers and leaders in the year that began delivery in 2020–21; including 108 training sessions offered over 65 working days with in excess of 1,240 attendees at those events. We ran five corporate induction events with a 100% assessment rating from attendees at those events of being 'very useful' or 'useful'. 16 'learning bite' training modules were also taken up by staff.

Staff turnover

In 2021–22 we had 54 staff leave the Fund; this represents a little over 16% of our average staffing levels during the year. This rate of churn is higher than the longer term average of c15% and is reflective of the higher levels of staffing through the year we had because of additional staff taken on to handle our grant-in-aid work, many of whom were on fixed term contracts.

The equivalent departures in 2020–21 were 26 (9%) – that represented a lower than normal figure because of the COVID-19 crisis. The Fund recognises the balance between healthy staff retention rates and bringing in new talent and people into the Fund.

Expenditure on consultancy

NHMF spent nothing on consultants in 2021–22 (2020–21: £1,010). NHMF has used the definitions of consultancy as contained in the latest version of Spending Controls as issued by the Cabinet Office.

Whistleblowing

The Fund has a clear and accessible Whistleblowing Policy designed to enable staff to raise concerns and to disclose information that the individual believes shows malpractice or impropriety. This covers concerns that are in the public interest and includes the following (non-exclusive) matters:

- financial malpractice or impropriety or fraud
- failure to comply with a legal obligation or statute
- dangers to health and safety or the environment
- criminal activity
- improper conduct or unethical behaviour
- attempts to conceal any of the above

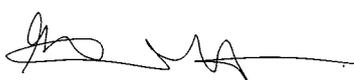
There were no instances of whistleblowing in the year.

Tax arrangements of public sector employees

HM Treasury requires all central government bodies to report on the tax status of senior management and long-term contractors. In particular HM Treasury requires all senior managers to be on the payroll and to pay tax under the PAYE scheme. All senior staff, trustees and country and area committee members are on the payroll of NHMF and therefore pay tax and national insurance contributions through the PAYE route. The Fund complies with IR35 requirements. All workers are on the payroll except for staff employed directly through agencies; temporarily seconded to the Fund and paid through the payrolls of their employer; or in a very small number of cases as individual contractors who fall outside of IR35. (The latter are only appointed following close inspection and a declaration made under this legislation).

Pension liabilities

The Fund makes contributions to the pension schemes of staff. Other than making these payments the Fund has no pension liabilities.



Eilish McGuinness

Chief Executive and Accounting Officer

13 July 2022

Parliamentary accountability and audit report

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament and Scottish Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the National Heritage Memorial Fund for the year ended 31 March 2022 under the National Heritage Act 1980.

The financial statements comprise the National Heritage Memorial Fund's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the National Heritage Memorial Fund's affairs as at 31 March 2022 and its total comprehensive net expenditure transferred to the accumulated fund for the year then ended; and
- have been properly prepared in accordance with the National Heritage Act 1980 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure 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.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further

described in the 'Auditor's responsibilities for the audit of the financial statements' section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's 'Revised Ethical Standard 2019'. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the National Heritage Memorial Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the National Heritage Memorial Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the National Heritage Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the National Heritage Memorial Fund is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the National Heritage Act 1980.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the National Heritage Act 1980; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the National Heritage Memorial Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the National Heritage Memorial Fund or returns adequate for my audit have not been received from branches not visited by my staff; or

Report of the Trustees and Accounting Officer

- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Trustees and the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Trustees and Accounting Officer are responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the National Heritage Memorial Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the National Heritage Memorial Fund will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Heritage Act 1980.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of

assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the National Heritage Memorial Fund's accounting policies.
- Inquiring of management, the National Heritage Memorial Fund's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the National Heritage Memorial Fund's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the National Heritage Memorial Fund's controls relating to the National Heritage Memorial Fund's compliance with the National Heritage Act 1980 and Managing Public Money.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the National Heritage Memorial Fund for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the National Heritage Memorial Fund's framework of authority as well as other legal and regulatory frameworks in which the National Heritage Memorial Fund operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the National Heritage Memorial Fund. The key laws and regulations I considered in this context included the National Heritage Act 1980 and Managing Public Money.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, and the Audit Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws

and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General
14 July 2022

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

The financial statements

Statement of comprehensive net expenditure for the year ended 31 March 2022

	Notes	£'000	2021–22 £'000	2020–21 £'000
New awards made in the year	14	(101,211)		(187,561)
De-committed awards	14	1,860		994
			(99,351)	(186,567)
Staff costs	22	(3,571)		(4,920)
Depreciation	8, 9 and 10	(12)		(11)
Other operating charges	3	(1,782)		(2,156)
			(5,365)	(7,087)
Operating expenditure			(104,716)	(193,654)
Operating deficit			(104,716)	(193,654)
Interest receivable	5	0		11
Distributions received	6	5		204
Non-operating income			5	215
Comprehensive net expenditure transferred to the accumulated fund			(104,711)	(193,439)
Other comprehensive income				
Net gain/(loss) on revaluation of Charity Multi-Asset Fund prior to sale	17		(1,033)	5,359
Net gain on revaluation of Responsible Multi-Asset Fund	17		7,356	3,598
Total comprehensive expenditure for the year ended 31 March 2022			(98,388)	(184,482)

The statement of comprehensive net expenditure excludes the National Lottery distribution activities of NHMF, which are reported in a separate set of accounts.

The notes on pages 64 to 75 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2022

	Fair value reserve £'000	Income and expenditure account £'000
Balance at 31 March 2020	12,826	26,253
Changes in taxpayers' equity in 2020–21		
Net gain on revaluation of investments prior to sale	5,359	0
Realisation of fair value reserve on sale of investments	(18,185)	18,185
Net gain on revaluation of financial assets	3,598	0
Comprehensive net expenditure transferred to the accumulated fund	0	(193,439)
Grant-in-aid from DCMS	0	183,287
Balance at 31 March 2021	3,598	34,286
Changes in taxpayers' equity in 2021–22		
Net gain on revaluation of investments prior to sale	(1,033)	0
Realisation of fair value reserve on sale of investments	(2,565)	2,565
Net gain on revaluation of financial assets	7,356	0
Comprehensive net expenditure transferred to the accumulated fund	0	(104,711)
Grant-in-aid from DCMS	0	120,015
Balance at 31 March 2022	7,356	52,155

The fair value reserve relates to the difference between book cost and market value of the investments in the endowment fund (see note 11). The difference between book and market value of intangible fixed assets and property, plant and equipment (see notes 8 and 9) is not material. Under International Financial Reporting Standard 9, Financial Instruments, the transactions relating to the sale of investments are disclosed within the Statement of Changes in Taxpayers' Equity whereas it had previously been disclosed in the Statement of Comprehensive Net Expenditure. We have also moved the comparative figure for 2020–21 to this Statement.

Report of the Trustees and Accounting Officer

Statement of financial position as at 31 March 2022

	Notes	31 March 2022 £'000	31 March 2021 £'000
Non-current assets			
Intangible fixed assets	8	12	11
Property, plant and equipment	9	13	9
Right of use	10	3	7
Long-term financial assets available for sale	11	53,013	64,212
		53,041	64,239
Current assets			
Trade and other receivables	12	5	5
Cash and cash equivalents	7	81,036	82,582
Cash held in the endowment funds	11	21,598	4,093
		102,639	86,680
Total assets		155,680	150,919
Current liabilities			
Payables	13	(12,084)	(10,120)
Grant liabilities due within one year	14	(84,085)	(102,912)
Non-current assets plus net current assets		59,511	37,887
Non-current liabilities			
Payables due in more than one year	13	0	(3)
Grant liabilities due after one year	14	0	0
Assets less liabilities		59,511	37,884
Taxpayers' equity			
Fair value reserve	17	7,356	3,598
Income and expenditure account		52,155	34,286
		59,511	37,884

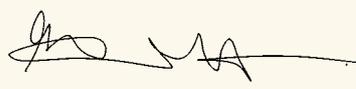
This statement excludes balances relating to the National Lottery distribution activities of NHMF, which are reported in a separate set of accounts.

The notes on pages 64 to 75 form part of these accounts.



Dr Simon Thurley CBE
Chair

13 July 2022



Eilish McGuinness
Chief Executive and Accounting Officer

Statement of cash flows for the year ended 31 March 2022

	Notes	2021-22 £'000	2020-21 £'000
Operating activities			
Cash paid to The National Lottery Heritage Fund		(14,450)	0
Cash paid to and on behalf of employees		(374)	(88)
Interest received	5	0	11
Cash received from donations		0	0
Cash paid to suppliers		(13)	(214)
Cash paid to grant recipients	14	(106,733)	(84,542)
Net cash outflow from operating activities	15a	(121,570)	(84,833)
Investing activities			
Capital expenditure and financial investment	15b	(13)	(10)
Endowment fund net cash receipts	15b	17,527	(15,789)
Net cash (outflow)/inflow from returns on investments		17,514	15,799
Cash flow before financing		(104,056)	(100,632)
Financing activities			
Grant-in-aid received	15c	120,015	183,287
Increase in cash and cash equivalents		15,959	82,655

The notes on pages 64 to 75 form part of these accounts.

Reconciliation of net cash flow to movement in net funds for the year ended 31 March 2022

	2021-22 £'000	2020-21 £'000
Increase in operating cash in the period	15,959	82,655
Cash used to increase liquid resources	0	0
Changes in cash and cash equivalents	15,959	82,655
Cash and cash equivalents at 1 April	86,675	4,020
Cash and cash equivalents at 31 March	102,634	86,675

The notes on pages 64 to 75 form part of these accounts.

Notes to the accounts for the year ended 31 March 2022

1. Statement of accounting policies

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

a) Accounting convention

These accounts are drawn up in a form directed by the Secretary of State for DCMS and approved by HM 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 DCMS in April 2019. The accounting treatments contained in the FREM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The National Lottery accounts' direction issued by the Secretary of State for DCMS specifically excludes the preparation of consolidated accounts.

Copies of the National Lottery distribution and grant-in-aid accounts' directions may be obtained from the Secretary to the Board, National Heritage Memorial Fund, Mezzanine Floor, International House, 1 St Katharine's Way, London, E1W 1UN.

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

b) Government grants

Our grant-in-aid from DCMS is not treated as income. Instead it is treated as financing because it is regarded as a contribution from a controlling party that gives rise to a financial interest. This is done by making an adjustment to the accumulated fund.

No allocation is made between grants for revenue and capital purposes. The amount of grant-in-aid recognised in these accounts reflects the amounts actually received from DCMS during the financial year.

c) Donations

Donations are treated differently from money received as part of joint grant programmes. A donor is someone that has no involvement in any decision to spend that money. If there is involvement, then it would be treated as a joint grant programme.

Donations are normally charged to the period in which the funds were received. However, where there is a contractual relationship between NHMF and the donor, the donation is charged to the period when the associated activity occurred, irrespective of when the funds were received.

d) Non-current assets

Non-current assets are defined as those items purchased for the long-term use of NHMF and its National Lottery distribution activities 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 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
Right of use asset	
– property lease	– the life of the lease
Office equipment	– 4–10 years

In those circumstances where the remaining life of a property lease is less than four years, any refurbishment or non-movable equipment will be depreciated over the remaining life of the lease. No internally-generated costs are capitalised. Depreciation begins in the month after the asset is put into operation.

e) Investments

Non-current financial assets – our investments – are included in the accounts at market value as reported to us by our investment managers. Realised gains and losses are included in the statement of changes in taxpayers' equity 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.

f) 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.

g) 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 PCSPS or alpha (the follow-up scheme to PCSPS) and the percentage of pensionable pay is notified by the Cabinet Office prior to the start of each financial year. See the remuneration and staff report for further details.

h) Leases

Following the introduction of IFRS 16 on leases, operating leases are now treated in the same manner as finance leases. Significant long term leases (more than one year in length) are capitalised at their estimated cost excluding any deemed 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. Capitalised leases are disclosed on the statement of financial position.

The annual rentals on any leases falling outside the definition required by IFRS 16 are charged to the statement of comprehensive net expenditure on a straight-line basis over the term of the lease. Included in this category are leases for franking machines and photocopiers.

i) Grant decisions and liabilities

Recognition

Positive decisions by trustees are recognised in the statement of comprehensive net expenditure at the time of award. Consequently, grant liabilities are recognised at the time of the decision at the value recorded in the minutes of the decision-making meeting.

Post-decision adjustments to award value

Circumstances may change on the project subsequent to the decision being made – for example, project costs may alter, ineligible costs identified, partnership funding is more or less than envisaged at the time of the decision. In these circumstances, no adjustment is made to the value of awards unless the reason for the adjustment is systematic to the grant programme rather than being isolated, one-off, adjustments.

If there are circumstances specific to an award programme, then the grant award value and the grant liability will be reduced to reflect known post award

adjustments. Furthermore, a provision will be created to reflect possible further adjustments to other decisions within the same programme. Any provision created and the subsequent movement on that provision will form part of the disclosure of de-commitments in the year.

Adjustments once the project is underway

De-commitments of grant liabilities, once a project is underway, occur when an award or part award is not fully taken up by a grantee. The time of recognising a de-commitment depends upon agreement between NHMF staff and the grantee. Whilst this is normally straightforward, NHMF is aware of its contractual requirement to pay up to the full grant award and so is prudent in de-committing awards.

j) Allocation of costs and segmental reporting

IFRS 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 these cases appropriate alternative methods would be used.

NHMF accounts separately for its National Lottery distribution activities, which it is required to do under its National Lottery accounts' direction. Note 20 contains further information.

NHMF incurs indirect costs that are shared between activities funded by grant-in-aid and activities funded by The National Lottery. NHMF is required to apportion these indirect costs in accordance with the Treasury publication Managing Public Money. This cost apportionment seeks to reflect the specific proportion of time and expenses committed to each activity. The apportionment is based upon a number of metrics that attempt to reflect the degree of work carried out on our grant-in-aid and Lottery distribution activities – the number of application, the number of awards, the number of projects under monitoring etc. There is inevitably a degree of estimation in this work and so we keep the percentage split under annual review. At the end of the financial year the proportion of joint costs apportioned to our National Lottery distribution activities was 99% (2020–21: 99%).

k) Apprenticeship levy

The apprenticeship levy was introduced in 2017–18. Whilst the sums we pay are theoretically available to partially fund the cost of courses undertaken by our apprentices, it is currently unlikely that we will be able to utilise these sums fully. Therefore, it is our policy to write-off the levy in the period in which the payment was made unless there is certainty that the sum will be utilised – i.e. the apprentice is in place and the course is booked.

l) Cash and cash equivalents

Cash and cash equivalents comprise bank balances including cash on hand and cash held with our investment managers, Cazenove, which are available on demand.

m) Estimation uncertainty

The preparation of these accounts requires that senior management make estimates and assumptions that can affect the measurement of reported income, expenses, assets, liabilities and the disclosure of contingent liabilities. It can also affect the allocation of costs between our grant-in-aid and our Lottery distribution activities.

If these estimates and assumptions, which are based on senior management's best estimates at the date of the financial statements, deviate from actual circumstances in the future, the original estimates and assumptions will be updated in the period in which the circumstances change.

Our estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Provision on grant liabilities

Every year we make a provision against grant liabilities recognised in the accounts. This is made up of:

- Known decommitments after year-end
- Liabilities may be dead i.e. have had no grant payments or contact for years
- Projects where the final payment has been made but not closed
- There is also a general provision applied to dormant projects that have had no payments or awards for a while

Allocation of costs between our two main activities

The speed at which we had to deliver both our own emergency programmes and those on behalf of

government departments meant that the normal method we use to allocate costs between our two activities – distributing grant-in-aid and distributing funds derived from the National Lottery – had to be amended. We created a time recording system for staff to indicate which programmes they were working on and based recharges of costs on that data. Staff were required to estimate how much time they spent on each programme during the past month. Direct and indirect costs incurred in delivery of these programmes have been based on invoices received as well as activity taken place during the course of the year.

2. Grant-in-aid

	2021–22 £'000	2020–21 £'000
Grant from DCMS	120,015	183,287

Our standard memorial grant-in-aid that we receive every year from DCMS is £4.9million. However, as a result of the pandemic we were asked by other bodies – Welsh Government, DEFRA, Northern Ireland Executive including DCMS to deliver a number of emergency programmes to support the heritage sector. These funds were received as grant-in-aid via DCMS. The table on page 67 shows the grant-in-aid funds received from different funding bodies.

The sums received were:

Body	Programme name	Grant-in-aid received in 2021–22 £'000
Department for Digital, Culture, Media and Sport	Culture Recovery Fund	54,136
Department for Digital, Culture, Media and Sport	Cultural Asset Fund (formerly the Phoenix Fund)	4,550
Department for Digital, Culture, Media and Sport	Standard grant-in-aid	2,102
Department for Digital, Culture, Media and Sport	UK Heritage Pulse	15
Department for Environment, Food and Rural Affairs	Green Recovery Challenge Fund	39,731
Department for Environment, Food and Rural Affairs	Trees Call for Action Fund	6,215
The Welsh Government	15-minute Heritage Breaking barriers Community Woodlands Green Recovery Capacity Building Scheme Local Places for Nature Nature Networks Fund	10,216
The Northern Ireland Executive	Covid Recovery Programme Northern Ireland	3,050

3. Operating deficit

The operating deficit is stated after charging the following:

	2021–22 £'000	2020–21 £'000
Auditor's remuneration	35	35

There were no non-audit fees paid to the external auditors.

Additional costs of £5,882,000 have been allocated to NHMF's National Lottery distribution accounts. As disclosed in note 1, NHMF is required to apportion its costs to its National Lottery distribution activities. At the end of the financial year the proportion of joint costs apportioned was 99%. This split is based on current and historical trends (grant applications received, decisions made, grant payments, current monitoring cases) which show that at least 99% of grant awards by volume relate to The National Lottery Heritage Fund.

During 2021–22, NHMF distributed large sums of money from various central government organisations as a response to the COVID-19 pandemic. In order to undertake this massive task, many staff that normally dealt exclusively with distributing National Lottery funds were co-opted to work at great speed to deliver these programmes. Rather than re-calculate the 99%:1% split for what will only be one or two years of frenzied activity, we simply identified the proportion of work undertaken by these staff on non-Lottery activities; calculated their value with reference to our pay scales and re-charged the various grant-in-aid supported

programmes. We also calculated an associated overhead allocation as part of this recharge. The total value of these recharges in 2021–22 was £5million. Included in this recharge was a significant amount of depreciation on assets owned by our Lottery-distributing activities – because our fixed assets helped deliver the emergency programmes. This recharge is not reflected in the notes to the accounts relating to fixed assets because it would entirely distort the narrative in these accounts (i.e. the depreciation charge would be much higher than the value of fixed assets). Consequently, the adjustment was put to other cost codes.

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

	2021–22 £'000	2020–21 £'000
Accommodation	117	342
Postage and telephone	53	206
Travel, subsistence and hospitality	9	0
Professional fees		
– grant related	133	62
– non-grant-related	1,040	1,284
Communications	232	95
Sundry expenses	149	0
Office equipment	49	167
	1,782	2,156

Report of the Trustees and Accounting Officer

4. Profit on the sale of investments

	2021–22 £'000	2020–21 £'000
Long-term financial assets available for sale	2,565	18,185

Profits (or losses) are earned on the disposal of investments held in the endowment fund when NHMF requires funds to pay grants. A significant portion of profit earned in 2021–22 is attributed to sale of endowment units to pay for DCMS Cultural Asset fund grants. For further information on this see note 11.

5. Interest received

	2021–22 £'000	2020–21 £'000
Bank interest received		
– Lloyds Bank	0	9
– Endowment	0	2
	0	11

Unfortunately, due to the pandemic we earned no interest in 2021–22. Most of the cash received as grant-in-aid was kept in current account as grant payments for emergency programmes were required to be paid to the grantees as and when payment claims were received.

6. Distributions received

	2021–22 £'000	2020–21 £'000
Income from endowment fund	5	204

7. Cash and cash equivalents

	2021–22 £'000	2020–21 £'000
Instant access		
– Lloyds Bank	81,036	82,582
– Cash held in liquidity funds	21,598	4,093
	102,634	86,675

Cash is held in Lloyds to support our day-to-day activities. Funds not required for immediate use were placed with our investment managers when they had access to better interest rates than we could source directly. Cazenove place the money on deposit with other financial institutions. We continue to review interest rates available in the market for short-term deposits, but at present market rates are negligible.

The closing balance at 31 March 2022 is much higher than normal. This is because of all the grant-in-aid that we have drawn down to fund emergency programmes. We had expected grant payments associated with these programmes to have been claimed earlier by grantees, hence the high balance.

The increase in balance in Cazenove is due to sale of endowment units to fund DCMS Cultural Asset programme grants.

8. Intangible fixed assets

	Information Technology		Total	
	2021–22 £'000	2020–21 £'000	2021–22 £'000	2020–21 £'000
Cost at start of year	12	2	12	2
Additions	3	10	3	10
At end of year	15	12	15	12
Amortisation at start of year	1	0	1	0
Charge for the year	2	1	2	1
At end of year	3	1	3	1
Net book value at start of year	11	2	11	1
At end of year	12	11	12	11

The capitalisation of information technology represents the development of electronic application forms and an application assessment management system. The above figures represent the Fund's share of costs invoiced to NHMF by software developers; almost all the costs have been charged to our National Lottery distribution activities. No internally-

generated costs have been capitalised. Additions have been amortised over their expected useful lives.

A review of the current cost values of intangible fixed assets, at 31 March 2022, revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of intangible fixed assets.

9. Property, plant and equipment

	Short-leasehold property		IT and other equipment		Office fittings		Total	
	2021-22 £'000	2020-21 £'000	2021-22 £'000	2020-21 £'000	2021-22 £'000	2020-21 £'000	2021-22 £'000	2020-21 £'000
Cost at start of year	7	7	8	8	1	1	16	16
Additions	1	0	9	0	0	0	10	0
Disposals	0	0	0	0	0	0	0	0
At end of year	8	7	17	8	1	1	26	16
Depreciation at start of year	3	1	3	0	1	0	7	1
Charge for the year	3	2	3	3	0	1	6	6
Adjustment on disposal	0	0	0	0	0	0	0	0
At end of year	6	3	6	3	1	1	13	7
Net book value at start of year	4	6	5	8	0	1	9	15
At end of year	2	4	11	5	0	0	13	9

Trustees have considered the current cost values of property, plant and equipment. A review of the current cost values at 31 March 2022 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 National Lottery distribution activities. This split is currently 99% Lottery and 1% grant-in-aid.

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

10. Right of use asset (IFRS 16)

International Financial Reporting Standard 16 (Leases) was adopted from April 2019. This standard replaced International Accounting Standard 17 and set out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 was adopted using the modified retrospective approach, which does not require restatement of comparative information. IFRS 16 has introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. It requires the recognition of a right of use asset on the statement of financial position representing the right to use the underlying leased asset together with a corresponding lease liability representing the obligation to make future lease payments.

The right of use asset and lease liability recognised in the statement of financial position were initially measured at the present value of future lease payments. Depreciation of right of use assets and interest on lease liabilities have been recognised in the statement of comprehensive net expenditure.

In April 2019, we took over an operating lease for part of International House in the borough of Tower Hamlets, London. The lease had a further three-and-a-half years to run at that point. As with other joint overhead costs, the accounts of NHMF reflect 1% of

the cost with the other 99% being disclosed within our National Lottery distribution accounts. 1% of our commitments under this lease is not a large sum and so the impact on our results is not material. NHMF also has other property leases around the UK. These are not included in this analysis as they relate solely to our National Lottery distribution activities – discussion of these are in our National Lottery distribution accounts. We do not consider any of our other leases to be material and so they have not been included in this analysis.

IFRS 16 has led to the creation of a right to use asset reflecting our contractual right to occupy premises at St Katharine Docks in London.

Right of use asset:

	2021-22 £'000	2020-21 £'000
Balance at start of the year	7	11
Creation of right to use asset	0	0
Amortisation	(4)	(4)
Balance at close of year	3	7

11. Long-term financial assets available for sale

NHMF was set up in 1980 as successor to the National Land Fund. 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. The table on analysis of investments at the year-end below summarises the spread of investments by type and area.

In 2018–19, trustees changed the target index from the Retail Prices Index to the Consumer Prices Index. The former index is no longer popular in the investment world and there was concern that index numbers might not be produced in the future.

The aim is that the surplus value of the endowment fund, i.e. the excess over the current value of the initial £10million, can be drawn down to help 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 Consumer Prices Index.

At 31 March 2022, the original £10million investment would be worth £49.9million taking into account indexation. The actual market value was £75million including cash held within the endowment (£21.6million).

The endowment fund comprises the following:

	Market value 2021–22 £'000	Book cost 2021–22 £'000
Long-term financial assets	53,013	45,657
Cash	21,598	21,598
	74,611	67,255

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 the Responsible Multi-Asset Fund run by Cazenove Capital, a trading name of Schroders, which invests in a range of 22 unit and investment trusts across many asset types and geographic markets. Units in the Responsible 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.

Movements on the long-term financial assets during the year are:

	2021–22 £'000	2020–21 £'000
Cost and net book value		
At start of year	60,614	26,436
Additions	0	60,620
Disposals	14,957	26,442
At end of year	45,657	60,614
Net book value		
Listed on the London Stock Exchange	0	0
Unlisted investments	45,657	60,614
	45,657	60,614
Cost	45,657	60,614
Market value	53,013	64,212
Unrealised gain	7,356	3,598

There is no liability to taxation on gains realised by NHMF. An analysis of investments at the year end was:

	2021–22 %	2020–21 %
Bonds	8	9
UK equity	0	0
Europe equity (excluding UK)	0	0
Thematic equity	20	16
Global equity funds	50	55
Property	6	3
Diversifiers	11	12
Infrastructure	0	0
Cash	5	5
Commodities	0	0
	100	100

Further information about the underlying investments of the endowment fund can be found under note 17 (Financial instruments) and the Disclosure of Investments note in this report.

12. Trade and other receivables

	2021–22 £'000	2020–21 £'000
Prepayments and accrued income	5	5
	5	5

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

13. Payables

	2021–22 £'000	2020–21 £'000
Operating payables	52	2
Other payables including taxation and social security	11,905	10,037
Accruals and deferred income	127	84
	12,084	10,123

None of the liabilities of NHMF was secured. Of the above amounts for operating and other payables, £11,905,000 was payable to central government bodies (2020–21: £10,037,000).

Accrual and deferred income includes £3,000 reflecting the right to use asset under IFRS 16 (see note 10 for further details).

14. Grant liabilities

	2021–22 £'000	2020–21 £'000
At start of year	102,912	4,210
Grants paid in the year	(118,178)	(87,865)
Commitments created in the year	101,211	187,561
De-committed awards	(1,860)	(994)
At end of year	84,085	102,912

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

	2021–22 £'000	2020–21 £'000
In one year	84,085	102,912
In two to five years	0	0
	84,085	102,912

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

	2021–22 £'000	2020–21 £'000
Balances owing to		
– central government	1,608	1,036
– local authorities	10,687	6,099
– public corporations	41	55
– other bodies	71,749	95,722
	84,085	102,912

While the grants paid in the year for grant-in-aid programmes are £118,179,000, this figure includes grant payments of £11,446,000 made using our National Lottery derived funds. These are reflected in the accounts as a debt owed by our grant-in-aid activities to our Lottery distribution activities. This figure has been adjusted in the cash flow statement (cash paid to grant recipients).

15. Notes to the statement of cash flows

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

	Notes	2021–22 £'000	2020–21 £'000
Operating deficit		(104,716)	(193,654)
Interest receivable	5	0	11
Add back non-cash items			
– depreciation	8, 9, 10	12	11
Increase in grant commitment reserve	14	(18,827)	98,702
Decrease in receivables (excluding capital and investments)		0	205
Increase in non-capital payables	13	1,961	9,892
Net cash outflow from operating activities		(121,570)	(84,833)

b) Capital expenditure and financial investment:

	Notes	2021–22 £'000	2020–21 £'000
Payments to acquire			
– property, plant and equipment	9	(10)	(0)
– intangible fixed assets	8	(3)	(10)
– long-term financial assets available for sale		(0)	(60,620)
Receipts from sales of			
– property, plant and equipment		0	0
– long-term financial assets available for sale		17,522	44,627
Income from long-term financial assets available for sale	6	5	204
		17,514	(15,799)

c) Analysis of changes in net funds:

	At 1 April 2021 £'000	Operating cash flows £'000	Grant-in-aid £'000	At 31 March 2022 £'000
Cash at bank	86,675	(104,056)	120,015	102,634

16. 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 National Lottery distribution activities) has had various material transactions, other than grant awards, with DCMS itself and with five entities for which DCMS is regarded as the sponsor department – the National Lottery Community Fund, Sport England, UK Sport, Historic England and the Arts Council of England.

Further details of these transactions and balances can be found in the accounts of the National Lottery distribution activities of NHMF. There have also been transactions with other arms of government; the Cabinet Office and Historic Environment Scotland.

Again, the accounts of our Lottery distribution contains further details. As referenced elsewhere in these accounts, NHMF has distributed funds on behalf of various government organisations; the Department for Digital, Culture, Media and Sport, the Department for Environment, Food and Rural Affairs, the Welsh Government and the Northern Ireland Executive. Note 2 contains details of the sums received.

Trustees and panel members are required to maintain a register of interests in heritage bodies, which is updated every year in conjunction with our Legal & Governance team. At the start of each panel or Board meeting, trustees and panel members declare any connection with applicants and absent themselves from any part of the meeting where that grant application is discussed. They take no part in the decision as to whether a grant is awarded nor are they involved in any discussion about that project prior to or subsequent to that grant decision. There are also strict rules on the circumstances in which trustees and panel members can accept paid work from a grantee. Therefore, trustees are satisfied that in no case did individuals have an influence on the decision-making process for those projects with which they have a connection.

There was one award where a trustee declared a conflict of interest:

Friends of the National Libraries

A grant of £4,000,000 – Saving Honresfield Library for the UK.

Simon Thurley declared an interest. He was a trustee of the British Library, a member of the consortium seeking to acquire the Honresfield Library manuscripts.

Details of interests in National Lottery grants are set out in the accounts of National Lottery distribution activities of NHMF.

There were no other commercial transactions in which trustees or staff had a material interest or influence. In 2021–22 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.

17. Fair value reserve

	2021–22 £'000	2020–21 £'000
At start of year	3,598	12,826
Net gain/(loss) prior to sale of Charity Multi-Asset Fund units/ Responsible Multi Asset Fund	(1,033)	5,359
Realisation on sale of Charity Multi-Asset Fund units/ Responsible Multi-Asset Fund	(2,565)	(18,185)
Net movement on Responsible Multi-Asset Fund units	7,356	3,598
At end of year	7,356	3,598

The reserve relates to the difference between book cost and market value of long-term financial assets available for sale (see note 11). The difference between book and market value of intangible fixed assets and property, plant and equipment (see notes 8 and 9) is not material.

18. Financial instruments

IFRS 7, *Financial Instruments: Disclosures*, 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 £120million as grant-in-aid funding during 2021–22. Furthermore, trustees maintain an endowment fund and its underlying investment in Cazenove's Responsible Multi-Asset Fund is widely

traded. Trustees are able to liquidate assets on a daily basis should the need arise to fund grant payments. Therefore trustees are satisfied that they have sufficient liquid resources, in the form of their cash balances (worth £102million at the date of the statement of financial position) and the endowment fund (worth £53million at the date of the statement of financial position), to cover all outstanding grant awards of £84.1million and administrative liabilities of £12.1million. 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.

Trustees consider that the Fund is not exposed to significant liquidity risks.

Market and interest rate risk

Cash balances were held in a variety of bank accounts – all at variable interest rates. The rates of interest payable on these accounts, including our liquidity accounts with Cazenove – held with JP Morgan and Blackrock – have been at historically very low levels just above zero per cent (or at zero rates) during the year.

The year-end cash balances were £102.6million and were held as disclosed in the table in note 7. Other financial assets and NHMF's financial liabilities carried nil rates of interest.

Schroders managed our endowment fund under the trading name of Cazenove Capital Management and invested it in a wide range of assets, from marketable shares to cash. At the year end, the market value of the endowment, excluding its cash element, was £53million. Returns are dependent upon global stock and commodity markets and performance of investments included within the portfolio. In the year, the return on the endowment was a positive increase of 9.2%.

The balance of cash and investments within the endowment fund significantly exceeds the current value of existing liabilities. Furthermore, we have received notification that our normal funding of £4.9million a year from DCMS will remain in place for the period of the next Spending Review. Therefore, 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 while reducing their future grant award budgets. Should this approach be declined by DCMS, trustees would review their long-term grant award strategy.

	2021–22 £'000	2020–21 £'000
Cash balances		
– sterling at floating interest rates	102,634	86,675
– sterling at a mixture of fixed and floating rates	0	0
– sterling at fixed rates	0	0
	102,634	86,675

Credit risk

NHMF's receivables (£5,000) mostly comprise trade debtors and operating prepayments. It is not, therefore, exposed to significant credit risk.

Foreign currency risks

The endowment fund is invested in Cazenove's Responsible Multi-Asset Fund, which is denominated in sterling. The 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 two thirds of our investment holding. The 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 Fund. All other assets of NHMF are denominated in sterling.

Investment risk

The long-term financial assets available for sale are invested in a fund controlled by our investment managers, Cazenove. Underlying investments are normally investment trusts that ultimately are underpinned by share investments. The value of shares can go up and down for a wide variety of reasons. By investing with Cazenove we are buying into their expertise in making investments. Having invested originally in the Charity Multi-Asset Fund and now in the Responsible Multi-Asset Fund, we see a track record of returns above inflation whilst reducing the impact of market volatility.

By investing in a multi-asset fund, our money is distributed across a large number of investments and asset types, including those designed to maintain value in falling markets, in order to spread the risk.

Report of the Trustees and Accounting Officer

These investments are held for the long-term benefit of the Fund allowing us to draw down sums when demand for grant awards exceeds our annual grant-in-aid. Therefore, should the value of the investments significantly rise or fall in any one year, this would not immediately impact on our grant-giving. Depending upon the nature of the significant decline or surplus of investment value, and its likelihood for continuing in the medium to long-term, trustees may amend future grant budgets to reflect the impact.

Trustees kept the performance of investments under review through their Investment Panel, which includes three independent members with extensive experience in financial markets. The Investment Panel reports directly to the Board of Trustees.

Financial assets by category

	2021–22 £'000	2020–21 £'000
Assets per the statement of financial position		
– non-current assets	53,041	64,239
– cash and cash equivalents	102,634	86,675
– loans and receivables	5	5
	155,680	150,919

Financial liabilities by category

	2021–22 £'000	2020–21 £'000
Liabilities per the statement of financial position		
– other financial liabilities		
• grant commitments	84,085	102,912
• operating payables	52	2
• other payables	11,905	10,037
• accruals	127	84
	96,169	113,035

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 2022.

Financial assets at 31 March 2022

	Book value £'000	Fair value £'000
Cash ¹	102,634	102,634
Investments ²	45,657	53,013
Receivables ³	5	5
	148,296	155,652

Financial assets at 31 March 2021

	Book value £'000	Fair value £'000
Cash	86,675	86,675
Investments	60,614	64,212
Receivables	5	5
	147,294	150,892

Financial liabilities at 31 March 2022

	Book value £'000	Fair value £'000
Grant payables ⁴	84,085	84,085
Operating payables ⁵	52	52
Other payables ⁵	11,905	11,905
Accruals ⁵	127	127
	96,169	96,169

Financial liabilities at 31 March 2021

	Book value £'000	Fair value £'000
Grant payables	102,912	102,912
Operating payables	2	2
Other payables	10,037	10,037
Accruals	84	84
	113,035	113,035

Basis of fair valuation:

- 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.
- 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.
- No provision for bad debt is deemed necessary. None of the debts are long term and so no discounting factor has been applied.
- No discount factor has been applied.
- 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

	2021–22 £'000	2020–21 £'000
In less than one year	96,169	113,032
In more than one year, but less than two	0	3
In two to five years	0	0
In more than five years	0	0
	96,169	113,035

19. Statement of losses and special payments

NHMF made no losses or special payments during the year (2020–21: £0).

20. Segmental reporting

The distribution of funds on behalf of DCMS, DEFRA and some devolved administrations has obviously had a significant impact on our cost structure. However, the Senior Management and the Board considers that separate accounts were not required to be prepared because it does not represent a change of type or area of activity.

21. Events after the reporting period

There were no events that occurred after 31 March 2022 up until the date the Accounting Officer signed these accounts that need to be disclosed. The financial statements were authorised for issue on 14 July 2022 by the Trustees and Accounting Officer on the date they were certified by the Comptroller and Auditor General.

22. Staff costs

	2021-22 £'000	2020-21 £'000
Salaries	2,682	3,720
Employer's NI payments	197	370
Payments to pension scheme	523	757
Temporary staff costs	169	73
	3,571	4,920

Further information about staff costs is in the Remuneration and Staff Report in these accounts.

23. Contingent liabilities

	2021-22 £'000	2020-21 £'000
Brought forward at start of year	705	0
Commitments in year	0	705
De-commitments	705	0
Balance carried forward at end of year	0	705

Due to the pace at which we delivered the emergency programmes, a few of the grant awards initially made in March 2021 required further assessment and review. There was uncertainty around whether these awards would be recognised in full. The decisions have been finalised and the liabilities have materialised, as a result we no longer need to recognise any contingent liabilities this year. These are therefore now included in note 14 grant liabilities.

Disclosure of investments

The investment of the endowment fund

Trustees regard a £10million lump sum given to the NHMF in 1980 as an endowment to be occasionally used alongside its grant-in-aid to help support the UK's heritage. The endowment fund is invested in order to maximise the return over the long term.

Investment management is outsourced to specialist fund managers following a tendering exercise. NHMF has been using Schroders since 2010 and the entire endowment fund is invested in Schroders' Responsible Multi-Asset Fund. The fund is a common investment fund established and approved by the Charity Commission.

During 2014–15 Schroders merged with Cazenove Capital Management and now use the latter name for its charity investment management business. Investment policy is the responsibility of the Investment Panel – a sub-committee of the Board. The panel comprises two trustees and three independent financial experts who meet with Cazenove twice a year to discuss its performance.

The Board recognises that there can be public interest in disclosure of the investments being made and sets out details of them below. The Responsible Multi-Asset Fund invests in a large number of investment trusts and other types of investment, most of which regularly buy and sell assets. The information was correct at 31 March 2022 and will be updated annually in the annual report.

In April 2020, the Board agreed to shift its endowment fund from investing in Schroder's Charity Multi-Asset Fund to Schroder's Responsible Multi-Asset Fund. Cazenove has its own responsible investment policy that it adopts when making investments. It considers environmental, social and governance issues and produces an annual responsible investment report detailing its activities. Cazenove complies with the United Nations' Principles for Responsible Investment. We require Cazenove to notify us if it is considering investing in any organisation that could lead to embarrassment to NHMF.

Responsible Multi-Asset Fund

Growth assets	70.6%
Core Global equities	50.4%
Direct Equities, 30–50 of the world's leading sustainable businesses	50.4%
Thematic equities	20.2%
HSBC Global Equity Sustainable Healthcare Fund	2.2%
Impax Environmental Markets Fund	2.0%
Pictet Nutrition	2.0%
Schroders Global Energy Transition Fund	3.2%
Sparinvest Ethical Global Value Fund	8.9%
UBAM Positive Impact Emerging Equity	1.9%
Alternatives	16.3
Property	5.5%
Charities Property Fund	2.0%
Property Income Trust for Charities	3.5%
Diversifiers	10.8%
Atrato Onsite Energy	0.1%
BBGI Infrastructure	0.8%
Gresham House Energy Storage Fund	1.3%
Harmony Energy Income Trust	0.2%
International Public Partnerships	0.9%
Octopus Renewables Infrastructure	1.1%
Schroder BSC Social Impact Trust	0.2%
Schroder Sustainable Diversified Alternative Assets	0.5%
The Renewables Infrastructure Group	1.0%
Thomas Lloyd Energy Impact Trust	0.3%
Wisdom Tree Physical Gold	4.4%
Defensive assets	13.1%
Bonds	8.0%
Charity Bond Fund	1.4%
Federated Hermes Climate Change Fund	1.0%
Lombard Odier Global Climate Bond Fund	1.3%
Lyxor Core US TIPS	3.0%
Threadneedle European Social Bond Fund	1.3%
Cash	5.1%

Source: Cazenove 31 March 2022

Chair, Trustees and management

NHMF Chair and Trustees

Chair

Dr Simon Thurley CBE

Trustees

Maria Adebawale-Schwarte
Baroness Kay Andrews OBE

Jim Dixon

Dr Claire Feehily

Sarah Flannigan

Perdita Hunt OBE DL

Ray Macfarlane

Mukesh Sharma MBE DL

Dr David Stocker

Executive Directors

Chief Executive and Accounting Officer

Eilish McGuinness

Executive Directors

Colin Bailey

Isabel Hunt

Anne Jenkins

NHMF Investment Panel

Sarah Bates

Simon Fraser

Sir Laurie Magnus

Dr Simon Thurley CBE

NHMF Advisory Panel

Dr Brian Allen

to 30 June 2021

Peter Barber OBE, SA

from 1 January 2022

Dr Janet Barnes CBE

to 31 March 2022

Lennox Cato

from 1 January 2022

Tim Knox

to 31 March 2022

Professor Aonghus MacKechnie

from 1 January 2022

Dr Tessa Murdoch FSA

from 1 January 2022

Geoff Pick

Orlando Rock

from 1 January 2022

James Stourton

to 30 June 2021

Merlin Waterson CBE, FSA

to 31 March 2022

Leslie Webster

to 30 June 2021

National Heritage Memorial Fund

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