

NATIONAL  
HERITAGE  
MEMORIAL  
FUND



2  
Annual Report and Accounts  
for the year ended 31 March 2015



## **National Heritage Memorial Fund**

Annual Report and Accounts for the year ended 31 March 2015

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**In my first few months at the NHMF, I have the great privilege of being able to look back on the successes achieved by my predecessors in the last year.**

I am particularly delighted by the successful and swift delivery of the Listed Places of Worship: Roof Repair Fund, which we administered on behalf of the Department for Culture, Media and Sport. This fund was set up after the Chancellor of the Exchequer committed an initial £15million of funding for urgent repairs to listed places of worship in the autumn statement of 2014. I'm pleased that, as a result of the success of the scheme, the Chancellor increased the budget to £55million in total, and we will be delivering an additional allocation of this funding during the coming year.

The scheme was immensely popular, with an unprecedented number of applications and over 500 awards given. These will enable places of worship from a number of faiths and Christian denominations to be made weatherproof and watertight, safe and open for us all to enjoy.

The NHMF's predecessor, the National Land Fund, was set up as a 'thank-offering for victory and a war-memorial' after the Second World War. This was, then, a significant year in other important ways for NHMF, with the start of the commemorations of the Centenary of the First World War and the 70th anniversary of the D-Day landings. These milestones provided an opportunity to reflect on our history and our continued safeguarding of the United Kingdom's heritage.

This year's funding for a landing craft tank from the D-Day landings; documents connected to First World War poet, Rupert Brooke; and a collection of First and Second World War drawings by Heath Robinson have demonstrated the distinctive memorial character of the Fund very clearly.

**“The Roof Repair Fund was immensely popular, with an unprecedented number of applications.”**

Heath Robinson's work personifies the British sense of humour that proved so vital in keeping morale and spirits high on the home front during WWII, while Rupert Brooke's personal documents remind us of the 'war to end all wars' and the thousands of young men who fought in it. Among his correspondence there are letters from many whose lives were taken, including his brother and his closest friend.

Literary history also featured prominently in much of the rest of our funding this year, with an archive of letters from pre-Raphaelite artist Sir Edward Burne-Jones, a desk belonging to Charles Dickens, and the Brontë family's dining table. The desk and table had been at risk of disappearing into private ownership but were bought by museums before reaching the auction house. They will now be returned to their original homes, on public display.

These are just a few of the evocative and precious items that have been safeguarded by the NHMF this year – the rest are detailed over the next few pages. I would like to take this opportunity to thank both Dame Jenny Abramsky, the former Chair of NHMF, and Dame Seona Reid, who took over as interim Chair and led the organisation from September to March. Conserving outstanding heritage for future generations to enjoy and learn from is an inspiring task, and one that I look forward to with relish.



**Sir Peter Luff**  
Chair of NHMF

“Conserving outstanding heritage for future generations to enjoy and learn from is an inspiring task.”

## Heneage Collection – Heath Robinson

The William Heath Robinson Trust

£250,000

William Heath Robinson (1872–1944) was one of the leading illustrators of his day. During both the World Wars, his gently satirical and absurd depictions of both sides in the conflicts proved extremely popular.

After the artist's death in 1944, his own collection of work was split into two parts – one half was kept by his widow Josephine, and later bequeathed to the William Heath Robinson Trust (WHRT). The other, much larger part, was stored by the artist's estate until the 1970s and later stored and bought by Simon Heneage.

This collection of 410 drawings and paintings includes some of the finest examples of Heath Robinson's work. The collection has a heavy emphasis on his humorous works and includes many of his most well-known First and Second World War cartoons.

The acquisition by the WHRT means the collection will now be available for the public to view and enjoy for the first time. The works will be reunited with the WHRT's existing collection and displayed at the new Heath Robinson Museum at West House, Pinner when it opens in April 2016.

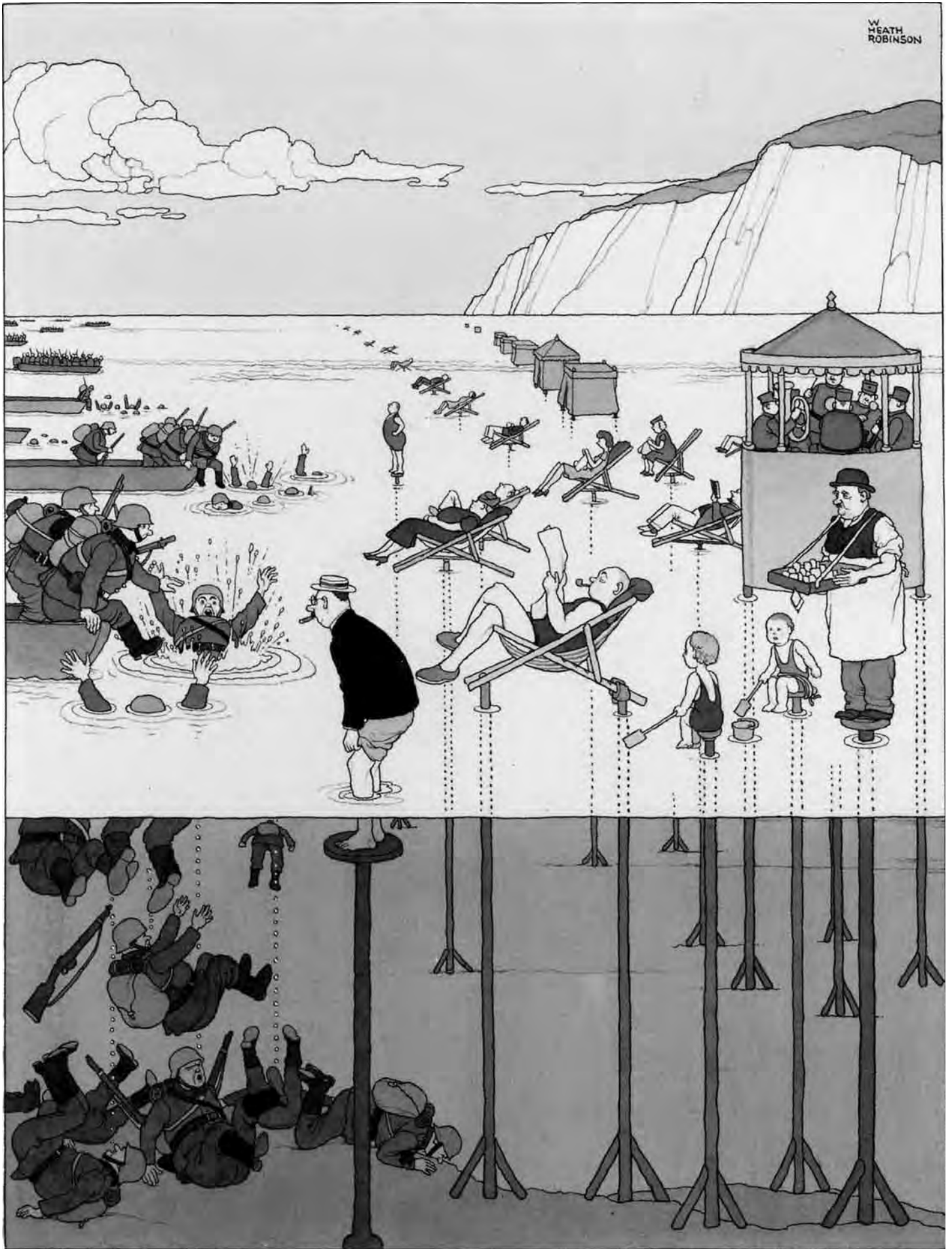


**Top:** *Sixth Column Intelligence and Strategy*  
– A warm welcome for every parachutist.  
Published: *The Sketch* magazine, 3rd July 1940.

**Right:** *A Christmas deed of kindness:*  
The thoughtfulness of three gentlemen in  
assisting a lady over a chasm. Published:  
*Hutchinson's Magazine*, August 1925

**Main image:** *Deceiving the Invader as to  
the State of the Tide.* Published: *The Sketch*,  
10th September 1941









## LCT 7074 – the last D-Day landing craft

National Museum of the Royal Navy

£916,149

On 6 June 1944, thousands of allied soldiers landed on the beaches of Normandy in Northern France.

Ships and crafts of all sizes took part in the D-Day landings. They helped 160,000 soldiers reach Normandy, in what was the largest seaborne operation in history.

Codenamed Operation Overlord, more than 800 landing craft tanks (LCTs) were involved in D-Day. Each of these LCTs was capable of carrying ten tanks or other heavy armoured vehicles into battle. LCT 7074 *Landfall* is the last surviving landing craft tank to take part in the D-Day landings.

After the war, LCT 7074 was decommissioned and later converted into a floating nightclub. In the late 1990s, the Warships Preservation Trust began the slow process of converting her back into an LCT but the craft was left semi-submerged and in a deteriorating state after the Trust went into liquidation.

In the 70th anniversary year of the D-Day landings, NHMF awarded a grant to the National Museum of the Royal Navy to help save the LCT 7074 *Landfall*. The award represented a last chance to save a priceless example of Second World War and naval heritage.

The NHMF grant enabled the former naval craft to be refloated and transported to Portsmouth Naval Base, where she will be stored while plans are developed and further funding is sought to conserve, restore and put her on display.

**Top:** LCT 7074 in wartime service

**Right:** The craft after refloating, being loaded into the heavy lift ship CONDOCKV







## Paxton House Chippendale table

Paxton Trust

£30,000

Paxton House, in the Scottish Borders, is one of the finest 18th century Palladian houses in Britain. Believed to be the work of John and Robert Adam, it contains fine Rococo plasterwork and a collection of Chippendale and Trotter furniture made especially for the house. The establishment of the Paxton Trust was supported by NHMF in 1987, when the house was gifted to the nation.

Thomas Chippendale and his firm of cabinet makers were commissioned to fully furnish the house by Paxton's second owner, Ninian Home. This Chippendale table is believed to have been part of that original commission. Ordered as part of the dining room suite in the 1770s, as a tea or work table, it is a key item in the repertoire of Thomas Chippendale the elder.

The table will now remain permanently at Paxton House, which is recognised as having one of the best collections of Chippendale furniture in the UK.

## Purchase of the Schroder Collection of Rupert Brooke material

King's College Cambridge

£430,000

Rupert Brooke is one of the most renowned poets of the First World War. His poem *The Soldier* is believed by many to be the best known of all English war poems.

Brooke joined the Royal Navy in 1914 and died on 23 April 1915, on the way to Gallipoli. His most famous collection of poetry, containing all five sonnets, *1914 & Other Poems*, was first published posthumously in May 1915 and ran to 11 further impressions that year.

The Schroder collection contains over 170 documents connected to Brooke, including autographed letters and manuscripts, letters to him from friends and family, and copies of university magazines that contain early poems and programmes from theatrical performances.

It was originally intended that Brooke's entire archive should go to King's College Library; however, disagreements between his literary executors meant that only part of the archive was left with the library. The other part was eventually bought by John Schroder, a dedicated admirer of Brooke. In the centenary year of Rupert Brooke's death, the two halves will finally be joined together again in King's College Library archive, with the help of the NHMF grant.

1/2 P. Brand  
2. Payment Building  
Cambridge Feb 20 (1913)

Dear Gill,  
The more I look at  
it the more I like  
it. — & the  
more I like it, the  
more I look at it. I  
hasten to send you £10,  
before my conscience  
sends some + storm  
against my giving so  
little for so much.

Janice saw it yesterday:  
+ likes it very much, but  
thought it needs to be  
more suitably worked. I,  
after getting familiar with  
it, disagreed —  
It's my friend. I'm proud  
to own it —

Let me know if you have  
controlled the misplac'd  
large fraction —

Yours ever  
Rupert Brooke



Above: Studio portrait of Rupert Brooke

Above left: Letter from Brooke to Eric Gill, thanking him for sending a commissioned *Madonna and Child* statue and promising to send payment

Left: A torn-up cheque to Gill, who had inadvertently been paid twice for the *Madonna and Child* statue as above





## Broughton Missal

Lambeth Palace Library

£15,000

Above: Pages from the Broughton Missal

Right: Broughton Missal cover

In the 15th and 16th centuries, missals played a central role in the religious life of communities. Made up of a combination of required texts and music, they were individual to each parish and included prayers, readings, and sung portions of Mass.

There were several different missal traditions adopted by churches in England. Before the Reformation, the York Use was common in the north of England, while the Sarum Use was common in the south. After the Reformation, Henry VIII decreed that the Sarum Use be adopted nationally, and that regional texts were to be abandoned.

The parish priest of Broughton, however, carried on using his York Use missal – although with *Pape* (Pope) dutifully erased and replaced with *Rege* (King).



The Broughton Missal was used at All Hallows Church in Broughton for at least 150 years in the 15th and 16th centuries. It was an important witness to parish life, with notes added to its margins and blank spaces, which listed gifts, repairs and the notable local comings and goings.

Having been largely abandoned after the Reformation, manuscript York Use missals are now extremely rare. The Broughton manuscript is thought to be the last one left in private hands and NHMF support for the purchase has enabled Lambeth Palace Library to add it to their collection of medieval illuminated manuscripts and documents illustrating the history of the Reformation.







## The Brontës' table

### The Brontë Society

£583,920

The Brontë family dining table has an incredible connection to UK literary heritage. This table is where the Brontë sisters wrote from childhood: their early works were written here and later Charlotte's *Jane Eyre*, Emily's *Wuthering Heights* and Anne's *The Tenant of Wildfell Hall*.

The table played a central role in the Brontës' family life – they gathered for meals around it and, afterwards, the siblings sat to write and discuss stories, poems and novels. This table was a focus for their domestic and literary lives, a unifying connection between the three authors. The table still bears the markings of this daily use – including ink blots, a large candle burn and a small letter E carved onto its surface.

After outliving his wife and all his children, Patrick Brontë was the last member of the family to live at the Brontë Parsonage. On his death in 1861, the table was sold and then passed through the same family.

The NHMF grant has enabled the table to be returned to Haworth Parsonage in West Yorkshire. The Parsonage Museum displays the largest and most important collection of Brontë-related material in the world. The table will be displayed in its original position in the dining room, where it will remain on permanent view to visitors.



Above: Diary paper by Emily Brontë, 26 June 1837

Left: The Brontë table at Haworth Parsonage



## Stirling of Keir and Cadder family papers Glasgow City Council

£345,150

The Stirling of Keir papers feature the personal and estate records of the Stirling of Keir and Cadder family. Dating from 1338–1940, they document the history of one of Scotland’s most important families.

The papers cover art, politics and literature, and land and estate management. They include the extensive evidence of involvement in major historical events, including 14th century royal charters, the Cromwellian period, the failed Jacobite invasion of 1708, and the Crimean War. They also include papers of Sir William Stirling Maxwell – a prominent 19th century politician, historian and art collector – whose letters feature political correspondents including Peel, Gladstone and Disraeli, and cultural figures such as Thackeray, Mark Twain, and Thomas Carlyle.

Having been looked after by the Glasgow City Archives for over 40 years, the NHMF grant has ensured that the collection remains at the Archives. The Trustees considered that the collection was a key archive for Scotland as it documents the history of one of its most prominent families. It also felt that Sir William’s papers, in particular, should be kept close to Pollok House, which holds the remainder of his papers and some of his collection of paintings.

## Early folding fan The Fan Museum Trust

£12,500

This is an exceptional example of an early fan, dating from around c. 1590–1620 and believed to be of English manufacture.

The type is very distinctive: fans with sticks joined at the pivot with a cord or silk ribbon. It is a rare survivor of a short-lived style, which was popular as an accessory during the fashion for the wheel farthingale (approximately 1588–1620). Today, there are no other examples of folding fans in the country that date from earlier than the 17th century.

The dating of this fan to c1590–1620 is based on illustrations of similar folding fans in a series of portraits from the period. Fans like this appear in two portraits of Queen Elizabeth I – one portrait from c1590, which is displayed in Jesus College Oxford; and the ‘Ditchley Portrait’, from 1592, where she is shown standing on a map of England carrying a pleated fan.

This fan will now enter the permanent collection of the Fan Museum Trust in Greenwich. It will also contribute towards the museum’s research project into the little-known history of early fan making in England.



**Above:** Discharge and renunciation by Sir William Murray of Tulibardine et al regarding the lands of Lupnoch, dated at Edinburgh 30 March 1501

**Right:** A detailed close-up of the early folding fan



## Returning the de Heem to Dyrham Park

National Trust

£165,000

Dyrham Park was the home of the notable 17th century civil servant William Blathwayt (1649–1717).

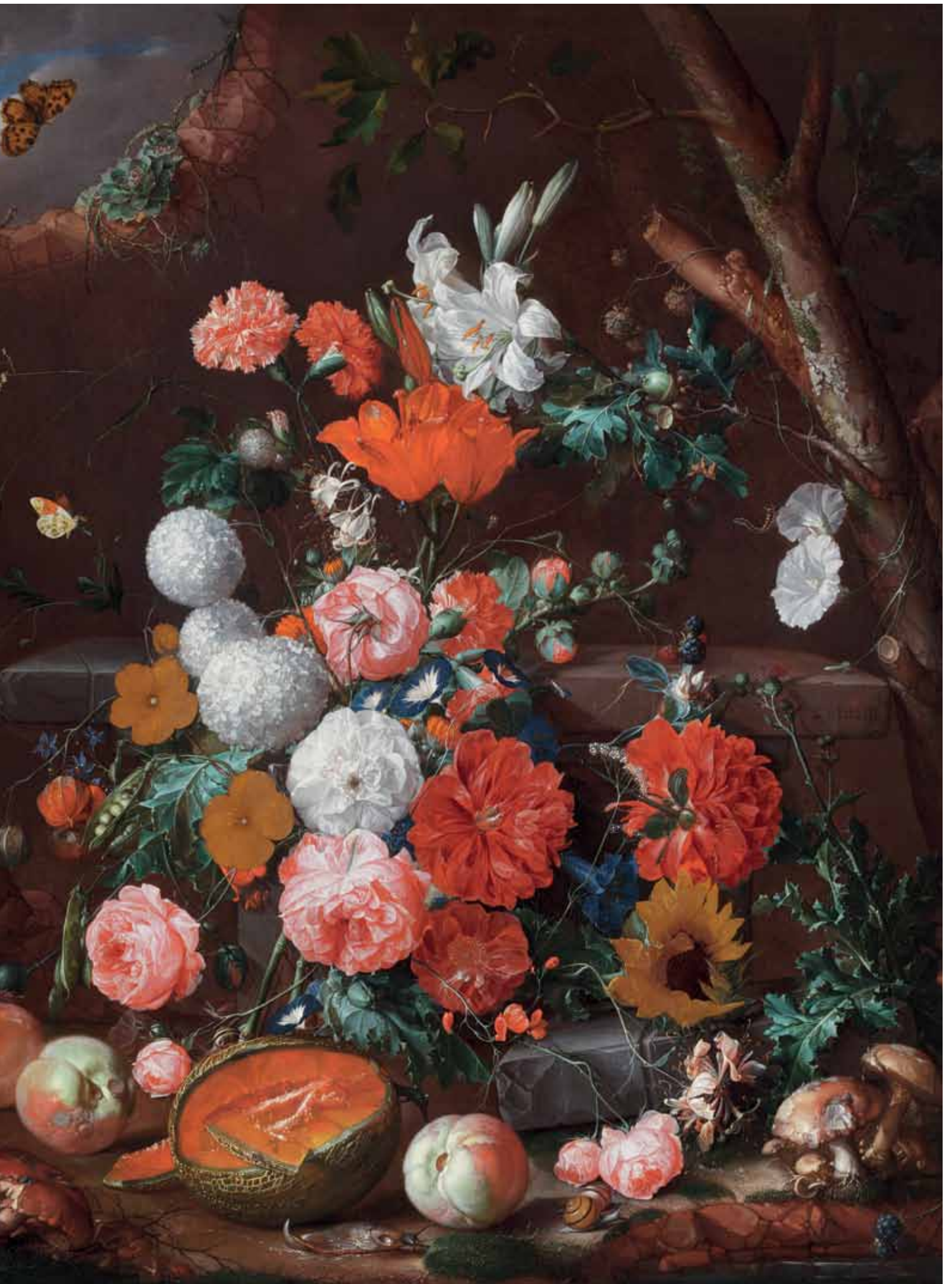
As a prominent collector and admirer of Dutch decorative arts, William filled Dyrham Park with the finest examples of furniture, ceramics, textiles, and art from Holland and its colonies.

Cornelis de Heem's *Still Life of Flowers and Fruit Arranged on a Stone Plinth in a Garden* is thought to have been bought by Blathwayt in the 1690s. He brought it back to Dyrham Park and displayed it as a focal point above the fireplace in one of the State Rooms. *Still Life* is an exceptional example of de Heem's work – it is highly detailed and decoratively coloured.

The painting remained at Dyrham Park until the estate was bought by the Ministry of Works in 1956. The Ministry bought a number of items from Blathwayt's collection before later gifting the house to the National Trust. The remainder of the contents, including de Heem's *Still Life*, were sold at auction.

The NHMF grant has allowed the painting to be returned to Dyrham Park. As part of ongoing repair and restoration works, the Trust have rehung the painting at the heart of surviving 17th century rooms.







## The Rudham Dirk

Norfolk Museums Service

£47,500

The Rudham Dirk is one of the most significant Middle Bronze Age objects ever found in Europe. Having remained buried for over 3,500 years, it was ploughed up in a farmer's field in north Norfolk. The farmer who found it then kept it for the next 12 years, unaware of what it was, before it was formally identified.

The dirk was made between 1500–1350 BCE as a ceremonial offering. With a blunt blade and no handle, it was never intended as a weapon but was purely symbolic. Why, and of what, is yet to be discovered.

It is also particularly distinctive for its monumental size. At about three-times the length of a normal Bronze Age dirk, it is so large and heavy that it is completely impractical as a weapon.

Despite the incredible skill and expense that went into its manufacture, it was deliberately bent in half before being buried, in a ritual destruction or 'killing' of the blade.

In awarding this grant, NHMF trustees wanted to make sure that the dirk remained in Norfolk, where local people could enjoy it and explore its connection to the area. It will now be placed on permanent display in the archaeology galleries of Norwich Castle Museum and Art Gallery.

The dirk, a dagger-like weapon, is one of six examples of a distinct type discovered in Europe and only the second to be found in Britain. The other British example was also found in Norfolk.



# Burne-Jones letters

## The Ashmolean Museum

£60,000

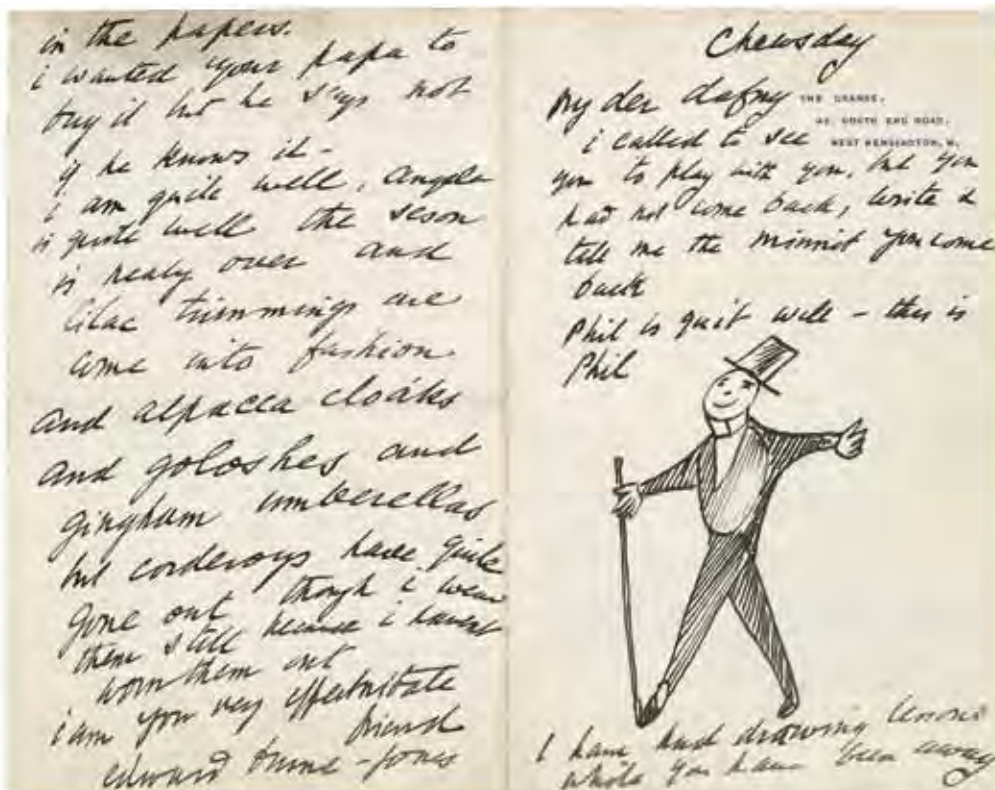
Sir Edward Burne-Jones was the central figure in the second generation of Pre-Raphaelite artists.

In the early 1890s, Burne-Jones met Helen Mary (May) Gaskell – a married mother of three. May was to become the last of his intimate female friends as they formed a platonic but intensely close relationship.

Over the last five years of the artist's life, 1893–98, Burne-Jones wrote letters to May and her two daughters – Daphne and Amy. Many of these letters were illustrated with characteristic sketches. His letters to May were highly personal and revealed his strong attachment to her. Meanwhile, his letters to the infant Daphne Gaskell reflected a whimsical style – with phonetic spellings and humorous illustrations.

This archive is the largest known group of humorous drawings by Burne-Jones and is important in understanding him as a caricaturist and comic artist. They share comical characters with other collections of his letters, but here they are presented with great intensity, reflecting both the darker and lighter sides of the artist. The un-illustrated correspondence reveals much of Burne-Jones' emotional and artistic frame of mind during his final creative burst.

The Ashmolean Museum had held these letters and drawings on loan since 2009. With the help of the NHMF grant, the museum has been able to permanently secure these letters for the future. They will be used to help tell the story of Burne-Jones's later life, and reveal his lesser-known comic art to visitors.



Above & left: Letters written to Daphne Gaskell



## Dickens's desk and chair

Charles Dickens Museum

£784,470

As one of the UK's most celebrated literary figures, the novels and short stories of Charles Dickens, which include *Oliver Twist*, *Great Expectations* and *A Christmas Carol*, have become great classics around the world.

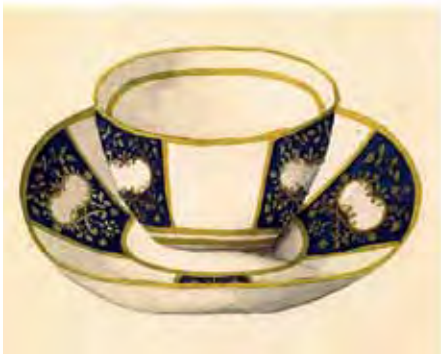
In the 19th century, Dickens was an immensely influential figure – not just as a successful author but as a journalist, philanthropist and social campaigner. As a highly respected and celebrated public figure, he was in great demand as a sitter for portraits. This desk and chair, which he used in his final home, Gad's Hill Place in Kent, are shown in many portraits of Dickens including *The Empty Chair* by Luke Fildes and *Dickens' Dream* by RW Buss (shown right).

Believed to be where the author wrote the classics *Great Expectations*, *Our Mutual Friend* and *The Mystery of Edwin Drood*; after his death, the desk and chair became a part of the author's

iconography. The NHMF grant has enabled the Charles Dickens Museum in London to purchase the desk and chair and so allow them to remain on permanent display in his study at 48 Doughty Street – Dickens's only surviving London family home, with the original pens, ink stand and ornaments that were part of Dickens's desk ensemble during his lifetime.







**Top:** Pages from a large book of tea cup and plate designs

**Above:** A Léon Solon design for a proposed tile panel, c.1890

**Left:** Hand-coloured drawings from the Pattern Books, c.1800

**Right:** Design from the general Solon box



## The Minton Archive

### The Art Fund

£1,163,600

Minton pottery was founded in the late 18th century and grew to become one of the greatest names in British ceramics. It worked with the best designers and artists of the time to develop some of its most famous products including Parian, Majolica and Renaissance-inspired earthenwares.

With major displays and awards at the great exhibitions, Minton developed a worldwide reputation for quality, design and innovation. Design partnerships with Augustus Pugin and Christopher Dresser produced some of the most defining ceramics of the later 19th century. In 1968 the family business became part of the expanding Royal Doulton empire, where it continued as a production company until the end of the 20th century.

The story of the Minton pottery is uniquely preserved through the present collection, encompassing the Minton Archive and associated collections, including the Royal Doulton Archive, which has been described as the most important 19th century design archive in Britain. While all major potteries kept these types of archives to help with the management of the design and production process, the Minton Archive is an exceptional survival, both in scale and degree of completeness.

The archive is made up of hundreds of thousands of individual items – spanning the entire history of the Minton firm. It includes designs, drawings and prints; as well as a complete series of 520 exquisite hand-painted pattern books.

With the help of NHMF funding, the Art Fund has been able to acquire the archive and transfer ownership to Stoke City Archives. The objects will also be loaned to the Wedgwood Museum and the Potteries Museum and Art Gallery.

# Report of the Trustees and Accounting Officer

## Strategic report

### Background information

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

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

### Principal activities

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

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

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

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

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

### Financial review

This has been a significant year for NHMF in that we were asked by our sponsor department to run the Listed Places of Worship Roof Repair Fund (Roof Repair Fund). We were able to set up the scheme swiftly and run it successfully in addition to our standard work.

There are over 1,100 historic places of worship on the National Buildings at Risk registers across the UK, and in need of urgent repair. In response to this problem, the Chancellor of the Exchequer announced funding for a 'Listed Place of Worship Roof Repair scheme' in his Autumn Statement of 3 December 2014, with an initial allocation of £15million. NHMF was approached by the Department for Culture, Media and Sport to administer the fund and award grants of between £10,000 and £100,000 to listed places of worship of all faiths and denominations, where the repair of roof and rainwater goods was deemed to be urgent and necessary. NHMF staff assessed 1,904 applications, with a combined grant request of £105million from a spread of large and small, local and national organisations based across the UK. Applications were received from places of worship of four major faiths:

- Christianity
- Islam
- Judaism
- Buddhism

Within the Christian community, applications were received from 26 different denominations.

The number of applications received was far in advance of the level expected and Trustees are grateful for the efforts made by staff to deliver this new stream of work. Due to the exceptional level of demand, in March, the Chancellor of the Exchequer announced that a further £40million would be allocated to the Roof Repair Fund, making a total overall budget for the programme of £55million.

This increased allocation allowed NHMF to make 502 grants in the first tranche, to the value of £26,403,600, at a meeting of the Board of Trustees on 24 March 2015. These projects represent a strong fit with the scope of the programme, reflecting a good range of listed places of worship spread across all

geographical areas of the UK and a range of denominations and faiths. The budget was allocated in line with regional and country demand as far as possible, and it is expected that the grants will be paid in 2015–16.

The second tranche of funding will be open to applications later in 2015 with a total of £25million available for grants in 2016-17.

Excluding the Roof Repair Fund in 2014–15 we received 18 applications. Unusually, five applications were withdrawn, so 13 cases were considered by the Trustees. All of these applications met our criteria so were supported with awards totalling £4,803,289. None of the applications were for items that were temporarily stopped from export out of the UK following advice from the Reviewing Committee for the Export of Works of Art.

One of the most significant awards this year was £1.2million to the Art Fund, to secure the Minton Archive. The Archive is a fascinating record of the design and industrial history of the Minton Pottery and had been at risk of sale and separation since 2007. The Art Fund immediately gifted the archive to Stoke City Archives, where it will be shared with the Potteries Museum and the Wedgwood Museum. The Archive documents more than two centuries of innovative pottery design, manufacture and production. The archive contains an extraordinary collection of original designs, drawings and pattern books, including work by Augustus Pugin and Christopher Dresser, two of the greatest names in Victorian design, along with many other artists. Together with the great archives and collections of Wedgwood and Spode it tells a story of nearly 250 years of community, art and industry in the pottery industry and the North Staffordshire area.

In Scotland, NHMF funded a very different type of archive – the family archive of the Stirling of Keir and Cadder. Dating from 1338, this archive was acquired for Glasgow City Archives. It covers art, politics, literature, and land and estate management in Scotland, and includes papers relating to major historical events from 14th-century royal charters to the Cromwellian period. In Scotland we also funded a Chippendale table for Paxton House in the Borders. Its importance lies in it being part of the original suite of furniture commissioned for the House, which is recognised as having one of the best collections of Chippendale furniture in the UK.

The Ashmolean Museum acquired an archive of letters from Sir Edward Burne-Jones to May Gaskell and her daughters, which dates from the last five years of the artist's life. The collection includes both personal letters and humorous illustrations revealing Burne-Jones' lesser-known comic art.

Humorous drawings also feature as a highlight of the Simon Heneage collection, which was acquired by the William Heath Robinson Trust. This collection spans the full range of the artist's work with an emphasis on his humorous works including many of his most well-known First and Second World War cartoons. The collection will be displayed in the new Heath Robinson Museum, which opens in April 2016, giving public access to this collection for the first time.

Literary heritage has featured prominently in our funding this year. In November, we provided two awards to museums representing Britain's most significant authors. The Brontë Society acquired the family dining table at which the Brontë sisters wrote some of their most famous work. The table features in an 1837 diary paper sketch by Emily, which shows herself and Anne writing at the table, with their papers strewn before them. Equally important to UK literary history is Dickens's desk and chair that the Charles Dickens Museum acquired seven years after it had been outbid at auction. This desk was used in his final home, Gad's Hill Place in Kent, and is depicted in two paintings begun in the year of his death – *The Empty Chair* by Luke Fildes and *Dickens' Dream* by RW Buss.

We were also able to ensure that the Schroder Collection of correspondence and manuscripts by Rupert Brooke was saved for the nation. The collection was widely acknowledged as one of the most important of its kind still in private ownership. This was a fitting acquisition in a year that marks the centenary of Rupert Brooke's death in the First World War. The collection contains over 170 documents by Brooke including autograph letters and manuscripts, several hundreds of letters to him from friends and family, and family letters following his death. This acquisition by King's College, Cambridge University, brings together many pieces of Rupert Brooke's written work in one place, with access for scholars and the public.

The other acquisition of memorial nature was the tank landing craft LCT 7074 *Landfall*. The National Museum of the Royal Navy planned to recover the craft from Birkenhead Dock, where she had sunk at her moorings, and transport it to Portsmouth Historic Dockyard. *Landfall* was the last surviving tank landing craft to take part in the D-Day landings and in the 70th anniversary year of D-Day, it is a fitting acquisition for the Fund to support. The museum hopes to complete the restoration phase in time for the 75th anniversary of D-Day in 2019.

There were a number of smaller awards made this year, for a range of acquisitions. Norfolk Museums Service acquired the Rudham Dirk, an exceptionally rare example of Middle Bronze Age artefact. The dirk, a dagger-like weapon, is only the second to be found in Britain. It was discovered by a farmer whilst

## Report of the Trustees and Accounting Officer

ploughing about 12 years ago, but had not been correctly identified until recently. Our funding also helped Lambeth Palace Library acquire an exceptionally rare pre-Reformation English missal. The largely complete manuscript retains its original medieval binding and contains handwritten comments and notes regarding life in the Parish of Broughton, Lancashire, over a 150-year period. The smallest award this year was to the Fan Museum for an early and rare example of a folding fan of the late 16th century. Unusually, the fan is believed to be of English origin, which makes it of exceptional interest because fan manufacture was rare in England at this time.

Finally, our only award for a fine art acquisition this year was to the National Trust to acquire *Still Life of Flowers and Fruit Arranged on a Stone Plinth in a Garden* by Cornelis de Heem for Dyrham Park, Gloucestershire. The painting had been the focal point above the fireplace in one of the State Rooms at Dyrham Park, but was sold in the 1950s to a private collector. Our funding will allow the painting to be displayed once again at Dyrham Park, providing an eloquent representation of the historic influence of Dutch culture in 17th century England.

A full list of grants awarded is as follows:

Acquisition	Applicant	Awarded
Burne-Jones letters	The Ashmolean Museum	£60,000
Broughton Missal	Lambeth Palace Library	£15,000
Dickens's desk and chair	Charles Dickens Museum	£784,470
Early folding fan	The Fan Museum Trust	£12,500
Heneage Collection – Heath Robinson	The William Heath Robinson Trust	£250,000
LCT 7074 – the last D-day Landing Craft	National Museum of the Royal Navy	£916,149
Paxton House Chippendale table	Paxton Trust	£30,000
Purchase of the Schroder Collection of Rupert Brooke material	King's College Cambridge	£430,000
Returning the de Heem to Dyrham Park	National Trust	£165,000
Stirling of Keir and Cadder family papers	Glasgow City Council	£345,150
The Brontës' table	The Brontë Society	£583,920
The Minton Archive	The Art Fund	£1,163,600
The Rudham Dirk	Norfolk Museums Service	£47,500
<b>Total grants awarded</b>		<b>£4,803,289</b>

We received grant-in-aid of £5.2million in the year; £5million was our standard annual grant and a further £205,000 was received towards our administrative costs for running the Roof Repair Fund. As we awarded £26.4million of Roof Repair Fund awards, but will not actually receive the associated grant-in-aid until 2015–16 when the grant payments are made, the reported operating deficit in 2014–15 is extremely large. Trustees have received an allocation letter from DCMS, our sponsor department, which makes it clear that NHMF will receive sufficient grant-in-aid in 2015–16 to cover its liabilities. In addition to the impact on the normal level of awards, the Roof Repair Fund also distorted our administrative costs, with a large increase in staff and other operating costs. This level of higher costs will continue while the Roof Repair Fund is in operation.

There were no sums drawn down from the endowment in 2014–15 and only a small sale of units to fund the fees of our investment managers. This means that the income generated by the

endowment fund was minimal. However, its capital growth was impressive and it has now reached its target value of being equal to its initial 1980 value in real terms. The endowment fund investment policy will remain one of capital accumulation, but the Trustees' investment panel will revisit the strategy in 2015–16 once the outcome of the next Spending Review is known. The value of the endowment fund rose by £2.9million to £39.9million. There were significant gains earned by our investment managers and the return in 2014–15 was 7.9%, compared with 6.4% in the previous year.

Cash balances fell by £2.6million in the year. The reason for the fall is that our grant payments were £7.7million and our standard grant-in-aid is £5million. Grantees often take a number of months to draw down funds after we make the initial grant awards. As a result, the grant payment may not be made in the same financial year as the grant award. This year's payments therefore took into account grant awards from previous years. There are still £2.3million of standard awards that remain unpaid,

and £487,000 available cash to pay for them. This is viewed as a sustainable operating model as our cash flow history shows that our grantees often take a number of months to draw down funds after we make the grant award. Our cash was placed with various financial institutions, via our investment managers on short-term notice, to allow us to earn much more interest than if the funds were left in our current account. Should we face critical cash shortfalls, we can turn to the endowment fund where money can be made available in a matter of days.

### Key performance indicators

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

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

The above indicators and targets will continue into 2015–16.

### Financial instruments

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

#### Liquidity risk

NHMF received £5.2million as grant-in-aid in 2014–15 and a further £5million in April 2015. In addition,

under the terms of our agreement to run the Roof Repair Fund on behalf of DCMS, we are due to receive sufficient sums in 2015–16 to cover all our liabilities under that scheme. Furthermore, Trustees maintain an endowment and its underlying investment in Cazenove's Charity Multi-Asset Fund is widely traded. Trustees are able to liquidate assets on a daily basis should the need arise to fund grant payments. Therefore, Trustees are satisfied that they have sufficient liquid resources, in the form of their cash balances (worth £487,000 at the date of the Statement of Financial Position) and the endowment fund (worth £39.9million at the date of the Statement of Financial Position) to cover all outstanding grant awards of £28.7million and administrative liabilities of £291,000. The endowment is invested in a fund that is mostly invested in unit trusts, which are readily marketable – the prices are quoted daily in the Financial Times. NHMF monitors its cash balances on a daily basis and keeps in regular contact with grantees to ascertain their likely cash draw-down requirements. The Trustees consider that the Fund is not exposed to significant liquidity risks.

#### Market and interest rate risk

Cash balances, which are used to pay grant commitments and operating costs, were held in a variety of bank accounts, some fixed rate and some variable rate. Our account with Barclays, which was a variable rate account, carried an interest rate of 0.35% in the year and was used to make grant payments and fund our administration. Larger sums of money were held in short-term fixed and variable rate accounts, paying between 0.9% and 1.1%, arranged via Schroder & Co. Limited ('Schroders') and used to fund our Barclays account when required. The sharp decline in market interest rates that occurred during 2008–09 has had an on-going impact on returns, but as there is little room for rates to fall further, the risk is small. The year-end cash balances, held by the Fund in the bank and via their endowment fund investment managers, were £487,000 and were held as disclosed in the table below. Other financial assets and NHMF's financial liabilities carried nil rates of interest.

Schroders managed NHMF's endowment under the trading name of Cazenove Capital Management and invested it in a wide range of assets, from marketable shares to cash. At the year end, the market value of the endowment, excluding its cash element, was £39.9million. Returns are dependent upon global stock and commodity markets and performance of companies included within the portfolio. In the year, the return on the endowment was 7.9%. The Trustees kept the performance of investments under review through their Finance, Staffing and Resources Committee and its investment panel, which includes three independent members with extensive experience in financial markets.

## Report of the Trustees and Accounting Officer

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

	2014-15 £'000	2013-14 £'000
Cash balances		
– sterling at floating interest rates	487	3,081
– sterling at a mixture of fixed and floating rates	0	0
– sterling at fixed rates	0	0
	<b>487</b>	<b>3,081</b>

### Credit risk

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

### Foreign currency risks

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

### Financial assets by category

	2014-15 £'000	2013-14 £'000
Assets per the Statement of Financial Position		
Non-current assets	39,864	36,983
Cash and cash equivalents	487	3,081
Trade and other receivables	3	22
	<b>40,354</b>	<b>40,086</b>

### Financial liabilities by category

	2014-15 £'000	2013-14 £'000
Liabilities per the Statement of Financial Position		
– other financial liabilities		
• grant commitments	28,731	5,250
• operating payables	61	1
• other payables	152	4
• accruals	78	36
	<b>29,022</b>	<b>5,291</b>

### Fair values

Set out below is a comparison, by category, of book values and fair values of NHMF's financial assets and liabilities as at 31 March 2015.

#### Financial assets at 31 March 2015

	Book value £'000	Fair value £'000
Cash <sup>1</sup>	487	487
Investments <sup>2</sup>	29,174	36,864
Receivables <sup>3</sup>	3	3
	<b>29,664</b>	<b>40,354</b>

#### Financial assets at 31 March 2014

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

#### Financial liabilities at 31 March 2015

	Book value £'000	Fair value £'000
Grant commitments <sup>4</sup>	28,731	28,731
Operating payables <sup>5</sup>	61	61
Other payables <sup>5</sup>	152	152
Accruals <sup>5</sup>	78	72
	<b>29,022</b>	<b>29,016</b>

#### Financial liabilities at 31 March 2014

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

#### 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

	2014-15 £'000	2013-14 £'000
In less than one year	29,022	5,291
In more than one year, but less than two	0	0
In two to five years	0	0
In more than five years	0	0
	29,022	5,291

### Chair and Trustees of NHMF

#### Chair

Sir Peter Luff *from 30 March 2015*

Dame Seona Reid <sup>2</sup>

*Interim Chair from 1 September 2014 to 29 March 2015*

Dame Jenny Abramsky <sup>2</sup> *until 31 August 2014*

#### Trustees

Manon Antoniazzi *to 11 January 2015*

Sandie Dawe <sup>1</sup>

Angela Dean <sup>1</sup>

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

Jim Dixon <sup>1</sup> *from 1 October 2014*

Kim Evans <sup>2</sup> *to 21 July 2014*

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

Perdita Hunt <sup>2</sup> *from 22 July 2014*

Hilary Lade <sup>2</sup> *to 30 September 2014*

Steve Miller

Richard Morris

Atul Patel <sup>2</sup>

Virginia Tandy

Tom Tew

#### Chief Executive

Carole Souter <sup>2</sup>

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

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

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

The gender split of staff and Trustees at 31 March 2015 was as follows:

	Male	Female	Total
Trustees	8	5	13
Directors	0	0	0
Staff	1	2	3

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

### Going concern basis

The accounts have been prepared on a going concern basis. This is because assets significantly exceeded liabilities at the date of the Statement of Financial Position and because Trustees have set a grant award budget for 2015-16 that is not expected to alter that position. The Board has no reason to believe that the Fund will not continue to operate in the foreseeable future.

The impact of the Roof Repair Fund has had a significant impact on our Statement of Financial Position. This is simply a timing difference in that our awards were made in March 2015 and are reflected on the Statement of Financial Position. However, we won't receive our associated grant-in-aid from DCMS until 2015-16 when we start making the grant payments. The impact of the Roof Repair Fund will be neutral on our long-term position.

**Sir Peter Luff**  
Chair

30 June 2015

**Carole Souter**  
Chief Executive



## Directors' report

### Employee consultation

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

### Equal opportunities

As an employer, NHMF abides by equal opportunities legislation. The Fund does not discriminate against staff or eligible applicants for job vacancies on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religious belief, disability, age or sexual orientation. Every possible step is taken to ensure that staff are treated equally and fairly, and that decisions on recruitment, selection, training, promotion and career management are based solely on objective job-related criteria. NHMF does not tolerate any form of discrimination, harassment or victimisation. The Fund welcomes job applications from people with disabilities, and currently around 4.7% (2013–14: 5%) of our workforce is made up of people with declared disabilities. All staff are required to co-operate in making this policy work effectively.

During the past year the Staff Disability Action Group continues to meet and also continued the concept of inviting selected charities to attend and present to staff. These have been well attended and the format ensures colleagues in the regional and country offices are able to video conference into the session and therefore increase the number of participants. In 2014–15 representatives from the charity MENCAP were invited and, along with other diversity and equality training including refresher training provided by Guide Dogs for the Blind, this has enabled staff to have the confidence to declare a disability.

### Payables

NHMF adheres to the government-wide standard on bill-paying and the CBI Better Payment Practice Code, which is to settle all valid bills within 30 days. In 2014–15, the average age of invoices paid was six working days (2013–14: 7 days). Over 96% of invoices were paid within 30 calendar days (2013–14: 94%).

Another way of measuring our commitment to paying suppliers is the ratio of creditor days – the ratio of trade payables at the end of the year to the total value of purchases in the year expressed in terms of days. At 31 March 2015, the figure was 18 days (2013–14: 31 days).

### Environmental policies and sustainability reporting

The Treasury require all public sector bodies to produce sustainability reports from 2011–12. 2010–11 was a 'dry run' for this and from April 2010, NHMF recorded its carbon footprint in terms of business travel undertaken, waste generated and energy consumption. As 2010–11 was the first year of collecting the information, it was not a reliable baseline. In addition, the compilation of this data is not an exact science; for example, none of our landlords provide figures for kilowatt hours of gas or electricity used nor are they able to bill quickly enough after a year-end to provide figures in time for the production of year-end accounts. As the majority of our offices are small minor occupancies with private sector landlords, fully robust reporting is a challenge. This means that we often have to use estimates for most offices. The situation improves slightly over time, but we still have to estimate much of our consumption. From 2013–14, we have also started to calculate our carbon dioxide equivalent consumption for water and for waste.

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

#### *Summary of performance*

Our emissions have risen in 2014–15. This is for the following reasons:

- i) staff numbers have increased slightly and so it is inevitable that consumption will have increased;
- ii) the exceptional summer in 2014 caused the usage of air conditioning to increase;
- iii) DEFRA has altered their conversion factors for all our categories of consumption. Inevitably, this makes year-on-year comparison difficult.

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

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

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

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

When preparing the 2014-15 figures we uncovered errors in the calculation of the comparatives for 2013-14. The figures above for that year have been corrected.

movement and daylight sensitive. Having undertaken such a major refit there is very little scope for further reducing greenhouse emissions in the one office we control.

In the ten other properties we occupy, we are wholly reliant on the landlord to improve performance and that is unlikely to happen in-between major refurbishments. The room for further improvement in scope 1 and 2 emissions is therefore extremely limited. Over the years, we have re-located some of our regional and country offices into smaller premises, which will have reduced consumption. Since May 2011, we have also rented out most of one of the floors of our head office building with the effect of reducing the consumption that we report.

### Greenhouse-gas emissions

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

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

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

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

### Waste

Waste generation has fallen slightly in 2014-15, but, as discussed below, there is no reliable measure of the amount of waste we generate as it is simply taken away by councils and it would not be an appropriate use of resources to procure weighing equipment simply for the purpose of improving our reporting of this figure. We will continue to seek out a practical solution to calculating a reliable figure.

NHMF does not generate any hazardous waste. Further analysis of what happened to the waste we generated is not possible. All non-recycled waste is collected by councils local to the offices in which we operate. We do not know what they do with that waste and have made assumptions as to where the waste goes in order to produce the above figures. Only Kensington & Chelsea Council invoice us separately, but we have now started including the cost of removing shredded paper. We will explore more environmentally friendly storage and destruction options in 2015–16.

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

### *Use of resources*

Water consumption fell in 2014–15. We fitted a water meter at Holbein Place in 2013–14 and we are confident in the accuracy of the figures. It is obvious that the amounts we were billed by the water company up to the point of meter installation significantly understated our consumption. We are now considering whether to install water meters at our other offices, but this would require the co-operation of our landlords. Our landlords provide information about the number of cubic metres of water consumed based on the space we occupy, rather than by individual metering. In 2015–16 we are installing more efficient toilet facilities in our headquarters.

We undertook in 2013–14 a review of electricity consumption at our head office in London. This involved an investigation of power usage on each floor through the placement of meters and by undertaking enhanced maintenance to improve the efficiency of our electrical devices. Estate energy consumption fell in 2013–14 and should have remained at a lower level, but we have to accept that the weather has a bigger influence over our consumption than any improvements we can make to our energy efficiency.

### **Future developments**

Our standard grant-in-aid was £5million for 2014–15 and there will be a further £5million in 2015–16 – this is the last year of the settlement from the current Spending Review. There is always high demand for awards as evidenced by the 18 applications received this year, so the Trustees consider that a baseline of £5million grant-in-aid

is the minimum needed to allow NHMF to meet its statutory duties. This is particularly pertinent at a time when the number of items stopped for export by the Reviewing Committee for the Export of Works of Art continues and the centenary commemorations for the First World War could put further demand on the Fund. Inevitably it means that a level of grant-in-aid of £5million per annum means we may not be able to save everything that comes to us and some items of our heritage could be lost. The NHMF was set up to create a memorial to those citizens of the UK who have lost their lives in conflict. As we commemorate the centenary of the First World War this is now more relevant than ever before and the work of the NHMF needs to be protected if it is to fulfil all its obligations.

In 2014–15 we reached the target level for the NHMF endowment. This means the endowment is at the level originally given to us. We will review our investment strategy in 2015–16 in the light of the settlement arising from the expected Spending Review for 2016–17 and beyond.

The March 2015 budget allocated a further £15million for the Roof Repair Fund in 2014–15 and £25million in 2016–17. In view of the longer term nature of the programme, we are setting up a dedicated team to oversee the programme.

### **Pension liabilities**

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

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

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 Pay As You Earn (PAYE) scheme. All senior staff, all Trustees and all regional and country committee members are on the payroll of NHMF and therefore pay tax and national insurance contributions through PAYE. In 2014–15 we identified two contractors whose income did not meet the HM Treasury guidance. These have now been brought within the guidance. Neither of the contractors occupied senior posts.

### **Register of interests**

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

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

### **Appointment of auditors**

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

### **Key stakeholders**

The key stakeholder of NHMF is DCMS. We are also mindful of the needs of the heritage sector and the population of the UK.

### **Events after the reporting period**

There were no events that occurred after 31 March 2015 up until the date the Accounting Officer signed these accounts that need to be disclosed. The Accounting Officer signed the accounts on 30 June 2015, and they were authorised for issue on the date the accounts were certified by the Comptroller and Auditor General.

### **Personal data**

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

### **Sickness absence**

In 2014–15, 1,012 days were lost due to 388 sickness episodes (2013–14: 946 days in 364 episodes). This continues to represent a modest 1.08% of all working days (2013–14: 0.96%).

## Remuneration report

### Remuneration of the Chair and Trustees

All Trustees were entitled to receive an annual salary for the time spent on the activities of NHMF. In addition, NHMF reimbursed travel expenses of certain Trustees from their homes to their office of employment in London, Edinburgh, Cardiff or Belfast. The Fund met the tax liability on these expenses. Sir Roger De Haan and Sir Peter Luff waived their rights to receive a salary in 2014–15.

The remuneration of Trustees including reimbursement of taxable expenses and the tax thereon, falls into the bands in the table below. All Trustees are appointed by the Prime Minister. They have three-year appointments, potentially renewable for a second term. They are not members of the pension scheme utilised by NHMF. No contributions were made by the Fund to a pension scheme on the Trustees' behalf.

All Trustees' remuneration was allocated between NHMF and its Lottery distribution activities on the basis of 1%: 99%. The total remuneration of Trustees in 2014–15 was £165,102 (2013–14: £196,579).

The pay and contracts of Trustees are discussed and set by DCMS. Their contracts do not contain any bonus clauses. There were no benefits in kind or non-cash elements paid to Trustees or directors.

### Audited information

	2014–15 £'000	2013–14 £'000
Sir Peter Luff		
Chair from 30 March 2015	0	0
Dame Seona Reid		
Interim Chair from 1 September 2014 to 29 March 2015	30–35	20–25
Dame Jenny Abramsky		
Chair to 31 August 2014	15–20	40–45
Manon Antoniazzi		
to 11 January 2015	15–20	20–25
Sandie Dawe		
from 18 February 2014	5–10	0–5
Angela Dean	5–10	5–10
Sir Roger De Haan		
from 20 January 2014	0	0
Jim Dixon		
from 1 October 2014	5–10	0
Kim Evans		
to 21 July 2014	0–5	5–10
Yinnon Ezra		
to 3 February 2014	0	10–15
Kathy Gee		
to 9 September 2013	0	0–5
David Heathcoat-Amory		
from 20 January 2014	5–10	0–5
Doug Hulyer		
to 9 September 2013	0	5–10
Perdita Hunt		
from 22 July 2014	0–5	0
Hilary Lade		
to 30 September 2014	5–10	10–15
Alison McLean		
to 17 February 2014	0	5–10
Steve Miller		
from 18 February 2014	5–10	0–5
Richard Morris	10–15	5–10
Atul Patel	10–15	10–15
Ronnie Spence		
to 31 December 2013	0	15–20
Virginia Tandy	15–20	10–15
Tom Tew		
from 20 January 2014	5–10	0–5
Christopher Woodward		
to 31 October 2013	0	0–5

## Remuneration of employees (Audited information)

The remuneration of directors was as follows:

	Salary 2014-15 £'000	Salary 2013-14 £'000	Bonus 2014-15 £'000	Bonus 2013-14 £'000	Real increase in pension and lump sum £'000	Total accrued pension at age 60 and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/03/15 £'000	CETV at 31/03/14* £'000	Real increase in CETV funded by NHMF £'000
<b>Carole Souter</b> Chief Executive	<b>135 to 140</b>	135 to 140	<b>5 to 10</b>	5 to 10	0 to -2.5 and 0 to -2.5 lump sum	75 to 80 plus 230 to 235 lump sum	1,629	1,566	-12
<b>Robert Bewley</b> Director of Operations to 31 December 2014	<b>70 to 75</b>	90 to 95	<b>0 to 5</b>	5 to 10	0 to 2.5 and 0 to 2.5 lump sum	35 to 40 plus 105 to 110 lump sum	773	726	13
<b>Eilish McGuinness</b> Director of Operations from 1 January 2015	<b>20 to 25</b>	0	<b>0 to 5</b>	0	0 to 2.5 and 2.5 to 5 lump sum	15 to 20 plus 45 to 50 lump sum	298	272	24
<b>Judith Cligman</b> Director of Strategy and Business Development	<b>90 to 95</b>	90 to 95	<b>0 to 5</b>	5 to 10	0 to 2.5 and 2.5 to 5 lump sum	30 to 35 plus 105 to 110 lump sum	708	659	16
<b>Robin Seedhouse</b> Acting Director of Finance and Corporate Services from 1 April 2014 to 9 June 2014	<b>15 to 20</b>	0	<b>0 to 5</b>	0	0 to 2.5 with no lump sum	25 to 30 with no lump sum	449	432	14
<b>Colin Bailey</b> Director of Finance and Corporate Services from 9 June 2014	<b>80 to 85</b>	0	<b>0 to 5</b>	0	0 to 2.5 and 2.5 to 5 lump sum	0 to 5 plus 0 to 5 lump sum	18	0	12

\* or at date of appointment, if later.

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

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

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued, as a consequence of their total membership of the

pension scheme, not just their service in a senior capacity to which disclosure applies.

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

### Real increase in CETV

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

## Report of the Trustees and Accounting Officer

All senior employees had permanent contracts of employment and were ordinary members of the Principal Civil Service Pension Scheme (PCSPS). Their costs were allocated between HLF and NHMF on the basis of 99%: 1% (2013–14: 99%: 1%). The remuneration of senior managers is performance-related. The sum is based on performance against individual objectives and on overall contribution to corporate strategy and goals. Individual objectives for the Chief Executive are set by the Chair of the Board of Trustees, and the Chief Executive in turn agrees personal objectives with the function directors. Objectives reflect the strategic and operational goals of the Fund and the contribution expected of each individual senior manager to achieving the goals. The Fund has a performance management system, and performance is reviewed in line with this. Performance is reviewed annually in March–April and rated on a scale of four different levels of achievement. There is a bonus scheme for the directors, which takes into account the Finance, Staffing and Resources Committee's (membership of this committee is disclosed on page 29) view of the individual's contribution towards the wider success of the organisation, with particular reference to their management of their own department and their impact on other areas; the individual's impact on Trustees and their effectiveness; and any exceptional contribution or achievement during the year that was not reflected in the key objectives for the year. This policy is expected to continue in future years. Senior management are appointed on open-ended contracts with notice periods of no more than six months. In the event of considering termination payments, the Fund would adhere fully to the rules of the Civil Service Compensation Scheme and any associated guidance from Treasury or DCMS.

### Remuneration ratio

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

The banded remuneration of the highest-paid director in 2014–15 was £140,000 to £145,000. This was almost six times the median remuneration of the workforce, which was £25,888 (2013–14: £24,851). There were no employees who received remuneration in excess of the highest-paid director. The highest paid director was subject to the Government's 1% cap on pay increases.

### Exit packages

Under the terms of Employer Pensions Notice 296 issued by the Cabinet Office in March 2011, NHMF is required to publish details of all exit packages agreed in the financial year under review. Falling under the definition of exit packages are: compulsory and voluntary redundancies, early retirement, compensation for loss of office, ex-gratia payments etc. There were none in 2014–15 (2013–14: one).

### Audited information

	2014–15 Number	2013–14 Number
£15,000–£20,000	0	1

**Carole Souter**  
Chief Executive

30 June 2015

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

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

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

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

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

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

**Sir Peter Luff**  
Chair

30 June 2015

**Carole Souter**  
Chief Executive



## Governance Statement

### 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 2011 Code of Good Practice.

As the Accounting Officer for the 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, while 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*.

NHMF and the Heritage Lottery Fund (HLF) are operated as a single entity as I believe that this is more efficient. Consequently, there is one governance structure and this statement covers the distribution of grant-in-aid and lottery grants.

### Governance structure

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



### Board of Trustees

The Board of Trustees is responsible for:

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

The Board operates as a group and held 11 meetings during the year to set NHMF policy and make decisions in line with that policy. These meetings are attended by myself and the Management Board. All Board meetings held in 2014–15 were quorate. In August 2014, Dame Jenny Abramsky retired as the Chair of the NHMF. For the remainder of the year, Dame Seona Reid took up the post of Interim Chair. Throughout this time, I had regular meetings and discussions with the Interim Chair. In March 2015, it was announced that Sir Peter Luff was to be appointed as the new Chair and he took up that post with effect from 30 March 2015.

The Board is normally made up of 15 Trustees, including the Chair. Throughout 2014–15 we have awaited the appointment of a new Trustee for Northern Ireland. In the meantime we have put in place temporary arrangements to handle this absence. Since February 2015 we have been without a Trustee for Wales, and, have again, put in place arrangements to handle this vacancy.

The overall attendance rate of Trustees at Board meetings was 95%. Trustees have also delegated some of their tasks to the three 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 2014–15 was as follows:*

Trustee	Eligible meetings	Meetings attended
Dame Jenny Abramsky <i>to 31 August 2014</i>	4	4
Dame Seona Reid	11	11
Manon Antoniazzi <i>to 11 January 2015</i>	7	7
Sandie Dawe	11	10
Angela Dean	11	11
Sir Roger De Haan	11	10
Jim Dixon <i>from 1 October 2014</i>	6	6
Kim Evans <i>to 21 July 2014</i>	3	3
David Heathcoat-Amory	11	11
Perdita Hunt <i>from 22 July 2014</i>	8	7
Hilary Lade <i>to 30 September 2014</i>	5	5
Steve Miller	11	11
Richard Morris	11	9
Atul Patel	11	9
Virginia Tandy	11	11
Tom Tew	11	11

Of the 16 Trustees who attended the Board throughout the year 56% were female and 44% were male. One (6%) came from an ethnic minority background.

### Board conflicts of interest

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

### Audit and Risk Committee

The Committee met on three occasions during the year and was quorate at each meeting. From 2015–16, the Committee will move to quarterly meetings to better manage its business. It is chaired by a Trustee. There was significant change in the Trustee membership through the year and so, to support their induction, all Committee members undertook the Audit and Risk Committee training that is provided by the Civil Service College. Several items emerged from the training to further improve the effectiveness of the Committee and these have been, or are being, implemented. This includes in camera meetings with the Fund's external and internal auditors ahead of Committee meetings.

The Committee also undertook a review of its effectiveness and was satisfied that it dealt with all the matters it was required to and handled this effectively.

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

The Committee agreed a three-year audit strategy with Moore Stephens upon their appointment in April 2014 and the reviews carried out in 2014–15 were reported to the Committee in-line with that strategic approach. A detailed one-year plan of internal audit reviews is approved annually.

During the year, the Committee considered reports on:

- assurance sources and mapping
- payroll
- grant giving
- Listed Places of Worship and Heritage Enterprise programmes
- business continuity and disaster recovery

The Committee meeting minutes and formal annual reports are shared with the Board. The Committee Chair orally updates the Board on Committee business and decisions. The Committee also approved a major overhaul of the risk management system (see below).

Attendance at the Audit and Risk Committee meetings throughout 2014–15 was as follows:

Trustee	Eligible meetings	Meetings attended
Angela Dean <i>Chair</i>	3	3
Sandie Dawe	3	3
Jim Dixon <i>from 1 October 2014</i>	2	1
David Heathcoat-Amory	3	3

### Finance, Staffing and Resources Committee

The Committee met on three occasions during the year and was quorate at each meeting. It is chaired by a Trustee. There was significant change in the Trustee membership through the year and specific induction support was given to all new members.

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

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

- management accounts and financial management information (including efficiency targets)
- performance data against operational and service standards
- other performance management data
- staffing levels and personnel data such as sickness absence, training and development spending
- IT investment propositions
- proposals for corporate support strategies in IT, Finance and Human Resources

The Committee approved the proposed budgets for grant programmes and administration for submission to the Board. The Committee also recommended the 2015–16 Business Plan. The Committee act as the Fund's Remuneration Committee, approving the overall pay award as well as bonus payments for senior staff.

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

## Report of the Trustees and Accounting Officer

Attendance at the Finance, Staffing and Resources Committee meetings throughout 2014–15 was as follows:

Trustee	Eligible meetings	Meetings attended
Atul Patel <i>Chair</i>	3	3
Dame Jenny Abramsky <i>to 30 July 2014</i>	1	1
Sir Roger De Haan <i>from 14 July 2014</i>	2	2
Kim Evans <i>to 21 July 2014</i>	1	1
Perdita Hunt <i>from 22 July 2014</i>	2	1
Hilary Lade <i>to 30 September 2014</i>	1	1
Dame Seona Reid <i>from 1 August 2014</i>	2	1
Carole Souter	3	3

### Communications Committee

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

- Heritage Exchange event
- promotion of the 20th anniversary of The National Lottery
- new website launch
- State of Parks publication

Attendance at the Communications Committee meetings throughout 2014–15 was as follows:

Trustee	Eligible meetings	Meetings attendance
Dame Jenny Abramsky <i>to 30 July 2014</i>	1	1
Sandie Dawe	3	2
Dame Seona Reid	3	3
Virgina Tandy	3	3

### Delegated grant decision making

The Trustees have delegated their grant decision-making responsibilities for certain types and values of grant awards to Country and Regional Committees. There are 12 of these Committees and each contains a Trustee. In addition to making grant decisions, these Committees provide advice to the Board on priorities within their area and act as advocates for the organisation's work as a Lottery Distribution Body. Chairs of Country and Regional Committees meet with the Board Chair and myself, along with senior staff, twice a year.

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

### Management Board

The Board delegate day-to-day management to myself. I am supported by a Management Board consisting of all directors and deputy directors. The Management Board meet weekly to agree management actions and responses on operating matters. Each departmental director provides a monthly report to the Board on activities and issues within their remit. I also hold regular meetings with the Managers' Forum consisting of senior and middle managers, and ensure Board decisions and directions are communicated directly to key staff. These meetings include verbal reports on activities across all departments as well as discussion of thematic issues affecting all teams.

### Structure

I operate a four-department structure of:

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

The Secretariat team reports directly into me.

The annual operating plan – the Business Plan – is developed each year, alongside financial budgets and grant programme planning. In this year we integrated risk management into the business planning process more closely. We found this to be useful and so will continue with this in future years.

The Business Plan is discussed with our sponsor department DCMS. DCMS also set policy directions and financial directions that we comply with. The Scottish Parliament and Welsh Assembly have also issued policy directions with regard to Lottery activities in Scotland and Wales, and we have also complied with these directions.

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

### Risk management and internal control

Our system of risk management and internal control is designed to manage risk to an acceptable level rather than eliminate risk to policies, aims and objectives – it can therefore only provide reasonable and not absolute assurance. In particular I am clear that the approach to risk management should not stifle innovation or change to business, where 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, and potential impact, of any risks.

All policy setting and grant decision-making is informed by the risk management culture and approach of the NHMF. In 2014–15, the Management Board overhauled our risk management approach as part of a wider exercise on assurance across NHMF.

The Management Board carried out a wide assessment of risks facing the NHMF. This was linked into the annual business planning for 2015–16 and early preparations for our next Strategic Framework.

This assessment led to a formal restatement of the NHMF risk appetite and articulated the risk appetite against a series of areas such as legal, regulatory, financial and fraud, and defined the appetite in each of those areas. A new corporate risk register was created identifying the strategic risks to the NHMF and these were mapped against the appetite.

The register and underpinning process assigns a risk owner who is accountable to me for the effective management of that risk. The register also identifies 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.

At the same time as updating the risk appetite, we have updated the risk management process to make it more transparent and to reinforce accountabilities on owning and managing risk. These actions are in line with recommendations from the Internal Audit review of assurance and are consistent with good practice in the sector and guidance from HM Treasury on risk management.

In 2015–16 we will roll out the new risk model to all departments and link this into business planning. In the meantime, all teams continue to report and escalate risk as necessary through the line management routes, and risks are managed accordingly.

The new approach to risk was endorsed by both the Audit and Risk Committee and the Board.

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

To this end, we are prepared to accept that some of the organisations that we give grants to will not subsequently demonstrate competence in the administration of that grant. We learn our lessons, improve our processes and in rare circumstances write off the grant. In cases where we suspect fraud or improper behaviour, we will report the

case to the police for further investigation. I approve all write-offs and this allows me to monitor the amount each year to ensure there is no suggestion that our assessment and monitoring processes are lax. As can be seen from the relevant note to the accounts, the level of grant write-off is extremely small, relative to the 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. As a result, I am able to conclude that there is no cause for concern about the level of risk implicit in our grant giving processes. An Internal Audit review last year provided additional assurance on these processes. In 2014–15 NHMF considered the following to be the most significant areas of risk:

- We are not seen as protecting aspects of the UK's most important heritage.
- Changes in devolution, political arrangements and policy direction require change in our business and operating model.
- Our share/the amount of Lottery income reduces, which means that we cannot service the same level of commitments and/or meet our cost efficiency targets.
- The volume and volatility of workloads may mean our current business model and processes are not sustainable.
- Non-compliance in contract management.
- Wider business impact analysis for business continuity needs improvement.
- Changes in the Chair and Trustees lead to changes in our strategic approach and/or business model.
- Staff turnover leads to impacts on remaining staff in terms of loss of experience and/or resistance to the need to change.
- Reputational risks threaten our legitimacy.

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

#### **Listed Places of Worship: Roof Repair Fund**

In the Autumn Statement, in December 2014, and The Budget 2015, the Chancellor of the Exchequer announced that the NHMF would administer a grant scheme for listed places of worship across the UK. The total value of the programme in the year was in excess of £25million. Applications were invited by the end of January 2015, assessed in February 2015, and announcements of successful applications were made at the end of March 2015.

## Report of the Trustees and Accounting Officer

To manage the risk of this short delivery timetable, the following actions were put in place:

- the appointment of a senior, experienced Programme Director to manage the end-to-end process
- close oversight by a deputy director of operations to provide additional assurance
- additional days from Internal Audit to review the process throughout this period
- the use of experienced and risk aware staff in support functions to help operational delivery
- a separate funding agreement with DCMS
- the replication of existing, well-established controls, processes and systems to this programme

This approach allowed us to successfully deliver this phase of the programme. The Chancellor also announced an extension of this programme into 2015–16 and we will use the forthcoming year to improve our readiness for that next stage.

### Approach to fraud and information risk

NHMF has a fraud policy that is reviewed on an annual basis. Refresher training for existing staff on risk awareness is also provided.

In 2014–15 we improved risk awareness and intelligence gathering arrangements with other National Lottery distributors and this will continue in 2015–16.

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 their induction.

We comply with the government guidance on transparency of spend, contracts etc.

### Business critical models

I consider that we are compliant with the recommendations contained within the Macpherson Report. I judge that we utilise one business critical model – the cash flow forecast used for setting annual grant budgets out of our National Lottery income. We aim to ensure that we award the highest amount possible in terms of the level of grants without the risk of running out of cash or over extending ourselves. The model was created around 10 years ago and remains largely in its original form other than to have had its operating lifespan extended. The model has been used against scenarios of different levels of Lottery income, one-off contributions to the London 2012 Olympic Games, and significant new grant programmes. We have found that it provides a reasonable forecast of our financial sustainability.

In 2014–15, based on the model, the Board created a financial framework, setting out grant ratios linked to the total level of commitments, approved actual liabilities, income from The National Lottery and our balance at the National Lottery Distribution Fund (NLDF). We therefore believe that the model and the financial framework provide a robust basis for our grant giving.

The model is updated each year to reflect the latest projections of Lottery income provided by DCMS and with the financial out-turn for the previous year. The model is also stress-tested against different scenarios using the parameters set out in the financial framework.

### Board performance and effectiveness

The most significant activity for the Board has been the continued oversight of the implementation of Strategic Framework 4 (SF4). This included applying SF4 to Board decisions. The Board also carried out a mid-cycle review of SF4 and assessed the possible future operating environment and risks emerging over the next few years.

The Board note the success of new programmes like Heritage Enterprise and the popularity of other programmes like Collecting Cultures, which is run periodically.

The rise in National Lottery income in 2012–13 has stabilised, and income continues at around £360million per annum (excluding the return of some of the Olympic funding in 2014–15). The latest DCMS projections suggest that income will continue at around this level. In view of this and in line with the financial framework (including the balance in the NLDF account) the Board agreed to a budget of £430million in 2015–16, and a slightly lower amount as an indicative budget for the following two years.

Nothing of concern emerged from any of the committees supporting the Board. Reports from both the internal and external auditors were satisfactory.

The Board membership changed in 2014–15, although not as much as in the previous year, with four Trustees leaving their role and three being appointed. Throughout this continued period of turnover of Board membership, the Board has been able to effectively continue with its duties throughout the year.

The Board carried out an interim review of its effectiveness through a self-assessment model. No major areas of concern were highlighted. The Board will carry out a full, facilitated review of effectiveness in 2015–16. The Board are satisfied that they continue to meet the requirements of the 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 concern. The Board therefore believes that it can rely on the information and assurance provided by management for all 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. This helps them to 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 was appraised by the Interim Chair on a regular basis.

### **The governance year**

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

All senior staff have performance agreements set at the beginning of the year, which set out their personal and corporate objectives for the year. These are linked to the Business Plan and our strategy. These are reviewed formally at mid-year and end-year reviews. I also hold informal meetings with directors on a one-to-one basis throughout the year. Management Board meet weekly and directors of departments also meet every two months.

I have seen the management letter prepared by the external auditors following their audit of the financial statements for the year end 31 March 2015.

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

The internal auditors produced a three-year audit strategy. 2014–15 was the first year of this period and all intended reviews were undertaken and completed on time. The programme also contained additional reviews that were undertaken in areas that were not known at the start of the year, such as the Listed Places of Worship: Roof Repair Fund. The annual plan is extracted from the audit strategy and linked into the risk register and risk appetite.

This year we introduced new quarterly liaison meetings with the internal auditors to help monitor progress against plan and redirect resources to emerging risks. We also introduced new controls to improve accountabilities on audit reviews and the implementation of recommendations. These have worked well and will be built upon in 2015–16.

All reports of the internal auditors were discussed by the Audit and Risk Committee with senior members of staff in attendance, including those whose departments were reported upon – this gave 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. These recommendations are tracked and monitored by the Finance and Corporate Services department and the internal auditors. That control list is a standing item on the agenda of the Audit and Risk Committee.

I also require all senior and middle managers to sign annual memoranda of representation to me, detailing their responsibilities and confirming they have carried out these responsibilities in 2014–15. All managers have signed the memorandum and they are aware that I have placed reliance on those assertions in this statement.

From June 2015, I have also introduced a Letter of Delegated Authorities for all directors 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.

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 grant are not adequate.

**Carole Souter**

Chief Executive and Accounting Officer

30 June 2015

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

I certify that I have audited the financial statements of the National Heritage Memorial Fund for the year ended 31 March 2015 under the National Heritage Act 1980. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

## **Scope of the audit of the financial statements**

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

that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

## **Opinion on regularity**

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

## **Opinion on financial statements**

In my opinion:

- i) the financial statements give a true and fair view of the state of the National Heritage Memorial Fund's affairs as at 31 March 2015 and of its Comprehensive Net Expenditure for the year then ended; and
- ii) the financial statements have been properly prepared in accordance with the National Heritage Act 1980 and Secretary of State directions issued thereunder.

## **Opinion on other matters**

In my opinion:

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

**Matters on which I report by exception**

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

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

**Report**

I have no observations to make on these financial statements.

**Sir Amyas CE Morse**

Comptroller and Auditor General

6 July 2015

National Audit Office

157–197 Buckingham Palace Road

Victoria

London SW1W 9SP



## Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

	Notes	£'000	2014-15 £'000	2013-14 £'000
<b>Sundry operating income</b>	3		<b>37</b>	96
New awards made in the year	15	(4,803)		(6,548)
LPOWRRF* awards made in the year	15	(26,404)		0
De-committed awards	15	8		2
			<b>(31,199)</b>	(6,546)
Staff costs	4	(141)		(48)
Depreciation	11	(2)		(2)
Other operating charges	6	(303)		(60)
			<b>(446)</b>	(110)
<b>Operating expenditure</b>			<b>(31,645)</b>	(6,656)
<b>Operating deficit</b>			<b>(31,608)</b>	(6,560)
Profit on the sale of investments	8	1		0
Interest receivable	9	54		48
<b>Non-operating income</b>			<b>55</b>	48
<b>Comprehensive net expenditure transferred to the accumulated fund</b>			<b>(31,553)</b>	(6,512)
<b>Other comprehensive income</b>				
Net gain on revaluation of available for sale financial assets	19		<b>2,885</b>	2,095
<b>Total comprehensive expenditure for the year ended 31 March 2015</b>			<b>(28,668)</b>	(4,417)

\* Listed Places of Worship Roof Repair Fund

The expenditure statement excludes the Lottery distribution activities of NHMF, which are separately reported in the accounts of the Trustees' Lottery distribution activities. All figures shown relate to continuing activities. The notes on pages 49 to 55 form part of these accounts.

## Statement of Changes in Equity for the year ended 31 March 2015

	Fair value reserve £'000	Income and expenditure account £'000
Balance at 31 March 2013	5,710	23,508
<b>Changes in taxpayers' equity in 2013-14</b>		
Net gain on revaluation of investments	2,095	0
Comprehensive net expenditure transferred to the accumulated fund	0	(6,512)
Grant-in-aid from DCMS	0	10,000
Balance at 31 March 2014	7,805	26,996
<b>Changes in taxpayers' equity in 2014-15</b>		
Net gain on revaluation of investments	2,885	0
Comprehensive net expenditure transferred to the accumulated fund	0	(31,553)
Grant-in-aid from DCMS	0	5,205
<b>Balance at 31 March 2015</b>	<b>10,690</b>	<b>648</b>

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

# Statement of Financial Position

## as at 31 March 2015

	Notes	31 March 2015 £'000	31 March 2014 £'000
<b>Non-current assets</b>			
Property, plant and equipment	11	6	6
Long-term financial assets available for sale	12	39,864	36,983
		<b>39,870</b>	36,989
<b>Current assets</b>			
Trade and other receivables	13	3	22
Cash and cash equivalents	10	487	3,081
Cash held in the endowment fund	12	0	0
		<b>490</b>	3,103
<b>Total assets</b>		<b>40,360</b>	40,092
<b>Current liabilities</b>			
Administrative liabilities	14	(291)	(41)
Grant commitments due within one year	15	(28,731)	(5,250)
<b>Non-current assets plus net current assets</b>		<b>11,338</b>	34,801
<b>Non-current liabilities</b>			
Grant commitments due after one year	15	0	0
<b>Assets less liabilities</b>		<b>11,338</b>	34,801
<b>Taxpayers' equity</b>			
Fair value reserve	19	10,690	7,805
Income and expenditure account		648	26,996
		<b>11,338</b>	34,801

This statement excludes balances relating to the Lottery distribution activities of NHMF, which are separately disclosed in the accounts of HLF. The notes on pages 49 to 55 form part of these accounts.

**Sir Peter Luff**  
Chair

**Carole Souter**  
Chief Executive

30 June 2015

## Statement of Cash Flows

for the year ended 31 March 2015

	Notes	2014-15 £'000	2013-14 £'000
<b>Operating activities</b>			
Cash from sundry operating income		55	166
Cash paid to and on behalf of employees		(47)	(48)
Interest received		54	52
Cash paid to suppliers		(146)	(77)
Cash paid to grant recipients	15	(7,718)	(4,206)
<b>Net cash outflow from operating activities</b>	17a	<b>(7,802)</b>	(4,113)
<b>Investing activities</b>			
Capital expenditure and financial investment	17b	(2)	(5,047)
Endowment fund net cash receipts		5	0
<b>Net cash inflow/(outflow) from returns on investments</b>		<b>3</b>	(5,047)
<b>Cash flows before financing</b>		<b>(7,799)</b>	(9,160)
<b>Financing activities</b>			
Grant-in-aid	17c	5,205	10,000
<b>Increase in cash and cash equivalents</b>		<b>(2,594)</b>	840

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

for the year ended 31 March 2015

	2014-15 £'000	2013-14 £'000
Increase in operating cash in the period	(2,594)	840
Cash used to increase liquid resources	0	0
<b>Changes in cash and cash equivalents</b>	<b>(2,594)</b>	840
Cash and cash equivalents at 1 April 2014	3,081	2,241
<b>Cash and cash equivalents at 31 March 2015</b>	<b>487</b>	3,081

The notes on pages 49 to 55 form part of these accounts.

# Notes to the Accounts

## for the year ended 31 March 2015

### I. Statement of accounting policies

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

#### a) Accounting convention

These accounts are drawn up in a form directed by the Secretary of State and approved by the Treasury. They are prepared under the modified historic cost convention. Without limiting the information given, the accounts meet the accounting and disclosure requirements contained in the Companies Act 2006 and the HMT Financial Reporting Manual (FREM), so far as those requirements are appropriate, and accounts' direction issued by the Secretary of State for Culture, Media and Sport in October 2002.

The accounting policies contained in the FREM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The National Lottery Accounts' Direction issued by the Secretary of State specifically excludes the preparation of consolidated accounts.

Copies of the Lottery distribution and grant-in-aid accounts' directions may be obtained from the Secretary to the Board, 7 Holbein Place, London SW1W 8NR.

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

#### b) Government grants

Our grant-in-aid from DCMS is not treated as income. Instead, it is treated as financing because it is regarded as a contribution from a controlling party that gives rise to a financial interest. This is done by making an adjustment to the accumulated income and expenditure account. No allocation is made between grants for revenue and capital purposes.

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

#### c) Non-current assets

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

These lives are as follows:

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

No internally generated costs are capitalised. Depreciation begins in the month after the asset is put into operation.

#### d) Investments

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

#### e) Taxation

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

#### f) Pension

The regular cost of providing benefits is charged to the Statement of Comprehensive Net Expenditure over the service lives of the members of the scheme on the basis of a constant percentage of pensionable pay. Almost all of our staff are members of the PCSPS and the percentage of pensionable pay is notified by the Cabinet Office prior to the start of each financial year. See note 5 for further details.

#### g) Leases

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

#### h) Grant decisions

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

#### i) Allocation of costs and segmental reporting

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

NHMF incurs indirect costs that are shared between activities funded by grant-in-aid and activities funded by The National Lottery. NHMF is required to apportion these indirect costs in accordance with *Managing Public Money*, issued by the Treasury. This cost apportionment seeks to reflect the specific proportion of time and expenses committed to each activity. At the end of the financial year, the proportion of joint costs apportioned to our Lottery distribution activities was 99% (2013–14: 99%).

#### j) Loans

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

### 2. Grant-in-aid

	2014–15 £'000	2013–14 £'000
Grant from DCMS	5,205	10,000

Grant-in-aid in 2013–14 was £10million due to a one-off increase of £5million to compensate NHMF for the zero grant-in-aid of 2011–12.

### 3. Sundry operating income

This comprises:

	2014–15 £'000	2013–14 £'000
Repayments of grant	0	27
Donations and bequests	0	0
Receipts from our investment managers	37	69
	37	96

Receipts from our investment manager represented amounts paid to us by Cazenove (during 2014–15 Schroders re-named its charity investment division Cazenove). It represented the difference between the fee negotiated under our contract with them and the underlying fee charged within the investment vehicle in which they invest – Cazenove's Charity

Multi-Asset Fund. The Multi-Asset Fund used to charge a higher fee rate than that agreed under our contract and so we received a rebate each quarter. Cazenove took its underlying fee from within the Multi-Asset Fund by deducting an amount from the cash balances held within that fund; this obviously impacted upon the value of the individual investment units of the Multi-Asset Fund. In effect, the cost to NHMF of using Cazenove was reflected within the value of its investment units. During the year, Cazenove changed its charging structure and lowered the cost of operating the Multi-Asset Fund. The result is that we no longer receive a rebate. The Multi-Asset Fund invests in a number of unit and investment trusts, all of which will also have management fees built into them.

### 4. Staff costs and numbers

	2014–15 £'000	2013–14 £'000
Salaries	117	38
Employer's NI payments	7	3
Payments to pension scheme	16	7
Temporary staff costs	1	0
	141	48

Additional costs of £10,942,000 have been allocated to Lottery distribution activities and are reflected in those accounts.

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

	2014–15 Number	2013–14 Number
Grant applications	3	2
Finance and corporate services	0	0
Strategy and business development	0	0
Communications	0	0
	3	2

The above figures are disclosed as full-time equivalents. Additionally, an average of 259 permanent staff were employed on Lottery distribution activities.

## 5. Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). 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 and nuvos are increased annually in line with pensions increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. 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. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

There are currently five members of staff with a partnership pension account.

No member of staff retired early on health grounds during 2014–15.

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 and 65 for members of nuvos.

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

New career average pension arrangements were introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members converted to the new scheme. Further details of this new scheme are available at [www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha](http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha)

Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2014–15, employer's contributions of £16,039 (2013–14: £6,865) were paid to the PCSPS at the rates set out in the table below. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

Salary in 2014–15	% in 2014–15
£22,000 and under	16.7%
£22,001–£44,500	18.8%
£44,501–£74,500	21.8%
£74,501 and above	24.3%

## 6. Operating deficit

The operating deficit is stated after charging the following:

	2014–15 £'000	2013–14 £'000
Auditor's remuneration	16	9
Payments under operating leases		
– leasehold premises	68	5
– hire of plant and machinery	0	0

Additional costs of £8,421,000 have been allocated to NHMF's Lottery distribution accounts. As disclosed in note 1 to these accounts, NHMF is required to

**Notes to the Accounts**  
for the year ended 31 March 2015

apportion its costs to its Lottery distribution activities. At the end of the financial year, the proportion of joint costs apportioned was 99%.

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

	2014-15 £'000	2013-14 £'000
Accommodation	72	8
Postage and telephone	2	2
Office supplies, print and stationery	7	5
Travel, subsistence and hospitality	4	1
Professional fees		
– grant-related	10	8
– non-grant-related	177	12
Communications	26	20
Sundry expenses	5	4
	<b>303</b>	<b>60</b>

**7. Income from investments**

	2014-15 £'000	2013-14 £'000
Long-term financial assets available for sale	0	0

Income has fallen to zero following the switch of investment manager from JP Morgan to Cazenove (during 2014-15 Schroders re-named its charity investment division Cazenove) in 2010. JP Morgan mainly invested the endowment fund directly in unit trusts that paid regular dividends to NHMF. On the other hand, Schroders has invested the endowment fund in units in one fund that invests in a wide range of assets. While those underlying assets pay dividends, the main Cazenove fund does not pay dividends as its basic purpose is capital growth. Note 12 has further information.

**11. Property, plant and equipment**

	Short-leasehold property		IT and other equipment		Office fittings		Total	
	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000
Cost at start of year	3	3	13	14	1	1	17	18
Additions	0	0	2	1	0	0	2	1
Disposals	(0)	(0)	(0)	(2)	0	(0)	(0)	(2)
<b>At end of year</b>	<b>3</b>	<b>3</b>	<b>15</b>	<b>13</b>	<b>1</b>	<b>1</b>	<b>19</b>	<b>17</b>
Depreciation at start of year	1	1	9	9	1	1	11	11
Charge for the year	0	0	2	2	0	0	2	2
Adjustment on disposal	(0)	(0)	(0)	(2)	0	(0)	(0)	(2)
<b>At end of year</b>	<b>1</b>	<b>1</b>	<b>11</b>	<b>9</b>	<b>1</b>	<b>1</b>	<b>13</b>	<b>11</b>
Net book value								
At start of year	2	2	4	5	0	0	6	7
<b>At end of year</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>6</b>

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

	2014-15 £'000	2013-14 £'000
Long-term financial assets available for sale	1	0

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

**9. Interest received**

	2014-15 £'000	2013-14 £'000
Bank interest received		
– Barclay's Bank	0	0
– Schroder & Co. Limited	54	48
	<b>54</b>	<b>48</b>

**10. Cash and cash equivalents**

	2014-15 £'000	2013-14 £'000
Instant access		
– Barclay's Bank	24	11
– Schroder & Co. Limited	463	3,070
Seven-day notice		
– Schroder & Co. Limited	0	0
	<b>487</b>	<b>3,081</b>

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

The Trustees have considered the current cost values of property, plant and equipment. A review of the current cost values at 31 March 2015 revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of property, plant and equipment. The value of property, plant and equipment represents a proportionate split of the assets used by both NHMF's grant-in-aid and its Lottery distribution activities. This split is currently 99% Lottery and 1% grant-in-aid.

### Finance leases

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

IT and other equipment:

	2014-15 £'000	2013-14 £'000
Cost at start of year	0	1
Additions	0	0
Disposals	(0)	(1)
<b>At end of year</b>	<b>0</b>	<b>0</b>
Depreciation at start of year	0	1
Charge for the year	0	0
Adjustment on disposal	(0)	(1)
<b>At end of year</b>	<b>0</b>	<b>0</b>
Net book value		
At start of year	0	0
<b>At end of year</b>	<b>0</b>	<b>0</b>

Obligations under these finance leases are:

	2014-15 £'000	2013-14 £'000
Amounts for leases expiring		
– in one year	0	0
– in years two to five	0	0
	<b>0</b>	<b>0</b>

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

NHMF was set up as successor to the National Land Fund. The Trustees believed that, of the initial grant-in-aid that established NHMF, the sum of £10million should be regarded as the residue of the National Land Fund and was to be treated as an endowment fund. They decided to invest it with the aim to maintain its capital value in real terms when compared to the Retail Prices Index. Beyond that, the investment aim is to achieve sufficient growth in real terms to enable NHMF to meet its obligations. To this end, investment in readily marketable financial assets can be made outside the UK. A table below summarises the spread of investments by type and region. The aim is that the surplus value of the endowment fund (the excess over the current value of the initial £10million) can

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

At 31 March 2015, the original £10million investment would be worth £38.9million taking into account indexation – the actual market value is £39.9million including cash held within the endowment.

The endowment fund comprises the following:

	Market value 2014-15 £'000	Book cost 2014-15 £'000
Long-term financial assets	<b>39,864</b>	<b>29,174</b>
Cash	<b>0</b>	<b>0</b>
	<b>39,864</b>	<b>29,174</b>

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

The endowment fund is invested in Cazenove's Charity Multi-Asset Fund (during 2014–15 Schroders re-named its charity investment division Cazenove). The Multi-Asset Fund invests in a range of 30 unit and investment trusts across many asset types and geographic markets. Units in the Multi-Asset Fund are sold to raise funds for grant payments and administrative expenses. This is the reason that the assets are described as 'available for sale'. Trustees have no plans to liquidate the entire endowment fund.

	2014-15 £'000	2013-14 £'000
Cost and net book value		
At start of year	<b>29,178</b>	24,132
Additions	<b>0</b>	5,046
Disposals	<b>(4)</b>	(0)
<b>At end of year</b>	<b>29,174</b>	29,178
Net book value		
Listed on the		
London Stock Exchange	<b>0</b>	0
Unlisted investments	<b>29,174</b>	29,178
	<b>29,174</b>	29,178
Cost	<b>29,174</b>	29,178
Market value	<b>39,864</b>	36,983
Unrealised gain	<b>10,690</b>	7,805

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



**Notes to the Accounts**  
for the year ended 31 March 2015

An analysis of investments at the year end, was:

	2014-15 %	2013-14 %
Bonds	3	5
UK equity	36	40
Europe equity (excluding UK)	7	3
North America equity	3	5
Japan and other Asian equity	8	4
Emerging market equity	5	3
Global equity funds	6	6
Property	10	9
Absolute return/hedge	16	18
Infrastructure	2	1
Cash	1	3
Commodities	3	3
	<b>100</b>	<b>100</b>

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

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

	2014-15 £'000	2013-14 £'000
Repayment of grant	0	0
Prepayments and accrued income	3	22
	<b>3</b>	<b>22</b>

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

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

	2014-15 £'000	2013-14 £'000
Operating payables	61	1
Other payables including taxation and social security	152	4
Accruals and deferred income	78	36
	<b>291</b>	<b>41</b>

None of the liabilities of NHMF was secured. Of the above amounts for operating and other payables, £152,000 was payable to central government bodies (2013-14: £4,000).

### 15. Grant commitments

	2014-15 £'000	2013-14 £'000
At start of year	5,250	2,910
Grants paid in the year	(7,718)	(4,206)
Commitments created in the year	4,803	6,548
LPOWRRF* commitments created in the year	26,404	0
De-commitments	(8)	(2)
<b>At end of year</b>	<b>28,731</b>	<b>5,250</b>

\* Listed Places of Worship Roof Repair Fund

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

	2014-15 £'000	2013-14 £'000
In one year	28,731	5,250
In two to five years	0	0
	<b>28,731</b>	<b>5,250</b>

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

	2014-15 £'000	2013-14 £'000
Balances owing to		
– central government	750	3,967
– local authorities	345	0
– other bodies	27,636	1,283
	<b>28,731</b>	<b>5,250</b>

## 16. Commitments

The total outstanding commitments under operating leases are as follows:

	2014-15 £'000	2013-14 £'000
Short-leasehold property		
– expiring in one year	0	0
– expiring in years two to five	0	0
– expiring thereafter	81	76
	<b>81</b>	<b>76</b>

In addition, short leasehold property lease commitments of £9,847,000 (2013-14: £9,721,000) have been charged to NHMF's Lottery distribution activities and are disclosed in those accounts. There was a rent review at our London office this year and the result was an increase to our rent from £725,000 per annum to £850,000. The share applicable to NHMF's exchequer-funded activities is shown above.

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

## 17. Notes to the Statement of Cash Flows

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

	2014-15 £'000	2013-14 £'000
Operating deficit	(31,608)	(6,560)
Interest receivable	55	48
Add back non-cash items		
– depreciation	2	2
– movement in provisions	0	0
– increase in grant commitment reserve	23,481	2,340
Decrease/(increase) in receivables (excluding capital and investments)	19	61
Increase/(decrease) in non-capital payables	249	(4)
Net cash outflow from operating activities	<b>(7,802)</b>	<b>(4,113)</b>

b) Capital expenditure and financial investment

	2014-15 £'000	2013-14 £'000
Payments to acquire		
– property, plant and equipment	(2)	(1)
– intangible fixed assets	(0)	(0)
– long-term financial assets available for sale	(0)	(5,046)
Receipts from sales of		
– property, plant and equipment	0	0
– long-term financial assets available for sale	5	0
	<b>3</b>	<b>(5,047)</b>

c) Analysis of changes in net funds

	At 1 April 2014 £'000	Operating cash flows £'000	Grant-in-aid £'000	31 March 2015 £'000
Cash at bank	3,081	(7,799)	5,205	<b>487</b>

## 18. Related-party transactions

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

In May 2011, the Committee on Climate Change (CCC) signed an underlease for most of the first floor of NHMF's offices, at 7 Holbein Place, London. CCC is a non-departmental public body that is jointly-sponsored by the Department of Energy and Climate Change, DEFRA, the Scottish Government, the Welsh Assembly Government and the Northern Ireland Executive. This underlease is for approximately 13 years and will result in rental payments to NHMF totalling £1.9million. In addition, CCC will make contributions towards the cost of running Holbein Place of approximately £70,000 per annum at 2014-15 price levels. At 31 March 2015, we owed CCC around £3,760 for over-claimed service charges, most of which is reflected in the accounts of NHMF's Lottery distribution activities.

Trustees and expert panellists are required to declare their connection at the start of each meeting and absent themselves from any part of that meeting where that grant application is discussed. They take no part in the decision as to whether a grant is awarded or any subsequent decision made about the grant. There are strict rules on the circumstances in which Trustees and panellists can accept paid work from a grantee. Therefore, Trustees are satisfied

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

One member of the NHMF Panel, which advises Trustees on the merit of grant-in-aid applications received, had an interest in an award that the Fund made in 2014-15 out of Lottery-derived funds.

### *Saxthorpe Parochial Church Council*

*A grant of £6,900 – Who were the Fallen of Saxthorpe and Corpusty?*

Merlin Waterson declared a conflict of interest as he was a church warden at Saxthorpe Church, which was part of the Saxthorpe Parochial Church Council.

There were no other commercial transactions in which Trustees or staff had a material interest or influence. Details of interests in other Lottery grants are set out in the accounts of the Lottery distribution activities of NHMF.

In 2014-15, there will also have been related-party transactions, in the form of grant payments, relating to awards made and disclosed in previous years. As those related-party transactions have been previously disclosed, they are not repeated here.

## 19. Fair value reserve

	2014-15 £'000	2013-14 £'000
At start of year	7,805	5,710
Movement in the year	2,885	2,095
<b>At end of year</b>	<b>10,690</b>	<b>7,805</b>

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

## 20. Financial instruments

Full disclosure under IFRS 7, 'Financial Instruments: Disclosures', is in the Strategic Report.

## 21. Statement of losses

NHMF made no losses during the year (2013-14: £0).

## Disclosure of Investments

### The investment of the endowment fund

The Trustees regard a £10million lump sum given to the National Heritage Memorial Fund in 1980 as an endowment to be occasionally used alongside its grant-in-aid to help save the UK's heritage. The endowment fund is invested in order to maximise the return over the long term. Investment management is out-sourced to specialist fund managers following a tendering exercise. NHMF has been using Schroders since 2010 and the entire endowment fund is invested in Schroders' Charity Multi-Asset Fund. The Charity Multi-Asset Fund is a common investment fund established and approved by the Charity Commission. During 2014–15, Schroders merged with Cazenove Capital Management and now use that name for their charity investment management business.

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

comprises two Trustees and three independent financial experts. The Panel meets with Cazenove twice a year to discuss their performance.

The Board recognises that there can be public interest in disclosure of the investments being made and sets out details of them below. The Charity Multi-Asset Fund invests in a large number of investment trusts and other types of investment most of which are regularly buying and selling assets. The information below was correct at 31 March 2015 and will be updated annually.

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

### Charity Multi-Asset Fund Investment Selection

<b>UK Equities</b>	<b>36.0%</b>
Schroder Charity Equity Fund	5.4%
Old Mutual UK Alpha Fund	7.1%
Aberdeen Foundation Growth Fund	6.3%
Artemis UK Special Sits Fund	4.5%
Majedie UK Equity Fund	7.0%
Troy Trojan Income Fund	5.7%
<b>Global Equities</b>	<b>6.4%</b>
Schroder QEP Global Active Value Fund	3.8%
Schroder QEP Global Quality Fund	2.6%
<b>European Equities</b>	<b>6.8%</b>
Schroder European Alpha Plus Income Fund	2.9%
Jupiter European Special Situations Fund	2.4%
Argonaut European Alpha Fund	1.5%
<b>US Equities</b>	<b>2.7%</b>
Vanguard S&P 500 ETF	2.7%
<b>Asian Equities</b>	<b>4.1%</b>
Schroder Asian Alpha Plus Fund	4.1%
<b>Japanese Equities</b>	<b>3.3%</b>
Schroder Tokyo Fund	3.3%
<b>Emerging Market Equities</b>	<b>5.0%</b>
Schroder Global Emerging Mkt Fund	5.0%
<b>Total Equities</b>	<b>64.3%</b>

<b>Property</b>	<b>10.4%</b>
Henderson Property Unit Trust	4.3%
Property Income Trust for Charities	4.4%
Ignis UK Property Fund	1.7%
<b>Absolute Return*</b>	<b>16.1%</b>
Ruffer Total Return Fund	4.2%
Troy Trojan Fund	4.1%
SISF Emerging Mkt Debt Absolute Return Fund (£)	2.1%
SISF Emerging Mkt Debt Absolute Return Fund (\$)	2.9%
Majedie Tortoise Fund	2.8%
Opus Multi-Strategy Hedge Fund Note	0.0%
<b>Infrastructure</b>	<b>2.2%</b>
3i Infrastructure	0.8%
HICL Infrastructure	0.7%
International Public Partnerships	0.7%
<b>Commodities</b>	<b>2.4%</b>
JPMorgan Natural Resources Fund	0.8%
Schroder Commodity Fund (£)	1.6%
<b>Total Alternatives</b>	<b>31.1%</b>
<b>Bonds</b>	<b>3.3%</b>
AXA US Short Duration High Yield Fund	3.3%
<b>Cash</b>	<b>1.3%</b>
Cash	1.3%
<b>Total Cash &amp; Bonds</b>	<b>4.6%</b>

Source: Cazenove 31 March 2015

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



# Chair, Trustees and Management

## Chair and Trustees of NHMF

### Chair

Sir Peter Luff  
from 30 March 2015

Dame Seona Reid <sup>2</sup>  
Interim Chair from 1 September 2014  
to 29 March 2015

Dame Jenny Abramsky <sup>2</sup>  
until 31 August 2014

### Trustees

Manon Antoniazzi  
to 11 January 2015

Sandie Dawe <sup>1</sup>

Angela Dean <sup>1</sup>

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

Jim Dixon <sup>1</sup>  
from 1 October 2014

Kim Evans <sup>2</sup>  
to 21 July 2014

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

Perdita Hunt <sup>2</sup>  
from 22 July 2014

Hilary Lade <sup>2</sup>  
to 30 September 2014

Steve Miller

Richard Morris

Atul Patel <sup>2</sup>

Virginia Tandy

Tom Tew

## Management Board

### Chief Executive

Carole Souter <sup>2</sup>

Robert Bewley  
to 31 December 2014

Eilish McGuinness  
from 1 January 2015

Judith Cligman

Robin Seedhouse  
from 1 April to 9 June 2014

Colin Bailey  
from 9 June 2014

<sup>1</sup> Member of Audit and Risk Committee  
<sup>2</sup> Member of Finance, Staffing and Resources  
Committee (which also covers remuneration)

## NHMF investment panel

Sarah Bates

Simon Fraser

Sir Laurie Magnus

## NHMF advisory panel

Brian Allen

Janet Barnes

Tim Knox

Richard Ovenden  
until 31 December 2014

Geoff Pick  
from 1 January 2015

James Stourton

Merlin Waterson

Leslie Webster

## NHMF team

### Head of NHMF

Fiona Talbott  
020 7591 6008

### Senior Grants Officer

Vanessa Wells  
020 7591 6115

### Grants Officer

Suzanne Baker  
020 7591 6068

### Email

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## National Heritage Memorial Fund

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### Telephone

020 7591 6000

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### Textphone

020 7591 6255

### Website

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

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