

**HISTORIC ROYAL PALACES
MEETING OF THE BOARD OF TRUSTEES
Kensington Palace, Wednesday 26th November 2008**

Minutes

Present: Charles Mackay (Chairman)
Sir Alan Reid (Deputy Chairman) (except for items 5 & 7)
Dawn Austwick
Bridget Cherry
Sue Farr
John Hamer
Sir Adrian Montague (except for items 4.3, 4.4, 5 & 7)
Sir Trevor McDonald
Malcolm Reading
Sir Hugh Roberts
Sir Roger Wheeler (except for items 5 & 7)

In attendance: Ian Barlow - Chairman of the Campaign Board (from item 4.1.2)
Michael Day - Chief Executive
John Barnes - Conservation & Learning Director
Danny Homan - Communications and Development Director
Graham Josephs - Human Resources Director
Sally O'Neill - Finance Director
Alyson Lawton - Trust and Company Secretary
Sandra Botterell - Head of Marketing (item 4.3 only)

1. Chairman's comments

1.1 The Chairman noted that all Trustees were present for this meeting. As some had to leave early, there would be some re-ordering of the agenda.

2. Minutes of the previous meetings

2.1 The minutes of the meetings held on Wednesday 17th September were approved.

3. Matters Arising

3.1 There were no matters arising.

4. Strategic Development

4.1 The Strategic Plan 2009-13

4.1.1 The Trustees' headline conclusions from their strategic brainstorming session held on 29th September

The Board agreed the notes recording their conclusions. Trustees not able to attend the session confirmed that there were no points that they wished to add.

4.1.2 The framework conclusions from the Executive Board's Strategic Review session 6th to 8th October 2008

The Board noted the contents of the report and discussed and agreed the general principles.

4.2 The Strategic Aim "One organisation united behind the Cause"

4.2.1 The Annual Human Capital Report

The Board noted the contents of the report. Graham Josephs explained that the Executive Board had discussed the report and had concluded that as a whole, the organisation had made good progress and continued to be in good shape in terms of our capabilities in managing and developing our people. The Board discussed the report and asked him about front line staff; recruitment strategy;

the impact of an ageing workforce and the volunteer policy. The Board endorsed the conclusions of the report. The Board considered the strategic priorities for the next three years and agreed them with particular emphasis on increasing diversity. They concluded that this annual report met their needs but asked that key performance indicators (KPIs) had greater prominence within it and a six monthly update on them was included in the Chief Executive's Report.

4.2.2 Productivity

The Board noted the contents of the Chief Executive's report on productivity and gave their comments and advice. The Board thanked the Chief Executive for a good paper, agreed with the issues raised in the paper and endorsed the conclusions reached.

4.3 The Marketing Investment Review

Simon Wilden and Andrew Stephens from the agency, Goodstuff gave a presentation to the Board. Sue Farr had reviewed their work and felt the approach had been scientific and professional with clear conclusions. Future investment levels would be proposed as part of the Annual Operating Plan. At this meeting endorsement for the direction was being sought. Trustees asked about the calibration and detail of the model and gave their views on the recommendation for a staged approach to additional investment. Encouraging more visits from both our core audience and new audiences will require different types of marketing activity. Michael Day noted that broadening our audience to include leisure families and to reach the 3.2 million visitor target, would also mean changes in what we had to offer. More testing and debate was required. The Board endorsed the direction proposed.

4.4 How to take forward the "becoming famous ambition"

The Board noted the comments of the Chief Executive's report and agreed the approach.

5. Monitoring Performance

5.1 Chief Executive's Written Reviews for October and November

5.1.1 The Board noted the contents of the Chief Executive's Reviews for October and November.

The Board agreed that Historic Royal Palaces would submit an application to the Heritage Lottery Fund London Committee for a grant of £1 million in November 2008 for the project "Welcome to Kensington - a palace for everyone".

The Board confirmed their acceptance of the offer of a portrait of Princess Mary, Princess of Orange by Anthony van Dyck in lieu of tax via the MLA at no cost to Historic Royal Palaces.

The Board noted recent activities regarding the proposed development at Hampton Court Station and that it was now for Elmbridge Borough Council as a whole to determine the application.

The Chief Executive noted the recent visit to the Tower of London by the Secretary of State at the Department for Culture, Media and Sport, Andy Burnham.

5.2 The Financial performance to 31st October 2008 and Mid Year Financial Review

The Board noted the contents of the report and approved the latest forecast for the remainder of the year.

6. Governance and Organisation

6.1 The Investment Update including the terms of reference for the Investment Committee and the minutes of their meeting on 16th October 2008

The Board noted the minutes of the meeting and the appointment of Sir Adrian Montague as Chairman of the Investment Committee. Sir Adrian reported that a subsequent meeting had taken place on 18th November after which the board papers had been revised and circulated to Trustees. He summarised the main elements of the revised investment policy which recommended capital preservation over yield. The Board approved the Investment Policy. The Finance Director thanked the members of Investment Committee for their help in the past few months.

The terms of reference for the Investment Committee reflected its unusual nature in that it would not only recommend the Investment Policy but also have authority to take some action. The Chief Executive and the Finance Director would therefore be voting members of the committee. The Board noted the current exceptional circumstances but was concerned that the drafting of the terms of reference were not as tight as they should be and suggested some changes.

In anything other than the current exceptional circumstances, the Board rather than the Investment Committee should always approve changes in policy. Therefore the mandate that the Investment Committee could change policy in exceptional circumstances should be renewed at every Board Meeting. The Finance Director would revise the terms of reference in the light of the comments and circulate them to all Trustees.

6.2 The Audit Committee held on 16th October 2008

The Board noted the minutes of the Audit Committee of 16th October. As Chairman of the Audit Committee, Sir Alan Reid noted that the meeting has gone well and that a recent independent quality review of the Internal Audit Department had rated it as well managed and scoring 4 out of 5 (5 being the top score).

6.3 The Nominations Committee held on 29th September 2008

The Board noted the minutes of the Committee. The Chairman reported progress since the meeting.

6.4 The Register of Interests

The Board noted the contents of register of interests, revised for changes reported after the half year and agreed to report any further changes when they occur.

6.5 The Appendix to the Memorandum of Understanding (MoU) with the Royal Armouries

The Board noted the contents of the report and agreed the strategic partnering agreement as an appendix to the MoU with the Royal Armouries.

7. Any other Business

7.1 Governance Review. The Chairman noted that the Board had previously agreed that a detailed questionnaire on Board effectiveness would be completed every two years and, in the intervening year, a update review would take place as had been the case in 2008. The Board agreed that a update review would also be appropriate for 2009. The more detailed review based a full questionnaire should take place every three years.

7.2 Bridget Cherry The Chairman noted that this was Bridget Cherry's last meeting. On behalf of all at Historic Royal Palaces, he expressed a deep appreciation for all that she had done during the last six years. Bridget replied that she had greatly enjoyed being a member of the Board.

8. Date of Next Meeting: Wednesday 28th January 2009 at the Tower of London.