

**HISTORIC ROYAL PALACES
MEETING OF THE BOARD OF TRUSTEES**

The Tower of London Wednesday 1st February 2006

Minutes

Present: Lord Inge (Acting Chairman)
Bridget Cherry
John Hamer
Angela Heylin
Malcolm Reading (until agenda item 11)
Alan Reid
Sir Hugh Roberts
Sir Roger Wheeler (agenda item 7 onwards)

In attendance: Michael Day - Chief Executive
Alyson Lawton - Trust and Company Secretary
John Barnes - Conservation Director
Sally O'Neill - Finance Director
Danny Homan - Director of Communications and Development
Geoffrey Field – Governor of the Tower of London

1. Chairman's Comments

- 1.1** The Acting Chairman reported on recent progress regarding the appointment of the new Chairman and advised that four short-listed candidates had been invited for formal interview in February.
- 1.2** The Acting Chairman advised the Board that he would be unable to attend the next Trustees' Meeting and had asked Alan Reid to chair the meeting.
- 1.3** The Acting Chairman also advised that as he was due to leave the Board during 2006, he felt it appropriate to step down with immediate effect as Chairman of the Remuneration Committee to allow appropriate time for handover and proposed that Sir Roger Wheeler fill this role. The Board agreed unanimously that Sir Roger Wheeler should be the new Chairman of the Remuneration Committee.

2. Minutes of the last meeting

- 2.1** The minutes of the meeting held on Wednesday 30th November 2005 were approved, subject to the following changes:
- 5.1 In discussion on the content of the Select Committee submission, it was agreed that the importance of stewardship of the fabric should be recognised.
- 8.1 The Conservation Director had been asked that in future he advise the Board at each meeting of the value and percentage of contingency remaining

on Major Projects and give an update on any claims.

3. Matters Arising

3.1 The Chief Executive reported that following the last meeting, changes were made as requested to the Visual Identity proposals and the revisions were circulated to the Board. He had then received via electronic mail or other means the approval of all Trustees. This approval of the Board was then confirmed back for formal record to all Trustees by the Trust and Company Secretary by electronic mail.

4. The Development Council

4.1 The Board noted the contents of the report and were advised that the Development team were now two staff short and that the Communications and Development Director would be taking a more personal involvement for the coming months. The Chairman of the Development Council summarised the current position; that there was a significant shortfall in achieving the target and that despite significant efforts made, she had nothing to report on substantial new donations and grants.

4.2 The Development Council had met on 11th January and agreed that each member would work individually with the Development Department. A whole series of smaller events involving the members of the Development Council were planned for 06/07 and there would be another major fundraising gala in 2007/8.

4.3 The event for the “corporate market” which took place on 31st January had been positive but she noted that in organisational terms, there were some improvements to be made.

4.4 The Chief Executive was pleased to report that Slough Estates has renewed their corporate membership.

5. The Audit Committee

5.1 The Board received the minutes of the Audit Committee held on 22nd November. The Chairman of the Committee explained that he did not intend to talk through the minutes as he had raised the key points verbally at the last Trustees’ meeting. The Finance Director noted that all the actions were in train and that this morning she and Malcolm Reading had a meeting about the risk register. Malcolm Reading confirmed that this had been a useful briefing and that the revisions following the Audit Committee had improved matters. His concern was that the Board should be concentrating on the high level risks and that these were brought to the Trustees’ attention as appropriate. He also noted that there were plans to introduce an IT-based

system for managing risk and had suggested a pilot scheme. The revised risk register will be discussed at the next Audit Committee.

5.2 Sir Hugh Roberts noted that he had recently attended a meeting at which Dame Geraldine Peacock of the Charity Commission had outlined their new approach. He asked for views from the management team on how this worked in practice. The Finance Director advised that the Charity Commission had been very supportive and had helped interested groups lobby for change and that we now had a much closer dialogue with them.

6. **The Chief Executive's Report**

6.1 The Board noted the contents of the report. The Chief Executive discussed the key areas of interest:

- He was pleased to report the retention of “Investors in People” status. He reported that the independent assessor had attended a meeting with the Executive Board to discuss her report and pointed out where further improvements could be made. Trustees congratulated the Chief Executive and staff for this achievement. John Hamer noted that one of the few areas for development was about the motivation of front line staff and asked what action was being taken. The Chief Executive advised that the performance framework initiative was the most significant response. This sets out our expectations of staff and where development is needed. John Hamer also asked about the take-up of National Vocational Qualifications (NVQs) in front line staff. In response, the Chief Executive advised we were encouraging staff to take the qualification. The Governor of the Tower of London reported that the target for NVQs for warding staff was 100% and that the Tower was well on the way to achieving it. The Chief Executive noted that his philosophy was that every member of staff should think of themselves as front line.
- With regard to the 360 degree appraisal process, Trustees were concerned that it had been a bureaucratic exercise. The Chief Executive recognised that whilst the gathering of evidence might have been onerous, the results when collated had been very helpful to the individuals concerned. He confirmed that this was additional to regular direct feedback given through the normal management process.
- The Chairman outlined the plans for the opening event for Kew Palace and advised that a guest list was being drawn up and asked Trustees to suggest names.
- A presentation on the work on the Kensington Palace Development Project would be made to the Board in May.
- The BBC2 “Tales from the Palaces” weekly viewing figures are between 2.2 and 2.3 million – around 10% of the viewing audience.

- 6.2** Noting that Department for Culture Media and Sport (DCMS) was responsible for the maintenance of the Fusiliers Building, Malcolm Reading asked how the long-standing request to the Department to address this serious need might be resolved. The Chief Executive reported that he was meeting DCMS officials that afternoon and would advise them that Trustees had asked that this be addressed as a matter of urgency.

7. Financial Performance

- 7.1** The Board noted the Finance Director's report of performance to the end of December 2005 and the Quarter 3 forecast. In conclusion, she was confident that the forecast free reserves for the end of the year should not fall below £2.6 million.

The following points were noted:

- Visitor income and fundraising remain the two key sensitivities on which the year end free reserves level depends.
- Overall the total income fall following the July terrorist attacks was forecast at £4.2 million, with the key movement being in visitor income.
- Non-visitor income had however been very important in compensating for the fall in visitors. Following the successful EU Conference hosted at Hampton Court Palace, the Board asked whether there were any other opportunities to host large scale events at the Palaces.
- The Finance Director also noted that there were significant unplanned costs relating to Tower Hill which were being reviewed together with utility costs.
- The membership scheme had been launched later than expected. Given recent changes in Gift Aid rules, the Board asked for regular reports on the scheme.
- That the planned maintenance/improvement project work was backloaded but there would be some "carry over" estimated by the Conservation Director at £250k.

8. The Strategic Plan 2006-9 and the Annual Operating Plan Assumptions for 06/07

- 8.1** The Board received a presentation by the Communications and Development Director on the forecast visitor numbers and income for 06/07 based on work done by the Future Foundation. It was noted that although the total number of overseas visitors to the UK was healthy, their total expenditure in the UK had significantly declined because there had been a change in the type of visitor. This had implications for our plans in order to attract shorter stay, lower spending visitors. The Board noted that this was an informative and complex presentation which would have benefited from circulation in

advance. The Board were also concerned that impact/likelihood of a further terrorist attack was not properly covered and that it should also be reflected in the risk planning. The Finance Director detailed the current measures in place. The Board noted that the current situation accentuated the need to be flexible and creative about the use of the palaces and different types of visitor. The Board would like a further discussion on looking at long term opportunities.

- 8.2** The Board noted the report by the Chief Executive on the principal assumptions for the Strategic Plan 06-09 and the Annual Operating Plan 06/07. The plan based on these assumptions would be presented to Trustees at their next meeting.
- 8.3** Malcolm Reading noted the ambition of the project list and asked how these were prioritised. The Conservation Director explained the role of the State of the Estate Survey. If a cut in the programme was required for financial reasons, the choice depended on need and also whether the work had already been started. The Finance Director explained that the projects were the absolute key priorities but that they were subject to funding. At the moment the 06/07 planning showed a deficit of expenditure over income which must be reduced to achieve a balanced budget, but it was the intention that all of the projects on the list would be progressed in some way if at all possible. Trustees made the following comments, that:
- they needed to understand how they could judge priorities,
 - it would be helpful to see which projects were dependant on external funding being raised,
 - it would be useful to understand the urgency that drives the projects.
- The Chairman asked the Conservation Director to provide further detail on his Conservation Programme at a future Trustees' Meeting.
- 8.4** John Hamer asked about Retail performance. The Chief Executive explained that in the past, the budgets agreed for Retail had raised expectations which for a whole number of reasons were not delivered. He noted that compared with other organisations, our retail performance was good, but he felt that there was room for improvement. The Finance Director noted that the flexibility in variable costs maintained profitability whilst changes within the team meant that there was closer involvement with projects across the organisation. She gave the success of the Retail product linked to the Testino exhibition as an example. The internet shop was cited as an area which was not working well.
- 8.5** The Board approved the assumptions for the Strategic Plan 06-09 including the AOP 06-07 as presented.

9. Kew Palace

9.1 The Board noted the contents of the Conservation Director's report. The Conservation Director had no major concerns about the Kew Project and advised the Board on the percentage of current contingency remaining and the current claims position. He also noted that, thanks to helpful advice from the Royal Collection, items for display had needed less conservation work, and the acquisitions expenditure would be reduced. The Finance Director noted that this did not mean that there could be a relaxation in the fundraising target. Sir Hugh Roberts observed that it was rare that everything was right when a project was initially opened, and by the end of the first season it would be clearer what additions were required. The Communications and Development Director outlined plans for the press. Malcolm Reading would assist the Conservation Director in discussions with the Heritage Lottery Fund.

10. The Clore Learning Centre

10.1 The Board noted the contents of the report. The Conservation Director reported that work was underway in every area and that it was generally going well but reported some concerns about the performance of the consultant team. He advised the Board of the level of contingency and noted that it was very early in the project. He briefed the Board regarding the latest developments on discussions and actions with the Clore Duffield Foundation.

11. The Payroll/HR system

11.1 The Board noted the contents of the report and approved the decision recommended within it, subject to the successful conclusion to financial negotiations that achieve the necessary investment criteria.

12. Any Other Business

12.1 There was no other business.

13. Date of Next Meeting: Wednesday 15th March at Kew Palace