



National Heritage Memorial Fund

Annual Report and Accounts 2022–2023
For the period 1 April 2022 to 31 March 2023

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Saving the UK's greatest treasures

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

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

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

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Foreword by Dr Simon Thurley CBE

Chair of the National Heritage Memorial Fund

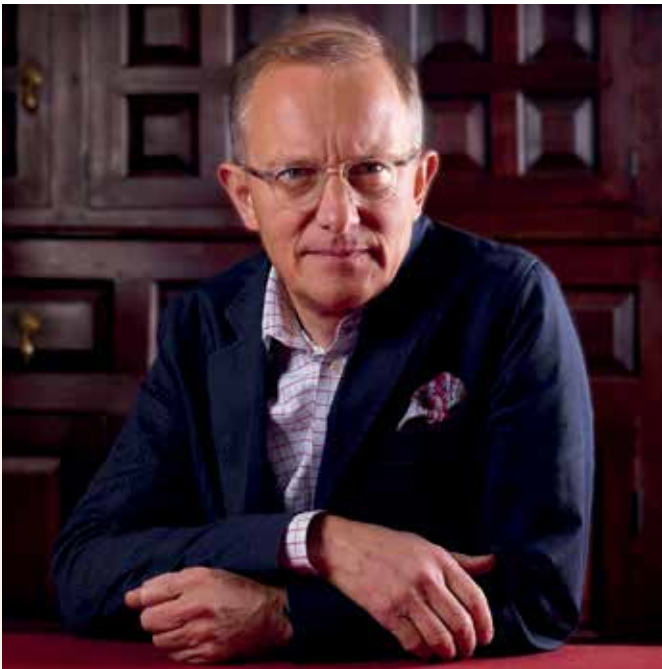
The National Heritage Memorial Fund plays a crucial role in national life, acting as the funding source of last resort for outstanding national heritage at risk. Our grants secure heritage for the future acting as a memorial to those who have given their lives for the country. Our definition of heritage is broad and we have provided grants, this year, for everything from manuscripts to ships, from treasure to castles.

We were delighted to play a part in bringing the Herefordshire Hoard home. The story of this extraordinary cache, which lay undisturbed for over a thousand years, is helping to reshape the way we understand Anglo Saxon England. Our grant supported its acquisition for the Hereford Museum and Art Gallery, where these wonderful objects will be displayed in a newly renovated permanent gallery.

This year we funded the acquisition of a number of remarkable scientific treasures. We helped the Herschel Museum of Astronomy in Bath acquire the handwritten memoirs of astronomer Caroline Herschel, saving them from potential export, keeping them in Herschel's former home and giving a voice to this remarkable female scientist. We supported the purchase of the Buckland Archive that was at risk of dispersal. Oxford University Museum of Natural History now has over 1,000 items that represent both William and Mary Buckland's ground-breaking palaeontological work and enrich its existing archive.

We also continued to invest in the NHMF COVID-19 Response Fund, a £40million fund to safeguard nationally important heritage at risk due to the impact of the pandemic. This fund combines the Cultural Assets Fund: a £20million allocation secured from government for distribution to outstanding heritage assets within England, along with an additional commitment from the NHMF endowment of £20million enabling a balance of funding for exceptional heritage across the UK.

Through this fund we helped English Heritage carry out emergency repairs to Hurst Castle, one of a string of forts stretching from Hull to Milford Haven that formed a vital part of England's defence from the Tudor period until the mid-20th-century. The fund also supported essential works at the Royal Gunpowder Mills, Waltham



“ The NHMF plays a crucial role in national life ... we have provided grants, this year, for everything from manuscripts to ships, from treasure to castles.”

Abbey, safeguarding the earliest and most important gunpowder incorporating mill on the site and enabling public access to be reinstated.

The most significant NHMF application considered in this financial year was the National Portrait Gallery's application for funding to support its campaign to acquire Sir Joshua Reynolds' Portrait of Mai. This is an outstanding work from one of the UK's most eminent painters. We made a substantial grant – one of the largest NHMF has given for a painting – that enabled the National Portrait Gallery to acquire it in equal partnership with the Getty Museum. The Portrait has stimulated great public interest and will form a centrepiece of the newly refurbished gallery. We are proud to have supported its acquisition. Our financial commitment for this decision will be made next year so the Annual Report for 2023–2024 will detail the acquisition in full.

The NHMF remains a vital fund when heritage assets face emergencies. With an increasing number of applications and limited funds the sound judgement of staff, members of our NHMF Advisory Panel and trustees has, as always, been invaluable. I would like to thank panel members, advisors and our team for supporting the trustees to continue their work of protecting and enriching our national collections.

Dr Simon Thurley CBE
Chair of NHMF

NHMF projects

Overview

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



HMS Victory model

National Museum of the Royal Navy £247,000



“HMS Victory symbolises British naval power; she is also a beacon of world-leading historic ship conservation. NMRN is proud to have worked with the NHMF, the Society for Nautical Research and the HMS Victory Preservation Endowment Fund to safeguard the model and reinforce the link between Navy and Nation.”

Professor Dominic Tweddle
Director General of the National
Museum of the Royal Navy

A 1:48 scale model of HMS Victory was made during Victory's large repair at Chatham dockyard from 1800 to 1803. It's the only known contemporary model of Admiral Nelson's flagship. It shows the vessel before the Battle of Trafalgar and some elements of re-fit that were never completed.

Victory is a highly significant ship. It first saw active service in the War of American Independence. It was subsequently involved in the Siege of Toulon, fought at the Battle of Cape St Vincent, and was converted into a hospital ship before being recommissioned for Vice-Admiral Nelson. In 1805 it was Nelson's flagship at the Battle of Trafalgar, one of the most famous battles in British naval history.

The model was sold by auction at Sotheby's in July 2022, with NMRN then being offered the chance to secure it in a private sale. With the help of £247,000 of NHMF funding, it will be displayed alongside other artefacts which tell the story of the Battle of Trafalgar. It will also give NMRN experts the chance to compare archive records, the model, and the vessel concurrently, providing unique insights into HMS Victory's history.



Memoirs of Caroline Herschel

The Herschel Museum of Astronomy,
Bath

£33,000

A trailblazer for women in science in the UK, Caroline Herschel (1750–1848) was the first woman on record to discover a comet, to have a paper read at the Royal Society and to be hired by the government as a scientist.

She moved from Hannover to Bath in 1772 to join her brother William Herschel (1738–1822) and train as a singer. He later became a renowned astronomer, while she discovered eight comets and 14 nebulae, contributed to many astronomy catalogues and was awarded the Royal Astronomical Society’s gold medal in 1828.

Caroline wrote her memoirs when she was 86. They recall her childhood to her early days in Bath and this draft

contains material and personal reflections not included in the final published versions.

Most Herschel material is in private ownership and acquisition opportunities are rare. Using £33,000 of NHMF funding, this manuscript has been acquired by the Herschel Museum of Astronomy in Bath, the Herschels’ home and where Caroline received her first education in astronomy.

The memoirs will be used to inform a reinterpretation of the house and to inspire activities for schools, families and community groups. It will also be digitised.



“By securing this object and putting it on display in Caroline and William’s former home, visitors will be able to directly engage with Caroline’s story through her own words. This acquisition will fundamentally enhance our ability to tell the story of Caroline Herschel and her globally significant role in science.”

Claire Dixon
Director of Museums for
Bath Preservation Trust



18
 In the course of the summer a Tube of the
 small 20 ft Newtonian Telescope with a
 Mirror of 12 inch dia. was made
 by my Brother Alexander frequently put
 in the labours and Mechanical contrivances
 and where strength and courage was required
 he was always foremost to lend his assistance
 force and even yet I should ~~add~~ ^{re-}
 collecting the dangerous situation ^{was}
 was in when the Gages of the 20 ft Mirror
 were struck standing at the top of one of
 the short supporting posts ^{which} ^{was} ^{at}
 at full stretch he was going down the straight
 line. But however I could not help feeling
 some uneasiness about my future prospects, for
 all the time my Brother could spare from his business
 and attending on his Scholars was com-
 pletely filled up with Optical and Mechanical
 works as well as the fine night work of grinding
 the Heavens, so that I could not hope for re-
 ceiving any lessons or directions in my pro-
 fession.

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 or even the comfort of his society by
 without then called upon for assisting him
 in the workroom where when I was not
 otherwise employed I used whilst he was
 at the turning of the or pointing mirrors to
 read to him - Don Quixot, the Arabian Nights
 Horrid Fictions & Novels - serving Tea
 and Supper without interrupting the work
 with which he was engaged. In this manner
 his part of the summer was spent without any
 change, but when our Landlady with her two
 Daughters came to take Tea with us Miss Whalley
 was a very handsome girl and looked upon as
 the Bride of Alexander, but it was soon found
 that she had more than one favoured lover and
 poor Alex. was pined again, and went soon
 after to forget his disappointment in business to
 which he was engaged for the rest of the summer.
 Being now so interrupted I applied each
 moment I could find in publishing by myself the
 given rules, for health was seldom thought of.
 My Brother Alexander was very kind to
 send me some Daughters and I had
 the same with me to be sure to see the letter

24
 printer to be bid high enough, and nothing was
 published.
 In such a household as this my Mother felt often
 impatient at missing my assistance in the Kitchen
 during the additional hours I was attending at
 School by way of preparation against my Confirma-
 tion by Brother Alexander too - was now released
 from his Pilgrimage and came to Hanover (for the present)
 in Condon by the Stadt-musicus, where he had
 little else to do but to give a daily Lesson to an Ap-
 prentice and to blow an Organ from the Markt-Turm.
 So that nearly all his time could be given to Prae-
 tice and receiving daily Instruction from his
 Father in order to recover what was lost by
 time and to perfect him for an First-rate Violin
 Player.
 It may easily be supposed that my Father
 could not be very happy when feeling his health
 daily declining, and no prospect of any one
 of his children capable or even willing to
 keep themselves. And knowing that a constant
 Correspondence in English (of which he could of
 course not to a particular) was kept up between my
 two eldest Brothers * He could not help feeling conso-
 lated by the subject of these Letters was a ^{new} Theory on which
 the title of which for want of time is left unpublished in
 my Brothers Library.

25
 worried about his absent son, with whom it was now
 full 7 years since their distressing parting in the
 Camp near Husterbeck; and it was not till after
 the visit he made us in 1764 when my poor Father
 was released from this anxiety by the description
 of his then present situation (at least in York-shire)
 and his future prospects.
 Of the joys and pleasures which all felt at this
 long wished for meeting with my Father (my dear
 dearest Brother); But a small portion could fall
 to my share; for my constant attendance at
 Church and School, besides the time I was employ'd
 in doing the duty of a schooler, it was but del-
 don I could make one in the groups when the
 family were assembled together.
 On the day before my Brothers arrival viz 1764
 April 18th. it happened to be an Eclipse of the Sun
 which we were all assembled to observe in the courtyard
 ten staves around a Tub of water, where my Father
 explained the Phenomenon to us.
 Monday the 2^d at noon we were much happy at
 the sight of the dear Traveller, each enjoying the visit
 according to their own feeling. Alexander was (after having
 blown his Organ at 11th from the Markt-turm) introduced
 * See James Fergussons Astronomy page 261.

Two Ladies

Compton Verney

£154,600



Two Ladies is a rare 17th century allegorical portrait depicting a black woman and a white woman with a number of cosmetic patches on their faces. The painting is unsigned and thought to have been completed around 1650. It was passed down through a family and its existence only came to light when it was put up for auction in 2021 and bought by the Yale Center for British Art in Connecticut, USA. It has never been researched and remains an unknown quantity.

Compton Verney, an award-winning art gallery in Warwickshire, launched a campaign to acquire the painting when its export was deferred by the government to give UK institutions the chance to secure it. The gallery proposed a research partnership with Yale. The partnership enables Yale to carry out analysis and restoration at its Institute for the Preservation of Cultural Heritage, while Compton Verney’s curatorial team will participate in a Yale fellowship research project to increase the understanding of this genre of British art.

Acquired with an NHMF grant of £154,600, the painting will return to Compton Verney for long term display. Accessible engagement materials for schools will be developed as will community projects, with particular reference to diaspora communities resident in the West Midlands.



“Compton Verney is delighted to acquire such an important work and is excited to be collaborating with Yale on a shared research project to further understand its historical significance and context. We would like to thank NHMF and V&A Purchase Grant Fund for their support.”

Abigail Viner
 Director of Creative Programming & Engagement, Compton Verney

The Ilay-Glynne Dial by Richard Glynne

National Museums Scotland

£135,000



“We are delighted that this magnificent instrument, from the cabinet of an important and powerful Scottish aristocrat, can now be acquired by the museum and put on display. The dial will be a focus for new research and interpretation, fully revealing its scientific and cultural significance.”

Dr Rebekah Higgitt
Principal Curator of Science,
National Museums Scotland

The Ilay-Glynne Dial is a beautiful 18th century timepiece and scientific instrument that allows the accurate telling of time by measuring the position of the Sun. It includes a compass and zodiacal calendar, and decoration.

It was made by Richard Glynne, one of the most prestigious mathematical instrument makers of the early-18th century. His customer was the Earl of Ilay, later 3rd Duke of Argyll, one of 16 Scottish peers to sit in the House of Lords following the Act of Union, who later became so politically powerful he was nicknamed “The King of Scotland.”

The dial is of outstanding scientific, aesthetic and cultural significance and was at risk of sale on the open market. With the help of £135,000 of NHMF funding, it will now be displayed in the Spirit of the Age gallery at the National Museum of Scotland in Edinburgh. It will help tell the story of how Ilay’s interests and patronage helped lay the foundations of the Scottish Enlightenment.

National Museums Scotland (NMS) sees the dial as a star object, which combines intellectual and material history and helps tell new stories about Scotland’s cultural development after the Act of Union. Given Ilay’s interests and activities, it will also enable further interpretation of colonial histories and their legacies, as well as explorations of the importance of precision, astronomy and time.

The Lute Manuscript

University of Edinburgh

£73,100

The Lute Manuscript is a rare 400-year-old volume once owned by Arnold Dolmetsch, one of the founders of the Early Music movement. Made in Bavaria in about 1620 and still in its original binding, it has been important to lute scholarship for over a century.

Written in French lute tablature – an early notation with similarities to modern guitar tabs – the music is international, including pieces by French, Italian and British composers. There are 320 works, 89 of which are not found in any other manuscript.

This is one of the most important surviving sources of music for the lute, a very popular instrument in the 1600s and 1700s. At risk of being sold abroad, the UK government imposed an export bar on the book to give UK institutions the chance to secure it. Thanks to a £73,100 contribution from NHMF, this precious volume has been saved for the UK.

The manuscript will be conserved, catalogued and digitised by the University of Edinburgh, ready to be used in research and teaching. Its music will be performed in concerts held at St Cecilia's Hall, Edinburgh – Scotland's oldest concert venue.



“The Lute Manuscript will enrich students’ and visitors’ understanding of how music has played a huge part in our lives throughout history. To have compositions performed on the instruments for which they were written offers amazing insights into compositional and performance practices that inspire musicians of today in many different ways.”

Dr Jenny Nex

Curator and Lecturer in Musical Instruments, Edinburgh University





The John Galsworthy Archive

The British Library

£150,000



Writer and playwright John Galsworthy (1867–1933) was one of the most popular and influential literary figures of the early-20th century and a winner of the Nobel Prize for Literature. This archive is the largest surviving collection of his papers. It includes letters from his literary contemporaries, autograph manuscripts of his novels and plays, and volumes of his diaries.

In both his private life and published works, Galsworthy was concerned with the English class system and the social injustice it engendered. He used his writing to campaign for racial equality, women’s rights, prison reform, animal welfare and against censorship. He is chiefly remembered for the Forsyte Saga, a series of novels depicting the lives of an upper middle class English family.

The archive was acquired with the help of £150,000 of NHMF funding. The British Library will fully catalogue it and provide research access in perpetuity. Documents from the archive will be displayed in the Library’s Treasures Gallery and selected digital copies

will be published on its learning platform ‘Discovering Literature’. The library has an active public programme in the field of literature and theatre and regularly lends items from its collections to external exhibitions.



“The archive of John Galsworthy is a major resource for the study of literature and theatre in the first decades of the 20th century. I’m very pleased that it will now be permanently available for research and study in the UK.”

Dr William Frame
Head of Modern Archives
& Manuscripts,
The British Library

Northern Ireland Motorcycle Racing Collection

National Museums NI

£90,000



“We are delighted these motorcycles are becoming part of the national collection. There is a significant appetite for motorcycling in Northern Ireland, so I’ve no doubt this news will be welcomed by the wider public. I would like to thank National Heritage Memorial Fund for making this exciting acquisition possible.”

Kathryn Thomson
Chief Executive of
National Museums NI

Consisting of seven road racing motorcycles dating from the 1970s to the 2010s, this collection represents the Northern Irish sport of motorcycle road racing. The bikes are connected to some of the most important Northern Irish road racing champions of all time, including Joey Dunlop who won the Ulster Grand Prix 24 times in his career. The motorcycles are also considered to be of outstanding interest as each bike is unique, having been modified to be bespoke to its rider.

Road racing is a significant sport in Northern Ireland, which is one of the few countries in the world that holds races on public roads. The North West 200 is considered the largest annual sporting event in Northern Ireland attracting over 150,000 spectators every year. Yet, National Museums NI did not hold any examples of racing motorcycles in its collection.

With the help of £90,000 of NHMF funding, the collection will be accessioned into National Museums NI's permanent collection and cared for by its conservation team. The motorcycles will be displayed in the Ulster Transport Museum.



The Herefordshire Hoard

Herefordshire Museum Service

£456,250

In the summer of 2015, rumours of a spectacular but undeclared discovery were circulating among the UK's close-knit metal detectorist community. Then photos of rare coins were posted in an online detectorists' forum.

When similar coins were put up for sale at a London auction house, alarm bells rang. Two detectorists' houses in South Wales were raided and photos of treasure, still half-buried in a field near Leominster, Herefordshire found. These showed around 300 coins, though police could only recover 29.

The recovered items, now known as The Herefordshire Hoard, were declared "treasure", allowing a UK institution to raise funding to acquire it. The hoard includes a gold arm ring with beast head clasp, a pendant made from a sphere of polished rock crystal in a gold frame and a massive gold octagonal finger ring with black inlay.

The treasure was likely buried around AD 878 as part of a high-status Viking hoard. The coins alone rewrite the history of Britain in this period: reflecting a more equal relationship between the kingdoms of Mercia and Wessex than that depicted in King Alfred's Anglo-Saxon Chronicles. As one of the most significant early medieval treasures ever found in Britain, a grant from NHMF of £456,250 (of which £402,800 was claimed) has helped acquire the hoard which will eventually go on display at Hereford Museum and Art Gallery and will be seen in a series of public open days in 2023 at the Museum Resource & Learning Centre in Hereford.



Facing page:

Crystal pendant
5th–7th century

Octagonal gold finger ring
9th century

Below:

Gold bracelet 9th century

Ceolwulf II of Mercia silver
penny 9th century



“The campaign to acquire the hoard created a connection with the county’s history for many. It is heart-warming to hear people talk about the hoard with such love and interest – it has truly caught the imagination of Herefordians. We are grateful for the support of NHMF in helping to bring the hoard home.”

Damian Etheraads
Museum and Art Gallery Lead,
Herefordshire Council



Urgently conserving RRS Discovery

Dundee Industrial Heritage Ltd

£1,000,000



“We’re incredibly grateful to the NHMF for its continued support of these works, which are becoming increasingly urgent. The RRS Discovery is Dundee Heritage Trust’s number one priority and these works are the first step in securing the ship’s long-term future.”

Emma Halford-Forbes
Heritage & Exhibitions Director,
Dundee Heritage Trust

The Royal Research Ship Discovery is of preeminent importance in the UK’s maritime history. It was built in Dundee and designed for scientific research and to withstand being frozen in ice during the 1901–04 British National Antarctic expedition led by Captain Scott. The expedition charted the coast of Antarctica, discovered a tectonic plate boundary and aided the study of whales. The ship had a varied career until it was returned home in 1986 to serve as a place of education and entertainment.

Emergency repairs to the ship, supported by NHMF, were planned to start in 2021, but the work was delayed due to extended COVID-19 restrictions, which also presented challenges in securing contractors, as did the specialist nature of the works. Meanwhile the cost of timber, the principal repair material, rose steeply, and delay allowed the decay of the vessel to progress.

NHMF committed additional NHMF funding of £1,000,000 to enable the most urgent deck repair, stern longitudinal replacement, painting, recaulking and antifouling. This represents the essential first phase of repairs, which will stabilise the vessel while funds are raised for further works.



The medals of Squadron Leader Arthur Scarf VC

Royal Air Force Museum

£390,000



The medals awarded to Squadron Leader Arthur Scarf for his bravery and wartime service include the Victoria Cross as well as a 1939–45 Star, Defence Medal, War Medal 1939–45, and a Pacific Star. The medals were on loan and displayed by the RAF Museum for 40 years before they were withdrawn for sale by the owner.

This group is of outstanding historic interest, particularly the VC, which was the only one awarded to a member of the RAF for actions in the South-East Asian theatre during the Second World War.

The medals risked being lost to the nation after being sold at auction to an overseas buyer and the government imposed an export bar on the medals to give UK institutions the chance to secure them. NHMF stepped in and awarded the RAF Museum £390,000 to assist its bid to keep this national treasure in the UK. The RAFM will initially display the group in its introductory gallery. It will then be moved into an exhibition space, at the heart of the museum, with aircraft related to the Far East theatre of the Second World War. This is a part of that conflict in which the role of the Royal Air Force is traditionally underrepresented.



“Our campaign to save Arthur Scarf’s Victoria Cross and medal bar from being exported was a huge priority for us as it represented an important and underrepresented narrative of the RAF’s heroism in the Far East. Being able to share this historically significant and personally moving story for future generations to learn from and be inspired by is both a privilege and a joy.”

Maggie Appleton MBE
Chief Executive Officer,
RAF Museum

The Buckland Archive

Oxford University
Museum of Natural History

£224,450



“The museum’s acquisition of a large collection of Buckland papers from private hands is a game-changer for historians of science and others with an interest in the histories of gender, class, and colonialism. Combined with the already large and diverse Oxford collections, the new materials will confirm OUMNH as the epicentre for future research.”

Eliza Howlett
Head of Earth Collections,
Oxford University Museum
of Natural History



William Buckland (1784–1856) was a hugely influential figure in academia, politics, science and religion. He was the first person to name and describe a fossil dinosaur (Megalosaurus), and his research laid the foundations of palaeoecology – the study of ecosystems across time. Buckland’s wife Mary (née Morland) (1797–1857) was also a highly respected fossil collector, palaeontologist and scientific illustrator.

The Buckland Archive was at risk of dispersal by a sale on the open market. NHMF contributed £224,450 of funding to safeguard the archive. Oxford University Museum of Natural History has acquired the collection of over 1,000 Buckland items including letters, notebooks, family papers, prints and artworks, that represent both William and Mary. These will enrich the museum’s existing Buckland archive and add significantly to the understanding of the Bucklands’ life and work.



From left to right:

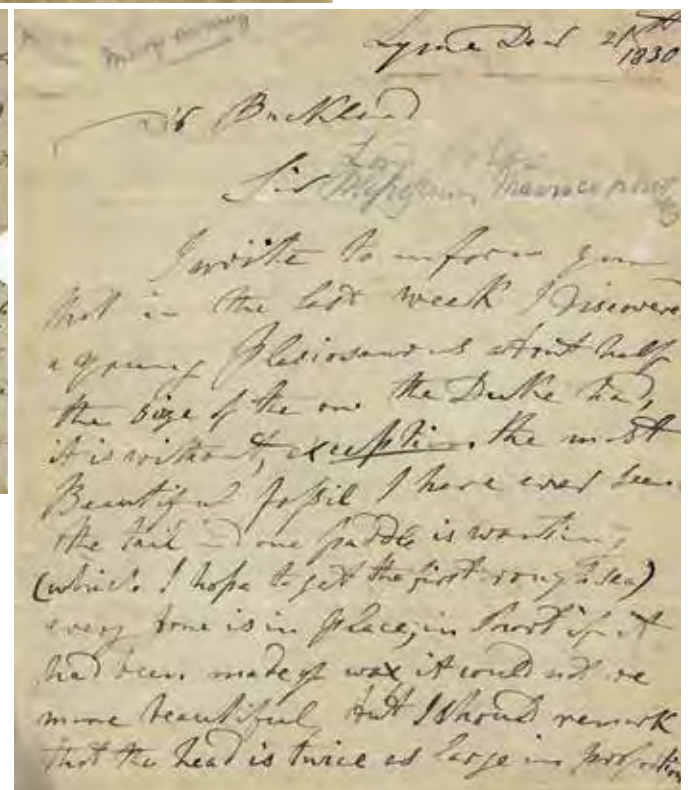
Portrait of William Buckland

Mary Morland, watercolour of a cuttlefish, c. 1817, from her notebook of specimens

Mary Morland, watercolour of *Dipus canadensis* (a jumping mouse from Canada) c.1817, from her notebook of specimens

Thomas Sopwith, watercolour of William Buckland inspecting a rock formation in Snowdonia, October 1841

Signed letter from Mary Anning to William Buckland, 21 December 1830, informing him of a plesiosaur skeleton she had recently discovered



Evidence from the archive provides detailed insight into the thinking and institutions of the early-19th-century, a time when science and theology often gave different explanations for natural phenomena. The archive also includes original artworks, including a rare, coloured version of the lithograph based on Henry de la Beche's drawing 'Duria Antiquior' – the first pictorial representation of a scene of prehistoric life based on fossil evidence – and a rare portrait of Buckland in the field.





Panoramic Landscape with Cornfields and Dunes beside the Sea by Jacob van Ruisdael

Norfolk Museums Service

£122,628

Jacob Van Ruisdael (1628/9–1682) was the most influential classical Dutch landscape painter of the 17th century. This painting exemplifies his later style, showing low-lying fields, a windmill, houses, coastline, small boats and a few figures, underneath an immense cumulus cloud filled sky. It is critically acknowledged as one of his finest later works.

The painting also has a strong regional link with Norfolk, having been part of one of the county's great art collections. It was offered under a hybrid Acceptance-in-Lieu agreement, which enables museums to acquire at a tax reduced price. With £122,628 of NHMF funding, Norfolk Museums Service (NMS) was able to acquire a painting that illustrates the development of art and collecting in 19th century Norfolk.

NMS wishes to put it on permanent display in Norwich Castle Museum and Art Gallery, in a room dedicated to the influence of Dutch Golden Age landscape on 18th and 19th century landscape painting in East Anglia. There it will help tell the story of art collecting in Norfolk, which is a key theme for the museum.



“A magnificent composition of light and shade, this is a key work in the history of Norfolk art collecting. Thanks to the AIL scheme and the generosity of funders, we are thrilled to retain it in Norfolk so that it can be enjoyed by the public for generations to come.”

Steve Miller

Director of Culture & Heritage,
Head of Norfolk Museums Service,
Norfolk County Council

NHMF COVID-19 Response Fund projects

Overview

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

A total of £40million is being distributed by NHMF.

1. NHMF has made a commitment of £20million, for nationally important heritage across the UK.

2. A £20million Cultural Assets Fund was made available by DCMS as part of the government's wider Culture Recovery Fund. This funding safeguards nationally important heritage assets within England.

In 2022–2023 we fully committed the Cultural Assets Fund supporting grants to projects in England and we will continue to distribute funding UK-wide up until the end of June 2023.

UK-wide projects



Miners' cottages

£75,752



SV Glenlee

£1,809,500



'Morayshire'

£144,290

CAF projects



Vigilance of Brixham

£820,000



Hurst Castle

£500,000



Gunpowder Incorporating Mill 'L157', Waltham Abbey

£420,575



Paradise Mill, Silk Museum and Old Sunday School, Macclesfield

£308,975



Eight historic chapels

£3,689,000

Miners' cottages

Wanlockhead Museum Trust



“The buildings under the care of the Wanlockhead Museum Trust have survived for more than three centuries in a particularly challenging environment. Thanks to funding provided by the NHMF COVID-19 Response Fund, they will be restored to their former glory, just in time for the trust’s 50th anniversary in 2024.”

Jon Evans
Chair of Trustees,
Wanlockhead Museum Trust,
Museum of Lead Mining,
Wanlockhead

The Museum of Lead Mining consists of a series of mineworkers' cottages and the mine itself in the village of Wanlockhead in south-west Scotland. It sits within a conservation area and Site of Special Scientific Interest.

Mining of lead ore began in the 1600s and lasted until lead became cheaper to import in the 1950s. The miners worked as free men, unlike coal miners, and had access to an education and welfare system that was well used.

The Miners' Library was founded in 1756 by a group of lead miners. It is one of the oldest subscription libraries in Europe, and one of the few surviving examples of a community subscription library providing education and culture to working people. A Recognised Collection, it holds circa 2,800 volumes which reflect the interests and social history of those using the library during the 18th and 19th centuries.

The Miners' Library cottage and two others needed essential repairs to prevent water ingress and protect the collection they house, after the pandemic impacted on the museum's ability to carry out maintenance work. A contribution of £75,752 from the NHMF COVID-19 Response Fund will help make them weatherproof and avoid further deterioration.

SV Glenlee

The Tall Ship Glenlee Trust



“This funding is a lifeline for maintaining our beloved Clydebuilt vessel. The Tall Ship epitomises the last epoch of sailing ships in the world and has become such an iconic part of the Glasgow skyline and the city’s cultural heritage. We look forward to seeing the transformation on board over the next two years.”

Fiona Greer

Development Director at
The Tall Ship Glenlee Trust

Sailing Vessel Glenlee is a three-masted barque of steel construction built in Port Glasgow in 1896. It is one of only five remaining Clyde-built sailing ships left afloat in the world, and the only one of its kind in the UK.

Glenlee carried cargo in the late-19th and early-20th centuries, circumnavigated the globe five times and was a serving vessel during the First World War, supporting the war economy through the transportation of cargo including oil, coal, nitrates and wheat. Thirty years ago this former merchant navy sailing vessel returned to the River Clyde from Spain. As an accredited museum it now welcomes 200,000 visitors annually.

The ship was due to enter dry dock for repairs in 2020–2021 but this was disrupted by the pandemic, which also significantly impacted visitor income and fundraising, reducing the trust’s ability to pay for maintenance.

A £1,809,500 grant from the NHMF COVID-19 Response Fund is enabling urgent repairs to be done. Vital work will take place on the ship’s hull, decks and rigging, scheduled for completion in early 2025.

'Morayshire'

Scottish Railway Preservation Society



“The Scottish Railway Preservation Society is delighted to have received funding for the ‘Morayshire’ Project, which will enable us to restore, and preserve a valuable asset for generations to come to enjoy. We look forward to working in partnership with the NHMF.”

Yvonne MacDermid
Chairman, Scottish Railway Preservation Society

Completed in 1928, 'Morayshire' is a Class D49 locomotive. It's significant to Scotland's railway heritage because it was designed specifically for express passenger service and the challenges of the Scottish landscape. The designer was Sir Nigel Gresley, a prominent railway engineer. 'Morayshire' is the sole surviving example of the D49 class.

'Morayshire' was at risk once a scheduled overhaul had to be abandoned after the company carrying out the works went into receivership during the pandemic. The locomotive was disassembled and put in storage, which increases the risk of parts being lost or becoming degraded. Funds were required to complete the overhaul.

A grant of £144,290 from the NHMF COVID-19 Response Fund will help enable restoration works to be carried out in a workshop that features a publicly accessible viewing platform. Completion of the restoration will return 'Morayshire' to working condition and it will run on the Bo'ness and Kinneil Railway where it will be widely accessible to the public.

Vigilance of Brixham

The Friends of The Vigilance



“The grant was a lifesaver. Without it this important heritage boat would have been lost. She’s now in a specialist shipyard in Plymouth having all the below the waterline timbers replaced. It’s a massive task. Much more work and funds are needed but thanks to the NHMF COVID-19 Response Fund she’s been saved.”

Nigel Gooding
Finance Director and Trustee,
The Friends of the Vigilance

Built in 1926, Vigilance is the last large sailing fishing trawler built in Brixham. This charming 111-foot sailboat is a rare survivor of its type and one of just 200 vessels forming the UK’s National Historic Fleet. Friends of the Vigilance is a small volunteer charity that operates the boat, offering short cruises around Torbay and the English Riviera coast. Vigilance’s sleek lines and tall gaff rigged sails are a distinctive and essential part of Brixham’s historic harbour setting.

Unfortunately the COVID-19 pandemic halted much of the Friends’ activities, devastating income and causing a two-year delay to essential renovations and maintenance. Repairs became urgent if Vigilance was to continue sailing.

A grant from the NHMF’s COVID-19 Response Fund has meant Vigilance can be taken to a Plymouth dry dock where works will be carried out to its stern, hull and keel. Expected to last 20 months, these repairs will ensure the boat’s long-term future as part of Torbay’s Heritage Strategy.

Hurst Castle

English Heritage



Hurst Castle was established by Henry VIII between 1541 and 1544 on the Hurst spit, nearly a mile out into the Solent. It is one in a string of medieval forts stretching from Hull to Milford Haven and formed a vital part of southern England's defence from the Tudor period until the mid-20th century.

Against the backdrop of the pandemic, with its resultant challenges to visitor numbers and income, in February 2021 a section of wall on the 19th-century east wing of the castle collapsed after the sea exposed and undercut its foundations

While it was possible to stabilise and protect this length of the castle with the support of the Cultural Recovery Fund, the property remains at risk from further structural failure, changing coastal processes and sea level rise. As such Hurst Castle was included on the 2022 World Monuments Fund Watch, which highlights 25 heritage sites at greatest risk around the world every two years, allowing English Heritage to share experience and learn from others facing similar challenges worldwide.

To help establish how best to protect the castle for the long term, The Hurst Castle Stabilisation Feasibility Project received a £500,000 grant from the NHMF's wider COVID-19 Response Fund. The project has included ground investigations, structural surveys, a 3D geomatic survey and feasibility, design and master planning. It will also explore opportunities for reopening public access.



“Although we have made great strides to protect Hurst Castle, this remains a challenging and ever-changing environment, with coastal erosion and harsh sea storms continuing to pose a risk. We are very grateful for the support of the NHMF's COVID-19 Response Fund.”

Rob Woodside
English Heritage Estates Director

Gunpowder Incorporating Mill 'L157', Waltham Abbey

Royal Gunpowder Mills



“The NHMF COVID-19 Response Fund grant will enable us to safeguard one of our most precious historic buildings and re-launch our education programme in earnest. It sits at the heart of our site and bringing it back into use after such a difficult period will be a fantastic boost to our public programmes.”

Fiona Baxter

Chair of Waltham Abbey Royal Gunpowder Mills Operating Company

Many gunpowder industry processes were invented or developed at the Waltham Abbey Royal Gunpowder Mills. The site and its collections of archival material represent the entire history of the gunpowder industry, including technologies that were exported around the world.

Twenty of the site's rare buildings are listed. The Grade I listed Gunpowder Incorporating Mill 'L157', built in 1861, is the first and most complete of the incorporating mills. It is possible to trace the development of the gunpowder industry through the building's adaptations and alterations.

Long periods of closure during the pandemic led to substantial loss of income, limited maintenance access and a reduction in staff numbers. Public access came to a halt and the condition of L157 worsened to the point it became critical.

Thanks to a £420,575 grant from the NHMF's COVID-19 Response Fund, essential works will be carried out to tackle deterioration to the building, including to its roof, skylights, cladding, structural timbers, decorations and drainage. Displays and interpretation will be boosted and the site will be re-opened to the public.

Paradise Mill, Silk Museum and Old Sunday School, Macclesfield

The Silk Heritage Trust



“As the only silk museum in the north of England, we are thrilled to be able to begin this important work. Conserving our nationally and internationally important heritage means that more visitors can be inspired by the people and creative and technical innovation that made Macclesfield a global centre for silk production.”

John Varney
Chair, The Silk Heritage Trust

Macclesfield was once the world’s largest producer of finished silk, with 5,000 looms and 71 mill factories. Its skyline is shaped by mills and its cobbled streets lined with rows of workers’ cottages. The Silk Heritage Trust is responsible for the town’s remarkable industrial heritage collections and some of its iconic buildings.

The pandemic significantly reduced museum funds, including for repairs, placing already-vulnerable buildings and their collections at risk. With a £308,975 grant from the NHMF’s COVID-19 Response Fund, the museum will address these key risks, safeguarding the heritage assets’ long-term future.

A new 125-year lease will be secured for the top floor of the Grade II listed Paradise Mill, which houses Europe’s largest known collection of Jacquard silk handlooms in their original setting. The lease will ensure critical repairs to the roof and the reinstatement of a lift, opening up public access. The windows of the Grade II* listed Old Sunday School will be repaired and replaced.

Finally, the Silk Museum’s environmental controls will be upgraded to improve storage and conservation, including for a significant collection of silk pattern books that capture nearly 200 years of creativity and inventive designs.

Eight historic chapels

Historic Chapels Trust



“HCT is very grateful for the support of NHMF’s CAF grant as we set about the sad but inevitable process of finding new and sustainable homes for our wonderful chapels. Without these funds the chapels’ future prospects would consist only of uncertainty and great risk. Only CAF can help in this way.”

Chris Smith
Chair, Historic Chapels Trust

Historic Chapels Trust (HCT) is the custodian of 20 Grade I or Grade II* listed non-Church of England redundant places of worship. These chapels chart the development of English Non-conformity and Roman Catholicism.

Some of the chapels are rare and outstanding examples of their type, and are of exceptional historical and architectural interest. Some have important architectural fittings or are of special significance to their denomination. A number have memorial significance. Others are associated with important people and historic events. Grade I listed Todmorden Unitarian Church was built by the sons of John Fielden MP, a mill owner and radical responsible for the ‘Ten Hours Act’ of 1847, which limited the working hours of women and children.

The pandemic decimated HCT’s income and it is no longer able to care for the chapels. With £3.689million from the NHMF COVID-19 Response Fund, HCT will work in partnership with the Churches Conservation Trust and Historic England to repair these eight at-risk listed chapels enabling them to be passed on to suitable long-term owners.

Report of the Trustees and Accounting Officer

Performance report

Overview

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

Our performance in 2022–2023:

A statement from the Chief Executive

This was a year in which heritage's significance and impact continued to be valued across all parts of the UK, even as it was still affected by the aftermath of the COVID-19 pandemic and faced new trials. And once again, in its role of safeguarding the UK's most important heritage, the NHMF rose to meet the challenge.

NHMF funding

In 2022–2023 the NHMF's support safeguarded perhaps one of the most varied groups of recipients seen in recent years. We awarded grants to items of heritage that represent a wide span of culture, adding them to the world class collection that belongs to the people of the United Kingdom forever.

The most impactful grant assessed – but not awarded – this year was that to the National Portrait Gallery to acquire the export-deferred Portrait of Mai (Omai) in partnership with the Getty Museum. NHMF was able to support this innovative partnership acquisition in the knowledge it would ensure UK public access to a painting that would otherwise be lost. The National Portrait Gallery is committed to share the painting through loans with UK partners. We will include full details of this important acquisition in next year's Annual Report.

The items supported in this year display the unique value that the NHMF brings to the nation's heritage and included:

- The Herefordshire Hoard
- Two Ladies portrait
- RRS Discovery
- The John Galsworthy Archive

- Memoirs of Caroline Herschel
- The Northern Ireland Motorcycle Collection

COVID-19 Response Fund

In 2022–2023 we continued delivering the COVID-19 Response Fund, launched in July 2021 to support and protect a varied range of nationally important heritage put at risk by the impact of the pandemic.

We completed the delivery of DCMS funded Cultural Assets Fund (CAF) grants to projects in England including:

- over £3.6million to the Historic Chapels Trust for urgent repairs to eight historic chapels so HCT can pass them on to suitable long-term owners
- £500,000 to Hurst Castle, so English Heritage can conduct urgently needed structural surveys to stabilise the castle
- over £400,000 to Waltham Abbey Royal Gunpowder Mills for urgent repairs to safeguard the gunpowder incorporating mill and re-establish public access

We also began awarding grants across the UK using NHMF's own contribution to the COVID-19 Response Fund, including:

- £1.8million to Tall Ship Glenlee to tackle the maintenance backlog and so it can continue to welcome visitors on the River Clyde
- A grant of just over £75,000 to weatherproof historic mineworkers' cottages so the Museum of Lead Mining at Wanlockhead can continue telling the story of lead mining in this remote location

The range and nature of these awards reflects the unique ability of the NHMF to protect outstanding heritage in diverse forms.

In prioritising applications to the CAF, we are grateful for the partnership support of Historic England, Arts Council England and The National Archives. We are also grateful to Historic Environment Scotland and Museums Galleries Scotland for their support and advice on the grants made from the COVID-19 Response Fund in Scotland and to Cadw for their support and advice on applications in Wales. Their expertise has assisted in ensuring this funding safeguards those nationally important assets most at risk due to the impacts of the pandemic.

Report of the Trustees and Accounting Officer

This year we completed the commitment of CAF grants in England. We will make the final awards for the UK-wide COVID-19 Response Fund during 2023–2024.

Additional funding for heritage

Our partnership with the Welsh Government has continued to grow. The NHMF is the preferred partner for a number of three-year programmes across the current Welsh Government Programme for Government, re-opening demonstrator programmes (including Local Places for Nature, Breaking Barriers and Nature Networks) and launching new programmes (The Woodland Investment Grant (TWIG)). We awarded almost £14million this year in Wales, as well as looking ahead to additional grant rounds in 2023–2024 and 2024–2025.

In addition, we awarded Historic England £550,000 for new activities for the existing High Street Heritage Action Zones that tackle loneliness and create volunteering opportunities connected to local high streets as part of the DCMS's Know Your Neighbourhood Programme. We also awarded modest grant increases to projects as part of the Covid Recovery Employment and Skills Initiative for Heritage Programme in Northern Ireland, delivered on behalf of the Department for Levelling Up, Housing and Communities (DLUHC). We have eight grant-in-aid programmes in the active monitoring stage, where grants have been awarded and projects are underway. We closed seven programmes out this year covering a range of COVID-19 response programmes in England and Northern Ireland, including DCMS's Culture Recovery Fund.

Finally, I echo our Chair's thanks to all our NHMF staff for their hard work, integrity, professionalism and commitment, and for providing exceptional service in a challenging year. Likewise, I join him in acknowledging the members of the NHMF panel who advise on and support the distribution of NHMF funds to deliver the greatest benefit to heritage. Their in-depth knowledge and great span of expertise was vital in helping us make difficult decisions to direct our funding where it is needed most.

Our purpose and activities

NHMF is vested in and administered by a body corporate known as the Trustees of the National Heritage Memorial Fund, consisting of a Chair and not more than 14 other members appointed by the Prime Minister. The Fund was set up on 1 April 1980 by the National Heritage Act 1980 ('the 1980 Act') in succession to the National Land Fund as a memorial

to those who have given their lives for the UK. It receives an annual grant-in-aid from the government to allow it to make grants. The powers of the trustees and their responsibilities were extended by the provisions of The National Lottery etc Act 1993 ('the 1993 Act'), the National Heritage Act 1997 ('the 1997 Act') and The National Lottery Act 1998.

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

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

1. any land, building or structure which in the opinion of the trustees is of outstanding scenic, historic, aesthetic, architectural, archaeological or scientific interest
2. any object which in their opinion is of outstanding historic, artistic or scientific interest
3. any collection or group of objects, being a collection or group which, taken as a whole, is in their opinion of outstanding historic, artistic or scientific interest

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

Under the 1980 Act (as amended) and the 1997 Act, trustees are now also able to assist projects directed to increasing public understanding and enjoyment of heritage and to interpreting and recording important aspects of the nation's history, natural history and landscape. Trustees use these extended powers primarily in connection with The National Lottery Heritage Fund. Trustees believe that NHMF has a vital role as the central defence in protecting the nation's items of outstanding importance that are at risk, and as a memorial to those who have given their

lives for the UK. Trustees will continue to use the resources provided by government, as well as resources generated by its endowment fund, to offer financial assistance as a fund of last resort towards the acquisition, preservation and maintenance of heritage that is threatened by destruction or loss.

Our key risks

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

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

1. External risks

The key risks here have centred on our continued ability to deliver the grant-in-aid programmes from the UK government and devolved administrations throughout the year.

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

2. Internal risks

In 2021–2022, internal risks focused on business continuity planning due to the COVID-19 pandemic.

This year there were fewer business continuity risks as the Fund moved to post-pandemic hybrid working patterns. Notwithstanding, our staff were still adjusting to this new approach. As a result, we continued to support staff in respect of their physical health, mental health and wellbeing.

Staff resources, in particular staff recruitment, continued to be a challenge in the buoyant post-pandemic employment market and also with the pay constraints in the public sector annual pay awards compared with the private sector. To mitigate this risk the Fund is actively looking for ways to increase our employee value proposition.

We also recognise the risk of fraud arising both internally and externally in relation to grant making. To mitigate the risk all staff are encouraged to attend fraud awareness training, including any training given by DMCS. Our investment teams and officers are alert to fraud and will flag any risks of fraud on

projects as and when they arise, which helps to mitigate any risks associated with grants awarded.

3. Other principal risks

We continued to respond to the risks arising from the climate emergency. We ensured that our carbon footprint, internal practices and management reflect a better management of this risk and we now have a plan for the Fund to attain Carbon Net Zero for operations by 2030.

In 2022–2023 we continued developing our new investment management system and we decommissioned our legacy grant management system in March 2023. We actively risk managed the development of the new system through extensive testing with customers, internal users, managed suppliers and developers, and maintained effective control of data integrity, security and protection. This work was a key priority for the organisation and will continue to be in 2023–2024 as we move to the next phase of the project. This involves a critical review of our current processes and how they can be streamlined and improved in the new investment management system.

We continued to be flexible and responsive to all risks throughout the year and ensured we managed them effectively at all levels across the Fund.

Going concern

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

1. assets significantly exceeded liabilities at the date of the statement of financial position
2. trustees have set a grant award budget for 2023–2024 that is not expected to alter that position

Trustees have no reason to believe that their chief source of income – grant-in-aid – will not continue to be received. Therefore, the Board has no reason to believe that the NHMF will not continue to operate in the foreseeable future.

Performance summary

The scale of our work means we have limited performance indicators. These are shown in the section of this report on key performance indicators on pages 36 and 37.

In 2022–2023, our net grant expenditure in the year was £21.3million. We did not draw down any grant-in-aid cash from DCMS during the year because we already held surplus cash balances from prior years' drawdowns (see note 5 in the accounts section).

Report of the Trustees and Accounting Officer

Grant-in-aid programmes

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

Programme Title	Programme aims	Fund managed on behalf of	Amount awarded	Award information
Covid Recovery Employment and Skills Initiative	Three year programme to support new jobs in the heritage sector.	Northern Ireland Executive	£47,960	Grant increases awarded to existing grantees to cover an increase in cost of living.
Nature Networks Fund	Part of the Welsh Government's wider Nature Networks Programme, Nature Networks Fund seeks to improve the condition and resilience of Wales' network of protected land and marine sites.	Welsh Government & TNLHF	£240,754	Grant increases awarded to Round 1 applicants to cover cost increases.
Nature Networks Fund Round 2	As above	Welsh Government	£3,779,982 awarded Dec 2022 £7,009,593 awarded Feb 2023	£874,294 of match funding from The National Lottery Heritage Fund. Grants awarded to 17, two-year medium projects and nine, three-year large projects.
Local Places for Nature – Capital Fund	Programme intended to enable areas of highest deprivation, peri-urban/urban communities, and/ or those with least access to nature in Wales to restore and enhance nature 'on your doorstep'.	Welsh Government	£940,000	Grants awarded to nine projects. 15% of each grant was funded from The National Lottery Heritage Fund.
Local Places for Nature – Revenue Fund – Breaking Barriers	Programme aimed at supporting communities marginalised from nature to identify and address barriers to participation in nature.	Welsh Government	£366,000	Grants awarded to six projects.
Woodland Investment Grant	Programme intended to create, restore and enhance woodlands in Wales, as part of the Welsh Government's National Forest programme.	Welsh Government	£1,740,000	Grants awarded to nine projects across two rounds of the programme. The National Lottery Heritage Fund contributed 15% of the grant pot.
High Street Heritage Action Zone – Cultural Programme		Historic England	£3,000,000	
High Street Heritage Action Zone – Cultural Programme extension		Historic England	£550,000	

Performance analysis

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

The purpose of this section is to discuss the performance of NHMF in distributing funds derived from DCMS and other government bodies in 2022–2023. The analysis below discusses highlights of the year including significant movement on the Statement of Comprehensive Net Income and the Statement of Financial Position as well as some key performance indicators.

NHMF made awards to 12 projects this year, the applications of which were supported by trustees, to a total of £3,076,028, awarded across a range of heritage, spanning the whole of the UK.

Established as a lasting memorial to those that have given their lives in conflict for this country, the NHMF can help fund items of outstanding importance to the national heritage at risk of loss, or of memorial character. But not all approaches to the Fund meet this high standard of importance. Therefore the NHMF panel assists in prioritising early funding

approaches. The highest priority cases proceed to make applications.

As noted, The National Portrait Gallery's application for NHMF funding to support its acquisition of Portrait of Mai was the most significant to be considered in this financial year. The Annual Report for 2023–2024 will feature the acquisition in full detail.

In addition, this year NHMF supported several significant archival acquisitions (of William and Mary Buckland, Caroline Herschel and John Galsworthy) and provided grant-in-aid support to acquire items of nationally important heritage where export had been temporarily deferred in the case of the Two Ladies portrait and The Lute Manuscript.

We support the acquisition of nationally important artworks where items are offered under the Acceptance in Lieu scheme, which happened this year with the Jacob van Ruisdael landscape for Norwich Castle Museum.

NHMF is also a source of support for items acquired through the Treasure Act process, this year enabling the acquisition of the exceptional Viking Age Herefordshire Hoard.

We provide support for rare and unique museum objects and collections, including this year the acquisition of the Ilay-Glynne Dial that will transform the National Museum of Scotland's interpretation of the Scottish Enlightenment.

Acquisition/Project	Applicant	Awarded
Urgent conservation work to RRS Discovery	Dundee Industrial Heritage Ltd.	£1,000,000
Herefordshire Hoard	Herefordshire Museum Service	£456,250
Acquisition of Two Ladies portrait, 1650s	Compton Verney	£154,600
The archive of William and Mary Buckland – pioneering palaeontologists	Oxford University Museum of Natural History	£224,450
Acquisition of lute manuscript ca.1620, from the Arnold Dolmetsch collection	University of Edinburgh	£73,100
'Panoramic Landscape with Cornfields and Dunes beside the Sea' by Jacob van Ruisdael (1628/9–1682)	Norfolk Museums Service	£122,628
HMS Victory model – contemporaneous full hull model circa 1800	National Museum of the Royal Navy	£247,000
Acquisition of Caroline Herschel Memoir manuscript	Herschel House Trust	£33,000
Acquisition of the archive of author and playwright, John Galsworthy	The British Library	£150,000
Acquisition of the medal group of Arthur Scarf VC	Royal Air Force Museum	£390,000
Northern Ireland Motorcycle Racing collection	National Museums NI	£90,000
The Ilay-Glynne Dial	National Museums Scotland	£135,000
Total standard grants awarded		£3,076,028

Report of the Trustees and Accounting Officer

Our grant to National Museums NI enabled the acquisition of a motorcycle racing collection for the Ulster Transport Museum. We supported the acquisition of a scale model of HMS Victory that the National Museum of the Royal Navy will use to help contextualise the Battle of Trafalgar. Because of their strong memorial character, we also supported the Royal Air Force Museum to acquire the medal group of Arthur Scarf VC, which was export deferred; and funded a grant increase for emergency repairs to Royal Research Ship Discovery.

As noted earlier, NHMF continued delivery of the £40million NHMF COVID-19 Response Fund during this financial year, which included the £20million Cultural Assets Fund allocated by government, alongside NHMF's own allocation of £20million. Five awards have been made within England, fully committing the Cultural Assets Fund, with three awards UK-wide. The UK-wide fund will continue in delivery until the end of June 2023.

The NHMF COVID-19 Response Fund will support emergency repairs to the stern of the trawler Vigilance and essential surveys to Hurst Castle in Hampshire. Public access to the Waltham Abbey Gunpowder Mills oldest mill can be restored because support has enabled urgent repairs. An award to Macclesfield Silk Museum has safeguarded its collection of original silk looms. A significant grant to eight historic listed chapels on the Heritage at Risk Register will enable their transfer to long-term owners.

In the first UK-wide awards from this fund we supported three projects in Scotland. Essential repairs will safeguard cottages at the Museum of Lead Mining in Wanlockhead and the Clyde-built sailing ship Glenlee. We helped the Scottish Railway Preservation Society complete the restoration of the locomotive 'Morayshire', to ensure its return to running condition.

A list of standard grants awarded is shown on page 35. The total of standard grants awarded came to just over £3million. In addition, we made awards of £21million as part of various emergency and other programmes on behalf of other funders, as follows:

	Awarded (before de-commitments)
Standard Memorial Fund activity	£3,076,028
NHMF COVID-19 Response	£3,386,311
Cultural Asset Fund	£4,381,781
Various programmes on behalf of the Welsh Government	£12,802,701
COVID-19 Recovery Programme Northern Ireland	£47,960
HAZ Know Your Neighbourhood Fund	£550,000
Total	£24,244,781

Financial performance

Overall, the balance on our income and expenditure account decreased by £22.3million because we did not make any grant-in-aid drawdowns during the year as we already held surplus cash balances from the prior year (see note 5 in the accounts section). NHMF has outstanding grant liabilities of £58.6m at 31 March 2023 (see note 3 in the accounts section). These will firstly utilise the cash and cash equivalents balance held of £48.0m (see note 16 of the accounts section) before further drawdowns from DCMS thereafter in 2023–2024 and future years to cover the remaining grant commitments.

The return on the endowment fund in 2022–2023 was a decrease of 2.3%. There was an increase of 9.2% last year as markets recovered post COVID-19, however, there has been a downturn in 2022–2023 due to economic pressures driven by increasing energy prices and impact of the war in Ukraine.

Our operating costs fell from £5.4million to £2.7million. This is due to the closure of the grant-in-aid programmes including the emergency programmes.

Our non-operating income, was £0.5million (£0.0m in 2021–2022).

The value of investments in the endowment fund fell from £53.0million to £46.3million. As a result of cashing out some units, cash held at the year end was £27.6million (£21.6million in 2021–2022).

Key performance indicators

Trustees recognise that NHMF should strive for high performance in its activities. To this end we have two performance indicators. These indicators cover the most significant aspects of customer service: the speed of processing a grant application and the speed of payment for a grant payment request.

Key performance indicators by year

	Target	2022–23	2021–22	2020–21	2019–20	2018–19	2017–18
Application processing times (months)							
– urgent applications	3	1.4	1.3	0.7	1.2	0.6	1.2
– non-urgent applications	6	2.2	1.9	See note 1	2.6	0.7	2.3
Grant payment (number of working days after payment request)							
– standard grants	15	9	13	21	12	11	8

Note 1: There were no non-urgent applications in 2020–2021. No targets were set for the speed of processing emergency programmes and so we have not reported on them. Most emergency programmes had only one or two decision dates and so processing was geared up to bringing applications to those decision-making meetings.

Greenhouse gas emissions

		2022–23	2021–22	2020–21
Greenhouse gas emissions	Scope 1 emissions (tCO ₂ e)	2	26	14
	Scope 2 emissions (tCO ₂ e)	33	44	36
	Scope 3 emissions (tCO ₂ e)	94	70	6
	Total gross emissions (tCO₂e)	129	140	56
Energy and water consumption	Electricity (kWh)	169,109	207,051	58,301
	– from renewable sources (kWh)	19,211	27,777	
	– from non renewable sources (kWh)	149,898	179,274	
	Gas (kWh)	13,588	140,457	76,429
	Water (m ³)	436	1,530	2,434
Expenditure (£'000s)	Utilities (inc. service charges)	624	329	279
	Business travel (inc. accommodation)	422	172	2

Waste minimisation and management

		2022–23	2021–22	2020–21
Waste (tonnes)	Hazardous (inc. WEEE*)	0.001	0	0.3
	Landfill	0	0	0
	Energy from waste	1.92	0.77	1.4
	Mixed recycling	1.15	0.43	0.3
	Total waste	3.25	1.20	2
Waste expenditure (£'000s)	Total waste (inc. cleaning for 2020–21)	Inc. in Utilities	26	19

* WEEE = waste electrical and electronic equipment

Finite resource consumption

		2022–23	2021–22	2020–21
Finite resources	Water (m ³)	436	1,530	2,434
	Paper use (sheets)	33,340	6,930	0
	Paper use (tCO ₂ e)	3.5	0.73	0

Payables

NHMF adheres to the government-wide standard on bill-paying and the Public Contracts Regulations 2015, which state that all valid bills should be settled within 30 days. Over 91% of invoices were paid within 30 calendar days (2021–2022: 93%).

Another way of measuring our commitment to paying suppliers is the ratio of creditor days: the ratio of trade payables at the end of the year to the total value of purchases in the year expressed in terms of calendar days. At 31 March 2023, the figure was 38 days (2021–2022: 35 days).

Environmental policies and sustainability reporting

This year we set out a decarbonisation plan to 2030 and accompanying targets for reduction. We did well against our targets.

In addition to our net zero by 2030 commitment for our operations, we committed to reducing the carbon impact of our investments by 2050.

Greenhouse gas emissions

This year saw the completion of the move from traditional lease and operation-based office spaces to offices within managed spaces, the majority of which are under serviced office agreements. This move allowed us to rationalise our office footprint to fit the needs of the organisation, reducing our workspace area from 1,550m² to 843 m². Most significantly we moved from our main office in London of 721m² to a shared office space totalling 91m². It allows us to use the building more efficiently with shared facilities such as kitchens and meeting rooms. It does, however, pose a challenge for reporting of utilities and their associated costs. For the most part landlords have been able to provide apportioned gas and electricity use. Where the data is unavailable from Nottingham, Manchester, Newcastle and Edinburgh, we have used EPC (Energy Performance Certificate) data as proxies, in line with previous years.

The moves from the older Nottingham and London offices have positively impacted our gas consumption. In 2021–2022, these two offices accounted for 91% of our gas consumption, which is reflected in the reduction shown. We now have only two office spaces using gas for heating which will be reviewed when the licenses are due for renewal.

Office costs for London and Nottingham overlapped in the year, leading to an increase in total costs. The expenditure provided includes all costs related to the running and management of the office space as it is

not possible to separate these out.

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

Waste minimisation and management and finite resources consumption

Our waste increased this year as staff returned to offices, however this is still very low compared to pre-pandemic levels. Similarly, while paper use has increased, it is a quarter of the consumption rate recorded in 2019–2020.

We continued to run a Green Impact Scheme across the organisation which among other areas has a key focus on waste minimisation and reduction in single use plastics, recognising that waste reduction is reliant on culture change and the behaviour of our staff.

We diverted approximately 255kg of waste electricals from landfill and generated £24,000 in revenue through selling our old devices on to a third party which securely wiped and refurbished them for resale so that they can continue to be used.

The move from our London office space has dramatically decreased our water consumption. In 2021–2022 our London office accounted for 71% of our total water use. Where apportioned water readings are available we have included them. For all other offices we have assumed a consumption rate of 0.5m³ per m² of rented office space. Costs for water are incorporated into total utilities charges provided on page 37.

Nature recovery and biodiversity action planning

Our greatest impact on nature is through our wider National Lottery grant giving. In 2022–2023 we distributed £32.5million to land and nature through our grant-in-aid and Open Programmes. For example, through the Green Recovery Challenge Fund Round 2 we awarded £876,600 to the Wildfowl & Wetlands Trust. This supported an ambitious Flourishing Floodplains initiative, working with over 50 farmers and landowners on restoring the natural heritage of the Severn and Avon Vales floodplain. We also awarded nearly £10.8million to land, nature and citizen science projects across Wales through the Nature Networks Fund Round 2.

Closer to home, our staff volunteered to clean up community gardens and we supplied litter pickers to encourage staff to clean up their local communities during lunchbreaks.

Sustainable procurement

Our approach is aligned with government standards. We plan to improve our sustainable procurement policies and recognise the need to provide more guidance. Last year we started to engage with our largest suppliers to understand their ability to report and reduce their environmental impact. We also embedded sustainability requirements into decision making for all new office agreements.

Climate change adaptation

Our physical estate is small and agile. As we do not own or operate infrastructure the risk to our organisation as a result of climate change is largely limited to the safety and wellbeing of staff and the potential risk to business continuity in the face of increased extreme weather events. The associated risks are covered in the appropriate risk registers and we are not considering climate change adaptation at this time, however we will keep this under review.

Reducing environmental impacts from IT and digital uses

Our IT strategy aims to reduce the environmental impact of the technology we use. This year we established a baseline for ICT and digital-related emissions. We used the Green Government ICT Handbook to identify areas for improvement and will introduce new retention policies and data storage approaches as well as provide information and support to staff from 2023–2024 onwards.

Policy objectives and targets

Our previous plan to introduce a sustainability strategy has been superseded by the decarbonisation plan for our organisation and the integration of environmental sustainability into our new 10-year strategy, Heritage 2033.

To reach net zero operational emissions, the focus is on our offices, IT infrastructure, travel and supply chain. We have set office space energy efficiency targets for the next seven years. We met this year's target through selecting an energy efficient building for our new office space in Cardiff and moving out of leasehold offices in London and Nottingham.

We aimed to reduce distance travelled to 1,100,000 kilometres but travelled 1,226,804 km. However, we

more than met our modal shift to public transport target by shifting from road to rail, with 83% of the total distance travelled by rail (target 65%). Flights accounted for 5% of the distance travelled, exceeding our 3% target for 2022–2023. This is a challenge to reduce given our UK footprint, with 84% of flights relating to travel between Belfast and the rest of the UK.

We worked to understand the carbon footprint of the projects we fund and to set a science-based reduction target that includes these emissions. By gaining a greater understanding of the environmental impact of the projects we fund, we will be able to provide leadership and practical support to the heritage sector in the transition to a sustainable future.

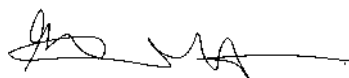
Rural proofing

Many of our projects are in rural areas and our investment helps to create jobs and support communities. We recognise the challenges that rural communities face, including representation, access to public transport, and availability and equality of paid work.

As an organisation we support our colleagues to work nationwide and our new hybrid working policy sets out how staff are able to work flexibly across the UK.

Sustainable construction

Other than funding capital projects, the organisation does not have new construction of any capital assets.



Eilish McGuinness

Chief Executive and Accounting Officer

10 July 2023

Accountability report

The accountability report has three sections:

- a corporate governance report – a discussion of our governance structure and its achievements in the year under review
- a remuneration and staff report – this details remuneration for trustees and senior management as well as pension arrangements for staff. In addition, we discuss our achievements in workplace equality and diversity of staff.
- a parliamentary accountability and audit report – a report by our auditors on the results of their audit of our accounts for 2022–2023 in line with accounting and auditing standards

Corporate governance report

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

The directors' report

Chair and trustees of NHMF

Chair	Dr Simon Thurley CBE
Trustees	<p>Maria Adebowale-Schwarte</p> <p>Baroness Kay Andrews OBE to 31 December 2022</p> <p>Dr Claire Feehily</p> <p>Julian Glover from 1 May 2022</p> <p>Denise Lewis-Poulton from 6 February 2023</p> <p>Ray Macfarlane</p> <p>Taryn Nixon from 1 May 2022</p> <p>Carol Pyrah from 9 May 2022</p> <p>Mukesh Sharma MBE DL</p> <p>Dr David Stocker</p>

Chief Executive Eilish McGuinness

Details of other senior managers can be found in the remuneration and staff report starting on page 49.

The gender split of our staff (including those on fixed term contracts) working on our Exchequer-related activities, and our trustees at 31 March 2023 on a headcount basis was as follows:

	Male	Female	Total
Trustees	4	6	10
Executive directors	1	3	4
Staff	41	117	158

Excluding our work on emergency and other special programmes, we had two members of staff working on standard NHMF activities at the year-end. All the above staff also worked on National Lottery-distribution activities. We also had 170 staff at the year-end who worked solely on our National Lottery-distribution activities. Their gender split is incorporated within the staff gender split reported in our National Lottery distribution accounts.

Register of Trustees' Interests

As a matter of policy and procedure, the trustees declare any direct interests in grant applications and commercial relationships with NHMF and exclude themselves from the relevant grant appraisal, discussion and decision processes within NHMF.

In their contacts with grant applicants, trustees seek to avoid levels of involvement or influence that would be incompatible with their responsibilities as a trustee of NHMF. There are corresponding arrangements for staff to report interests and avoid possible conflicts of interest. The Register of Trustees' Interests is available on the website of The National Lottery Heritage Fund: www.heritagefund.org.uk.

Future developments

The coming year will see the Heritage Fund focus on the transition to Heritage 2033, through which we will continue our current approach of offering open funding programmes – from small grants up to multi-million-pound projects – for all types of heritage.

We will strengthen partnerships with governments, local authorities and statutory agencies and create new collaborations with those who share our vision.

We will continue to build on our success delivering grant-in-aid funding through the pandemic, delivering additional funding for heritage on behalf of governments and other bodies to achieve our shared aims.

Data and research

This year we successfully increased our data analysis capabilities and collaborated with other arm's length bodies on research projects such as Heritage Pulse and through sharing engagement data from the DCMS-led Taking Part Survey. We also improved our open data offer to publish data more widely and more frequently. Our ambition for the coming year includes trialing new Geographic Information Systems (GIS) and mapping capabilities that will help us deliver stronger insights and support the place-based and landscape scale investment work set out in Heritage 2033.

Appointment of auditors

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

Key stakeholders

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

Personal data

NHMF had four incidents where personal data was inadvertently disclosed to a third party. However, in line with the Information Commissioner's Office (ICO) guidance, none of these incidents required reporting to the ICO. Lessons have been learned and remedial actions have been taken to minimise the possibility of any reoccurrence. NHMF will continue to monitor and assess its information risks to identify and address any weaknesses and ensure continuous improvement of its systems.

Statement of Trustees' and Accounting Officer's Responsibilities

Under section 7(3) of the 1980 Act, trustees of NHMF are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport (DCMS) with the consent of HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Fund's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, trustees of NHMF are required to comply with the HM Treasury Financial Reporting Manual (FReM) and in particular to:

1. observe the accounts direction issued by the Secretary of State for DCMS, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
2. make judgements and estimates on a reasonable basis
3. state whether applicable accounting standards, as set out in FReM, have been followed and

disclose and explain any material departures in the financial statements

4. prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Fund will continue in operation

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

Their relevant responsibilities as Accounting Officer, including their responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for the safeguarding of the Fund's assets and for the keeping of proper records, are set out in the section titled 'Accounting Officers' in, 'Managing Public Money'.

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

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

Governance statement

Foreword

I was appointed Chief Executive and Accounting Officer on 1 January 2022.

It is my responsibility to ensure that there are robust governance, risk management, and internal control arrangements across the whole organisation which support the achievement of the Fund's purpose while safeguarding the public funds and assets for which I am responsible.

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 HM Treasury's corporate governance code.

As the Accounting Officer for NHMF, I am required by the accounts direction issued by the Secretary of State to account separately for my two main sources of income – grant-in-aid and funds derived from The National Lottery. I am also accountable for maintaining

Report of the Trustees and Accounting Officer

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'.

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

Operating environment

Our operating environment has been challenging and demanding, with our own organisation impacted by political and economic uncertainties. Notwithstanding, we continued to respond to the sector and support heritage across the UK. We developed new partnerships and worked with different UK government departments, along with the devolved administrations in Northern Ireland and Wales.

We continued with the delivery of our grant-in-aid programmes – both generally and COVID-19 specific response programmes with a focus on recovery and resilience.

Cashflow and liquidity continued to be key to the health and survival of the heritage sector. We were able to inject investment to maintain support for projects, help communities, protect jobs and ensure the survival of large parts of the sector that otherwise might have not succeeded in navigating the uncertain economic climate.

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

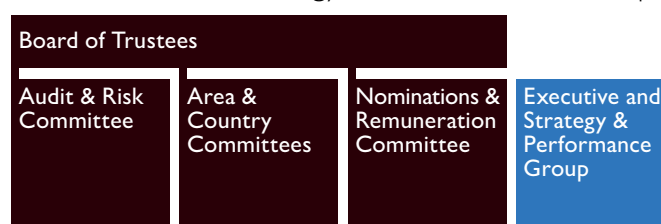
The governance of the Fund has continued to be both resilient and flexible throughout the whole of the year.

Framework Agreement between DCMS and the NHMF

During the year the Fund agreed a draft Framework Agreement with DCMS setting out our governance arrangements as an arm's length body of the department, our delegations, spending controls and wider operating arrangements. We expect this to be finalised in 2023–2024.

Governance structure

The governance structure of NHMF during 2022–2023 is set out in the diagram below. The Board and its sub-committees are as described, alongside the Executive and the Strategy and Performance Group.



Board of Trustees

The Board is responsible for:

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

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

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

In 2022–2023, three new trustees were appointed.

The overall attendance rate of trustees at Board meetings was 93%. Trustees have also delegated some of their tasks to the Audit and Risk Committees and the Nominations and Remuneration Committee 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 2022–2023 was as follows:

	Eligible meetings	Meetings attended
Dr Simon Thurley CBE	7	7
Maria Adebawale-Schwarte	7	5
Baroness Kay Andrews OBE to 31 December 2022	7	6
Dr Claire Feehily	7	6
Julian Glover from 1 May 2022	7	7
Denise Lewis-Poulton from 6 February 2023	1	1
Ray Macfarlane	7	6
Taryn Nixon from 1 May 2022	7	7
Carol Pyrah from 9 May 2022	7	7
Mukesh Sharma MBE DL	7	7
Dr David Stocker	7	7

Board composition

Of the 11 trustees who attended the Board throughout the year 60% were female and 40% were male. Two (20%) came from Global Majority backgrounds.

Board conflicts of interest

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

Audit and Risk Committee

The Committee met on four occasions during the year. It is chaired by a trustee.

The Chief Executive attends each committee meeting with the executive directors of Business Delivery and Business Services and other senior staff attending as required. The Committee is supported and serviced by the Fund's Legal and Governance team. The Fund's external auditors (National Audit Office) and internal auditors (BDO) and now DCMS also attend the meetings. The Committee holds in-camera sessions before meetings and also has private discussions with the auditors before the meetings.

In addition to the two trustees, two non-executive independent members are also members of the

Committee – these are Warren Mead and Robert Milburn. Both joined with effect from 1 June 2022. These new members replaced David Michael and Carole Murray who retired from their roles on 30 June 2022.

The Committee re-appointed BDO as internal auditors in 2021–2022. A refreshed strategic plan for internal audit was agreed as was the one-year programme of work for 2022–2023. All the reviews carried out in 2022–2023 and reported to the Committee were in line with that strategic approach. A detailed one-year plan of internal audit reviews is approved annually.

The Committee received internal audit reports during the year on:

- investment management system data migration
- information governance and IT strategy
- people strategy
- core financial controls

Committee meeting minutes and summary reports are shared with the Board, and the committee chair verbally updates the Board on committee business and decisions.

The Committee reviews the Annual Reports and Accounts for both the National Heritage Memorial Fund and The National Lottery Heritage Fund. During 2022–2023 in addition to the above reports and accounts, the Committee also considered the following:

- further reports on the investment management system
- fraud and alleged fraud cases including detailed fraud risk assessment and post evaluation assessment for our grant-in-aid programmes in the pandemic
- procurement arrangements including any exceptions to normal procurement tenders

Attendance at committee meetings throughout 2022–2023 was as follows:

	Eligible meetings	Meetings attended
Dr Claire Feehily Chair	4	4
Maria Adebawale-Schwarte	4	3
Warren Mead from 1 June 2022	4	4
David Michael to 30 June 2022	1	1
Robert Milburn from 1 June 2022	4	4
Carole Murray to 30 June 2022	1	1

Report of the Trustees and Accounting Officer

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

Nominations and Remuneration Committee

The Committee did not meet in 2022–2023.

Delegated grant decision making

The trustees have delegated their grant decision making responsibilities for certain types and values of National Lottery awards to countries and English areas. There are six of these committees (three countries and three English areas) 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 National Lottery distribution body. Chairs of the Area and Country Committees met with the Board chair and Chief Executive, along with senior staff during the year. The executive director (Business Delivery) attends each committee for each country and English area throughout the year.

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

Executive and Strategy & Performance Group (SPG)

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

An Executive consisting of the Chief Executive and the three executive directors for each department came into effect in 2019 and has continued since (see department structure in the next column). This Executive is responsible for wider strategic management issues and delivery of business in the Fund. The Executive meets weekly or fortnightly according to business need.

The Strategy and Performance Group (SPG) consists of senior directors and staff across all three departments and has responsibility for horizon scanning, day-to-day performance management and corporate planning. The SPG met regularly and in several of these meetings the Executive attended too.

Each executive director provides reports to the Board on activities and issues within their remit.

In addition, at the start of each year, I issue a Letter of Responsibility to each executive director setting out their responsibilities and the need to operate within Fund, Cabinet Office and HM Treasury guidance and rules. At the end of each year I receive signed Memorandums of Assurance from each executive director confirming their compliance or identifying any breaches. There was full compliance reported for 2022–2023.

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

Organisational design and structure

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

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

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

DCMS also sets UK policy directions and financial directions, which we have complied with in our lottery activities. The Scottish and Welsh governments have also issued some policy directions with regard to National Lottery activities in those countries and we have also complied with those. We also have policy directions from DCMS for England. We operated in line with our draft Framework Agreement and Financial Memorandum between ourselves and DCMS. The priorities set out in the draft framework document sit alongside the UK and country policy directions.

This is supplemented by regular meetings with DCMS officials and other National Lottery distributors.

Strategic Funding Framework

This year was the fourth in which our 2019–2024 Strategic Funding Framework for National Lottery grants operated. The Strategic Funding Framework

sets out the vision and principles guiding our funding for the lifetime of the framework, including a streamlined single Open Programme with three levels of funding; the majority of grant making decisions devolved to Scotland, Wales, Northern Ireland and our three England areas; and an increased focus on nature and landscapes, community heritage and heritage at risk.

2022–2023 saw our continued return to full lottery grant making operations following the pandemic. Heritage organisations have worked to adapt to a more uncertain economic climate, with reduced international tourism and rising energy costs, and inflation impacting on revenues, operations and capital programmes. We focused our funding and expertise to support heritage organisations to adapt to fundamentally changed circumstances. We supported their work in examining their existing business models and developing new, creative and more resilient ways of operating through our core Open Programme funding and the extension of our Business Enterprise and Support Programmes through the year. Our Open Programme saw a return to 2,055 applications, and we were pleased to have been able to support 1,126 projects with a £199.2million investment with money raised by National Lottery players.

Alongside our Open Programme we continued to find new ways to collaborate and innovate to widen the reach and impact of National Lottery heritage funding. During the year we worked in collaboration with other National Lottery distributors to demonstrate the collective impact of the National Lottery, focusing on both the Queen’s Platinum Jubilee and 2022 Commonwealth Games. We launched a new Innovation Fund to explore, test and grow ideas that aim to ensure the heritage workforce has the capacity and capabilities required to meet future needs, and piloted a Green Finance initiative to test new ways of supporting environmental projects. We continued our partnership with the National Trust and DLUHC on the Future Parks Accelerator, working to protect and develop natural resources in urban areas, and make sure quality green space is accessible for everyone. As work progressed on developing our new strategy, we developed new funding agreements with heritage partners such as the Architectural Heritage Fund (AHT) and Churches Conservation Trust (CCT), investing in building capacity for heritage organisations that have been particularly affected by the pandemic.

Risk management and internal control

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

All policy setting and grant decision making is informed by the risk management culture and approach of the NHMF. A few years ago we overhauled our risk management approach as part of a wider exercise on assurance across NHMF. We continued to operate this approach in 2022–2023 and plan to review our risk approach again during 2023–2024.

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

During the course of the pandemic we adapted our risk reporting to the Board and to the Audit and Risk Committee to reflect the dynamic nature of risks, the external and internal risks from the pandemic, trends, patterns and forward projections of risks.

The Board also reviewed its risk appetite during 2022–2023 and was content with the current levels of risk. We also recognise that well-thought-through risk-taking and innovation to achieve NHMF objectives should be encouraged. I believe that the NHMF 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 full competence in the administration of that grant. We learn our lessons, improve our processes and in rare circumstances write-off the grant. In cases where we suspect fraud

Report of the Trustees and Accounting Officer

or improper behaviour, we will report the case to the police for further investigation. I approve all write-offs, and this allows me to monitor the amount each year to provide assurance on our assessment and monitoring procedures.

As can be seen from the relevant note to the accounts, the level of grant write-off is extremely small relative to the level of grants that we distribute each year. Consequently, I am able to conclude that there is no cause for concern about the level of risk implicit in our grant giving processes.

In 2022–2023 NHMF considered the following to be the most significant areas of risk:

- National Lottery income management alongside our liquidity exposure, long-term funding projections and the ability to fund these and ensure our financial key performance indicators remain within our risk tolerance in terms of demand for awards, commitments (liabilities), and potential commitments (contingent liabilities) and cash held, as shown in the Performance analysis on page 35
- the costs associated with our grant-in-aid work do not become fixed, or have an adverse impact on our strategic cost base going forward
- the wellbeing and mental health of our teams
- the challenges posed by the climate and ecological emergency
- developing the new investment management system
- handling economic uncertainty for our projects in terms of costs, inflation, supply chains, etc
- handling political change and risk across the UK
- managing the impacts of economic risks (inflation, supply chain stability) etc across our investment portfolio
- ensuring our data and insight are used to optimal effect
- ensuring we achieve cultural changes across the NHMF to support the changes we have to deliver

Each of these risks has a risk owner at the executive level charged with managing the risk and ensuring appropriate mitigating actions are undertaken. I believe we have effectively managed those risks throughout 2022–2023.

Approach to fraud and information risk

Trustees of NHMF have a fraud policy that is reviewed on an annual basis. All staff in NHMF are encouraged to undertake fraud awareness training.

The training identifies fraud risk areas for NHMF, and how those might be identified and mitigated to reduce the risk of fraud. NHMF has specifically undertaken bespoke fraud training delivered by external parties to our investment teams around areas such as how to detect fraud and how to report suspected fraud.

All new frontline operational staff undertake training on assessment and monitoring of grant applications as part of their onboarding process. Fraud is one of the subjects covered in that training. Further, a range of anti-fraud measures are carried out by staff at pre-application, application, assessment, monitoring and at project closure stages.

Over recent years we have improved risk awareness and intelligence gathering arrangements with other National Lottery distributors and we continued it this year, with better sharing of information, combined resources and consideration of the use of specialist third parties to identify fraud risk.

We recognised the wider risk appetites for this outside of the NHMF and worked alongside DCMS, Defra etc to meet their requirements in this respect.

We also recognised that access to funding and use of grants already paid out continue to be areas at risk of fraud or error. We continued to use our existing robust anti-fraud arrangements and built on these with new tools and services from the Cabinet Office.

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

Business critical models

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

contributions to the 2012 Olympics, and significant new grant programmes and we have found that it provides a reasonable forecast of our financial sustainability.

In 2014–2015, based on the main model, the Board created a financial framework setting out grant ratios linked to the total level of commitments, approved actual liabilities, income from the National Lottery and our balance at the National Lottery Distribution Fund (NLDF). We therefore believe that the model and the financial framework provide a robust basis for our grant giving. We have continued to use this approach in 2022–2023 and indeed used this in modelling for our National Lottery income planning scenarios and assumptions. We reviewed the key ratios in 2022–2023 and adapted these for the longer term.

Board performance and effectiveness

The most significant activity for the Board has been the development of Heritage 2033, and oversight of the Heritage Fund's delivery of National Lottery programmes and grant-in-aid activity. The Board received detailed and regular updates on all interventions, and subsets of the trustees have acted as decision makers in the grant-in-aid funded programmes in England, Wales and Northern Ireland.

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

The Board are satisfied that they continued to meet the requirements of HM Treasury's corporate governance code.

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

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

The governance year

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

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

I have seen the management letter prepared by the external auditors following their audit of the financial statements for the year ended 31 March 2023.

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

The internal auditors upon re-appointment produced an overall audit strategy. The annual plan is extracted from the audit strategy and linked into the risk register and risk appetite.

With BDO we introduced new quarterly liaison meetings with the internal auditors to help monitor progress against plan and redirect resources to emerging risks. These have continued to be used to monitor progress and delivery of the programme. We also introduced new controls several years ago to improve accountabilities on audit reviews and the implementation of internal audit recommendations. These have continued in 2022–2023 and recommendations that were due to be implemented in the year have been implemented satisfactorily, or there is a legitimate reason for the delay.

All reports of the internal auditors are discussed by the Audit and Risk Committee with senior members of staff in attendance, including those whose

Report of the Trustees and Accounting Officer

departments were reported upon. This gives me and the Committee the opportunity to discuss in detail the findings, recommendations and proposed management actions. Where recommendations for improvements or correction were accepted, directors also had to provide an implementation response and timetable for each recommendation. The implementation of these recommendations is tracked and monitored by the Business Services Department and the internal auditors. That control list is also seen as a standing item by the Audit and Risk Committee.

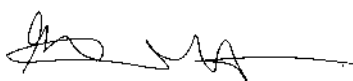
Our new Code of Conduct for staff and contractors was introduced in 2018, including areas such as:

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

The Code was publicised to all staff and placed on our intranet.

Letters of Delegated Authorities/Responsibilities for all executive directors were introduced – setting out their delegated authorities (financial, procurement etc) to be agreed at the start of the year to complement the memorandum at the year end. This cycle has been completed in 2022–2023.

As a result of the above I believe that the NHMF 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 National Lottery grants are not adequate.



Eilish McGuinness

Chief Executive and Accounting Officer

10 July 2023

Remuneration and staff report

Remuneration of the Chair and trustees

All trustees were entitled to receive an annual salary for time spent on the activities of the Fund. In addition the Fund reimburses travel expenses of trustees when travelling from their homes to their office of employment.

The remuneration of trustees, including reimbursement of taxable expenses and the tax thereon, falls into the bands in the table below. All trustees are appointed by the Prime Minister.

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

Trustees' remuneration was allocated between NHMF and its National Lottery distribution activities on the basis of 1:99. The total remuneration of trustees in 2022–2023 was £179,088 (2021–2022: £154,418). The pay and contracts of trustees are discussed and set by DCMS. Their contracts do not contain any bonus clauses.

Remuneration of the Chair and trustees (audited information)

	2022–23 £'000	2021–22 £'000
Dr Simon Thurley CBE Chair	40–45	40–45
Maria Adebawale-Schwarte	10–15	10–15
Baroness Kay Andrews OBE to 31 December 2022 (Full-year equivalent: 20–25)	15–20	20–25
Dr Claire Feehily	10–15	15–20
Julian Glover from 1 May 2022 (Full-year equivalent: 10–15)	10–15	–
Denise Lewis-Poulton from 6 February 2023 (Full-year equivalent: 20–25)	0–5	–
Ray Macfarlane	20–25	20–25
Taryn Nixon from 1 May 2022 (Full-year equivalent: 10–15)	10–15	–
Carol Pyrah from 9 May 2022 (Full-year equivalent: 10–15)	10–15	–
Mukesh Sharma MBE DL	20–25	20–25
Dr David Stocker	10–15	10–15

Executive's single total figure for remuneration (audited information)

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

	Salary 2022–23 £'000	Salary 2021–22 £'000	Pension benefits accrued during 2022–23 £'000	Pension benefits accrued during 2021–22 £'000	Total 2022–23 £'000	Total 2021–22 £'000
Eilish McGuinness Chief Executive and Accounting Officer	140–145	115–120*	182	92	320–325	205–210
Colin Bailey Executive Director Business Services to 30 June 2022	30–35 (Full-year equivalent: 110–115)	110–115	11	41	35–40	150–155
Harnish Hadani Executive Director Business Services from 3 May 2022	100–105 (Full-year equivalent: 110–115)	–	39	–	135–140	–
Isabel Hunt Executive Director Business Innovation & Insight	120–125	120–125	46	47	165–170	165–170
Anne Jenkins Executive Director Business Delivery	105–110	20–25**	201	61	305–310	80–85

* Chief Executive from 1 January 2022. Executive Director of Business Delivery from 1 April 2021 to 31 December 2021.

** Executive Director of Business Delivery from 1 January 2022. The full-year equivalent of Anne Jenkins' salary in 2021–2022 was in the band of £105,000 to £110,000.

Executive's pension remuneration (audited information)

	Real increase in pension and lump sum £'000	Total accrued pension at pension age and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2023 £'000	CETV at 31 March 2022 £'000	Real increase in CETV funded by NHMF £'000
Eilish McGuinness Chief Executive and Accounting Officer	7.5–10 plus a lump sum of 15–17.5	60–65 plus a lump sum of 155–160	1,416	1,096	176
Colin Bailey Executive Director Business Services to 30 June 2022	0–2.5	15–20	313	288	8
Harnish Hadani Executive Director Business Services from 3 May 2022	0–2.5	5–10	79	42	27
Isabel Hunt Executive Director Business Innovation & Insight	2.5–5	5–10	136	92	30
Anne Jenkins Executive Director Business Delivery	7.5–10 plus a lump sum of 20–22.5	50–55 plus a lump sum of 110–115	1,061	775	189

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

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

Cash equivalent transfer values (CETV)

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

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

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid

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by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

All senior staff roles had permanent contracts of employment, except one staff member who was on a fixed term contract, and were ordinary members of the Principal Civil Service Pension Scheme (PCSPS) or alpha. Their costs were allocated between The National Lottery Heritage Fund and NHMF on the basis of 99:1 (2021–2022: 99:1).

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023–2024 CETV figures.

Pensions

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

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with legislation for pension increases. Existing members of PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in PCSPS after 1 April 2015. Those who were between 10 years from their normal pension age and 13 years and 5 months from their normal pension age on 1 April 2012 switched into alpha between 1 June 2015 and 1 February 2022. Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to

that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see above).

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

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

The partnership pension account is a stakeholder pension arrangement. Employer's contributions of £292 (2021–2022: £113) were paid to a panel of appointed stakeholder pension providers. NHMF makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers.

During 2018–2019, the panel was reduced to one supplier, Legal & General. The employee does not have to contribute, but where they do make contributions the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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

No members of staff retired early on health grounds during 2022–2023.

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

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

For 2022–2023, employer's contributions of £265,952 (2021–2022: £523,508) were paid to PCSPS and alpha at the rates set out in the following table. The decrease is due to the reduction in emergency programmes.

Salary in 2022–23	% in 2022–23
£23,000 and under	26.6%
£23,001–£45,500	27.1%
£45,501–£77,000	27.9%
£77,001 and above	30.3%

Remuneration ratio (audited information)

The highest paid executive director in 2022–2023 and 2021–2022 was the Chief Executive as disclosed in the table on page 49. The annualised banded remuneration of the Chief Executive in 2022–2023 was £140,000 to £145,000 and in 2021–2022 it was £145,000 to £150,000 (this was the previous Chief Executive Ros Kerslake's salary, who left NHMF on 31 December 2021). This was about 3.8 times (restated 2021–2022: 3.9 times) the median remuneration of the workforce, which was £37,546 (restated 2021–2022: £36,883). There were no employees who received remuneration in excess of the highest paid executive director. Remuneration ranged from £19,800 to a banding of £140,000–£145,000 (restated 2021–2022: £18,180 to a banding of £145,000–£150,000).

Fair pay disclosure

	2022–23 Total salary and allowances	2022–23 Staff Bonus Payments	2021–22 Total salary and allowances	2021–22 Staff Bonus Payments
Staff average	2.59%	–12.24%	–1.33%	11.75%
Highest paid director	–3.39%	–	0.00%	–

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension

contributions and the cash equivalent transfer value of pensions.

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

	2022–23 £	2022–23 Ratio	Restated 2021–22 £	Restated 2021–22 Ratio
25th percentile	43,019	3.3	42,498	3.4
50th percentile	37,546	3.8	36,883	3.9
75th percentile	27,255	5.2	25,843	5.5

Exit packages (audited information)

As required by the Cabinet Office, the Fund is required to publish details of all exit packages agreed in the financial year under review. Falling under the definition of exit packages are compulsory and voluntary redundancies, early retirement, compensation for loss of office, and ex-gratia payments.

The Fund did not incur any such packages in 2022–2023 (2021–2022: nil).

Staff costs and numbers (audited information)

	2022–23 £'000	2021–22 £'000
Salaries	1,315	2,682
Employer's NI payments	109	197
Payments to pension schemes	266	523
Temporary staff costs	56	169
	1,746	3,571

Due to the way our systems operate we are not able to provide a breakdown of costs between staff on permanent contracts and those on fixed term contracts.

Unaudited information

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

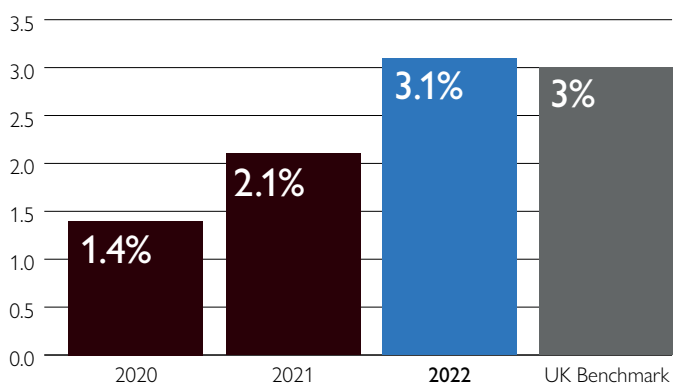
	2022–23	2021–22
Grant applications	18	42
Finance and corporate services	4	5
Strategy and business development	2	3
Communications	2	2
	26	52

The above figures are disclosed as full-time equivalents and include an average of six staff on a fixed term contract. The average numbers of staff are distorted by the people who worked on our emergency and other programmes. Excluding those people, the average FTE in the year was two.

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In addition to the above staff, the average number of staff who worked on our National Lottery distribution activities, was 242 permanent staff and 46 on fixed term contracts. Temporary and agency staff have not been included in the figures as our systems do not allow for the collection and calculation of a full-time-equivalent figure.

Absence levels



UK Benchmark Source: Office for National Statistics

As mirrored by other employers, sickness levels in the Heritage Fund remained high in 2022 compared with pre-pandemic absence rates. This increase was primarily due, both directly and indirectly, to COVID-19 and post COVID-19 medical conditions and wellbeing needs. However, we also recognise that absences in 2020 and 2021 were under-reported during the periods when staff worked from home – and since our return to hybrid working we have seen absence levels increasing back towards pre-pandemic levels. Overall, our absence levels are similar to wider UK benchmarks but remain lower than many public sector peer comparators.

The Heritage Fund continues to prioritise wellbeing support for our staff (see health and safety at work section below) and provides excellent support services through occupational health.

Employee engagement and consultation

Staff survey 2022

The Heritage Fund engaged a specialist survey provider to run a full employee survey in May 2022. Sixty-nine per cent of staff participated in the survey. Broadly, results show extremely high levels of employee engagement across several themes, including over 90% of staff confirming they are proud to work for the organisation (see 'highest' scores below).

There are a number of other areas where the Heritage Fund's results exceed national benchmarks. That said, the survey also helped identify areas for improvement (see 'lowest' scores below).

Highest staff survey scores 2022

Staff survey questions	% of colleagues who answered 'yes'
I understand how I contribute to the Heritage Fund's success	92%
I can carry out my duties in the places I have available to me for work	92%
My manager is open and honest with me	90%
I am proud to work for the organisation	90%

Lowest staff survey scores 2022

Staff survey questions	% of colleagues who answered 'yes'
There are good career prospects for me within this organisation	26%
The Strategy and Performance Group is sufficiently visible	45%
Our Executive team are role models for our values and behaviours	50%
My manager is good at handling poor performance	55%
This organisation is committed to developing its people	55%

We have discussed the staff survey feedback with staff and our Board and the issues identified in our lowest scores have been grouped into five key themes, from which we have developed a three-year staff survey plan to identify and deliver action. Various initiatives have already started and to ensure we continue to receive feedback from colleagues we are organising a 'pulse' survey for 2023 and another full employee survey for 2024.

Staff networks

We continued developing our six internal staff networks to improve peer support offerings, and as a useful channel to support us with employee engagement and consultation. Each network lead has regular meetings with the CEO. Our networks consist of the following groups:

- Intersectionality Network
- Global Majority Network
- Gender Network
- LGBTQ+ Network
- Neurodiversity Network
- Disability Network

All staff meetings

We continued to run regular all staff meetings to keep staff up to date on business issues. These have been well attended and we invite staff to ask questions or raise issues ahead of and in the staff meetings.

We held a very successful all staff conference in Manchester in October 2022 to engage our staff in

the development of our new strategy. This was also an opportunity for our workforce to meet in person for the first time since the pandemic.

Trade unions

The Heritage Fund recognises two trade unions, PCS and FDA, with whom it holds formal quarterly and monthly informal meetings. The Heritage Fund is strongly committed to partnership working and supports trade union membership.

All trade union representatives play valuable roles in the workplace and have a statutory right to reasonable paid time off during normal working hours to complete union duties, according to their trade union role and to undertake trade union activities. We also have a statutory requirement to disclose information about trade union facility time and relevant expenditure.

Trade union representatives and full-time equivalents

	Number of representatives
Trade union representatives	19
FTE trade union representatives	17.66

Percentage of working hours spent on facility time

Percentage of working hours	Number of representatives
0%	0
1–50%	19
51%–99%	0
100%	0

Total pay bill and facility time costs

Total cost of facility time	£43,694
Total pay bill	£16,939,481
Percentage of pay spent on facility time	0.26%

Paid trade union activities

Hours spent on paid TU activities time	89
Percentage of total paid facility time spent on paid TU activities	4.8%

Equality, diversity and inclusion monitoring

Equality, diversity and inclusion (EDI) remain a central part of our work in grant-giving as well as our governance, workforce, values and behaviours.

We remain a Disability Confident employer and promote this in our recruitment portals and literature. We make reasonable adjustments at interview and in the workplace. These include adjustments of roles, working environment, and specialist adjustments etc.

We continued to participate in Leonard Cheshire's Change 100 Programme of paid summer work

placements, professional development and mentoring. The programme aims to remove barriers experienced by disabled people in the workplace, to allow them to achieve their potential.

We continued our work with the Windsor Fellowship and created more posts for graduates from the Global Majority to work with us for a year and develop career opportunities in heritage.

Following the completion of our EDI Review in 2020, we established a cross-organisation EDI group, chaired by a director and the Workforce Equality and Culture Lead. This group oversee EDI activities, including the actions arising from the EDI review and the annual HR EDI action plan.

Workforce diversity analysis

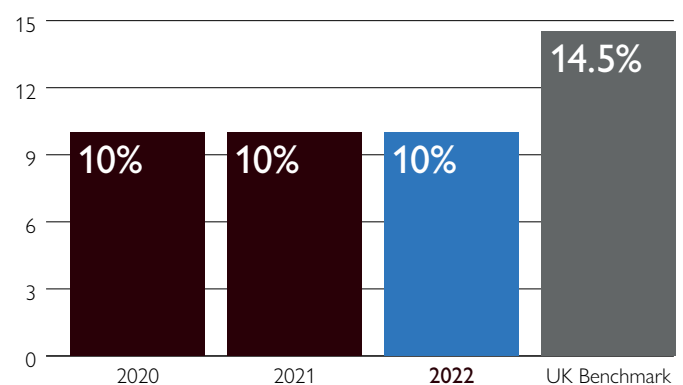
The charts below illustrate workforce diversity, for ethnicity, gender, sexual orientation and disability. Comparable benchmark data is also shown (based on UK working population levels).

We recognise that there are areas of our workforce that are not as diverse as national levels and acknowledge that there are under-represented staff groups. We also continue to recognise wider heritage sector trends and barriers to entry that impact on the shape of our workforce.

We continue with values-based recruitment processes and focus on working towards six goals to improve:

1. diversity in recruitment
2. the management of workforce diversity
3. career development for under-represented staff
4. inclusion through enhanced staff support
5. diversity through apprenticeships and work placements
6. workforce diversity

Ethnic diversity: Global Majority staff in the workforce

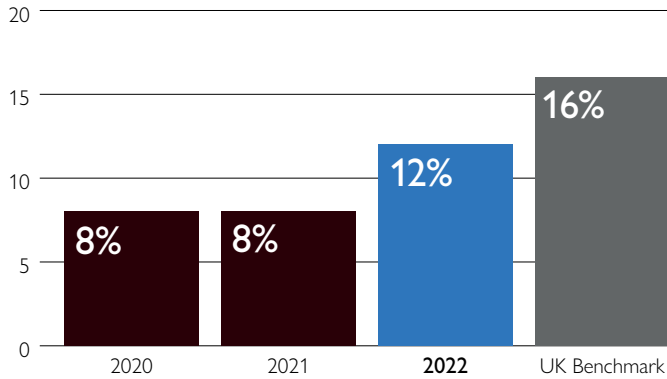


UK Benchmark Source: Office for National Statistics

Report of the Trustees and Accounting Officer

The percentage of our workforce from the Global Majority has remained at 10% over the past three years, a 4.5% underrepresentation from the UK benchmark.

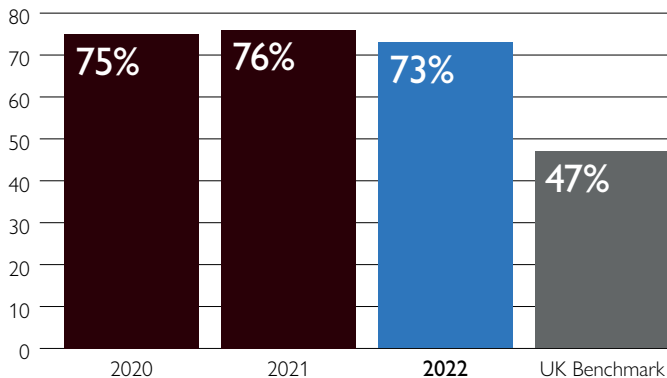
Disability diversity: Disability in the workforce



UK Benchmark Source: Office for National Statistics

The percentage of our workforce with a disability increased to 12% although we still have an underrepresentation against the UK benchmark. Work is still required to recruit employees with disabilities and we will continue to promote actions to address this with support from our staff networks.

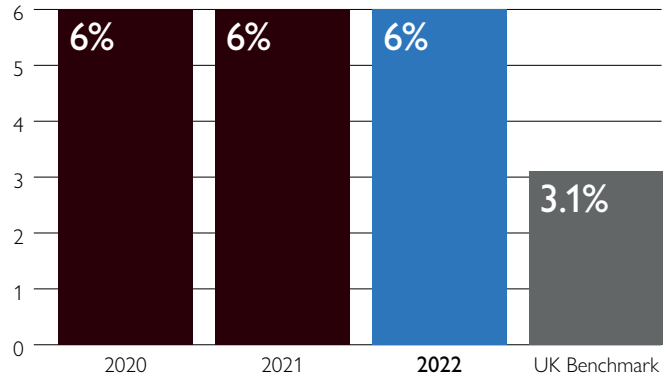
Gender diversity: Women in the workforce



UK Benchmark Source: GOV.UK

We have seen a slight reduction in the percentage of women in our workforce, but this is still significantly higher than the UK Benchmark. Many other organisations in the heritage and charity sectors have higher levels of female representation in their workforce.

Sexual orientation diversity: LGBTQ+ in the workforce



UK Benchmark Source: Office for National Statistics

The percentage of colleagues who identify as lesbian, gay, bisexual, transgender and queer (LGBTQ+) or another sexual orientation in the workplace has remained at 6% for the last three years, higher than the UK benchmark and other peer organisations.

We have employees who choose not to share their sexual orientation data, however, which suggests that continued effort to raise awareness and understanding regarding data collection and insight, and to improve the inclusion felt by LGBTQ+ colleagues is needed. We will continue to promote the importance of this work with our staff networks.

Health and safety at work

We continued to prioritise support for employee wellbeing and the health and safety of our staff. We provided access to an award-winning employee assistance programme, with online resources and guides and access to counselling services. We offered access to:

- free yoga and tai chi
- pre-employment health assessment for new recruits to identify what resources staff need
- Nuffield Health screening
- occupational health support and reasonable adjustments for those living with long-term conditions
- DSE requirements for staff who have worked at home during the year, including continuing to provide mandatory DSE training for all new employees
- flu jabs for all staff as part of our commitment to employee health
- mandatory training on subjects including mental health awareness and fire safety
- hybrid working and flexible working arrangements to support work life balance and those with caring responsibilities

Human capital management

A new People Strategy for 2023–2026 focuses on five themes of: performance management; leadership and management; a great place to work; building skills and capabilities; and responsive HR and people services.

We are increasing our investment in management and leadership development and core skills to enhance workforce effectiveness and support career progression.

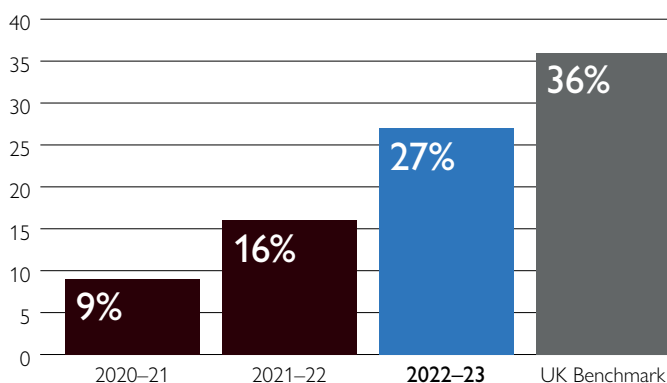
Learning provision covers the following areas:

- executive development
- leadership development
- management skills
- core skills for all
- EDI training and awareness
- sponsored study (including professional qualifications)
- continuous professional development support
- professional skills training

Staff also have access to hundreds of online learning resources to support remote/hybrid learning opportunities.

We continued to support and participate in the Clore Leadership Programme, sponsoring staff and supporting talent development in the heritage sector.

Staff turnover



UK benchmark source HR Review.co.uk

Staff turnover in 2022–2023 was 27% of our average staffing levels during the year. This rate is significantly higher than the pre-pandemic average of 15% and mirrors high turnover in the wider employment market following the pandemic. UK benchmarks show average turnover across all employers at 36%. Turnover was also driven by our increased use of staff on fixed-term contracts to handle fixed-term grant-in-aid work, due to the short-term nature of those appointments.

We recognise the balance between healthy staff retention rates and recruiting new talent and we acknowledge our staff retention challenge. In 2022, following extensive engagement and consultation with staff and our trade unions, we introduced hybrid working which enables our people to work from home or a non-work site for up to three days per week.

We are continuing to invest in actions to support staff retention, including increasing our learning and development budget in 2023 to support career development.

Expenditure on consultancy

NHMF spent nothing on consultants in 2022–2023 (2021–2022: nil) as part of its NHMF distribution activities in respect of the provision of advice and expertise which we would not routinely procure to support our continuing activities.

Whistleblowing

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

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

There were no instances of whistleblowing in the year.

Off-payroll engagements

During the year the Fund has not engaged any individuals through off-payroll contracts that have an IR35 implication. (2021–2022: nil).

Eilish McGuinness

Chief Executive and Accounting Officer

10 July 2023

Parliamentary Accountability and Audit Report

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament, the Scottish Parliament, Senedd Cymru and Northern Ireland Assembly

Opinion on financial statements

I certify that I have audited the financial statements of the National Heritage Memorial Fund for the year ended 31 March 2023 under the National Heritage Act 1980.

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

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of the National Heritage Memorial Fund's affairs as at 31 March 2023 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the National Heritage Act 1980 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)'. My responsibilities under those standards are further described in the Auditor's

responsibilities for the audit of the financial statements section of my certificate.

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

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

Conclusions relating to going concern

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

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

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

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

Other Information

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

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

My responsibility is to read the other information and, in doing so, consider whether the other information

is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

Opinion on other matters

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

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

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

Matters on which I report by exception

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

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

- Adequate accounting records have not been kept by the National Heritage Memorial Fund or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or

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

Responsibilities of the Trustees and Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the National Heritage Memorial Fund from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with Secretary of State directions made under the National Heritage Act 1980;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with Secretary of State directions made under the National Heritage Act 1980; and
- assessing the National Heritage Memorial Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the National Heritage Memorial Fund will not continue to be provided in the future.

Parliamentary Accountability and Audit Report

Auditor's responsibilities for the audit of the financial statements

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of the National Heritage Memorial Fund's accounting policies.
- inquired of management, the National Heritage Memorial Fund's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the National Heritage Memorial Fund's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the National

Heritage Memorial Fund's controls relating to the National Heritage Memorial Fund's compliance with the National Heritage Act 1980 and 'Managing Public Money'.

- inquired of management, the National Heritage Memorial Fund's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and

- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I tested a sample of grant expenditure to gain assurance that grants had been spent on the intended purposes.

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

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

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the 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.

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

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

10 July 2023

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

The Financial Statements

Statement of Comprehensive Net Expenditure

	Notes	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Sundry income	2	81	–
Expenditure			
Grant expenditure	3	(24,245)	(101,211)
Less lapsed or revoked grant expenditure	3	2,913	1,860
		(21,332)	(99,351)
Operating costs			
Staff costs	7	(1,746)	(3,571)
Depreciation and amortisation	11, 12, 13	(12)	(12)
Other operating costs	6	(920)	(1,782)
		(2,678)	(5,365)
Total expenditure		(24,010)	(104,716)
Operating deficit		(23,929)	(104,716)
Non-operating income			
Interest receivable	9	7	–
Distributions received	10	477	5
Profit on sale of long-term financial assets	17	1,146	2,565
		1,630	2,570
Net expenditure for the year		(22,299)	(102,146)
Other comprehensive income			
Net (loss)/gain on revaluation of Responsible Multi-Asset Fund		(2,294)	3,758
Total comprehensive expenditure		(24,593)	(98,388)

The Statement of Comprehensive Net Expenditure excludes the National Lottery distribution activities of NHMF, which are reported in a separate set of accounts.

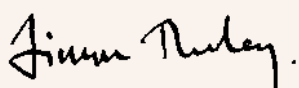
The notes on 64 to 72 form part of these accounts.

Statement of Financial Position

	Notes	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Non-current assets			
Intangible fixed assets	11	9	12
Property, plant and equipment	12	7	13
Right of use assets	13	–	3
Investments	14	46,347	53,013
		46,363	53,041
Current assets			
Trade and other receivables	15	2	5
Cash and cash equivalents	16	20,424	81,036
Cash held in the endowment funds	16	27,582	21,598
		48,008	102,639
Total assets		94,371	155,680
Current liabilities			
Trade and other payables	18	(830)	(12,084)
Grant liabilities	3	(58,623)	(84,085)
Total assets less net current liabilities		34,918	59,511
Non-current liabilities			
Trade and other payables	18	–	–
Grant liabilities	3	–	–
		–	–
Assets less liabilities		34,918	59,511
Represented by:			
Fair value reserve	20	5,062	7,356
Income and expenditure account		29,856	52,155
		34,918	59,511

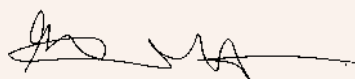
This statement excludes balances relating to the National Lottery distribution activities of NHMF, which are reported in a separate set of accounts.

The notes on 64 to 72 form part of these accounts.



Dr Simon Thurley CBE
Chair

10 July 2023



Eilish McGuinness
Chief Executive and Accounting Officer

The Financial Statements

Statement of Cash Flows			
	Notes	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Operating deficit for the period		(23,929)	(104,716)
Depreciation	11, 12, 13	12	12
Operating deficit adjusted for non-cash transactions		(23,917)	(104,704)
Decrease in grant liabilities	3	(25,462)	(18,827)
Decrease in receivables (excluding capital and investments)	15	3	–
(Decrease)/increase in non-capital payables	18	(11,254)	1,961
Net cash outflow from operating activities		(60,630)	(121,570)
Cashflow from investing activities			
Payments to acquire intangible fixed assets	11	–	(3)
Payments to acquire property, plant and equipment	12	–	(10)
Payments to acquire investments		(3,940)	–
Proceeds from sale of investments	14	9,458	17,522
Income from investments	10	484	5
Net cash inflow from investing activities		6,002	17,514
Cashflow from financing activities			
Grant-in-aid	5	–	120,015
(Decrease)/Increase in cash		(54,628)	15,959
Net (decrease)/increase in cash and cash equivalents			
Cash balances carried forward		48,006	102,634
Less cash balances brought forward		(102,634)	(86,675)
(Decrease)/Increase in cash		(54,628)	15,959

The notes on 64 to 72 form part of these accounts.

Statement of Changes in Taxpayers' Equity

	Fair value reserve £'000	Income and expenditure account £'000
Balance at 31 March 2022	7,356	52,155
Changes in taxpayers' equity in 2022–2023		
Net loss on revaluation of financial assets	(2,294)	–
Comprehensive net expenditure transferred to the accumulated fund	–	(22,299)
Grant-in-aid from DCMS	–	–
Balance at 31 March 2023	5,062	29,856
Changes in taxpayers' equity in 2021–2022		
Balance at 31 March 2021	3,598	34,286
Net gain on revaluation of financial assets	3,758	–
Comprehensive net expenditure transferred to the accumulated fund	–	(102,146)
Grant-in-aid from DCMS	–	120,015
Balance at 31 March 2022	7,356	52,155

The fair value reserve relates to the difference between book cost and market value of the investments in the endowment fund (see note 11).

Notes to the accounts

1. Statement of accounting policies

These financial statements have been prepared in a form directed by the Secretary of State for DCMS with the Heritage Act 1980 and to meet the requirements of the Government Financial Reporting Manual (FReM).

The accounting treatments contained in FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

We have not adopted any IFRS that have been issued but are not yet effective.

a) Accounting convention

These accounts have been prepared under the historic cost convention modified where appropriate for fair value.

Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act, FReM and International Financial Reporting Standards, where appropriate.

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 a credit to the 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 received from DCMS during the financial year.

c) Donations

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

Donations are normally recognised in the period in which the funds were received. However, where

there is a contractual relationship between NHMF and the donor, the donation is recognised in the period when the associated activity occurred, irrespective of when the funds were received.

d) Non-current assets

Non-current assets are considered to have short lives or low values (or both) and therefore management considers cost to be a proxy for fair value and is recognised as such in the Statement of Financial Position except for items costing less than £2,000, which are written off to the Statement of Comprehensive Net Expenditure in the year of acquisition.

Depreciation is provided at rates calculated to write off the valuation of the assets on a straight-line basis over their estimated useful lives as follows:

Short-leasehold property	– Over the life of the lease
Right of use asset	
– property lease	– Over the life of the lease
Office equipment	– 4–10 years
Grant-assessment and other software	– Up to 5 years

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

e) Allocation of costs

NHMF accounts separately for its National Lottery distribution activities, which it is required to do under its National Lottery accounts direction.

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 HM 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 National Lottery distribution activities was 99% (2021–2022: 99%).

f) Investments

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

gains and losses on these investments are reflected in the fair value reserve, which is disclosed in the Statement of Financial Position and the Statement of Changes in Taxpayers' Equity. The investments have been classified as fair value through other comprehensive income.

g) 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.

h) Pension

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

i) Leases

NHMF adopted IFRS 16 for the first time in 2019–2020. Right of use assets are identified in the Statement of Financial Position at cost determined by the present value of payments due under each lease. The costs are amortised over the minimum period of the lease. The finance costs of servicing the leased assets is charged as interest in the Statement of Comprehensive Net Expenditure.

The annual rentals on any leases falling outside the definition required by IFRS 16 are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

j) Grant liabilities

Recognition

Grant awards are recognised as liabilities in the Statement of Financial Position if they meet the definition of liabilities in IAS37 Provisions, Contingent Liabilities and Contingent Assets, whether arising from legal or constructive obligations.

Grant awards are recognised as expenditure and commitments are accounted for when:

- the award has been formally decided on by the trustees; and

- the award has been notified to the intended recipient; and
- the award is free from any specific performance conditions under the control of the Fund

Post-decision adjustments to award value

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

If there are circumstances specific to an award programme, then the grant award value and the grant liability will be reduced to reflect known post-award adjustments. Furthermore, a provision will be created to reflect possible further adjustments to other decisions within the same programme. Any provision created and the subsequent movement on that provision will form part of the disclosure of decommitments in the year.

Adjustments once the project is underway

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

k) Cash and cash equivalents

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

l) Estimation uncertainty

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

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

The Financial Statements

period in which the circumstances change.

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

Provision on grant liabilities

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

- known decommitments after year-end
- liabilities that may be inactive ie: have had no grant payments or contact for several years
- projects where the final payment has been made but not closed

There is also a general provision applied to dormant projects that have had no payments or awards for two years.

Allocation of costs between our two main activities

We have a time recording system in place for staff to indicate which programmes they are working on and base recharges of costs on that data. Staff are required to record how much time they spent on each programme on a monthly basis.

2. Sundry income

	2022–23 £'000	2021–22 £'000
Repayment of grants	81	–

3. Grant liabilities

	2022–23 £'000	2021–22 £'000
Liability brought forward	84,085	102,912
Commitments in the year	24,245	101,211
Decommitments	(2,913)	(1,860)
Commitments paid	(46,794)	(118,178)
Liability carried forward	58,623	84,085

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

	2022–23 £'000	2021–22 £'000
In one year	58,623	84,085
In two to five years	–	–
	58,623	84,085

While the grants paid in the year for grant-in-aid programmes are £46.8million, this figure includes grant payments of £1.8million made using our National Lottery derived funds. These are reflected in the accounts as a debt owed by our grant-in-aid activities to our National Lottery distribution activities.

4. Contingent liabilities

	2022–23 £'000	2021–22 £'000
Contingent liability brought forward	–	705
Decommitments	–	(705)
Contingent liability carried forward	–	–

5. Grant-in-aid

	2022–23 £'000	2021–22 £'000
Grant from DCMS	–	120,015

We did not make any grant-in-aid drawdowns in 2022–23 because we held surplus cash balances from prior years and this was agreed with DCMS. This is because cash is paid out to grantees in stages, not at the time the award is made. The cash not drawn down from DCMS this year will be available in future years to cover outstanding grant commitments once we have utilised the cash and cash equivalents (see note 16). We continued to deliver the Standard Memorial programme, plus the emergency funding programmes from DCMS and other departments of the UK and devolved administrations.

6. Other operating costs

	2022–23 £'000	2021–22 £'000
Accommodation	75	117
Postage and telephone	26	53
Travel, subsistence and hospitality	13	9
Professional fees		
– Grant-related	81	133
– Non-grant-related	650	1,005
Communications	20	232
Sundry expenses	4	149
Office equipment	11	49
Auditors' remuneration	40	35
	920	1,782

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

Other operating costs were lower in 2022–2023 than the prior year because of the reduction in grant-in-aid activity, mostly due to the closure of the emergency programmes.

7. Staff costs

	2022-23 £'000	2021-22 £'000
Salaries	1,315	2,682
Employer's NI payments	109	197
Payments to pension scheme	266	523
Temporary staff costs	56	169
	1,746	3,571

Staff costs were lower in 2022–2023 than the prior year because of the reduction in grant-in-aid activity, mostly due to the closure of the emergency programmes.

8. Recharged costs

During 2022–2023, NHMF distributed sums of money from various central government organisations. At the end of the financial year, the proportion of joint operating costs apportioned to NHMF distribution was 1% (2021–2022: 1%).

We also identify the proportion of work undertaken by staff on non-National Lottery activities and recharge the various grant-in-aid supported programmes. We calculate an associated overhead allocation as part of this recharge.

The total value of these recharges in 2022–2023 was £2.4million (2021–2022: £5.0million).

9. Interest received

	2022-23 £'000	2021-22 £'000
Endowment	7	–

10. Distributions received

	2022-23 £'000	2021-22 £'000
Income from endowment fund	477	5

11. Intangible assets

	Information Technology		Total	
	2022-23 £'000	2021-22 £'000	2022-23 £'000	2021-22 £'000
Cost at start of year	15	12	15	12
Additions	–	3	–	3
Disposals	–	–	–	–
At end of year	15	15	15	15
Amortisation at start of year	3	1	3	1
Disposals	–	–	–	–
Charge for the year	3	2	3	2
At end of year	6	3	6	3
Net book value at start of year	12	11	12	11
At end of year	9	12	9	12

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

12. Property, plant and equipment

	Short-leasehold property		IT and other equipment		Office fittings		Total	
	2022-23 £'000	2021-22 £'000	2022-23 £'000	2021-22 £'000	2022-23 £'000	2021-22 £'000	2022-23 £'000	2021-22 £'000
Cost at start of year	8	7	17	8	1	1	26	16
Additions	–	1	–	9	–	–	–	10
Disposals	(8)	–	(10)	–	–	–	(18)	–
At end of year	8	8	7	17	1	1	8	26
Depreciation at start of year	6	3	6	3	1	1	13	7
Disposals	(8)	–	(10)	–	–	–	(18)	–
Charge for the year	2	3	4	3	–	–	6	6
At end of year	–	6	–	6	1	1	1	13
Net book value at start of year	2	4	11	5	–	1	13	10
At end of year	–	2	7	11	–	–	7	13

Short leasehold property represents the cost of refurbishment of properties that we lease. We do not currently have any leases under IFRS 16 as they are out of scope (see note 13).

The value of property, plant and equipment represents a proportionate split of the assets used by both NHMF's grant-in-aid and its National Lottery distribution activities. This split is currently 99% National Lottery and 1% grant-in-aid.

13. Right of use asset (IFRS 16)

In 2022–2023, the lease for our office in London came to an end. The new lease for London (licence to occupy) is out of scope for IFRS 16.

	2022-23 £'000	2021-22 £'000
Balance at start of the year	3	7
Creation of right to use asset	–	–
Amortisation	(3)	(4)
Balance at close of year	–	3

14. Investments

NHMF was set up in 1980 as successor to the National Land Fund. Trustees believed that, of the initial grant-in-aid that established NHMF, the sum of £10million should be regarded as the residue of the National Land Fund and was to be treated as an endowment fund. They decided to invest it with the aim to maintain its capital value in real terms when compared to the Retail Prices Index. Beyond that, the investment aim is to achieve sufficient growth in real terms to enable NHMF to meet its obligations. To this end, investment in readily marketable financial assets can be made outside the UK. The table on analysis of investments at the year-end on page 69 summarises the spread of investments by type and area.

In 2018–2019, trustees changed the target index from the Retail Prices Index to the Consumer Prices Index. The former index is no longer popular in the

investment world and there was concern that index numbers might not be produced in the future.

The aim is that the surplus value of the endowment fund, ie: the excess over the current value of the initial £10million, can be drawn down to help fund NHMF's grant giving. On occasions, trustees have drawn down funds that take the value of the endowment fund below its target value. Trustees do this reluctantly and only when faced with the possibility of losing a significant part of the UK's heritage. In these circumstances, trustees monitor the shortfall and use future grant-in-aid to replenish the endowment fund if capital growth does not exceed the increase in the Consumer Prices Index.

At 31 March 2023, the original £10million investment would be worth £55.5million taking into account indexation. The actual market value was £74million including cash held within the endowment (£27.6million).

The endowment fund comprises the following:

	Market value 2022-23 £'000	Market value 2021-22 £'000
Long-term financial assets	46,347	41,285
Cash	27,582	27,582
	73,929	68,867

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

The endowment fund is invested in the Responsible Multi-Asset Fund run by our investment management provider which invests in a range of 22 unit and investment trusts across many asset types and geographic markets. Units in the Responsible Multi-Asset Fund are sold to raise funds for grant payments and administrative expenses. Trustees have no plans to liquidate the entire endowment fund.

Movements on the investments during the year are:

	2022-23 £'000	2021-22 £'000
Cost and net book value		
At start of year	45,657	60,614
Additions	3,940	–
Disposals	8,312	14,957
	41,285	45,657
Net book value		
– Listed on the London Stock Exchange	–	–
– Unlisted investments	41,285	45,657
	41,285	45,657
Cost	41,285	45,657
Market value	46,347	53,013
Unrealised gain	5,062	7,356

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

	2022-23 %	2021-22 %
Bonds	11	8
UK equity	–	–
Europe equity (excluding UK)	–	–
Thematic equity	17	20
Global equity funds	49	50
Property	5	6
Diversifiers	10	11
Infrastructure	–	–
Cash	8	5
Commodities	–	–
	100	100

Further information about the underlying investments of the endowment fund can be found under note 21 (Financial instruments) and the Disclosure of Investments note in this report.

15. Trade and other receivables

	2022-23 £'000	2021-22 £'000
Prepayments and accrued income	2	5
	2	5

16. Cash and cash equivalents

	2022-23 £'000	2021-22 £'000
Instant access		
– Cash at bank	20,424	81,036
– Cash held in liquidity funds	27,582	21,598
	48,006	102,634

Cash is held in bank to support our day-to-day activities. Cash held in liquidity funds is cash liquidated from endowment fund sales.

The closing balances at 31 March 2023 are lower than the prior year. This is because we held surplus grant-in-aid cash balances from prior years when we had expected grant payments to have been claimed earlier by grantees.

17. Profit on the sale of investments

	2022-23 £'000	2021-22 £'000
Profit on sale of investments	1,146	2,565

Profits (or losses) are earned on the disposal of investments held in the endowment fund when NHMF requires funds to pay grants. A significant portion of profit earned in 2022–2023 is attributed to sale of endowment units to pay for DCMS Cultural Asset Fund and NHMF COVID-19 Response Grants.

18. Trade and other payables

	2022-23 £'000	2021-22 £'000
Trade payables	116	52
Other payables including taxation and social security	636	11,905
Accruals and deferred income	78	127
	830	12,084

All trade and other payables are due within one year and included in current liabilities.

19. Related-party transactions

NHMF is a non-departmental public body sponsored by DCMS. DCMS is regarded as a related party.

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

Further details of these transactions and balances can be found in the accounts of the National Lottery distribution activities of NHMF.

Again, the accounts of our National Lottery distribution contains further details. As referenced elsewhere in these accounts, NHMF has distributed funds on behalf of various government organisations: DCMS, Defra, the Welsh Government and the Northern Ireland Executive.

There were two cases where a trustee declared a conflict of interest:

Hopetoun House Preservation Trust

Request to vary the agreement by which NHMF awarded a grant of £4million in 1995. The Board approved the approach recommended on the post-completion request from the grantee.

Ray Macfarlane declared an interest as she was a trustee of the Hopetoun Foundation.

The British Library

A grant of £150,000 for acquisition of the archive of author and playwright, John Galsworthy.

Simon Thurley declared a conflict of interest as a trustee for the British Library.

20. Fair value reserve

	2022–23 £'000	2021–22 £'000
At start of year	7,356	3,598
Movement in the year	(2,294)	3,758
At end of year	5,062	7,356

The reserve relates to the difference between book cost and market value of investments (see note 14).

21. Financial instruments

IFRS 7, Financial Instruments: Disclosures, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Financial instruments play a much more limited role in creating or changing risk for NHMF than is typical of the listed companies to which IFRS 7 mainly applies. NHMF does not have powers to borrow but can invest grant-in-aid derived funds. With the exception of the endowment fund, financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the organisation.

Liquidity risk

Trustees maintain an endowment fund and its underlying investment in our investment management provider's Responsible Multi-Asset Fund is widely traded. Trustees are able to liquidate assets on a daily basis should the need arise to fund grant payments. Therefore trustees are satisfied that they have sufficient liquid resources, in the form of their cash balances (worth £48million at the date of the Statement of Financial Position) and the endowment fund (worth £46million at the date of the Statement of Financial Position), to cover all outstanding grant awards of £58.6million and administrative liabilities of £0.8million. The endowment is invested in a fund that is mostly invested in unit trusts, which are readily marketable; the prices are quoted daily in the Financial Times. NHMF monitors its cash balances on a daily basis and keeps in regular contact with grantees to ascertain their likely cash drawdown requirements.

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

Market and interest rate risk

Cash balances were held in a variety of bank accounts – all at variable interest rates. The rates of interest payable on these accounts, including our liquidity accounts with our investment management provider, have been at historically very low levels just above zero per cent (or at zero rates). However, there has been a significant rise in yield in 2022–2023, rising to 4.3%.

The year-end cash balances were £48million and were held as disclosed in the table in note 15. Other financial assets and NHMF's financial liabilities carried nil rates of interest.

At the year end, the market value of the endowment, excluding its cash element, was £46million. Returns are dependent upon global stock and commodity markets and performance of investments included within the portfolio. In the year, the return on the endowment was a decrease of 2.3%.

The balance of cash and investments within the endowment fund significantly exceeds the current value of existing liabilities. Furthermore, we have received notification that our normal funding of £5.0million a year from DCMS will remain in place for the period of the next Spending Review.

Should the value of its endowment fund significantly decline in the long term, trustees would seek an increase in their grant-in-aid while reducing their future grant award budgets. Should this approach be declined by DCMS, trustees would review their long-term grant award strategy.

	2022-23 £'000	2021-22 £'000
Cash balances		
– Cash and cash equivalents	20,424	81,036
– Cash held in the endowment funds	27,582	21,598
	48,006	102,634

Credit risk

NHMF's receivables mostly comprise trade debtors and prepayments. It is not, therefore, exposed to significant credit risk.

Foreign currency risks

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

Investment risk

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

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

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

The Investment Panel includes three independent members with extensive experience in financial markets. The Investment Panel reports directly to the Board of Trustees.

Financial assets by category

	2022-23 £'000	2021-22 £'000
Assets per the statement of financial position		
– non-current assets	46,363	53,041
– cash and cash equivalents	48,006	102,634
– loans and receivables	2	5
	94,371	155,680

Financial liabilities by category

	2022-23 £'000	2021-22 £'000
Liabilities per the statement of financial position		
– grant commitments	58,623	84,085
– trade and other payables	752	11,957
– accruals	78	127
	59,453	96,169

The Financial Statements

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 2023.

Financial assets at 31 March 2023

	Book value £'000	Fair value £'000
Cash	48,006	48,006
Investments	41,285	46,347
Investments	2	2
	89,293	94,355

Financial assets at 31 March 2022

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

Financial liabilities at 31 March 2023

	Book value £'000	Fair value £'000
Grant payables	58,623	58,623
Operating payables	116	116
Other payables	636	636
Accruals	78	78
	59,453	59,453

Financial liabilities at 31 March 2022

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

Basis of fair valuation:

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

	2022–23 £'000	2021–22 £'000
In less than one year	59,453	96,169
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
	59,453	96,169

22. Losses and special payments

Losses occur where there is no evidence that a funded project's objectives were met. In 2022–2023, NHMF had one write-off totalling £3,287 (2021–2022: nil).

Special payments arise where:

- a grant has been made inadvertently to an organisation that is ineligible under the law but where the grant is within the broad intention of statutory legislation
- ex-gratia payments are approved

No special payments were made (2021–2022: nil).

23. Capital commitments

At 31 March 2023, NHMF had no capital commitments contracted for or capital commitments approved but not contracted for.

24. Events after the reporting period

There were no events that occurred after 31 March 2023 up until the date the Accounting Officer signed these accounts that need to be disclosed. The financial statements were authorised for issue by the trustees and Accounting Officer on the date they were certified by the Comptroller and Auditor General.

Disclosure of investments

The investment of the endowment fund

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

Investment management is outsourced to specialist fund managers following a tendering exercise.

Investment policy is the responsibility of the Trustees' Investment Panel – a sub-committee of the Board. The panel comprises one trustee and three independent financial experts who meet with the investment management provider twice a year to discuss its performance.

The Board recognises that there can be public interest in disclosure of the investments being made and sets out details of them in the next column. The Responsible Multi-Asset Fund invests in a large number of investment trusts and other types of investment, most of which regularly buy and sell assets. The information was correct at 31 March 2023 and will be updated annually in the Annual Report.

The investment management provider has its own responsible investment policy that it adopts when making investments. It considers environmental, social and governance issues and produces an annual responsible investment report detailing its activities. The investment management provider complies with the United Nations' Principles for Responsible Investment. We require the provider to notify us if it is considering investing in any organisation that could lead to embarrassment to NHMF.

Responsible Multi-Asset Fund

Growth assets	66.0%
Core Global equities	48.6%
Direct Equities, 30–50 of the world's leading sustainable businesses	48.6%
Thematic equities	17.4%
HSBC Global Equity Sustainable Healthcare Fund	2.0%
Pictet Nutrition	1.8%
Schroders Global Energy Transition Fund	3.3%
Sparinvest Ethical Global Value Fund	8.6%
UBAM Positive Impact Emerging Equity	1.7%
Alternatives	15.1%
Property	5.4%
Charities Property Fund	2.8%
Property Income Trust for Charities	2.6%
Diversifiers	9.7%
International Public Partnerships	0.2%
Schroder Sustainable Diversified Alternative Assets	4.6%
The Renewables Infrastructure Group	0.3%
Wisdom Tree Energy Transition Metals	1.9%
Wisdom Tree Physical Gold	2.7%
Defensive assets	18.9%
Bonds	11.4%
Charity Bond Fund	0.8%
Federated Hermes Climate Change Fund	0.9%
4.25% Gilt 2032	1.9%
Inflation Linked Gilt 2027	1.4%
Invesco US Treasury Bond	2.1%
Lombard Odier Global Climate Bond Fund	1.2%
Threadneedle European Social Bond Fund	1.1%
TwentyFour Sustainable Short Term Bond Fund	2.0%
Cash & equivalents	7.5%
Cash	5.4%
HSBC ESG Liquidity Fund	2.1%

Source: Cazenove 31 March 2023

Chair, trustees and management

NHMF Chair and trustees

Chair

Dr Simon Thurley CBE

Trustees

Maria Adebowale-Schwarte

Baroness Kay Andrews OBE
to 31 December 2022

Dr Claire Feehily

Julian Glover
from 1 May 2022

Denise Lewis-Poulton
from 6 February 2023

Ray Macfarlane

Taryn Nixon
from 1 May 2022

Carol Pyrah
from 9 May 2022

Mukesh Sharma MBE DL

Dr David Stocker

Executive directors

Chief Executive and Accounting Officer

Eilish McGuinness

Executive directors

Colin Bailey
to 30 June 2022

Harnish Hadani
from 3 May 2022

Isabel Hunt

Anne Jenkins

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NHMF Advisory Panel

Eilish McGuinness (Chair)

Peter Barber OBE, SA

Lennox Cato

Professor Aonghus MacKechnie

Sally Montgomery
from 1 June 2022

Dr Tessa Murdoch FSA

Geoff Pick

Orlando Rock

Dr David Stocker

NHMF Trustees' Investment Panel

Sarah Bates

Jamie Korner

Sir Laurie Magnus

Dr Simon Thurley CBE

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