



Heritage Lottery Fund

National Heritage Memorial Fund Lottery Distribution
Annual Report and Accounts for the year ended 31 March 2011



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Report of the Trustees and Accounting Officer

Management commentary

Background information

The National Heritage Memorial Fund (NHMF or 'the Fund') is vested in and administered by a body corporate known as the Trustees of NHMF, consisting of a Chair and not more than 14 other members appointed by the Prime Minister. The Fund was set up on 1 April 1980 by the National Heritage Act 1980 ('the 1980 Act') in succession to the National Land Fund as a memorial to those who have given their lives for the United Kingdom. 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 ('the 1998 Act').

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

Under section 21(1) of the 1993 Act a fund known as the National Lottery Distribution Fund (NLDF) is maintained under the control and management of the Secretary of State for Culture, Olympics, Media and Sport. All sums received from the licensee of the National Lottery under section 5(6) are paid to the Secretary of State and placed by him in the NLDF. Trustees of NHMF apply to the NLDF for funds to meet grant payments and administration expenses.

Under section 22 of the 1993 Act, the Secretary of State for Culture, Olympics, Media and Sport shall allocate 20% of the sum paid into the NLDF for expenditure on, or connected with, the national heritage. Section 23(3) establishes the Trustees of

NHMF as distributors of that portion. The percentage allocation was reduced to 16⅔% in October 1997 following the government's creation of the New Opportunities Fund.

These accounts have been prepared in a form directed by the Secretary of State for Culture, Olympics, Media and Sport with the consent of HM Treasury in accordance with section 35(3) of the 1993 Act.

Principal activities

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

- a) any land, building or structure which in the opinion of the Trustees is of outstanding scenic, historic, aesthetic, archaeological, architectural or scientific interest;
- b) any object which in their opinion is of outstanding historic, artistic or scientific interest;
- c) 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 1997 Act, Trustees are now also able to assist projects directed to increasing public understanding and enjoyment of the heritage and to interpreting and recording important aspects of the nation's history, natural history and landscape. Following consultation with potential applicants, advisers and other bodies, further new initiatives – dealing with revenue grants (to widen access in general to the heritage), as well as in the fields of archaeology, townscapes, information technology, and

education – were set up. The 1998 Act gave Trustees the power to delegate Lottery grant decisions to staff and also to committees containing some members who are not Trustees.

Aims

We have three core aims for HLF, which define in broad terms how we are trying to improve quality of life through the heritage. The core aims are:

- conserve the UK's diverse heritage for present and future generations to experience and enjoy;
- help more people, and a wider range of people, to take an active part in and make decisions about their heritage;
- help people to learn about their own and other people's heritage.

As an organisation we strive to achieve economy, efficiency and effectiveness in all that we do. In addition, clarity, prioritisation, judgement, responsible authority and accountability are core principles for us. These inform our approach to funding, and how we work with customers and colleagues. We aim to be recognisable wherever we work through consistent practice and presentation while retaining the flexibility to respond to differences and needs through our local teams across the UK.

Financial instruments

International Financial Reporting Standard 7 'Financial Instruments: Disclosures' (IFRS 7) requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments play a much more limited role in creating or changing risk for NHMF than is typical of the listed companies to which IFRS 7 mainly applies. NHMF does not have powers to borrow and can only invest grant-in-aid-derived funds. 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

In 2010–11, £214million (96%) of HLF's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the NLDF, £3million (1%), along with a small amount of bank interest and sundry income (3%). The Trustees recognise that their hard commitments (ie signed grant contracts) and their other payables exceeded the value of funds in the NLDF at 31 March 2011. However, Trustees consider that HLF is not exposed to significant liquidity risks as they are satisfied that they will have sufficient liquid resources within the NLDF and the bank to cover all likely grant payment requests in the coming years. Trustees have been informed by the Department for Culture, Media and Sport (DCMS) that it has no plans to change the Lottery distribution arrangements for the heritage sector. Indeed, DCMS is increasing the heritage share distributed by HLF to 20% from April 2012. Trustees have set a long-term grant-award strategy to ensure that HLF's liabilities are in line with assets, and that Trustees are able to meet their commitments to 2019, when the fourth Lottery licence expires. Thus, even if there were a long-term decline in Lottery income, Trustees would be able to adjust annual grant budgets to compensate.

Market and interest rate risk

The financial assets of HLF are invested in the NLDF, which invests in a narrow band of low-risk assets such as government bonds and cash. The Trustees have no control over the investment of these funds. For these two reasons, HLF has not carried out sensitivity analysis on market risks. At the date of the Statement of Financial Position, the market value of our investments in the NLDF was £367million. Funds at the NLDF earned on average 1.13% in the year. Cash balances, which are drawn down from the NLDF to pay grant commitments and operating costs, are held in instant-access variable rate bank accounts, which carried an interest rate of 0.35% in the year. The sharp decline in market interest rates in

2008 has had a significant impact on returns, but as there is little room for rates to fall further, the risk is small. The cash balance at the year end was £2.8million. The Trustees consider that HLF is not exposed to significant interest rate risks. Other financial assets and HLF's financial liabilities carried nil rates of interest.

	2010-11 £'000	2009-10 £'000
Cash balances		
- sterling at floating interest rates	2,847	3,604
- sterling at a mixture of fixed rates	367,218	378,977
	370,065	382,581

Credit risk

HLF's receivables comprise prepayments mostly on property leases, intra-government balances and one loan to a heritage organisation. The intra-government balances are mostly with fellow Lottery distributors and all had been either repaid or agreed by the time of signing the accounts. The loan to a heritage organisation has been gradually paid off in line with the agreed payments schedule. Trustees do not consider that there is a significant risk that the heritage organisation will fail to repay the debt; the loan is at nil interest. Trustees do not consider that HLF is exposed to significant credit risk.

Foreign currency risk

HLF is not exposed to any foreign exchange risks.

Financial assets by category

	2010-11 £'000	2009-10 £'000
Assets per the Statement of Financial Position		
- non-current assets	2,083	2,168
- investments available for sale	367,218	378,977
- cash and cash equivalents	2,847	3,604
- loans and receivables	4,152	1,232
	376,300	385,981

Financial liabilities by category

	2010-11 £'000	2009-10 £'000
Liabilities per the Statement of Financial Position		
- provision	35	0
- other financial liabilities		
• grant commitments	554,485	538,737
• operating payables	623	1,080
• other payables	333	335
• accruals	1,353	841
	556,829	540,993

Fair values

Set out below is a comparison, by category, of book values and fair values of HLF's financial assets and liabilities as at 31 March 2011.

Financial assets at 31 March 2011	Book value £'000	Fair value £'000
Cash ¹	2,847	2,847
Investments ²	367,570	367,218
Receivables ³	4,152	4,152
	374,569	374,217

Financial assets at 31 March 2010	Book value £'000	Fair value £'000
Cash	3,604	3,604
Investments	379,607	378,977
Receivables	1,232	1,232
	384,443	383,813

Financial liabilities at 31 March 2011	Book value £'000	Fair value £'000
Grant commitments ⁴	554,485	554,485
Operating payables ⁵	623	623
Other payables ⁵	333	333
Accruals ⁵	1,353	1,353
Provision ⁶	35	35
	556,829	556,829

Financial liabilities at 31 March 2010	Book value £'000	Fair value £'000
Grant commitments	538,737	538,737
Operating payables	1,080	1,080
Other payables	335	335
Accruals	841	841
	540,993	540,993

Basis of fair valuation

- 1 The figure here is the value of deposits with commercial banks. It is expected that book value equals fair value.
- 2 Investments are controlled by the Secretary of State for Culture, Olympics, Media and Sport. He provides the Trustees with details of the book value and fair value of our balances at the date of the Statement of Financial Position.
- 3 No provision for bad debt is deemed necessary. None of the debts is long term and no interest rate has been applied to the loan.
- 4 Whilst we disclose £333million of grant commitments as not being due for payment until after one year, we have not made a fair value adjustment. Trustees have a contractual obligation to pay these amounts on demand, subject to contract, and so the amounts could be paid within the next 12 months.
- 5 All payables are due within normal contractual terms, usually 14–30 days, and so no difference exists between book value and fair value.
- 6 No adjustment to fair value is necessary as the liability was cleared at £35,000 before the accounts were signed.

Maturity of financial liabilities

	2010–11 £'000	2009–10 £'000
In less than one year	556,829	540,993
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
	556,829	540,993

The Statement of Financial Position discloses the above figure separated between amounts due in one year and in more than one year. That split is based upon past experience of amounts drawn down by grantees as our contracts with grantees contain no such split. Theoretically, grantees could demand all their grant in the next 12 months if their projects were completed in that period. Hence, we have adopted a prudent approach and shown the maturity of liabilities to be all within one year.

Future developments

Projections provided by DCMS of likely income from the National Lottery suggest that returns will continue at their current high level. This, combined with the new government improving the proportion of good-causes money allocated to the heritage, means that Trustees have increased their budget for grant awards from £205million to £255million in 2011–12. There are plans for the award level to be £305million in the year after that. Obviously, Trustees will monitor income closely over the next 12 months and revise future grant budgets as appropriate.

We will aim to achieve this significant increase in our awarding activity without an increase in our administrative costs. However, we recognise that the increasing complexity of some of the applications made, and the problems grantees are facing raising partnership funding in the current economic climate, may require additional resources to manage. During 2010–11, the government set two targets for restricting our non-grant expenditure as a proportion of our income. During 2011–12, management will maintain close oversight on both administrative costs and income levels to ensure that these targets are achieved. Many of the leases for our regional and country offices will come to an end in 2011–12 and management will use this as an opportunity to seek to reduce our accommodation costs. We have also been successful in finding a tenant for the first floor of our London office. The Committee on Climate Change have signed an underlease and took occupation in the early part of 2011–12.

During the latter part of 2010–11 we began the consultation process for our next (fourth) strategic plan. This will come into effect in 2013–14 and last until 2019. Over the coming year we will analyse the responses to the consultation and set in train changes to our working practices to meet the needs of the heritage.

Employee consultation

The nature of the operations of NHMF means that grant-application-processing staff work closely with Trustees. Staff are involved in project assessment and monitoring, as well as applicant visits with Trustees. Many members of staff attend meetings of Trustees, which enables them to be aware of thinking about the development of the Fund and its operations. Additionally, senior management ensures – through summaries of Management Board meetings in the monthly core brief, face-to-face meetings and a high level of personal accessibility – that matters of concern to staff can be readily addressed. It is essential that all staff are given the

opportunity to contribute to the development of the Fund as well as achieving their own potential through regular consultation and discussion. To this end, a Staff Council is in existence. Comprising representatives from each department, it discusses matters of interest to staff with representatives from management. It meets nine times a year.

Equal opportunities

As an employer, NHMF abides by equal opportunities legislation. The Fund does not discriminate against staff or eligible applicants for job vacancies on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religious belief, disability, age or sexual orientation. Every possible step is taken to ensure that staff are treated equally and fairly, and that decisions on recruitment, selection, training, promotion and career management are based solely on objective job-related criteria. NHMF does not tolerate any form of discrimination, harassment or victimisation. The Fund welcomes job applications from people with disabilities, and currently around 4% (2009–10: 4%) of our workforce is made up of people with disabilities. All staff are required to co-operate in making this policy work effectively.

Payables

NHMF adheres to the Government-wide standard on bill-paying and the CBI Better Payment Practice Code, which is to settle all valid bills within 30 days. In 2010–11, the average age of invoices paid was eight working days (2009–10: 8 days). Over 96% of invoices were paid within 30 calendar days (2009–10: 95%).

Another way of measuring our commitment to paying suppliers is the creditor days ratio – the ratio of trade payables at the end of the year to the total value of purchases in the year expressed in terms of days. At 31 March 2011, the figure was 29 days (2009–10: 41 days).

Pension liabilities

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

Further information is available in the Notes to the Accounts.

Register of interests

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

Appointment of auditors

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

Key stakeholders

The main stakeholder of HLF is DCMS which also controls the NLDF that invests the money received from the National Lottery. The other key stakeholder is a body that carries out assessment processing on our behalf for a grant programme – English Heritage (Repair Grants for Places of Worship programme in England).

Events after the reporting period

There were no events that occurred after 31 March 2011, up until the date the Accounting Officer signed these accounts, that need to be brought to the attention of the reader. The Accounting Officer authorised the accounts for issue on 8 July 2011, which was the date the accounts were certified by the Comptroller and Auditor General.

Environmental policies and sustainability reporting

The Treasury will require all public sector bodies to produce sustainability reports for financial years from 2011–12. However, the

Treasury wishes 2010–11 to be a “dry run” year in order to set a benchmark position from which our performance can be measured. Therefore, from 1 April 2010, NHMF has recorded its carbon footprint in terms of business travel undertaken, waste generated and energy consumption. However, we will be able to improve over time on the accuracy of recording NHMF’s carbon footprint, and the first attempt cannot therefore be taken as a reliable baseline.

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

Overview covering performance in the year and future plans

This is the first year of collecting the information and there is inevitably scope for improving the accuracy of the data; for example, none of our landlords presently provides figures for kilowatt hours of gas or electricity used, nor do they bill quickly enough to provide 2010–11 figures.

During 2010–11, we replaced the boilers for the heating and the chillers for the air conditioning at our main office in London. The new equipment is more energy-efficient, and we expect energy usage to fall.

In 2011–12, a number of leases of our regional offices will come to an end. When seeking new leases, we will ensure that the energy efficiency of the building is taken into account.

Tables of financial and non-financial information

Greenhouse-gas emissions	2010-11
Carbon dioxide equivalent generated (tonnes)	
- direct energy emissions	145
- indirect energy emissions	337
- business travel	112
Energy consumed (kwh)	
- direct energy emissions	712,243
- indirect energy emissions	618,242

Expenditure (£'000)	
- direct energy emissions	28
- indirect energy emissions	64
- business travel	266

Waste minimisation and management	2010-11
Total standard waste arising (tonnes)	20
- of which percentage was recycled	75%
Total building waste arising (tonnes)	22
- of which percentage was recycled	55%
Expenditure (£'000)	
- councils	8
- paper-shredding companies	13
- building companies	6

NHMF does not generate any hazardous waste. Further analysis of what happened to the waste we generated is not possible. All non-recycled waste is collected by councils local to the offices in which we operate. We do not know what they do with that waste.

Water consumption	2010-11
Total consumption (cubic metres)	14,716
Cost (£'000)	19

NHMF is not covered by the targets set by the Office of Government Commerce in its *Sustainable Operations on the Government Estate*. Therefore, we have not produced a report on biodiversity action planning or sustainable procurement.

Data sources

Direct energy emissions

This relates to gas used in boilers operated by NHMF and emissions given off through our use of air conditioning. Information about gas consumption in kilowatt hours is derived from invoices from our suppliers for those offices with separate meters. In other offices, the landlord charges us for the cost of gas consumed. This information is not yet available for most offices for 2010–11 and so we have used 2009–10 figures for those offices. In addition, these landlords do not provide information about the number of kilowatt hours consumed; we have estimated these based upon the cost recharged to us by the landlord. For future years, we will request that landlords provide readings of our gas consumption as well as the cost.

Kilowatt hours are converted to carbon dioxide equivalent tonnes using a conversion factor supplied by the Department for Environment, Food and Rural Affairs (DEFRA) – Annex 1 of *2010 Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting* (<http://archive.defra.gov.uk/environment/business/reporting/pdf/101006-guidelines-ghg-conversion-factors.xls>), Table 1c 'Gross Calorific Value Basis'.

The carbon dioxide equivalent for emissions from our air conditioning chillers was calculated using the formula set out in Annex 8 to the *2009 Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting* (<http://archive.defra.gov.uk/environment/business/reporting/pdf/20090928-guidelines-ghg-conversion-factors.pdf>).

Indirect energy emissions

This relates to electricity generated by other organisations and sold to us. Information about consumption in kilowatt hours is derived from invoices from our suppliers for those offices with separate meters. In other offices, the landlord charges us for the cost of electricity. This information is not yet available for most offices for 2010–11 and so we have used 2009–10 figures for the offices without 2010–11 data. In addition, these landlords do not provide information about the number of kilowatt hours consumed; we have estimated these based upon the cost recharged to us by the landlord. For future years, we will request that landlords provide readings of our electricity consumption as well as the cost. Kilowatt hours are converted to carbon dioxide equivalent tonnes using a conversion factor supplied by DEFRA – Annex 3 of *2010 Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting* (see above for website address), Grid Rolling Average Table Year 2008 (the latest year available at the time these accounts were prepared).

Business travel

Most of our travel is by rail, and our main ticket supplier provides us with details of the carbon dioxide equivalent emissions for

all journeys undertaken. Similarly, our main car-hire supplier provides us with data on these emissions. Staff are required to update department spreadsheets with information about all other journeys. Department heads are tasked to ensure that their staff record all their travel. The information gathered is converted to tonnes of carbon dioxide equivalent using tables of conversion factors supplied by DEFRA – Annex 6 of *2010 Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting* (see above for website address).

Waste generated

Waste in tonnes was derived from certain offices that bought scales with which to weigh all the waste they generated. From that data we calculated the amount of waste generated per person and applied that to staff at other offices. The same methodology was used to calculate the proportion of waste recycled. For future years, we will consider ways to measure accurately waste produced by all offices, although that would involve converting the volume held by waste receptors to weight, which is inherently unreliable because items of waste are not uniformly compacted in waste receptors, nor are they the same weight.

Obviously, most of our waste is removed by councils. However, only Kensington & Chelsea Council invoice us separately. This is the expenditure disclosed in the table on page 7. The cost of waste removed by building companies when they carry out refurbishment work is derived from their invoices.

Water consumption

This information is derived from the supplier's invoices for our head office in London. For the other offices we occupy, we rely upon information provided by the landlord. This information is not yet available for 2010–11 and so we have used 2009–10 figures. In addition, these landlords do not provide information about the number of cubic metres consumed; we have estimated these based upon the cost recharged to us by the landlord. For future years, we will

request that landlords provide readings of our water consumption as well as the cost.

Additionality

In accordance with the Financial Direction of the Secretary of State, all Lottery distributors are required to have regard to additionality principles. Our requirement for Lottery grants is that our funding should be in addition to available government funding, it should not be instead of central government funding. Thus we will not give grants to projects where we believe that government funding was available at the time of decision. As part of their grant-assessment routine, our staff will quiz applicants as to whether they have considered alternative sources of funding.

Chair and Trustees of NHMF

Chair

Dame Jenny Abramsky²

Trustees

Kim Evans²

Yinnon Ezra¹

Kathy Gee

Doug Hulyer¹

Tristram Hunt *to 6 April 2010*

Dan Clayton Jones

Hilary Lade²

Brian Lang *to 20 March 2011*

Alison McLean¹

Matthew Saunders *to 15 March 2011*

Ronnie Spence¹

Virginia Tandy

Richard Wilkin²

Christopher Woodward

Chief Executive

Carole Souter²

¹ Member of Audit Committee

² Member of Finance and Resources Committee (which also covers remuneration)

Dame Jenny Abramsky
Chair

Carole Souter
Chief Executive

7 July 2011

Financial review

NHMF operates two funds – its original grant-in-aid fund (NHMF) and its Lottery distribution activities (referred to as HLF). It is required, by the accounts direction of the Secretary of State for Culture, Olympics, Media and Sport, to account for its activities separately and so no consolidated accounts are prepared. This review discusses solely the activities of HLF.

HLF receives applications from thousands of organisations across all communities of the UK and awards grants on the basis of its aims. Since the Lottery started in 1994, HLF has made over 37,000 awards and dealt with over 52,000 grant applications. During the year, almost 2,200 grant applications were received, requesting over £646million (ie over three times our income, and up from £491million last year). This demonstrates that there is still huge and growing demand for heritage Lottery money 17 years after the Lottery started.

In 2008, Trustees issued their third strategic plan, covering the period 2008 to 2013, and made a number of significant grant application assessment system changes. Trustees have altered the way in which applications to the largest grant programmes (Heritage Grants and Parks for People) are processed. Applicants now receive earlier an idea of whether or not their application has a chance of success. This saves them time and money on pursuing projects which have little chance of receiving a grant. The impact of this change is that the initial decision is no longer regarded as a soft commitment. The first-round decision, as it is now called, does not inevitably result in a second-round award in the same way that a stage 1 pass became a stage 2 award before the changes were introduced. We have also completely overhauled our methods of application-processing, with the result that we now make decisions more quickly even on those applications that do not go through a two-round process. Trustees committed a lot of staff resources to the changes in the system and, as can be seen from note 7 to the accounts, £1.35million

worth of software has been created to support our new way of working. We are pleased to say that independent researchers have shown that the change has been welcomed by applicants despite the higher level of rejections that we have had to make as our grant budgets fell.

During the course of 2010–11, Trustees made new soft commitments totalling £212.5million (soft and hard commitments are defined in note 1 to the accounts). This was more than double last year's £106.1million. This movement was due to the changes undertaken as part of our third strategic plan working their way through the system. We recognised that the earlier years of the plan period would see a lower overall value of awards as we switched to a two-round process, but we are now seeing the full impact of that change in the higher overall value of awards.

Overall, net income rose slightly from £206million in 2009–10 to above £224million this year. Income from the National Lottery remained impressive at £258million (2009–10: £247million), with an additional £3million (2009–10: £2million) in investment income earned by the NLDF and allocated to us. Continuing low market interest rates and gilt yields are the reason for the low investment income returns. Our income from the National Lottery was again tempered by the transfer of £43.4million to the Olympic

Lottery Distribution Fund. Sundry income was much higher than normal following the repayment of a grant given to the National Trust of Scotland, who had sold the building we supported.

The balance of HLF funds at the NLDF fell slightly from £379million to £367million at the end of the financial year. Trustees had expected the balance to fall further. Whilst National Lottery ticket-sale income was above the projection supplied by DCMS, the main reason for the variance was that grant payments were well below the forecast level. In previous years our cash flow model had proved successful in forecasting the level of grant payments. In 2010–11, the model overstated grant payments. Management are investigating the cause and will revise the model if necessary. At present, the value of grant payments is in excess of income, and we are significantly raising our future grant-award budget because HLF's share of good-causes money from the National Lottery will also be increasing over the next two years. It would be premature, therefore, to predict what will happen to our balance at the NLDF in the next 12 months, but with an inevitable time lag between the increase in money being paid into the NLDF and it being awarded to and drawn down by grant recipients, it is likely that the balance will rise in the medium term.

Commitments table

	Stage 1 and first-round soft commitments* £m	Grant awards £m	Hard commitments £m	Total decisions £m
At start of the year	81.8	58.2	538.8	
Trustees' decisions in the year	20.7	191.8	–	212.5
Converted in the year	(54.9)	54.9	–	
Converted in the year	–	(240.1)	240.1	
De-commitments	(1.5)	(0.8)	(8.5)	
Grant payments	–	–	(215.9)	
At end of the year	46.1	64.0	554.5	

* Not all first-round passes are soft commitments. First-round passes for applications under the Heritage Grants and the Parks for People programme are not regarded as soft commitments.

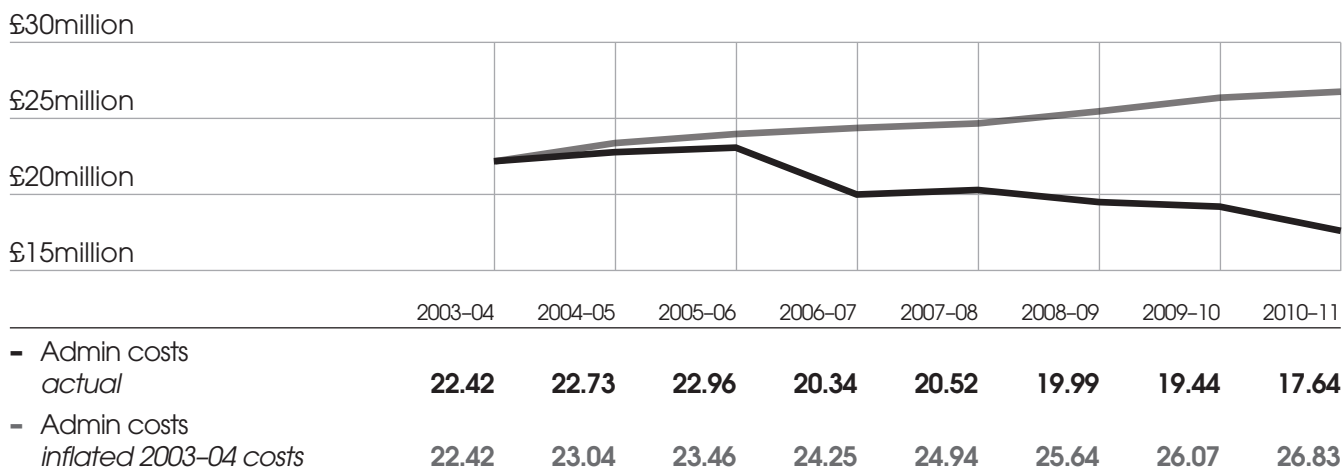
At the end of the financial year, HLF had committed almost £190million more than it had in the NLDF. The balance of contractual liabilities significantly exceeded HLF's net assets during the year, and there was a net deficit on the Statement of Financial Position in excess of £180million at 31 March 2011. In addition, there were another £110million of soft commitments (see note 12 to the accounts) where grant decisions have yet to reach the signed-contract stage. The accounts have been prepared on a going concern basis as required by the Secretary of State's accounts direction and because Trustees have been assured that they will receive income from the National Lottery until at least 2019.

The table on page 10 illustrates the soft commitments made and also the conversion of soft commitments in previous years into hard commitments in 2010–11. Soft commitments are converted to hard commitments when there is the equivalent of a signed contract with the grant recipient.

Overall, administrative costs fell by 9.5% during the year, demonstrating once again that the organisation is an efficient distributor of funds from the National Lottery – further evidence is shown in the chart below. The

4.2% fall in staff costs was assisted by the new government's freeze in public-sector wages, but there was also a small decline in the average number of staff (down 7 to 232). There was an increase in depreciation, which was not surprising following the significant levels of capital expenditure over the past couple of years. In addition to the software expenditure on updating our systems, the main office in London was refurbished for the first time in 13 years and its 25-year-old boilers and chillers replaced. Other administrative costs fell 17%. Again, the new government's freeze on certain types of expenditure – advertising and marketing – had an impact, along with its setting of a target for the proportion of administrative costs to income. Management rose to the challenge and reductions were achieved throughout the organisation, and we also benefited from an increased contribution from the Big Lottery Fund towards the cost of running the Parks for People programme. Their contribution rose from £476,000 to £779,000 – the increase was due to the Big Lottery Fund agreeing to make a further contribution of £20million over three years towards grants. Trustees applaud the work done by management and staff in achieving these significant cost savings. Trustees

Actual administration costs vs inflated 2003–04 costs



(Please note that administrative costs from 2006–07 and earlier were not produced under International Reporting Standards)

recognise that planned increases in the overall value of grant awards and the general level of inflation in the economy will make it tough for the organisation to keep its costs down, but management has set an administration budget for 2011–12 that continues the trend of reducing costs through efficiency savings.

Trustees recognise that greater efficiencies in the costs of administration should not be achieved at the expense of service to our customers. They are pleased to report that the achievement of service level targets for both applicants and grantees are at their highest level since we started our annual surveys. Further information on our service level targets is available elsewhere in the annual report.

The Trustees consider the risks faced by HLF at monthly Board meetings and through their Audit Committee. A register is created of the highest-level risks, which is reviewed on a quarterly basis. The principal risks are discussed further in the Statement on Internal Control.

Key performance indicators
 HLF has a reputation as an efficient distributor of Lottery funds. The chart on page 11 sets out our administration costs in each of the last eight years since we created our regional office structure – the black line. The grey line shows the value of administration costs incurred eight years ago when increased in line with the Treasury’s GDP deflator – an estimate of the general level of inflation in the UK economy. Trustees are pleased to note that administration costs in 2010–11 are £9.2million (or 34.3%) lower than inflation since 2003–04 would have suggested – representing a significant real-terms reduction in administration costs and releasing extra funds for grants. If the Retail Prices Index were used rather than the GDP deflator, costs would be £10.6million (or 37.5%) below the 2003–04 level.

Lottery distributors have been in correspondence with ministers during

2010–11 in order to measure efficiency in terms of grant-processing costs and operating expenditure as a percentage of income. Operating expenditure is all that we spend that is not a grant payment. Grant-processing costs are regarded as being purely those costs that NHMF incurs that relate to its processing of Lottery grant applications and its associated administrative overhead. To get to a figure for administrative costs, we take our operating expenditure and we exclude those costs that relate to us assisting potential applicants – development and outreach work, workshops, publications, mentoring and operating a website – as well as our research activities.

Targets have been set by ministers requiring us to keep our grant-processing costs below 5% of income and our operating expenditure below 8% of total income. We have been given until 2013–14 to achieve these targets. In 2010–11, we achieved the following:

	Target	Actual
Operating expenditure as a proportion of total income	8%	6.6%
Administrative expenditure as a proportion of total income	5%	5.1%

Trustees are pleased to note that the targets have almost been achieved three years early and we expect to meet both targets next year.

Personal data

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

Sickness absence

In 2010–11, 2,199 days were lost due to 354 sickness episodes (2009–10: 1,940 days in 412 episodes), which represents a very modest 2.56% of all working days (2009–10: 2.16%).

Remuneration report

Remuneration of the Chair and Trustees
All Trustees were entitled to receive an annual salary for the time spent on the activities of NHMF. In addition, NHMF reimbursed travel expenses of certain Trustees from their homes to their office of employment in London, Edinburgh, Cardiff or Belfast. HLF met the tax liability on these expenses.

The remuneration of those Trustees that received payment, including reimbursement of taxable expenses and the tax thereon, falls into the bands in the table on the right. Two Trustees, Yinnon Ezra and Virginia Tandy, waived their rights to a salary.

All Trustees have three-year appointments, potentially renewable for a second term. They are appointed by the Prime Minister. They are not members of the pension scheme utilised by NHMF. No contributions were made by the Fund to a pension scheme on the Trustees' behalf. All Trustees' remuneration was allocated between NHMF and its Lottery distribution activities on the basis of 1%: 99%. The total remuneration of Trustees in 2010–11 was £182,721 (2009–10: £195,541). The pay and contracts of Trustees are discussed and set by DCMS. Their contracts do not contain any bonus clauses. There were no benefits in kind or non-cash elements paid to Trustees or directors.

Audited information

	2010–11 £'000*	2009–10 £'000*
Dame Jenny Abramsky <i>Chair</i>	40–45	40–45
Mike Emmerich <i>until 28 July 2009</i>	0	5–10
Kim Evans	5–10	5–10
Yinnon Ezra	0–5	0–5
Kathy Gee	5–10	10–15
Doug Hulyer	10–15	10–15
Tristram Hunt <i>until 6 April 2010</i>	0	5–10
Dan Clayton Jones	20–25	20–25
Hilary Lade	10–15	5–10
Brian Lang <i>until 20 March 2011</i>	20–25	20–25
Alison McLean	5–10	10–15
Matthew Saunders <i>until 15 March 2011</i>	5–10	5–10
Ronnie Spence	20–25	20–25
Virginia Tandy <i>from 1 September 2009</i>	0–5	0–5
Richard Wilkin	5–10	10–15
Christopher Woodward	5–10	5–10

* Significant changes in reported remuneration including taxable expenses are due to Trustees not being employed for a full year in either 2009–10 or 2010–11.

Remuneration of employees (Audited information)

The remuneration of directors was as follows:

	Salary 2010-11 £'000	Salary 2009-10 £'000	Bonus 2010-11 £'000	Bonus 2009-10 £'000	Real increase in pension and lump sum £'000	Total accrued pension at age 60 and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/03/11 £'000	CETV at 31/03/10 £'000*	Real increase in CETV funded by NHMF £'000
Carole Souter <i>Chief Executive</i>	130-135	130-135	0-5**	0-5**	0-2.5 plus 0-2.5 lump sum	50-55 plus 155-160 lump sum	973	890	12
Robert Bewley <i>Director of Operations</i>	90-95	90-95	5-10	0-5	0-2.5 plus 0-2.5 lump sum	30-35 plus 90-95 lump sum	583	527	10
Judith Cligman <i>Director of Strategy and Business Development</i>	90-95	90-95	0-5	0-5	0-2.5 plus 0-2.5 lump sum	30-35 plus 90-95 lump sum	516	467	9
Steve Willis <i>Director of Finance and Corporate Services</i>	100-105	100-105	5-10	5-10	0 plus 0 lump sum	50-55 plus 155-160 lump sum	1,134	1,058	- 4

* These figures are different to those quoted in last year's accounts. This is due to the actuarial factors being adjusted in 2010, which was due to changes in demographic assumptions and the move from the Retail Prices Index to the Consumer Price Index.

** Carole Souter waived her right to a director's bonus in both 2009-10 and 2010-11.

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

Bonuses payable to senior management are being disclosed separately for the first time. This is in line with Employer Pensions Notice 296 issued by the Cabinet Office in March 2011.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension

payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the

guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

All senior employees had permanent contracts of employment and were ordinary members of the Principal Civil Service Pension Scheme (PCSPS). Their costs were allocated between HLF and NHMF on the basis of 99%: 1% (2009–10: 99%: 1%). The remuneration of senior managers is performance-related. The sum is based on performance against individual objectives and on overall contribution to corporate strategy and goals. Individual objectives for the Chief Executive are set by the Chair of the Board of Trustees, and the Chief Executive in turn agrees personal objectives with the function directors. Objectives reflect the strategic and operational goals of HLF and the contribution expected of each individual senior manager to achieving the goals. HLF has a performance management system, and performance is reviewed in line with this. Performance is reviewed annually in March–April and rated on a scale of four different levels of achievement. There is a bonus scheme for the directors which takes into account the Finance and Resources Committee’s (membership of this committee is disclosed on page 9) view of the individual’s contribution towards the wider success of the organisation, with particular reference to their management of their own department and their impact on other areas; the individual’s impact on Trustees and their effectiveness; and any exceptional

contribution or achievement during the year which was not reflected in the key objectives for the year. This policy is expected to continue in future years. Senior management are appointed on open-ended contracts with notice periods of no more than six months. In the event of considering termination payments, HLF would adhere fully to the rules of the Civil Service Compensation Scheme and any associated guidance from Treasury or DCMS.

Exit packages

Under the terms of Employer Pensions Notice 296 issued by the Cabinet Office in March 2011, NHMF is required to publish details of all exit packages agreed in the financial year under review. Falling under the definition of exit packages are compulsory and voluntary redundancies, early retirement, compensation for loss of office, ex-gratia payments etc. There was none in 2010–11 (2009–10: 3).

Audited information

	2010-11 Number	2009-10 Number
£0–£5,000	0	3

In 2009–10, two people retired on ill-health grounds. They received no additional payments from NHMF.

Carole Souter
Chief Executive

7 July 2011

Statement of Trustees' and Chief Executive's responsibilities

Under section 7(2) 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, Olympics, Media and Sport with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Fund's state of affairs at the year end, and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

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

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

Dame Jenny Abramsky
Chair

Carole Souter
Chief Executive

7 July 2011

Statement on internal control

Scope of responsibility

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

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

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

This responsibility is enacted through regular meetings of Trustees with senior management to set policy for NHMF and make decisions in line with policy. In addition, sub-committees of Trustees, particularly the Finance and Resources Committee and the Audit Committee, oversee the activities of management and provide support. All policy-setting and grant-decision-making is informed by the risk-management culture of NHMF. In particular, the Audit Committee regularly discusses the risk reports produced by management and questions management about the methods by which it mitigates risk.

The annual operating plan of NHMF – the business plan – is discussed with our sponsor department, DCMS. DCMS has also set Policy and Financial Directions with which we have to comply in our Lottery activities (the Welsh Assembly has also issued some policy directions with regard to our activities in Wales). We also operate in line with an agreed Management Statement and Financial Memorandum based upon a template devised by the Treasury. This includes regular meetings with senior officers of DCMS and with fellow Lottery distributors.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of NHMF's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in NHMF for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The changes to NHMF's working practices brought about by the adoption of its third strategic plan for its Lottery activities were thoroughly reviewed by management before implementation in 2008–09 and 2009–10. I also required the internal auditors to check that management's proposals would achieve our objectives, and to carry out a follow-up review of grant giving. I was satisfied with the results of the internal audit reports, which demonstrated that we had successfully brought about significant changes to our grant assessment and monitoring systems, both manual and electronic, for our Lottery distribution activities. No changes of any significance have been made to our systems in 2010–11 and no problems have emerged that lead me to believe that the internal control system is not operating effectively.

Capacity to handle risk

The Management Board, comprising the most senior managers of NHMF, takes the lead on all aspects of risk management. It appoints risk owners and charges them with the creation and application of strategies to mitigate the risk under their control. I chair each meeting of the Management Board, which meets weekly.

The Audit Committee, which comprises four Trustees, regularly discusses the risk-management process and reports back to the main body of Trustees on the management of risk. I and my senior management attend all the Committee meetings. Furthermore, both internal and external auditors review the risk-management processes as part of their work and can provide the benefit of their experience of other organisations' risk-management activities.

The risk register is circulated to all middle management prior to their production of annual team plans. They are expected to consider explicitly the content of the register in their plans and bring to the attention of senior management any emerging risks. The plans are discussed and approved by senior management. Middle management also meet as a group with senior management in Managers' Fora. The agenda of these meetings regularly includes planning and risk, and allows staff from various departments to share their views on good practice.

The risk and control framework
The Management Board devised a risk-management statement that sets out the principles of risk management. It then details how NHMF identifies, monitors and controls risks and opportunities, and sets out the Fund's appetite for risk. It also assigns specific responsibilities to individuals and groups in ensuring that NHMF's risk management achieves its risk policies. The statement is approved by the Audit Committee and is reviewed annually.

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

The risk register forms part of the annual business plan of the Board of Trustees, having been previously endorsed by the Audit Committee. The Management Board reviews the effectiveness of their work on a quarterly basis. The Audit Committee also reviews effectiveness at each meeting and questions the activities of risk owners. Policy papers put to the Board of Trustees for decision all contain a discussion of the risks associated with taking the possible courses of action. The Board also regularly discusses each one of the risks on the risk register with the risk owner.

NHMF has an information risk policy to be followed by all staff – new staff read it as part of their induction. The policy, which is reviewed on an annual basis, requires all data to be held securely. NHMF is compliant with the Security Policy Framework and with the mandatory measures of the Data Handling Review.

In 2010–11, NHMF considered the following to be the most significant areas of risk:

- that our income declines unexpectedly;
- imposition of an arbitrary cap on running costs;
- legislative change impacting on aims and operations of the organisation;
- failure of awarded grants to meet our strategic objectives;
- demand for awards, pre-application advice and monitoring exceeding our operational capacity (added to the register in 2011);
- failure of our strategy to keep pace with the needs of the heritage and changes in the external environment, and therefore lack of support for the strategy from our stakeholders;
- failure to set and follow efficient procedures, thereby giving rise to the risk of inefficiency, fraud or of making decisions open to challenge;

- failure to recruit and retain appropriately skilled staff;
- lack of adequate acknowledgement of the NHMF/HLF contribution by grantees;
- that support and influence lessen as a result of low awareness and understanding of our contribution by stakeholders and the Lottery-playing public;
- risk of increased media and opinion-former scrutiny of our funding decisions in current economic conditions, with potential for adverse response (added to the register in 2011);
- growing demand in a worsening economic climate putting pressure on the NHMF endowment fund and/or loss of heritage resulting in negative publicity and reduction of stakeholder confidence (added to the register in 2011).

The first three risks above, on income decline, a cap on running costs and legislative change, have been removed from the risk register for 2011 as I consider that the risks are no longer relevant. Decisions of the new Government have resulted in an increase to the income of NHMF's Lottery distribution activities; a cap on operating and administrative costs has been applied; and NHMF survived the review of public bodies. I will continue to monitor the situation and will return the risk to the register if it re-emerges.

The risk-management strategy details the Fund's appetite for risk: "Well-thought-through risk-taking and innovation to achieve NHMF objectives should be encouraged. This means that a 100% risk-avoidance culture is not the most effective use of our resources." I believe that the Fund demonstrates innovation in its choice of grant awards and it does not resort to simply making risk-free decisions.

Whilst the Management Board and the Audit Committee take the lead on setting the risk framework, staff at middle

management are fully embedded in the system. As mentioned above, the Managers' Forum has regular discussion of the risk environment in which NHMF operates and how the Fund should respond. All middle managers are appraised on an annual basis of the way in which they anticipate, identify and manage both risks and opportunities.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and senior management within NHMF who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. As a result of their work during the year, the internal auditors have produced an annual certificate of assurance with regard to the adequacy of the systems and the operation of internal controls within NHMF. In addition, I have seen the management letter prepared by the external auditors following their audit of the accounts for the year ended 31 March 2011. There have been no significant control weaknesses identified. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Trustees and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the internal control system is in place.

The annual internal audit plan is created on a risk basis; the auditors are provided with a copy of the draft risk register when preparing their plan. The Audit Committee reviews and approves the internal audit plan. I have ensured that there is sufficient flexibility in the plan to allow for changes to be made during the year to reflect any significant changes in the risk environment or the emergence of new risks.

The Audit Committee prepares a report of its activity to the Board of Trustees on an

annual basis. The Board also has another sub-committee – the Finance and Resources Committee – which, among its tasks, reviews the administrative activities of NHMF, including its management accounts and budgets.

All reports of the internal auditors are discussed by the Audit Committee with senior members of staff in attendance, including those whose departments are reported upon by the auditors – this gives members of the committee the opportunity to discuss, in detail, the findings, recommendations and proposed management actions. Heads of departments that have failings identified by the internal auditors are required to devise corrective action and set a completion date for that action in consultation with the internal auditors. I receive regular reports from the auditors notifying me of the progress my department heads have achieved in clearing up points raised by both internal and external auditors in previous years. Neither the internal nor external auditors have reported any significant findings that lead me to doubt the adequacy of our systems.

I chair meetings of the Management Board, which are attended by all senior management. The Management Board oversees all activities of the Fund, and the meetings provide the opportunity for me and my colleagues to review and challenge these activities.

The budget holders – in effect the senior management of NHMF – sign annual memoranda of representation to me, detailing their responsibilities and confirming that they have carried out these responsibilities in the financial year being reported upon. The budget holders receive similar memoranda from their cost-centre managers – in effect the middle management of NHMF. I place reliance on these assertions made by my management, and ensure that all are reviewed prior to my signing this Statement on Internal Control.

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

Carole Souter
Chief Executive

7 July 2011

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

I certify that I have audited the financial statements of the National Heritage Memorial Fund's Lottery Distribution activities for the year ended 31 March 2011 under the National Lottery etc. Act 1993. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Trustees, Chief Executive/Accounting Officer and auditor

As explained more fully in the Statement of Trustees' and Chief Executive's Responsibilities, the Trustees and Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Heritage Memorial Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Heritage Memorial Fund; and

the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Heritage Memorial Fund's Lottery Distribution affairs as at 31 March 2011 and of its operating deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the National Lottery etc. Act 1993; and
- the information given in the Management Commentary and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

Report

I have no observations to make on these
financial statements.

Amyas CE Morse
Comptroller and Auditor General

8 July 2011

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

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Notes	£'000	2010-11 £'000	2009-10 £'000
Proceeds from the National Lottery	10		257,721	246,745
NLDF investment income	10		2,843	2,007
			260,564	248,752
Less: amount transferred to the Olympic Lottery Distribution Fund by the Secretary of State for Culture, Olympics, Media and Sport	10		(43,388)	(43,389)
			217,176	205,363
Interest receivable		51		58
Sundry income	2	6,849	6,900	88
Total income			224,076	205,509
New hard commitments	12	(240,078)		(219,260)
Hard de-commitments	12	8,473		13,027
			(231,605)	(206,233)
Staff costs	3	(9,562)		(9,985)
Depreciation and amortisation	7 and 8	(676)		(545)
Other operating charges	4	(7,398)		(8,912)
			(17,636)	(19,442)
Total expenditure			(249,241)	(225,675)
Operating deficit			(25,165)	(20,166)
Other comprehensive expenditure				
Net loss on revaluation of available for sale financial assets	17		(352)	(630)
Total comprehensive expenditure for the year ended 31 March 2011			(25,517)	(20,796)

All figures shown relate to continuing activities.
The notes on pages 27 to 41 form part of these accounts.

Statement of Changes in Equity for the year ended 31 March 2011

	Fair value reserve £'000	Income and expenditure account £'000
Balance at 1 April 2009	549	(134,765)
Changes in equity in 2009-10		
Release of fair value reserve to the income and expenditure account	(549)	549
Net loss on revaluation of investments	(630)	
Retained deficit		(20,166)
Balance at 31 March 2010	(630)	(154,382)
Changes in equity in 2010-11		
Release of fair value reserve to the income and expenditure account	630	(630)
Net loss on revaluation of investments	(352)	
Retained deficit		(25,165)
Balance at 31 March 2011	(352)	(180,177)

The fair value reserve relates to the difference between book cost and market value of the balance at the NLDF (see note 10). The difference between book and market value of intangible assets and property, plant and equipment (see notes 7 and 8 to the accounts) is not material. The notes on pages 27 to 41 form part of these accounts.

Statement of Financial Position

as at 31 March 2011

	Notes	2010-11 £'000	2009-10 £'000
Non-current assets			
Intangible fixed assets	7	901	1,025
Property, plant and equipment	8	1,182	1,143
Current assets			
Investments – balance at the NLDF	10	367,218	378,977
Trade and other receivables	9	4,152	1,232
Cash and cash equivalents		2,847	3,604
		374,217	383,813
Total assets		376,300	385,981
Current liabilities			
Provision	18	(35)	0
Administrative liabilities	11	(2,309)	(2,256)
Grant commitments within one year	12	(221,794)	(236,726)
Non-current assets plus net current assets		152,162	146,999
Non-current liabilities			
Grant commitments due in more than one year	12	(332,691)	(302,011)
Provisions for liabilities and charges	6	0	0
Assets less liabilities		(180,529)	(155,012)
Represented by:			
Fair value reserve	17	(352)	(630)
Income and expenditure account brought forward		(154,382)	(134,765)
Transfer from revaluation reserve		(630)	549
Movement in the year		(25,165)	(20,166)
Income and expenditure account carried forward		(180,177)	(154,382)
		(180,529)	(155,012)

The notes on pages 27 to 41 form part of these accounts.

Dame Jenny Abramsky Chair
Carole Souter Chief Executive

7 July 2011

Statement of Cash Flows

for the year ended 31 March 2011

	Notes	2010-11 £'000	2009-10 £'000
Operating activities			
Cash drawn down from the NLDF	10	228,583	278,318
Cash from other sources	2	6,849	88
Cash paid to and on behalf of employees		(9,494)	(9,927)
Interest received on bank accounts		52	61
Cash paid to suppliers		(10,299)	(7,070)
Cash paid to grant and loan recipients	12	(215,857)	(260,627)
Net cash (outflow)/inflow from operating activities	14a	(166)	843
Investing activities			
Capital expenditure and financial investment	14b	(591)	(1,344)
Decrease in cash and cash equivalents		(757)	(501)

Reconciliation of Net Cash Flows to Movement in Net Funds

for the year ended 31 March 2011

	Notes	2010-11 £'000	2009-10 £'000
Decrease in cash and cash equivalents in the period		(757)	(501)
Changes in cash and cash equivalents	14c	(757)	(501)
Cash and cash equivalents at start of year		3,604	4,105
Cash and cash equivalents at end of year		2,847	3,604

The notes on pages 27 to 41 form part of these accounts.

Notes to the Accounts

for the year ended 31 March 2011

1. Statement of accounting policies

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

a) Accounting convention

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

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

The accounts have been prepared on a going concern basis because NHMF has been informed by DCMS that it has no plans to change the Lottery distribution arrangements for the heritage sector and so Trustees assume that they will continue to receive funding from the Lottery.

b) Non-current assets

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

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

No internally generated costs are capitalised.

c) Allocation of costs and segmental reporting

International Financial Reporting Standard 8 requires information to be provided on segmental reporting where this is relevant to the activities of the organisation. Where relevant, senior management would identify separate streams of activity and assign administrative costs to them pro-rata based upon the level of grant awarded, unless there was a significant difference in the manner in which applications were processed, in which case ad hoc methods would be utilised. However, other than accounting separately for its Lottery distribution activities, which NHMF is required to do under its Lottery accounts

direction, Trustees do not believe that their grant-in-aid or their Lottery distribution activities can be divided into separate segments.

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

d) Taxation

No provision is made for general taxation as NHMF is statutorily exempt. NHMF is unable to recover Value Added Tax (VAT) charged to it, and the VAT-inclusive cost is included under the relevant expenditure descriptions.

e) 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. Staff are members of the PCSPS and the percentage of pensionable pay is notified by the Cabinet Office prior to the start of each financial year.

f) Leases

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

g) Balances at the NLDF

Balances held in the NLDF remain under the control of the Secretary of State for Culture, Olympics, Media and Sport, and Trustees have no influence over how these sums are invested. The share of these balances attributable to the Trustees of NHMF is as shown in the accounts and, at the date of the Statement of Financial Position, has been certified by the Secretary of State for Culture, Olympics, Media and Sport as being available for distribution by the Trustees in respect of current and future commitments.

h) Grant commitments

"Soft" commitments, as defined by the accounts direction of the Secretary of State for Culture, Olympics, Media and Sport, represent positive decisions made by Trustees subject to the successful completion of a contract. When a grant contract is regarded as being in place, the commitment is described as "hard". Soft de-commitments occur when an award or part award is not converted into a hard commitment – normally because the grantee decides not to undertake their project. Hard de-commitments occur when the project being funded does not require all the money set aside for it under the contract. All grant commitments are payable immediately upon receipt of valid payment requests.

i) Loans

Trustees are entitled to make loans to heritage bodies under the Financial Directions of the Secretary of State for Culture, Olympics, Media and Sport. Interest rates and repayment terms are at the discretion of Trustees.

2. Sundry income

	2010-11 £'000	2009-10 £'000
Repayment of grants	6,849	88

The figure for 2010-11 includes a receipt of £6.8 million from the National Trust for Scotland following the sale of their head office in Edinburgh. HLF originally gave the Trust a grant for the purchase of this building in 1998.

3. Staff costs and numbers

	2010-11 £'000	2009-10 £'000
Salaries	7,474	7,804
Employer's NI payments	553	540
Payments to pension scheme (see note 6)	1,369	1,389
Temporary staff costs	131	252
Provision for employee claim	35	0
	9,562	9,985

We have been notified of an employee claim and have made a provision accordingly.

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

	Grant applications	Finance and administration	Strategy and business development	Communications	Total
2010-11					
Permanent staff	151	33	20	16	220
Seconded and contract staff	8	0	0	4	12
Total	159	33	20	20	232
2009-10					
Permanent staff	150	36	24	16	226
Seconded and contract staff	9	1	0	3	13
Total	159	37	24	19	239

Temporary and agency staff have not been included in the above figures as our systems do not allow for the collection of a comparative full-time equivalent figure.

4. Operating deficit

The operating deficit is stated after charging the following:

	2010-11 £'000	2009-10 £'000
Auditor's remuneration	42	42
Payments under operating leases		
- leasehold premises	1,331	1,381
- hire of office equipment	14	25

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

	2010-11 £'000	2009-10 £'000
Accommodation	2,068	2,293
Postage and telephone	406	313
Office supplies, print and stationery	351	244
Travel, subsistence and hospitality – Trustees	95	107
Travel, subsistence and hospitality – staff	276	340
Professional fees – grant-related	1,907	2,714
Professional fees – non-grant-related	1,053	1,174
Communications	630	866
Office equipment	376	484
Staff training	106	213
Sundry expenses	130	164
	7,398	8,912

5. Recharged costs

As disclosed in note 1 to these accounts, NHMF is required to disclose its Lottery distribution costs in the accounts of HLF. At the end of the financial year, the proportion of joint costs apportioned to HLF was 99%. In April 2002, all activities of the NHMF were transferred to Holbein Place, London. Consequently, the costs of operating all other offices are fully recharged to HLF.

6. Pensions

Pension benefits are provided through the Civil Service pension arrangements – the PCSPS. Since 30 July 2007, new staff without any previous membership of PCSPS are able to join Nuvos, which is an index-linked defined benefit pension scheme. This currently has a 3.5% member-contribution rate and will provide a defined benefit pension with a pension age of 65.

Staff who joined NHMF before 30 July 2007, or who have qualifying previous PCSPS membership on joining since that date, remain in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and Nuvos are increased annually in line with pensions-increase legislation.

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and Nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic and benefits for service after that date worked out as in premium. In Nuvos, a member builds up a pension based on pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with pensions-increase legislation. In all cases members may opt to commute pension for a lump sum up to the limits set by the Finance Act 2004.

Members who joined NHMF from October 2002 could have opted for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution known as a Partnership Pension Account. The partnership pension account is a stakeholder pension arrangement with an employer contribution. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to PCSPS to cover the cost of centrally provided lump sum risk benefit cover (death in service and ill-health retirement). There are currently seven members of staff with a partnership pension account. No member of staff retired early on health grounds during 2010–11.

Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2010–11, employer's contributions of £1,369,067 (2009–10: £1,389,248) were paid to the PCSPS at the rates set out in the table below. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/my-civil-service/pensions/index.aspx

The employer's payments were calculated on the basis of salary banding, as follows:

Salary in 2010–11	% in 2010–11	
£21,000 and under	16.7%	
£21,001–£43,000	18.8%	
£43,001–£74,000	21.8%	
£74,001 and above	24.3%	
	2010–11 £'000	2009–10 £'000
Provision at start of year	0	4
Early-retirement provision	0	0
Provision written back	0	0
Pension payments made	(0)	(4)
Provision at end of year	0	0

During 2007–08, two members of staff took early retirement. NHMF paid the cost of early retirement until those people reached the age of 60 and PCSPS took over the pension cost. This occurred during 2009–10.

7. Intangible fixed assets

	Website		Information technology		Total	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Cost at start of year	198	0	1,166	827	1,364	827
Additions	52	198	188	339	240	537
At end of year	250	198	1,354	1,166	1,604	1,364
Amortisation at start of year	17	0	322	97	339	97
Charge for the year	65	17	299	225	364	242
At end of year	82	17	621	322	703	339
Net book value						
At start of year	181	0	844	730	1,025	730
At end of year	168	181	733	844	901	1,025

The capitalisation of information technology represents the development of electronic application forms and an application-assessment management system. The above figures represent costs invoiced to HLF by software developers. No internally generated costs have been capitalised. The assets have been amortised over their expected useful lives, which is the end of the period that our third strategic plan covers; ie the period to 31 March 2013. It is anticipated that our fourth strategic plan may require alterations to our business processing software.

A review of the current cost values of intangible fixed assets, at 31 March 2011, revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of intangible fixed assets.

8. Property, plant and equipment

	Short-leasehold property		IT and other equipment		Office fittings		Total	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Cost at start of year	1,572	2,073	1,999	1,485	58	58	3,629	3,616
Additions	102	206	246	601	3	0	351	807
Disposals	0	(707)	(80)	(87)	0	0	(80)	(794)
At end of year	1,674	1,572	2,165	1,999	61	58	3,900	3,629
Depreciation at start of year	1,107	1,675	1,321	1,244	58	58	2,486	2,977
Charge for the year	120	139	191	164	1	0	312	303
Adjustment on disposal	0	(707)	(80)	(87)	0	0	(80)	(794)
At end of year	1,227	1,107	1,432	1,321	59	58	2,718	2,486
Net book value								
At start of year	465	398	678	241	0	0	1,143	639
At end of year	447	465	733	678	2	0	1,182	1,143

The Trustees have considered the current cost values of property, plant and equipment. A review of the current cost values at 31 March 2011 revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of property, plant and equipment. The value of property, plant and equipment represents a proportionate split of the assets used by both NHMF's grant-in-aid and its Lottery distribution activities. This split is currently 99% Lottery and 1% grant-in-aid.

Finance leases

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

	2010-11 £'000	2009-10 £'000
IT and other equipment		
Cost at start of year	148	0
Additions	7	148
Disposals	0	0
At end of year	155	148
Depreciation at start of year	33	0
Charge for the year	45	33
Adjustment on disposal	0	0
At end of year	78	33
Net book value		
At start of year	115	0
At end of year	77	115

Obligations under finance leases are:

	2010-11 £'000	2009-10 £'000
IT and other equipment		
Amounts for leases expiring in one year	26	45
Amounts for leases expiring in years two to five	56	68
	82	113

These obligations are included in payables (see note 11).

9. Trade and other receivables

	2010-11 £'000	2009-10 £'000
Prepayments and accrued income	3,923	608
Other receivables	191	587
Staff advances	38	37
	4,152	1,232

Included in other receivables is an amount of £174,500 due from a heritage organisation. This represents the partial repayment of a grant following a change in circumstances at a grantee. A repayment schedule was agreed in March 2009 and payments continue to be received in line with that schedule.

There were no sums due in more than one year (2009-10: £174,500).

Of the above sums, £3,605,000 was owed by central government bodies. At the year end, 50 members of staff had outstanding payroll advances (at 31 March 2010 there were 47).

10. Investments

Movement in balances at the NLDF:

	2010-11 £'000	2009-10 £'000
Current cost at start of year	378,977	452,562
Income received from the National Lottery	257,721	246,745
Funds drawn down by HLF	(228,583)	(278,318)
Funds transferred to the Olympic Lottery Distribution Fund	(43,388)	(43,389)
Investment return	2,843	2,007
Unrealised loss on investment	(352)	(630)
Current cost at end of year	367,218	378,977

There is no liability to taxation on gains realised by NHMF. Investment of this money is carried out by DCMS, which delegates management to the Commissioners for the Reduction of the National Debt, who add their return to the balance held. Trustees of NHMF have no control over investment policy. The statement of accounting policies contains further information on this matter.

11. Payables: amounts falling due in one year

	2010-11 £'000	2009-10 £'000
Operating payables	623	1,080
Other payables including taxation and social security	333	335
Accruals and deferred income	1,353	841
	2,309	2,256

None of the liabilities of HLF was secured. The operating payables balances can be analysed as follows:

	2010-11 £'000	2009-10 £'000
Balances owing to central government	3	171
Balances owing to local authorities	3	17
Balances owing to public corporations	0	0
Balances external to government	617	892
	623	1,080

12. Grant commitments

Hard commitments

	2010-11 £'000	2009-10 £'000
Brought forward at start of year	538,737	593,131
Transfers from soft commitments	240,078	219,260
De-commitments	(8,473)	(13,027)
Commitments paid	(215,857)	(260,627)
Carried forward at end of year	554,485	538,737

Soft commitments

	2010-11 £'000	2009-10 £'000
Brought forward at start of year	140,019	256,584
Soft commitments made	212,446	106,148
Soft de-commitments	(2,293)	(3,453)
Transfers to hard commitments	(240,078)	(219,260)
Balance carried forward at end of year	110,094	140,019

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

Hard commitments

	2010-11 £'000	2009-10 £'000
In one year	221,794	236,726
In two to five years	332,691	302,011
In more than five years	0	0
	554,485	538,737

The hard commitment balance at the year end represents amounts owing as follows:

	2010-11 £'000	2009-10 £'000
Balances owing to central government	45,161	42,538
Balances owing to local authorities	264,647	278,058
Balances owing to public corporations	2,820	3,172
Balances owing to NHS trusts	35	46
Balances external to government	241,822	214,923
	554,485	538,737

13. Commitments

The total outstanding commitments incurred by HLF under operating leases are as follows:

	2010-11 £'000	2009-10 £'000
Short-leasehold property		
Expiring in one year	346	27
Expiring in years two to five	492	1,287
Expiring thereafter	10,574	10,961
	11,412	12,275
Other operating leases		
Expiring in one year	6	2
Expiring in years two to five	0	19
Expiring thereafter	0	0
	6	21

On 23 March 2011, the Committee on Climate Change (CCC) signed an undertaking for most of the first floor of our main office, at 7 Holbein Place, London. On 24 May 2011, CCC signed an underlease. This underlease is for approximately 13 years and will result in rental payments to NHMF totalling £1.7 million – a small part of which will be allocated to NHMF's non-Lottery distribution activities. CCC will also utilise, under licence, a car parking space at an annual charge of £4,250 – again, a small portion of this will be to the benefit of NHMF's non-Lottery distribution activities. The expected receipts from CCC have not been deducted from the commitments disclosed in the above table.

International Accounting Standard 17 requires property leases to be split between their land and buildings elements. No split has been made in the above figures for short-leasehold property as the amount of land under the leases is negligible.

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

14. Notes to the Statement of Cash Flows

a) Reconciliation of operating deficit to cash inflow from operating activities

	2010-11 £'000	2009-10 £'000
Operating deficit	(25,165)	(20,166)
Add back non-cash items:		
- depreciation	676	545
- loss on disposal of intangible fixed assets and property, plant and equipment	0	0
- increase/(decrease) in other provisions	35	(4)
- movement in fair value reserve	(352)	(630)
- increase/(decrease) in grant commitment reserve	15,748	(54,394)
- decrease in balance at NLDF	11,759	73,585
(Increase)/decrease in non-interest receivables	(2,921)	2,058
Increase/(decrease) in non-capital payables	54	(151)
Net cash (outflow)/inflow from operating activities	(166)	843

b) Capital expenditure

	2010-11 £'000	2009-10 £'000
Payments to acquire intangible fixed assets	240	537
Payments to acquire property, plant and equipment	351	807
	591	1,344

c) Analysis of changes in net funds

	1 April 2010 £'000	Cash flows £'000	31 March 2011 £'000
Cash at bank	3,604	(757)	2,847

15. Related-party transactions

NHMF is a non-departmental public body sponsored by DCMS. DCMS is regarded as a related party. During the year, NHMF (including its Lottery distribution activities) has had various material transactions, other than grant awards, with an entity for which DCMS is regarded as the sponsor department – the Big Lottery Fund. The Big Lottery Fund operated the Awards for All scheme on behalf of a number of Lottery distributors, and we continued to make a contribution towards their administration costs as they monitor existing awards. At the year end, HLF owed the Big Lottery Fund £8,000 including accruals for invoices not received. The Big Lottery Fund contributed towards the grants made under our Parks for People programme and also towards the administration costs for that programme. At the year end, the Big Lottery Fund owed HLF £3,603,813, representing £129,298 for administration costs and £3,474,515 for their share of grant payments. There have also been material transactions with the National Assembly of Wales as we use Cadw to provide expert advice and monitoring.

On 23 March 2011, the Committee on Climate Change (CCC) signed an undertaking for most of the first floor of our main office, at 7 Holbein Place, London. CCC is a non-departmental public body which is jointly-sponsored by the Department of Energy and Climate Change, the Department for Environment, Food and Rural Affairs, the Scottish Government, the Welsh Assembly Government and the Northern Ireland Executive. On 24 May 2011, CCC signed an underlease. This underlease will be for approximately 13 years and will result in rental payments to NHMF totalling £1.7 million. In addition, there will be contributions to service charges of around £62,000 per annum at 2010–11 price levels. At 31 March 2011, there was £0 owed for service charges. CCC will also utilise, under licence, a car parking space at an annual charge of £4,250.

Alison Millward, who is a member of the Trustees' expert panel on Lottery applications, provided HLF with project-monitoring services on a number of grants and also gave training to staff. For this work, she received £8,440 in the year.

As set out below, Trustees of NHMF had interests in bodies to which NHMF made Lottery grants. Similarly, members of the country and regional committees and expert panellists had interests in projects to which their committee made Lottery grants or recommendations to Trustees. Trustees, committee members and expert panellists are required to declare their connection at the start of each meeting and absent themselves from any part of that meeting where that grant application is discussed. They take no part in the decision as to whether a grant is awarded or any subsequent decision made about that grant. There are also strict rules on the circumstances in which Trustees and committee members can accept paid work from a grantee. Therefore, Trustees are satisfied that in no case did the individuals have an influence on the decision-making process.

Related-party transactions will have occurred in 2010–11, in the form of grant payments, that related to awards made in previous years. Related-party transactions for awards made in previous years will have been disclosed in the accounts of those years.

Board of Trustees

Manchester Council

A grant of £138,500 and a first-round pass of £1,900,000 – Alexandra Park, Manchester. Virginia Tandy was Director of Culture at Manchester Council.

National Football Museum

Virginia Tandy was Director of Culture at Manchester Council, which was involved in negotiations over the museum's future. The museum received a grant of £7,565,000 in 1997 and a grant increase of £1,819,000 in 2001. In 2010, Trustees agreed to allow the relocation of the National Football Museum from Preston to Manchester and that 'clawback' of grant funding would not be sought.

Whitworth Art Gallery, University of Manchester

A grant of £8,000,000. Virginia Tandy was Director of Culture at Manchester Council, which owns the leasehold of the parkland in which the gallery is set.

Natural England

A grant of £95,400 and a first-round pass of £1,772,500 – Wet and Wonderful – The Heritage of the Avalon Marshes. Doug Hulyer declared an interest because he was on the Board of Natural England. Subsequent to the grant being awarded to Natural England, it was passed on to the Somerset Wildlife Trust.

Committee members

Cambridgeshire Museums Advisory Partnership

A grant of £164,600. Maggie Appleton declared an interest as the East of England Museums Hub was providing partnership funding. She led the East of England Museums Hub until 2009 and since then has had connections with the Hub through her role as Chief Executive of Museums Luton.

Suffolk Wildlife Trust

A first-round pass of £338,600 – Networking Nature. Michael Allen declared an interest as Chairman of the Royal Society of Wildlife Trusts.

Southend-on-Sea Council

A grant of £18,900 and a first-round pass of £855,000 – Working Towards the ‘Hadleigh and Daws Heath’ Ancient-Woodlands Living Landscape. Michael Allen declared an interest as Chairman of the Royal Society of Wildlife Trusts because Essex Wildlife Trust was a lead partner with the applicant.

Hertfordshire and Middlesex Wildlife Trust

A grant of £423,500 – Woodlands for People and Wildlife. Michael Allen, as Chairman of the Royal Society of Wildlife Trusts, declared an interest. Roy Swanston reported that he was a close personal friend of the Treasurer for the Hertfordshire and Middlesex Wildlife Trust.

Churches Conservation Trust

A grant of £82,500 and a first-round pass of £1,501,800 – A New Life for St. Nicholas’ Chapel. Anne Mason declared an interest as project manager.

London Borough of Waltham Forest

A grant of £80,000 and a first-round pass of £1,523,000 – William Morris Gallery Development. Benedetta Tiana is the project’s interpretation consultant.

Heart of the City Partnership

A grant of £43,400 and a first-round pass of £1,129,800 – Old Newcastle – Where the Story Begins. Lindsay Allason-Jones is Vice President of the Society of Antiquaries of Newcastle upon Tyne. The Society was a joint applicant for the project.

Stockport Plaza

A grant increase of £100,000 – The restoration of the Plaza, Stockport. Tiffany Hunt declared an interest as the National Trust had been involved in the project and she was Regional Director for the National Trust in the North West until 2010.

Clyde Gateway

A grant of £51,000 and a first-round pass of £749,000 – Olympia Theatre Redevelopment. Bridget McConnell declared an interest as Culture and Sport Glasgow anticipated being the end user of the building. Bridget McConnell is Chief Executive of Culture and Sport Glasgow.

East Renfrew Council

A grant of £123,200 and a first-round pass of £1,886,000 – Rouken Glen Park. Sheena Wurthmann declared an interest. As a committee member for Carts Greenspace, she had been involved in developing the application.

Arundel Museum Society

A grant of £888,000 – Arundel Revealed – Arundel Museum Development Project. Marilyn Scott declared an interest because she had advised on the project as a consultant.

Faversham Society

A grant of £238,700 – No. 12 Preston Street. Jennie Fordham declared an interest because she had worked with the applicant on developing a strategy for their work with schools and other groups.

Dunkirk Little Ships Restoration Trust

A grant of £28,400 and a first-round pass of £916,000 – Challenge to the Future. Jennie Fordham declared an interest because she had once advised the applicant on working with schools.

Hastings Pier Charity Limited

A grant of £357,400 and a first-round pass of £8,402,100 – Hastings Pier. Alastair Fairley declared an interest because he knew many of the people involved, and had previously been a director of the applicant organisation.

Priest's House Museum and Garden

A grant of £442,000 – the Open Learning Centre. Sam Hunt declared an interest as he had advised the applicant at an earlier stage of the project.

English Heritage

A grant of £10,000,000 – Stonehenge Environmental Improvements. Tony Richardson declared an interest because he was a regional director of the Royal Society for the Protection of Birds, which had a management agreement for land within the Stonehenge World Heritage Site, and which had contributed to its management plan.

Cullompton Walronds Preservation Trust

A grant of £1,694,000 – the Walronds. Simon Timms declared an interest because he was employed by Devon County Council, which was providing partnership funding, and also because he had been involved in previous discussions about the project.

Exeter Cathedral

A grant of £45,800 and a first-round pass of £516,800 – Another Chapter – Chapter 2. Hilary Bracegirdle declared an interest because she was Chair of the Fabric Advisory Committee, which had responsibility for the contents of the library, and had a role in the ecclesiastical planning approval process.

Royal Institution of Cornwall

A first-round pass of £225,000 – Ancient Civilisations – New Audiences. Hilary Bracegirdle declared an interest because she was Director of the Royal Institution of Cornwall.

National Trust

A grant of £2,500,000 – Castle Drogo – A Design for Life. Simon Timms declared an interest because he had until recently been a trustee of the National Trust.

National Trust

A grant of £15,000 and a first-round pass of £1,500,000 – Croome Court Recreated. Harriet Devlin declared an interest as her husband was an employee of the National Trust and was involved with Croome Court.

Dorset Council

A grant of £40,000 and a first-round pass of £400,000 – Hardy's Birthplace. Simon Timms declared an interest because the application was being submitted in partnership with National Trust. He had been a trustee of the National Trust until recently, and remained a member of its Advisory Council.

Teign Heritage

A grant increase of £43,600 – Teign Heritage Project. Simon Timms declared an interest because his former employer, Devon County Council, had given advice and financial support for the project.

Gwynedd Council

A grant of £706,400 – Partneriaeth Tirlun Llŷn Landscape Partnership. Rhian Thomas declared an interest as her employer, the Countryside Council for Wales, was providing partnership funding for the project. Madeleine Havard also declared an interest as a member of the project selection board for the Countryside Council for Wales's Communities and Nature Project, from which one of this project's partners, Plas Glyn y Weddw, had applied for funding.

Birmingham Conservation Trust

A first-round pass of £514,300 – Coffin Works Project Phase One. Les Sparks declared an interest as a Trustee of Birmingham Conservation Trust.

Thinktank Trust

A grant of £894,000 – Made in Birmingham. Ian Grosvenor declared an interest as he was the University of Birmingham's representative on Thinktank's Board of Trustees.

Bradford Council

A grant of £147,500 and a first-round pass of £3,206,000 – Cliffe Castle Park. David Kennedy declared an interest because he had previously been Chief Executive of Bradford Council.

Bradford Council

A grant of £2,000,000 – Keighley Town Centre. David Kennedy declared an interest because he had previously been Chief Executive of Bradford Council.

Rotherham Council

Ken Wyatt is an elected member of Rotherham Council. The council received a grant of £590,000 for the restoration of Boston Castle in 2009. In 2011, HLF's Yorkshire and the Humber committee agreed to reductions in the scope of the project which meant that HLF's contribution increased as a percentage of the overall project cost.

Expert panel

Geffrye Museum

A grant of £518,500 and a first-round pass of £10,400,000 – Museum of the Home. Alan Baxter reported that his company, Alan Baxter & Associates, had an active involvement in the development of the application.

16. Financial instruments

Full disclosure under IFRS 7, 'Financial Instruments: Disclosures', is in the Management Commentary.

17. Fair value reserve

	2010-11 £'000	2009-10 £'000
At start of year	(630)	549
Realisation of revaluation loss/(gain) on NLDF balance	630	(549)
Year-end revaluation loss on NLDF balance	(352)	(630)
At end of year	(352)	(630)

The reserve relates to the difference between book cost and market value of the balance at the NLDF (see note 10). The difference between book and market value of intangible fixed assets and property, plant and equipment (see notes 7 and 8) is not material.

18. Provision

	2010-11 £'000	2009-10 £'000
	35	0

In May 2011, we received a claim from a former employee. We have made a provision against any payment we might make to end the claim.

19. Statement of losses

HLF made losses through the write-off of grants totalling £69,058 in the year (2009-10: £126,562).

Policy Directions

The Government issues HLF with policy directions under the 1993 Act. The current directions took effect in 2008. As before, these are matters to be taken into account when distributing money.

At the same time, the Welsh Assembly Government issued policy directions related to money distributed in Wales; these complement the UK-wide directions and are reproduced in full on pages 48–49.

a) Needs of the heritage

“HLF’s assessment of the needs of the national heritage and their priorities for addressing them.”

From 31 January to 26 April 2011, we undertook a strategic consultation ‘Shaping the future – for heritage, for everyone’ to inform our future direction and positioning from 2013 onwards. This was preceded by discussions during 2010 with heritage sector partners, strategic agencies and our Board on heritage needs and priorities for our funding. The consultation asked some specific questions about the need for funding in different parts of the heritage sector and findings will be reported later this year. We also undertook research and consultation to map the impact of reductions in public funding for heritage following the Comprehensive Spending Review. We estimated that this would be a loss of up to £700million p.a. for the next five years, across all parts of the sector and the UK.

Demand for Lottery funding for heritage has remained strong. We have been able to use additional income from continued strong ticket sales to respond to this, and increased the budgets available for landscapes, townscapes, places of worship and heritage skills in 2010–11.

b) Public involvement

“The need to involve the public and local communities in making policies, setting priorities and distributing money.”

In developing our funding strategies, we regularly consult customers and the Lottery-playing public, for an end-user perspective on our work, to inform our policy and practice and increase public understanding of what we do.

In 2010–11 we undertook a major strategic consultation, ‘Shaping our future – for heritage, for everyone’ (31 January to 26 April 2011), to inform our strategic framework for 2013 onwards (although we have committed to introducing some changes earlier should there be significant support for this). As part of this online consultation we also launched a shorter questionnaire, supported by a media campaign, aimed at the general public and asking what heritage people valued in their local area, and whether we should maintain the current breadth and range of funding with grants of all sizes. Over 150 pieces of media coverage, including local radio interviews and wide-ranging social-media hits, were generated to promote the consultation. The findings from this will be used alongside responses to the main consultation.

These web-based consultations attracted over 2,000 responses in total. The consultation was open to anyone to respond, and in it we asked for views on our strategic framework and how we work, changes to our current grant programmes, and a range of new opportunities and initiatives to respond to strategic challenges, from digital heritage to climate change. We also held public meetings and events for members of the public, potential applicants, grantees, and other stakeholders, in Scotland, Wales Northern Ireland and England, to discuss the issues raised by the consultation; over 1,500 people participated. We will be reporting on findings later in the spring and will use those to inform the development of our strategy for 2013–19 which will be published in spring 2012.

We have continued to implement our five-year Youth Participation Strategy, creating high-quality opportunities to involve young people directly in our work. A highlight this year was the successful commission of a 15-minute film to promote our Young Roots programme. Four young people from the Northern Stars young film-makers' academy researched, wrote, directed and filmed the production, which potential applicants can watch on our website. Other young people have been involved in a range of work experience activity, for example advising us on our Facebook presence and helping to judge a regional heritage photography competition aimed at young people.

We have continued our policy of open recruitment to our regional and country committees, and in 2010–11 appointed 19 new committee members whose role is to make decisions on grants up to £1million in their area.

c) Access and participation

"The need to increase access and participation for those who do not currently benefit from the heritage opportunities available in the United Kingdom."

Helping "more people, and a wider range of people, to take an active part in and make decisions about their heritage" is one of our three strategic aims. We have strengthened our guidance to encourage more heritage organisations to engage new audiences and involve people in developing the projects that affect their communities. In 2010–11, our funding has enabled hundreds of projects to increase access to heritage sites, historic buildings, museums and landscapes. These projects have reached out to people where they are, made sites easier to explore, and interpreted heritage in ways that meet the needs of a wide range of audiences. After HLF funding, visits to heritage sites increase by just over 50% on average, and there is clear evidence that HLF funding has led to a more enjoyable visitor experience.

We actively encourage community groups, including those that represent people who are less likely to benefit from heritage opportunities, to take a lead on exploring their own heritage. This year we introduced a specific corporate goal into our business plan to increase diversity in grant-giving, governance and the workforce. Linked to our grant-giving, some of our country and regional development teams have nominated people from black, Asian and minority ethnic (BAME) communities as a priority social group, and these are receiving additional support to access our funding. Since 1994 we have awarded more than £121million to over 2,800 projects that explore and celebrate the cultural diversity of the UK; 54% of these projects were led by BAME groups. We have funded projects that enable disabled people and people from lower socio-economic groups to document and celebrate their histories and ensure that these stories are more fully reflected in the public domain. We have implemented measures to ensure that our publicity materials and website reflect the diversity of the UK population and the projects we fund.

d) Children and young people

"The need to inspire children and young people, awakening their interest and involvement in the activities covered by the heritage good cause."

Almost every HLF project engages children and young people with our diverse heritage – either as visitors, participants, volunteers or decision-makers. Many projects include families as a specific target audience, and huge numbers of school children benefit from learning outside the classroom as part of HLF-funded projects every year. Since 1994, we have funded more than 1,100 education posts and over 650 spaces to support formal learning. Surveys of HLF-funded projects have found that 95% of people visiting with under-18-year-olds thought that there were good-quality facilities for children.

Our Young Roots funding programme is specifically designed for young people aged 13 to 25 to take part in creative and engaging activities exploring heritage. Since 2002, we have made over 1,150 Young Roots awards, with 114 made in the last year. These projects engage a wide range of young people, from rural communities to urban housing estates, and from disabled young people to those not in education, employment or training. Feedback from all involved consistently shows that these projects help young people to develop confidence, skills and aspirations, as well as an enthusiasm for heritage.

e) Communities

“The need to foster initiatives which bring people together, enrich the public realm and strengthen communities.”

Our view of heritage is broad, progressive and inclusive. We believe that understanding, valuing and sharing our diverse histories can change lives, bring people together and provide the foundation of a confident, modern society. In the last year, we introduced specific advice on partnership-working to support more equitable and effective relationships between communities and heritage organisations, and encourage more people to be actively involved in projects that open up their own heritage and improve their local area.

Our research shows that HLF project activities bring diverse communities together to share their experiences, for example through oral history projects. This drawing of different groups together through heritage projects is strengthening the bonds of trust between different communities and improving intergenerational links. We know that young people in particular have met people from other generations and communities and see this as an important and enjoyable part of their project. Many projects create activities around the sense of identity and place that local heritage creates, and there is evidence that these projects have resulted in a greater sense of community ownership and civic pride.

f) Volunteers

“The need to support volunteers, and encourage volunteering activity, in heritage.”

We actively encourage volunteering through our strategic aims, and more than 99% of grants awarded over the last year have created volunteering opportunities. This includes projects led by volunteer-run organisations, projects that focus on recruiting and training volunteers, and projects where volunteers contribute to broader heritage conservation and learning programmes.

We have undertaken a three-year programme of research to identify the social impact of volunteering in HLF-funded projects. This shows that volunteers of all ages have built a wide range of heritage and soft skills, and developed the experience and confidence to pursue paid work and new careers, or maintain an active retirement. They have also gained a sense of achievement and pride in having ‘made a difference’. We want everyone to benefit from opportunities to volunteer in our projects and encourage greater diversity in volunteering. We support projects that recruit young people, disabled people and people from a range of ethnic and socio-economic backgrounds as volunteers.

We promote and support best practice within projects to ensure volunteers have the best possible experience. Our guidance and application process sets out clear advice and expectations for volunteer management, development and the reimbursement of expenses. In particular, we ensure that projects include appropriate plans and budgets for volunteer training.

g) Skills

“The need to encourage innovation and excellence and help people to develop their skills.”

We actively promote skills development for staff and volunteers involved in all of our projects to ensure they are delivered to the highest standard and offer wider benefits for the heritage sector and the individuals

involved. In particular, we ask that all applicants requesting grants of over £1million include training outcomes and, for example, we often fund apprenticeship-style opportunities as part of our capital projects.

We continue to fund targeted programmes which offer high-quality work-based training. This year we invested £17million in our Skills for the Future programme, trebling the amount our Trustees originally set aside in order to meet the demand from the sector. Over the next four years, 54 projects will deliver over 800 high-quality paid training placements across the UK to address a wide range of heritage skills needs, including using digital media and managing climate change. An important aim of the Skills for the Future programme is to help diversify the heritage-sector workforce, and the projects will create new opportunities for young people, disabled people and other groups who are currently under-represented. Our long-standing Training Bursary programme, focusing mainly on conservation skills, has now delivered over 400 training placements. Our evaluation of the programme continues to demonstrate that it is successful; 87% of people who completed placements have gone on to secure jobs in the heritage sector.

h) Public value

“The need to ensure that money is distributed for projects which promote public value and which are not intended primarily for private gain.”

This year, we have not changed our approach. Our distinctive Lottery philosophy is grounded in funding what people value, and our assessment of applications takes account of the benefits projects will deliver for both heritage and people, and wider benefits such as social and environmental impacts.

We give priority to not-for-profit organisations. There has been a steady increase in the proportion of projects run by community and voluntary organisations, from 40% in 2002 to 56% in 2009–10. Overall, 50% of our

funding by value has gone to the voluntary sector or church organisations over the same period (the remainder has gone to local authorities and other public sector organisations). A very small percentage of our funding benefits private owners, restricted to elements of area-based schemes where the main recipient is a public body, and small grants under our Your Heritage programme for activities that meet our participation and learning aims.

i) Sustainable development

“The need to further the objectives of sustainable development.”

In our current strategic plan we already have a strong focus on environmental impact and sustainable use of resources. Projects must tell us how they will address a range of resource-use issues, including energy efficiency, renewable energy, water, building materials, waste, soil, sustainable timber procurement, biodiversity and visitor transport.

In our strategic consultation, on which we will report later in the spring, we asked for views on what our role should be in reducing loss and damage resulting from climate change, and in supporting projects that demonstrate leadership and innovation in addressing climate change mitigation and adaptation. We propose to continue to strengthen our approach to assessing proposals for climate change mitigation and addressing other environmental impacts as part of our overall project appraisal.

j) Economic and social deprivation

“The desirability of reducing economic and social deprivation and of ensuring that all areas of the United Kingdom have access to the money distributed.”

Just under half (43%) of all HLF funding has been committed in the 25% most deprived local authority areas of the UK (based on the most recent indices of multiple deprivation for England, Wales, Scotland and Northern Ireland). Our research over the last five years

has demonstrated the ways in which HLF projects generated community benefits such as improved social cohesion and inclusion.

We have development teams in Scotland, Wales, Northern Ireland and all the English regions to encourage good-quality applications from areas or social groups that have been less well represented in our funding to date. For the current strategic plan we have identified new geographical and social priorities as a focus for our development work.

As a measure of equitable spread of funding we review the number of local authorities which have received significantly less than the UK average, in terms of the per capita value of grant awards. The number of local authorities where the value of per capita grant awards is less than a quarter of the UK average is now down to 75 (18%).

k) Joint working

“The desirability of working jointly with other organisations, including other distributors, where this is an effective means of delivering the Fund’s strategy.”

Through the Lottery Forum and National Lottery Promotions Unit, we continue to work with other Lottery distributors on joint initiatives and to ensure close coordination of activities.

Following the Government’s review of non-departmental public bodies, we worked closely with English Heritage to review our respective roles and areas of operation and ensure there were no areas of duplication. English Heritage withdrew its funding from our joint Places of Worship scheme in England this year, but will continue to administer the programme until the end of our current strategic plan in 2013. We have also worked closely with the Arts Council England (ACE) this year, to ensure there is clarity on Lottery funding for museums and libraries, once ACE assumes strategic responsibilities for this part of the sector.

l) Acknowledgement

“The need to include a condition in all grants to acknowledge Lottery funding using the common Lottery branding.”

Our approach to this has not changed this year. We place importance on raising awareness of the benefits of Lottery funding for heritage and require all applicants to acknowledge our grants appropriately both during project delivery and following completion. We publish guidance, *How to acknowledge your grant*, which forms part of our standard terms of grant, and undertake post-completion visits to a sample of projects to ensure their Lottery acknowledgement remains in place.

m) Partnership funding

“The need to require an element of partnership funding, or contributions in kind from other sources, to the extent that this is reasonable to achieve for different kinds of applicants in particular areas.”

We changed our policy on partnership funding this year in response to difficulties being experienced by applicants and grantees, where other sources of funding were being withdrawn or partnership funding was becoming more difficult than anticipated to raise. We now require a minimum of 5% (not 10%) partnership funding, in cash or kind, for grants up to £1million, and 10% (not 25%) on grants over £1million. We will also allow applicants to take account of five years’ worth of additional management and maintenance costs arising from their project in their partnership funding contribution for our general grants, Heritage Grants. We will maintain this position until 2013 and have consulted on what level partnership funding should be in our strategic consultation.

n) Decisions

“The need (a) for money distributed to be applied to projects only for a specific time-limited purpose, (b) to ensure that they have the necessary information and expert advice to make decisions on each application, and (c) for applicants to demonstrate the financial viability of projects.”

Our approach to these issues has not changed this year.

- a) The projects we support are specific and time-limited. We limit our support to a maximum of five years for projects involving activities. Three-quarters of projects are completed on schedule.
- b) We seek information from applicants about the extent to which the projects they put forward meet our strategic priorities, supplemented by further information about how the project will be delivered in order that risks and opportunities are fully balanced. Our assessment may include expert advice on key aspects of the application if needed, and input from our expert panel.
- c) We ask applicants to provide us with information to demonstrate the financial viability of their project, broken down into capital, activity and other costs, and showing what contribution they are proposing to make from their own resources or from grants or donations from other sources. We ask for cash-flow and, for larger projects, income and spending projections for 10 years, showing how the applicant plans to sustain the project in the long term. We publish guidance on this, and on financial and market appraisal for larger and more complex projects.

o) Project planning and management

“Where capital funding is sought, the need (a) for a clear business plan showing how any running and maintenance costs will be met for a reasonable period, and (b) to ensure that appraisal and management for major projects reflect the Office of Government Commerce’s Gateway Review Standards.”

Our approach to this has not changed this year.

- a) The application form for our Heritage Grants programme requires applicants to set out their second-round applications in a business-plan format, with supplementary information contained in an activity plan, cash-flow forecasts and an income and spending table. For grants over £1million, we ask for a full financial and market appraisal. We ask conservation projects to include sound plans for maintaining heritage in the long term in order to ensure that it has a viable future, and to protect our investment through better long-term management. For projects involving over £200,000 worth of capital works, we require a Management and Maintenance Plan detailing how the applicant will meet the extra costs of this following completion of their project, and we publish guidance on how to produce this.
- b) We require all applicants to demonstrate that their projects will be well-managed, and meet relevant standards regarded as good practice for the area for which the grant was given. For capital projects we include formal review points in our assessment and monitoring processes (corresponding to RIBA stages) and all national projects adopt the Office of Government Commerce Review Standards. We employ external monitors on all major projects to ensure that projects deliver the approved purposes as contracted, that the risks to HLF are understood and managed, that best practice is achieved in all critical areas, and that financial reporting and management are sound and transparent.

Policy directions in Wales

Policy direction B requires HLF to take account of “the need to promote and support the Welsh language and reflect the bilingual nature of Wales, including the principle of equality between the English and Welsh languages in the Fund’s activities in Wales, in line with the guidance set out in the Welsh Language Board’s publication*, and monitored in accordance with agreed procedures”.

Our Welsh Language Scheme sets out HLF’s commitment to treating the Welsh and English languages on the basis of equality in delivery of service and to ensure that policies and initiatives meet the standards set out in the scheme. This covers administrative actions for providing a bilingual public service in Wales, the organisation’s public face, including corporate identity, application forms, guidance notes and the website, press and marketing activity, assessment and monitoring of applications, staffing and recruitment, and consultation exercises and research. We monitor our performance annually through our commitment to an Equality Scheme and have produced guidance to support applicants in Wales in developing bilingual approaches, *Incorporating the Welsh language into your project*.

Directions issued to the Trustees of NHMF under Section 26(1) and (2) of the National Lottery Etc. Act 1993

The Welsh Ministers, in exercise of their powers conferred by section 26(2) of the National Lottery etc. Act 1993 as transferred by the National Assembly for Wales (Transfer of Functions) Order 1999 and having consulted the Trustees of NHMF (‘the Fund’) pursuant to section 26(5), hereby give the following directions to the Fund:

1. In these Directions any reference to a section is a reference to a section of the National Lottery etc. Act 1993, as amended.

Directions in relation to Wales

2. In exercising any of its functions, the Fund shall take into account the following matters in determining the persons to whom, the purposes for which and the terms and conditions subject to which they may make grants or loans, and the process used to determine what payments to make in distributing any money under section 25(1):
 - a) The need to have regard to the interests of Wales as a whole and the interests of different parts of Wales, taking account of the diverse demographic and deprivation patterns in the different parts of Wales, and the desirability of encouraging public service bodies to work together wherever it will result in better outcomes for people and heritage.
 - b) The need to promote and support the Welsh language and reflect the bilingual nature of Wales, including the principle of equality between the English and Welsh languages in the Fund’s activities in Wales, in line with the guidance set out in the Welsh Language Board’s publication*, and monitored in accordance with agreed procedures.

- c) The need to ensure an outcome-focused approach, working closely with appropriate partners for the benefit of communities and heritage across Wales, where this is an effective means of achieving the Fund's strategy.
- d) The need to encourage the conservation, preservation, presentation, promotion and interpretation of all aspects of the heritage of Wales.
- e) The need to encourage the financial sustainability of the heritage assets of Wales.
- f) The need to provide opportunities for people, especially young people and the disadvantaged parts of society, to gain the skills required to conserve and preserve the heritage of Wales.
- g) The need to encourage the use of appropriate professional standards in all projects.
- h) The need to provide opportunities for people of all ages and all backgrounds, especially children and young people and the disadvantaged parts of our society, to have access to, to learn about, to enjoy and thereby promote the diverse heritages of Wales, where appropriate.

* Awarding Grants, Loans and Sponsorship: Welsh Language Issues, March 2007.

Corporate Performance

Service level targets

performance for the year to 31 March 2011

Indicators of service level	year to March 2011	year to March 2010	year to March 2009
1 Decisions will be placed on HLF's website within 10 working days of the meeting	Updated on average in 10.1 days	Updated on average in 10 days	Updated on average in 10.38 days
2 Grant payments will be made to the applicant, on average, within 10 working days from receipt of the payment request	Average 8 days	Average 8 days	Average 7 days
3 An annual survey of grant applicants will show an 80% satisfaction rating with HLF's service for assessment, and 85% for monitoring	Assessment 80%	Assessment 76%	Assessment 80%
	Monitoring 87%	Monitoring 85%	Monitoring 84%
4 HLF applications will be processed within the following timescales:			
Heritage Grants			
• first round – within three months plus time to next meeting	3.2 months	3.7 months	4.3 months
• second round – within three months plus time to next meeting	3.7 months	3.8 months	3.8 months
Parks for People			
• first round – within four months	3.4 months	3.3 months	5.6 months
• second round – within four months	4.7 months	4.3 months	5.2 months
Landscape Partnerships			
• first round – within five months plus time to next meeting	4.6 months	4.4 months	6.7 months
• second round – within four months plus time to next meeting	3.1 months	3.6 months	4.7 months
Repair Grants for Places of Worship			
• within five and a half months in Northern Ireland and Wales (first round)	5.1 months	5.3 months	5.1 months
• within six and a half months in Scotland (first round)	5.1 months	5.9 months	5.4 months
• within three months, plus time to next meeting, in Northern Ireland, Wales and Scotland (second round)	2.8 months	1.8 months	1.9 months
Skills for the Future			
• within three months	2.1 months	not applicable	not applicable
Townscape Heritage Initiative			
• first round – within five months plus time to next meeting	4.5 months	4.3 months	not applicable (no decisions)
• second round – within three months plus time to next meeting	3.9 months	6.4 months	4.6 months
Your Heritage			
• within 10 weeks	8.3 weeks	8 weeks	10.1 weeks
Young Roots			
• within 10 weeks	8.3 weeks	9.1 weeks	9.9 weeks

Indicators of service level

The customer performance indicators show another year of good performance in most areas.

Indicator 1

We almost met our target of posting decisions on our website in 10 days, with one decision posted in 12 days and two in 11 days.

Indicator 2

We made over 5,400 grant payments last year and the average time taken was the same as the year before and was well below the target of 15 days, which is particularly helpful to grantees in the management of their own bill paying.

Indicator 3

Customer satisfaction with both our assessment and monitoring work, researched by independently conducted telephone surveys, remains very high. The satisfaction of applicants, both successful and unsuccessful, met the target with a 4% improvement since last year; while satisfaction with our service after we have made an award has exceeded the target and improved by 2% since last year.

Indicator 4

On 1 April 2008 HLF published its third strategic plan, which introduced new processes and procedures. Those new processes brought with them reductions in the time we take to give an applicant a decision for most of our grant programmes. We have met published processing times with the sole exception of second-round applications for the Parks for People programme. We are processing applications to our Your Heritage small grants programme on average in eight weeks.

Progress on Projects Over £5million

The following table shows the progress on projects involving awards of £5million or more of Lottery funding.

Project title	Total project cost	Grant amount	% of grant paid to date	Latest report
Acquisition of John Murray Archive (Edinburgh)	£35,207,000	£17,700,000	99.3	Project complete. Final grant paid November 2010.
Ashmolean Plan (Oxford)	£45,189,000	£15,000,000	100	Project complete. Final grant paid November 2010.
Burns Birthplace: An International Museum (Ayr)	£14,000,000	£5,827,000	93.1	Grant awarded June 2008. Museum opened in January 2011. Digitization ongoing.
Buxton Crescent and Spa	£33,180,338	£12,533,000	0	HLF contract agreement anticipated.
The Canterbury Beaney: Combined Art Museum and Library	£12,364,596	£6,488,000	11.5	Grant increase of £500,000 awarded March 2011 following delays due to unexpected archaeological discoveries on site. Work underway and first payment released.
Chiswick House and Garden (Hammersmith and Fulham, London)	£11,667,500	£7,619,000	96.7	Capital works largely complete, retention amount to be released when snagging complete.
Creating the Museum of Bristol – The people’s story	£27,390,843	£11,668,400	67.1	£1,391,400 grant increase awarded March 2011. Work progressing well – fit-out ongoing and preparations for opening in summer 2011.
The Cutty Sark (Greenwich, London)	£51,637,419	£23,750,000	58	Second grant increase of £2million awarded March 2011 due to recent increased costs resulting from earlier delays and discovery of new conservation challenges. New and increased sources of partnership funding secured. Conservation work underway, other work packages out to tender.
The Darwin Centre II (Kensington and Chelsea, London)	£65,820,000	£19,900,000	100	Project complete. Final grant paid April 2010.
The Galleries of Modern London and Learning Centre Project (City of London)	£16,089,192	£10,609,000	100	Project complete. Final grant paid March 2011.
Great Fen – restoring fenland heritage: The purchase and restoration of the Holmewood Estate (Cambridgeshire)	£13,350,785	£7,204,000	77.1	Land acquired September 2008. Ongoing conservation work and development of outreach programme progressing.
Hull History Centre	£10,697,161	£7,506,000	76.7	Centre opened January 2010.
Mary Rose Project (Portsmouth)	£32,452,000	£19,163,000	27.8	Grant award confirmed June 2009. Main contractors began on site October 2010. Artefact conservation ongoing.
Museum of Liverpool	£19,373,633	£11,000,000	31.6	Fit-out continues and opening a section of galleries in July 2011 with the remainder scheduled to open later in the year.
National Maritime Museum, Falmouth	£30,175,431	£18,431,638	100	Main capital project completed 2004. Final payment made August 2010.
People’s History Museum (Manchester)	£12,529,110	£7,128,500	97.6	Construction work completed November 2009 and museum opened March 2010. Grant increase of £308,500 awarded January 2011, to enable settlement of final account.

Project title	Total project cost	Grant amount	% of grant paid to date	Latest report
Renaissance of the Cotswold Canals	£27,641,255	£11,924,000	11.9	Work on site including completing lock repairs and works to deliver crossing over A46 underway. Improvements to towpath in other areas progressing.
Riverside Museum Glasgow Resource Centre (Phase 2)	£96,377,305	£20,650,000	77	Glasgow Museums Resource Centre opened April 2009. In March 2011 a grant increase of £3.5million awarded to cover additional unforeseen costs related to the construction of the Riverside Museum as part of the Glasgow Harbour Redevelopment. Fit-out of building ongoing for new Transport Museum. Proposed opening to public in June 2011.
Royal Albert Museum Art Gallery, Exeter	£19,126,003	£9,652,000	90	Exhibition and fit-out progressing, opening expected December 2011.
Royal Museum Project, Edinburgh	£44,039,239	£16,710,000	37.9	Exhibition and fit-out continue with a scheduled opening for July 2011.
Stonehenge Environmental Improvements Project	£21,619,387	£10,000,000	0	Grant of £10million awarded November 2010. Contracts signed. (First-round pass of £4.99million awarded November 2009.)
Tyntesfield (Bristol)	£29,561,000	£20,000,000	94.8	Main capital works to house, and visitor centre, almost complete. Opening scheduled for July 2011.
V&A Medieval and Renaissance Galleries (Kensington and Chelsea, London)	£31,750,000	£9,750,000	97.2	Galleries opened December 2009. Continued work on interpretation following public feedback.
Whitworth Art Gallery, 21st Century Gallery in the Park (Manchester)	£12,045,059	£8,000,000	0	Grant of £8million awarded February 2011 and contract signed. (First-round pass of £6million awarded February 2009.)
York Minster Revealed	£18,295,155	£9,797,000	0	Grant awarded September 2010. Contract signed. Preparatory work underway.

Grants Awarded Over £100,000

Applicant	Project title	Commitment
174 Trust	Centre for Arts & Culture	£959,600
Aberdeen City Council	Aberdeen: Duthie Park	£2,563,000
Aberdeen RC Diocese	Sacred Heart RC Church Aberdeen	£118,600
African Heritage and Educational Centre	The past	£239,500
Alderley Edge Methodist Church Council	Alderley Edge Methodist Church	£189,000
All Saints Parochial Church Council	Church of All Saints	£155,000
All Saints Perry Street Parochial Church Council	All Saints Church	£140,000
Alliance for Inclusive Education	What Did You Learn At School Today? - Disabled People's Experience of Education 1900-2000	£176,100
Archaeology Scotland	Adopt-a-Monument	£362,500
Archdiocese of Glasgow	Saint Agnes' Church, Lambhill, Glasgow	£125,000
Argyll and Bute Council	Rothsay Town Centre Townscape Heritage Initiative (THI)	£1,500,000
Armagh City & District Council	Armagh Gaol	£178,300
Arundel Museum Society	Arundel Revealed - Arundel Museum Development Project	£888,000
Ashmolean Museum of Art and Archaeology	Keeping Heritage Alive!	£410,500
Assemblies of the First Born Church	Assemblies of the First Born Church	£171,000
BAC/Battersea Arts Centre	Living Radically: Battersea Old Town Hall	£171,300
Barnard Castle Vision	Tees Vale & Barnard Castle Landscape Partnership	£1,999,700
Bath Preservation Trust	Redevelopment, re-unification and re-presentation of 1/1A Royal Crescent	£1,396,900
Bedford Borough Council Unitary Authority	Bedford High Street THI	£897,100
Belfast Hills Partnership	The Belfast Hills Landscape Partnership Project	£1,217,800
Berkshire, Buckinghamshire & Oxfordshire Wildlife Trust (BBOWT)	Developing Green Talent	£352,300
Birstall Parish Church PCC	Parish Church of St Peter	£199,000
Bishops Itchington Parochial Church Council	Church of St Michael	£161,000
Black Cultural Archives	Raleigh Hall Development	£3,600,000
Blaenau Gwent CBC	Blaenau Gwent Access to Heritage Project	£176,900
Borlase Smart John Wells Trust Ltd	Renovation of Porthmeor Studios & Cellars	£525,000
Borough Council of Wellingborough	Wellingborough Heritage Regeneration Scheme	£1,475,100
Bridgend County Borough Council	Bridgend Townscape Heritage Initiative Phase 2	£532,200
Brighton Housing Trust	First Base Heritage & History Project	£319,600
Bristol City Council	Creating the Museum of Bristol: The People's Story	£1,391,400
Bristol Natural History Consortium	Southwest Skills Programme	£101,700
British Waterways (North West)	Lune Aqueduct Enhancement Scheme	£951,500
BTCV Scotland	Natural Communities Programme	£520,700
Cadwgan BPT	Cardigan Castle - Unlocking the Potential	£4,699,500
Cairngorms Outdoors Access Trust	Cairngorms Mountain Heritage Project (Highlands)	£720,000

Applicant	Project title	Commitment
Cambridgeshire Museums Advisory Partnership	'Wide Skies': learning our community's heritage together	£164,600
Canterbury City Council	The Canterbury Beaney: Combined Art Museum and Library	£500,000
Carmarthenshire County Council	Foundations in Heritage: Learning core heritage skills in the workplace in West Wales	£662,400
Cecil Higgins Art Gallery & Bedford Museum	Cecil Higgins Art Gallery & Bedford Museum	£959,000
Celynyn Collieries Institute & Memorial Hall	The Peoples' Memorial & Heritage Learning Centre at Newbridge Memo Caerphilly	£2,916,600
Charles Hastings Education Centre	Museum@WRI	£537,000
Checkendon PCC	Church of St Peter and St Paul	£179,000
Cheltenham Borough Council	Cheltenham Art Gallery & Museum – Building for a New Future	£750,000
Cheshire West & Chester Council	Chester Renaissance Academy of Heritage Skills	£114,000
Chiltern Open Air Museum	Tomorrow's Heritage	£174,600
Chinese Mental Health Association	An Oral History of Chinatown in Britain	£193,000
Christ Church Liversedge Parochial Church Council	Christ Church	£138,000
Christ Church Walshaw PCC	Christ Church	£123,000
CITB-ConstructionSkills Northern Ireland	Sustaining Traditional Building Skills in Northern Ireland	£240,300
City & County of Swansea	Swansea, Cwmdonkin Park	£820,000
City of Edinburgh Council	Restoration of the Assembly Rooms, Edinburgh	£441,000
Clackmannanshire Council	The Ochils Landscape Partnership	£631,500
Cleveland Ironstone Mining Museum	Skinningrove Educational Heritage	£119,100
Clyde Gateway	Olympia Theatre Redevelopment	£910,000
Coleraine Borough Council	'Irish History Starts Here'	£500,000
Cornwall Council	The Enys Project	£327,900
Cotesbach Educational Trust	Cotesbach Schoolhouse Restoration Project	£570,000
County of Herefordshire District Council	Natural history knowledge, social history skills and other curatorial trainees	£199,200
Cradley Heath (Four Ways) Baptist Church	Cradley Heath (Four Ways) Baptist Church	£106,000
Crawley Borough Council	Worth Park	£148,125
Creswell Heritage Trust	Derbyshire Magnesian Limestone Landscape Partnership	£1,907,600
Croxton PCC	Church of All Saints	£103,000
Cullompton Walronds Preservation Trust	The Walronds	£1,746,400
Cultural Co-operation	Strengthening our Common Life by nurturing heritage skills	£321,400
Culture and Sport Glasgow	Riverside Museum and Glasgow Museums Project Resource Centre (Phase 2)	£3,500,000
Cumbria Wildlife Trust	Marine heritage skills for placements	£294,100
Cutty Sark Trust	Cutty Sark Conservation Project	£2,000,000
DCC of St Michael's Great Houghton	St Michael & All Saints	£180,000
Dean & Chapter of York	York Minster Revealed	£9,797,000
Dean Heritage Museum Trust	Dennis Potter Heritage Project	£125,800
Dennistoun New Parish Church	Dennistoun New Parish Church	£142,400

Grants Awarded Over £100,000

Applicant	Project title	Commitment
Derby City Council	Markeaton Park	£89,063
Design & Conservation Team – Bradford Metropolitan District Council	Keighley Town Centre	£2,000,000
Design Museum	The New Design Museum: Rescuing a modern landmark, widening access to Britain's primary collection of modern design	£300,000
Ditchling Museum	Ditchling Museum Development Project	£835,600
Dorset Wildlife Trust	Dorset Wildlife Trust Conservation Skills Programme	£195,300
Dover District Council	Over The White Cliffs Landscape Partnership: Reconnecting Landscapes, Lives And Learning	£1,602,200
Downpatrick & County Down Railway Society Limited	Downpatrick Carriage Viewing Gallery	£450,500
Dudley and West Midlands Zoological Society Limited	Dudley Zoo Tecton Project	£123,200
Dudley Canal Trust (Trips)	Dudley Canal Tunnel and Limestone Mines Learning and Access Hub	£118,100
Dudley Metropolitan Borough Council	Dudley, Priory Park	£893,000
Durham County Council on behalf of the Limestone Landscapes Partnerships	Limestone Landscapes	£1,900,000
East Barkwith Church Committee	Church of St Mary	£129,000
East Lindsey District Council	Lincolnshire Coastal Grazing Marshes Landscape Partnership Scheme (LCGM LPS)	£857,400
East Renfrewshire Council	Rouken Glen Park	£123,200
East Sussex County Council	ESAMP Heritage traineeships	£126,000
Eastern Angles	Forty Years On	£160,000
Eastside Community Heritage	New Pathways	£211,900
Elton PCC	Parish Church of All Saints	£184,000
English Heritage	Britain From Above – the Aerofilms Photographic Collection 1919–1953	£1,755,700
English Heritage	Wrest Park Revitalisation Project	£1,139,000
English Heritage (Waterhouse Square)	Stonehenge Environmental Improvements Project	£10,000,000
Field Studies Council (FSC)	Invertebrate Challenge	£220,800
Fife Council Development Services	Anstruther Townscape Heritage Initiative	£945,000
Finchingfield Almshouse Trust	Finchingfield Guildhall – A Building Story	£1,383,400
Friends of Beaumont Park	Reinstatement of Bandstand and Musical Heritage in Beaumont Park	£165,400
Full Spectrum Productions	Hanging Out	£152,500
Garden Museum	Championing Sustainability in Heritage	£100,900
Gayton PCC	Church of St Mary	£113,000
Glamorgan Archives Joint Committee	Conserving Local Communities Heritage	£224,400
Glasgow Building Preservation Trust	St Margaret's Church, Oatlands	£814,000
Glasgow Building Preservation Trust	Gartnavel Royal Hospital Chapel	£315,700
Gloucestershire Everyman Theatre Company Ltd	Gloucestershire Everyman Theatre Restoration and Community Development Project	£500,000
Govan Workspace Ltd	Fairfield Offices & Heritage Project	£645,000
Great Ellingham PCC	Church of St James	£101,000

Applicant	Project title	Commitment
Great Totham PCC	Church of St Peter	£158,000
Great Yarmouth PCC	Church of St John	£104,000
Green Estate Ltd	Hands on Our Heritage – Re-submission	£499,600
Grimsay Boatshed Trust	Across the Minch: Traditional Boatbuilding in Uist & Wester Ross	£198,500
Grosmont Church	St Bridget's Church, Skenfrith	£118,800
Guru Teg Bahadur Sikh Gurdwara	Guru Teg Bahadur Sikh Gurdwara	£177,000
Gwynedd Council	Partneriaeth Tirlun Llyn	£706,400
Hampshire County Council – Economic Development Office	Hampshire Heritage Skills	£186,100
Hampstead Norreys Parochial Church Council	Church of St Mary	£122,000
Harris Development Ltd	Isle of Harris Landscape Partnership Scheme	£580,000
Harris Museum and Art Gallery	A New History Gallery for 2012: Harris Museum and Art Gallery	£1,182,500
Harris Museum and Art Gallery	Puck for Preston: The Acquisition and Interpretation of Puck by Richard Dadd	£164,300
Haworth Parochial Church Council	Church of St Michael and All Angels	£115,000
Heritage Ironwork Trust Ltd	Heritage Blacksmith Bursaries	£350,200
Herts and Middlesex Wildlife Trust	Woodlands for People and Wildlife	£423,500
Hexham Abbey PCC	The Hexham Abbey Project (Carnaby Building): revealing the past, enhancing the present, enriching the future	£175,000
High Peak Borough Council	Whaley Bridge, Memorial Park	£218,536
Historic Scotland	Skills for the Past and Future	£498,200
Holy Trinity Church Parochial Church Council	Holy Trinity Church	£102,000
Holy Trinity Parochial Church Council, Holmfirth	Church of the Holy Trinity	£160,000
Holywell Trust	Holywell Trust – DIVERSECITY Programme	£446,700
Horsecross Arts	Perth Theatre – restoration and conservation of B listed auditorium	£500,000
Innerleithen Traquair and Walkerburn Parish Church	Innerleithen Church of Scotland	£125,000
Inverclyde Community Development Trust	Identity	£152,600
Jewish Museum	Jewish Museum Development Project	£802,000
Keats House	Keats love letter	£121,100
Kent BTCV	Kent's Heritage Trees	£652,400
Keswick Museum and Art Gallery Trust	Keswick Museum and Art Gallery Enhancement Project	£1,779,800
Kettle's Yard	Completing Kettle's Yard	£2,321,600
Lancaster Priory	Lancaster Priory Organ Replacement: Restoring Pipes to Lancaster Priory Organ	£386,800
Largs St John's Church of Scotland	Largs St John's Church of Scotland	£125,000
Lauderdale House Society	Lauderdale Transformed	£128,000
Leeds City Council	Leeds, Middleton Park	£732,500
Leeds City Council	Lower Kirkgate Townscape Heritage Initiative	£1,051,800
Leek Town Council	Restoration of the Nicholson War Memorial	£178,000

Grants Awarded Over £100,000

Applicant	Project title	Commitment
Lincolnshire County Council	Building on the Past in Lincoln	£250,000
Little Ouse Headwaters Project	Conservation and Learning In The Upper Little Ouse Valley	£370,400
Liverpool Old Hebrew Congregation	Deane Road Cemetery Restoration	£494,300
London Borough of Croydon	Wandle Park, Croydon	£1,235,375
London Borough of Hackney	Mapping the Change	£293,200
London Borough of Haringey	Lordship Recreation Ground	£1,929,500
London Borough of Tower Hamlets	High Street 2012 Historic Buildings Scheme - Whitechapel Market (THI)	£1,387,500
London Borough of Waltham Forest	The William Morris Gallery Development Project	£1,523,000
London Wildlife Trust	River Crane Community Project	£280,500
Longholme Methodist Church	Longholme Methodist Church	£188,000
Maidstone Borough Council	Maidstone - Mote Park	£853,571
Manchester City Council - Leisure Services	Alexandra Park	£86,563
Massey Shaw and Marine Vessels Preservation Society	Massey Shaw Education and Restoration Project	£566,800
Merthyr Tydfil County Borough Council	Pontmorlais - Heritage Quarter	£1,637,500
Mid Hants Railway Ltd & Mid Hants Railway Preservation Society Ltd	'Mind the Gap' - Transferring Heritage Engineering Skills Across the Generations	£181,600
Mourne Heritage Trust	Mourne AONB Landscape Partnership Plan	£1,609,500
Museums Galleries Scotland	Museums Galleries Scotland Interns Programme	£413,800
Narberth Museum	Restoration Bonded Stores	£400,000
National Maritime Museum	Conservation Skills Initiative	£122,900
National Museum Wales	Heritage Horticulture Skills Scheme	£498,100
National Museums Liverpool	Positive Action Training	£350,700
National Portrait Gallery	Ayuba Suleiman Diallo: Faith, Slavery and Identity	£333,000
National Trust for Places of Historic Interest or Natural Beauty	The National Trust Heritage Skills Passport Training Programme - Sustaining the future of Heritage	£529,100
NER 1903 Electric Autocar Trust	Restoration of NER 1904 petrol electric autocar and coach	£465,800
New Life Church Charity	New life Centre, Prestwick, Scotland	£145,000
NHTG (National Heritage Training group)	Enhancing Traditional Building Craft Skills in England	£1,271,700
Norfolk Museums & Archaeology Service	Learning from the Past - Skilled for the Future	£617,800
North Pennines AONB Partnership	Heritage Landscape Skills	£109,500
North Tyneside Council	Wallsend, Wallsend Parks	£1,303,500
Northern Ireland Museums Council	Collections Skills Initiative NI	£270,000
Northumberland County Council	At The Cross Roads: Heart of Berwick-upon-Tweed THI	£589,600
Northumberland Wildlife Trust Ltd	Druridge Bay 'Coal and Coast' Project	£1,899,100
OneCornwall Cornwall Council	Camborne, Roskear & Tuckingmill Regeneration, Energy and Skills THI	£520,000
Order of the Friars Minor Conventual	All Saints' Church	£197,000

Applicant	Project title	Commitment
Ossett and Gawthorpe PCC	Church of The Holy Trinity	£177,000
Owston PCC	St Martin	£111,000
Panayia Eleousa of Nottingham and Derby	Greek Orthodox Church of The Virgin Mary Eleousa	£109,000
Parish of Saints Ethelbert and Gertrude, Ramsgate and Minster	Church of St Augustine of England (Roman Catholic) with Cloisters attached	£110,000
Parochial Church Council of Norbury	Church of St Mary and St Barlok	£136,000
Parochial Church Council of North Moreton	Church of All Saints	£123,000
Parochial Church Council of St Johns Church, Truro	Church of St John	£210,000
Parochial Church Council of St Oswald's Church, Winwick	Church of St Oswald	£366,000
Parochial Church Council, Christ Church, Parracombe	Christ Church	£155,000
Parochial Church Council, Cirencester	The Town Hall, Cirencester: Repair and Interpretation	£250,000
PCC Huddersfield Parish Church	Saint Peter's Church	£174,000
PCC of All Saints, Stand	Church of All Saints	£183,000
PCC of Church of Epiphany	Church of The Epiphany	£189,000
PCC of Clitheroe Parish Church	St Mary Magdalene	£142,000
PCC of St Andrew's Metton	Church of St Andrew	£109,000
PCC of St Ann's, Manchester	St Ann's Church	£186,000
PCC of St Bridget's	St Bridget's Old Church	£103,000
PCC of St Gabriel	St Gabriel's Church	£319,000
PCC of St John the Evangelist Church of Oxborough	Church of St John	£157,000
PCC of St Magnus Bessingby	St Andrew	£116,000
PCC of St Mary in the Marketplace	Parish Church of St Mary	£194,000
PCC of St Mary Magdalene	St Mary Magdalene	£112,000
PCC of St Mary with Christ Church	Christ Church	£158,000
PCC of St Mary, Radcliffe	Church of St Mary and St Bartholomew	£183,000
PCC of St Peter, Otterhampton with Combwich	Church of St Peter	£119,000
PCC of St Thomas' Church	Church of St Thomas	£113,000
PCC of Thrybergh St Leonard's & St Peter's Whinney Hill	St Leonard	£139,000
PCC St John	St John	£134,000
People's History Museum	People's History Museum One Site Project	£308,500
Peterborough Environment City Trust	Closing the gap - turning theory into practical application	£182,100
Peterborough Museum	Peterborough Museum Re-Development	£980,000
Plymouth Barbican Association Ltd	'Image building' - A project to improve access to and interpretation of the regions visual heritage by the Plymouth Barbican Association South West Image Bank	£109,300
Polwarth Parish Church	Polwarth Parish Church, Polwarth Terrace, Edinburgh	£132,200

Grants Awarded Over £100,000

Applicant	Project title	Commitment
Port of Menteith Church Congregational Board	Port of Menteith Church	£125,000
Portaferry Regeneration Ltd	Portaferry Townscape Heritage Initiative	£1,282,700
Portsmouth City Council (Museums & Records Service)	Dickens Community Archive	£265,800
Postal Heritage Trust	British Postal Museum & Archive	£117,800
Powys County Council	Brecknock Museum & Art Gallery, Connecting Communities & Collections	£141,200
Pulham Market PCC	St Mary Magdalene	£123,000
PZ Conservation C.I.C.	PZ Internships in the Conservation of Books and Bound Collections	£127,100
RC Diocese of Paisley	St Mirin's Cathedral	£125,000
Railway Preservation Society of Ireland	RPSI 2020	£165,500
Rare Breeds Survival Trust	Heritage Grazing	£260,100
RC Parish of St Joseph Carterton	St Joseph's Roman Catholic Church and Church Hall	£144,000
Rectorial Benefice of Llantwit Major	Galilee Chapel Project	£298,100
Renfrew Old Parish Church	Renfrew Old Parish Church, Renfrew	£110,000
River Lea Tidal Mill Trust	Restoring House Mill	£248,000
Rochdale MBC Planning	Middleton and Edgar Wood Townscape Heritage Initiative	£2,025,800
Royal Armouries	Fort Nelson Re-Development	£429,000
Royal Commission on the Ancient & Historical Monuments of Scotland (RCAHMS)	Building Curatorial and Learning Skills for the Heritage Sector	£606,000
Royal Court Liverpool Trust	Royal Court Theatre - The Next Stage	£112,600
Royal Naval Museum	Telling the story of the Royal Navy and its people in the 20th and 21st Centuries	£108,600
Royal Society for the Protection of Birds (RSPB)	RSPB Nature Counts	£397,600
Royal West of England Academy	Great Spaces Inspire	£350,000
RSPB	Discover Nature - A Vision for Visitors to RSPB Minsmere	£870,000
RSPB Northern England	Hen harriers - skydancers	£317,700
Rural Area Partnership in Derry Limited	Faughan Valley LPS	£1,213,000
Ruskin Mill Educational Trust	The Glasshouse Development Project	£1,850,000
Sacred Heart of Mary Girls' School - Upminster Convent PTFA	Restoration and Adaptive Reuse of Upminster Old Chapel	£670,800
Sandwell Metropolitan Borough Council	Oak House Gardens and Barns Restoration Project - Phase 1	£790,000
Sandys Row Synagogue	Sandys Row Synagogue	£250,000
Saron Congregational Church	Saron Church, Tredegar	£101,200
Scottish Wildlife Trust	Developing Ecological Surveying Skills	£358,400
Scoulton & Woodrising PCC	Church of Holy Trinity	£113,000
Sedgemoor District Council	Burnham on Sea, Marine Cove Gardens	£344,200
Serbian Orthodox Church	Serbian Orthodox Church of St George	£106,000
Sheffield Wildlife Trust	Skills for wildlife: conservation traineeships for young people	£354,800
Shropshire Council	Much Wenlock Museum Redevelopment Project	£520,800
Shropshire Wildlife Trust	The Meres & Mosses of Shropshire and Cheshire	£1,055,400

Applicant	Project title	Commitment
Shuttleworth Trust	Unveiling a Secret Garden	£275,400
Silloth on Solway Town Council	Silloth-on-Solway, The Green	£508,714
Solway Coast AONB Partnership	Sule Way – The Solway Wetlands Landscape Partnership	£1,981,700
Somerset Wildlife Trust	Avalon Marshes Landscape Partnership Scheme	£1,867,900
South Gloucestershire Council	SCARP – South Gloucestershire Community Archaeology Research Project	£126,900
South Lanarkshire Council	Clyde and Avon Valley Landscape Partnership	£2,000,000
South Lanarkshire Council	Cambuslang Park Redevelopment Project	£551,500
Southampton City Council	St James' Park – Southampton	£103,250
Southbank Centre	Royal Festival Hall Organ Project	£950,000
Southwell Minster	The Archbishop of York's Southwell Palace	£155,500
Sperrins Gateway Landscape Partnership	Sperrins Gateway LPS	£850,000
Springline Parish PCC and Brattleby Village Church Committee	Church of St Cuthbert	£130,000
St Andrews (Anglican/ Methodist) Church, Langley Mill, Joint Church Council	Church of St Andrew	£106,000
St Andrews Church, North Lincolnshire	Conserving and Sharing St Andrew's Church, Epworth.	£457,500
St Andrew's Parochial Church Council	St Andrew's Church	£146,000
St Andrew's Parochial Church Council	Church of St Andrew	£116,000
St Bartholomews Parochial Church Council	St Bartholomews Church, Llanover	£115,700
St Britius Parochial Church Council	Church of St Britius	£189,000
St Buryan Parochial Church Council	St Buryan's Church	£105,000
St Edith's Parochial Church Council	St Edith's Church	£115,000
St Francis of Assisi Parochial Church Council	Church of Saint Francis	£129,000
St Giles Parochial Church Council	St Giles Church	£117,000
St James (Hope) PCC	Church of St James (Hope)	£180,000
St James Parochial Church Council	Church of St James The Greater	£153,000
St James's PCC	St James Church East Crompton	£174,000
St John the Baptist Greek Orthodox Church	St John the Baptist Greek Orthodox Church	£141,000
St John The Baptist PCC	Church of St John The Baptist	£171,000
St Joseph's Parish Council	Roman Catholic Church of St Joseph	£128,000
St Lukes PCC	Church of St Luke	£120,000
St Mary Long Wittenham with St Peter Little Wittenham PCC	Church of St Peter	£163,000
St Mary Magdalene Church, Wiston	St Mary Magdalene Church, Wiston	£100,600
St Mary Magdalene Parish Church	St Mary Magdalene Parish Church, Belfast	£51,200

Grants Awarded Over £100,000

Applicant	Project title	Commitment
St Mary's Bolton on Swale Church Committee	St Mary's Church	£118,000
St Mary's Church Ludgershall PCC	Church of St Mary	£180,000
St Mary's Church Sprotbrough PCC	St Mary	£103,000
St Mary's Newport PCC	Church of St Mary The Virgin	£115,000
St Mary's Martham PCC	Church of St Mary	£214,000
St Matthew with St Barnabas PCC	St Matthew	£147,000
St Paul's Church Norden PCC	Church of Saint Paul	£195,000
St Peters Parochial Church Council	Saint Peter's Church	£231,000
St Peter's PCC	St Peter's Church	£156,000
St Philip with St Stephen PCC	St Philip with St Stephen	£130,000
St Stephen's PCC	Church of St Stephen	£154,000
St Teilo, Llantilio Crossenny	St Teilo, Llantilio Crossenny	£105,500
St Wilfrid's PCC Halton	Church of St Wilfrid	£498,000
St Arvans with Penterry PCC	St Arvan's Church, Church Lane, St Arvans, Monmouthshire, NP16 6EU	£100,000
Staffordshire Wildlife Trust Ltd	Staffordshire Moorlands Living Landscape Partnership Scheme	£1,999,000
Stockbury Parochial Church Council	Church of St Mary Magdalene	£176,000
Stockport Metropolitan Borough Council	Stockport Skills for Heritage (S4H)	£268,900
Stockton-on-Tees Borough Council	Preston Hall Walled Kitchen Garden Project	£300,000
Stockton-on-Tees Borough Council, Regeneration & Economic Development	Central Stockton THI	£1,784,900
Surrey County Council Countryside	Countryside Management Heritage Skills Programme	£208,600
Sutton-in-Ashfield United Reformed Church	United Reformed Church	£164,000
Tate	The Museum and its Future	£688,600
Telford and Wrekin Council	Telford Town Park	£976,098
Tenbury Town Council	The Regal Cinema	£681,300
The Abbotsford Trust	The Abbotsford Conservation and Presentation Project	£4,850,000
The Arkwright Society	The Cromford Mills Creative Cluster and World Heritage Site Gateway Project	£2,090,000
The British Museum	Train the Curator Programme	£510,200
The Cambria Trust	Sailing Barge CAMBRIA - Restoration/Preservation and Use	£116,400
The Carpet Museum Trust	The Carpet Museum, Kidderminster	£1,904,900
The Charles Dickens Museum	Great Expectations	£1,976,400
The Charleston Trust	Charleston Barns Project	£2,400,000
The Churches Conservation Trust	All Souls Church, Bolton	£116,200
The Co-operative Heritage Trust	ROCHDALE: Renewing Our Co-operative Heritage, Developing the Archive and Learning Experiences	£1,449,000
The Council for British Archaeology	Community Archaeology Bursary Programme	£604,900
The Environment Agency	Windermere Reflections: Windermere Catchment LPS	£930,300
The Faversham Society	No.12 Preston Street: The Place Between	£238,700

Applicant	Project title	Commitment
The Florence Institute Trust Ltd	Restoration, Repair & Conversion of the Florence Institute for Boys, Liverpool	£364,000
The Heritage Centre – Bellingham	Railway Carriage Project	£173,600
The Holburne Museum of Art	Holburne Museum of Art Development Project	£125,000
The Long Shop Project Trust	Restoration of the Long Shop	£123,500
The Manchester Museum	Centenary Redevelopment of Archaeology and Egyptology Galleries	£772,000
The National Archives	Opening Up Archives for the 21st Century	£580,900
The National Trust for Places of Historic Interest or Natural Beauty	The Heart of the Park Project – Morden Hall Park – The National Trust	£990,000
The North of England Zoological Society	Biodiversity Trainees	£182,500
The Old Meeting House Unitarian Church	The Old Meeting House Unitarian Church	£175,000
The Parish Church of St Michael The Archangel	Church of St Michael	£107,000
The Parochial Church Council of St Chad	Church of St Chad	£120,000
The PCC of All Saints' Church	All Saints' Church	£125,899
The PCC of Great Yarmouth	Church of St Nicholas	£184,000
The PCC of St John the Evangelist, Shobdon	Church of St John the Evangelist	£218,923
The PCC of St Stithians	St Stithian's Church	£128,000
The PCC of Upwell St Peter	Church of St Peter	£156,000
The Priest's House Museum and Garden	The Open Learning Centre	£442,000
The Royal Parks	Richmond Park	£102,688
The University Church of St Mary the Virgin, Oxford	The University Church of St Mary the Virgin, Oxford – Education, Heritage and Renewal for the 21st Century	£3,445,900
The University of York	The Alan Ayckbourn Archive – Conservation, Access and Learning	£142,000
The Vale of Glamorgan Council	Dyffryn House: Internal Restoration Principal Rooms	£600,000
The Waterways Trust	Keeping History Afloat – Traditional Boat-Building Skills for the Future	£110,200
The Wiener Library Institute of Contemporary History	Keeping Truth Alive: Opening the Wiener Library's Heritage to All	£475,000
Theatre Royal Newcastle	Theatre Royal Newcastle Conservation and Restoration Project	£300,000
Thinktank Trust	Made in Birmingham	£894,000
Thorney Abbey PCC	Church of St Mary and St Botolph	£151,000
Torbay Council	Torre Abbey Project Phase 2	£2,826,000
Torfaen County Borough Council	Pontypool Town Centre THI	£849,500
Trees for Cities	Growing Skills Project	£125,100
Trenance Cottages Newquay	Trenance Cottages	£170,000
Tyne & Wear Archives & Museums	Heritage Engineering Skills	£490,100
Union Chapel Congregational Church	Union Chapel	£176,827
Victoria & Albert Museum	Europe 1600–1800	£401,600
Wakefield Metropolitan District Council	Pontefract THI	£750,000
Walled City Partnership	Walled City THI Phase 2	£1,669,000

Grants Awarded Over £100,000

Applicant	Project title	Commitment
Walpole St Peter PCC	Church of St Peter	£111,000
Warwickshire Wildlife Trust	A Wild Career Choice	£409,400
West Dunbartonshire Council, Department of Education	Breaking Down Barriers to Skills	£153,800
Weymouth and Portland Borough Council	Chesil Beach Centre redevelopment	£550,000
Weymouth and Portland Borough Council	Sandsfoot Castle Restoration	£194,700
Whitechapel Gallery	Cultural Heritage Skills in the London's East End	£264,000
Whitworth Art Gallery, University of Manchester	The 21st Century Gallery in the Park: Extending Access to the Whitworth's Collections	£8,000,000
Wigan Council – Environmental Services Department	Wigan Wallgate Townscape Heritage Initiative	£1,200,000
Wigan Council Partnered with Wigan Leisure & Culture Trust	Wigan, Mesnes Park	£986,000
Wilburton PCC	Church of St Peter	£105,000
Wildwood Trust	Heritage skills at Wildwood	£151,400
Woodbridge Tide Mill Trust	Restoration and Recommissioning of Woodbridge Tide Mill	£955,800
Wootton, Glympton and Kiddington Parochial Church Council	Church of St Nicholas	£188,000
Worcestershire County Council	Nurturing Worcestershire's Treasures and Skills for the Future	£148,600
Wrexham County Borough Council	Cefn Mawr Townscape Heritage Initiative – Phase 2	£870,600
Yate New Town Parochial Church Council	Church of St James the Great	£161,000

Employment Monitoring

1. Under Articles 5(1), 5(2) and 5(3) of the Race Relations Act 1976 (Statutory Duties) Order 2001, the Fund has a duty to monitor, by reference to the racial groups to which they belong, and to report annually:

- a) the numbers of:
- staff in post; and
 - applicants for employment, training and promotion, from each such group; and
- b) the numbers of staff from each such group who:
- receive training;
 - benefit or suffer detriment as a result of the Fund's performance assessment procedures;
 - are involved in grievance procedures;
 - are the subject of disciplinary procedures; or
 - cease employment with the Fund.

2. Results of monitoring carried out in 2010–11

2.1 Permanent staff in post as at 11 April 2011

Ethnic origin	Total
African	4
Asian and White	1
Asian Indian	3
Asian Pakistani	2
Caribbean	4
Other	3
Other Asian	1
Other Mixed Ethnic	2
White	223
Grand total	243

2.2 Applications for employment in 2010–11

Monitoring information of job applicants, including internal applicants, who applied through our jobs website online for 24 externally advertised vacancies between 1 April 2010 and 31 March 2011. (Four posts not appointed to following the recruitment campaign.)

Ethnic origin*	Returning applications	Shortlisted for interview	Successful at interview
African	83	3	0
Asian Other	15	0	0
Asian and White	7	0	0
Bangladeshi	33	1	0
Black African and White	3	0	0
Black Caribbean and White	4	0	0
Black Other	4	0	0
British/English/ Northern Irish/ Scottish/Welsh	487	57	12
Caribbean	31	3	0
Chinese	12	0	0
Gypsy and Irish Traveller	1	0	0
Indian	83	6	1
Irish	10	0	0
Not stated	111	5	0
Null	1	0	0
Other	25	0	0
Other Mixed	11	3	0
Other White	11	0	0
Pakistani	32	3	0
White	797	46	7
Grand total	1,761	127	20

*Categories for ethnicity changed mid-year to reflect the proposed new categories for the 2011 census.

2.3 Numbers of training days undertaken by staff

The Fund's database on internal training shows that we met our policy aim of ensuring that all staff from all racial groups had equal access to training and development opportunities throughout the year.

2.4 Performance assessment procedures

In 2010 there were 35 white employees whose performances were rated as outstanding and one employee from other racial groups whose performance was rated as outstanding. No employees suffered any detriment as a result of performance assessment procedures.

2.5 Applications for internal promotion

During 2010–11, 15 white employees were permanently promoted internally.

2.6 Number of employees involved in grievance procedures during 2010–11

There were no formal grievances raised by any employees during the current year.

2.7 Number of employees subject to disciplinary procedures during 2010–11

One white employee was subject to formal disciplinary proceedings during this period.

2.8 Number of employees leaving the Fund's permanent employment in 2010–11

White employees	15
All other racial groups	0

3. Specific duties

The specific duties on employment which the Order places on public authorities, including the Fund, are designed to provide a framework for measuring progress in equality of opportunity in public-sector employment. They are also aimed at providing monitoring information to guide initiatives that could lead to a workforce which is more representative of the communities in which it is based and which it serves.

The Fund continues in its recruitment advertising to encourage job applications from black, Asian and minority ethnic groups, recognising that its workforce is not yet fully representative of local or national diversity.



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