

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

**The Tower of London, 25th November 2009
Minutes**

Present: Charles Mackay (Chairman)
Sir Alan Reid (Deputy Chairman)
Sophie Andreae
Dawn Austwick (items 1 to 7.3)
Sir Richard Dannatt
Sue Farr
John Hamer (items 1 to 6.4)
Sir Trevor McDonald (items 1 to 7.3)
Sir Adrian Montague
Sir Hugh Roberts (items 1 to 6.2)

Ian Barlow - Chairman of the Campaign Board

Apologies: Malcolm Reading

In attendance: Michael Day - Chief Executive
John Barnes - Conservation and Learning Director (from item 3)
Keith Cima - Resident Governor of the Tower of London (from item 4.3)
Graham Josephs- Director of Human Resources
Tania Fitzgerald - Finance Director (from item 3)
Alyson Lawton - Trust and Company Secretary

1. Chairman's comments

1.1 The Chairman welcomed Sir Richard Dannatt to his first board meeting and noted that apologies had been received from Malcolm Reading.

2. Succession Planning

2.1 The Board noted the contents of the report on succession planning, asked for some further information on development plans for the next annual report and considered the report showed an improved picture from last year.

3. Minutes from previous meetings

3.1 The minutes of the meeting held on Wednesday 16th September 2009 were approved.

4. Matters arising from previous meetings

4.1 There were no matters arising.

5. Strategic Development

5.1 The Strategic Plan 2010-14

5.1.1 The Trustees' headline conclusions from their strategic planning session held on 28th September 2009

The Board agreed the notes recording their conclusions. Trustees not able to attend the session made their comments. After discussion, Trustees added a further action for the Chief Executive to consider how international links especially with Commonwealth countries might be developed for 2012 and beyond.

5.1.2 The framework conclusions from the Executive Board's Strategic Review session 19th - 21st October 2008

The Board noted the contents of the report. Reviewing 2009, Trustees asked about the return from the Henry VIII project investment. They felt this could help to inform decisions on the future projects, which would have the most impact to encourage visitors to return. Aspects of the project had improved the permanent presentation which differed from an annual exhibition, making evaluation quite complex. Trustees noted that another factor in success had been the additional marketing investment and asked whether it was possible to analyse its effectiveness separately. In conclusion, the Chairman noted the great success of 2009 and congratulated all staff.

The Board discussed plans to 2012. The major new thinking, arising from 2009, would be to create a large public programme of events to support the major projects, building a crescendo of activity in 2012 and then to step up from this to future crescendo years. Activity does not stop in the intervening years, as there are also plans for individual palaces, which will give reasons for visitors to keep coming. The Conservation and Learning Director gave examples. The spacing of the crescendo years was debated. These took a great deal of planning and with levels of resource required, after discussion, Trustees agreed that the intervals between them felt about right. The economic environment had benefited the sector generally in 2009 but we had out-performed the market. The challenge was to sustain the improvement achieved. The Board agreed the outlined plans to 2012, asking for further analysis to inform the decision on additional marketing spend and stressing the need to keep explaining to the wider world that there is always a reason to visit the palaces.

The Board discussed the post-2012 ambitions, including plans for explaining Whitehall Palace, part of which was a newly restored Banqueting House. The Chairman gave his views on other proposals. The Board debated whether our long term ambition was sufficiently bold in terms of visitor numbers. Benchmarking overseas might inform the potential.

5.2 How effectively are we building an organisation united behind our Cause?

5.2.1 The Board noted the contents of the Human Resources Director's report, which included the results of the recent staff survey. The Board discussed the report in detail and asked about managing poor performance, sickness absence rates and diversity. The Board agreed diversity should be given further focus and discussed pathways into the organisation. The Chairman reminded the Board that in benchmarking against heritage organisations, staff on higher progression pay points and directors were paid around the upper quartile for the heritage industry. The Board also asked about the ambition for volunteering and encouraged the expansion of volunteering as a way of increasing the capacity of the organisation. Trustees endorsed the overall conclusions of the report.

5.3 The Pension Schemes

5.3.1 The Board noted the contents of the review of the Pension Schemes and gave their views. The Board discussed a potential additional role for the Investment Committee monitoring the investment strategy of the HRPPS Scheme. The HRPPS Pension Trustees have total responsibility for the investment strategy but the HRP Board of Trustees has an interest as actions taken by the Pensions Trustees may affect HRP's contingent liabilities as well as needing to be taken into consideration in determining the investment policy for Historic Royal Palaces' surplus funds. The Board suggested that the Pension Trustees might give further consideration to strengthening their Board with further investment expertise. The Board approved the approach.

6. Monitoring Performance

6.1 Chief Executive's written reviews for October and November 2009

- 6.1.1** The Board noted the contents of the Chief Executive's reports for October and November 2009. The Chief Executive noted the conclusion of the pay negotiations. The Governor of the Tower of London briefed the Board on the investigations into allegations of harassment at the Tower of London. The Board noted the briefing. The Chief Executive also noted the good results from the visitor experience summer survey and the award of a grant for *Welcome to Kensington – a palace for everyone* from the Garfield Weston Foundation.

The Annual Education Review was an appendix to the November report. John Hamer noted that the analysis had thrown out some interesting data. He had been talking to the Head of Access and Learning about the challenge of evaluating the objectives. A further report on engaging learners including outreach and community involvement and virtual learning would be for discussion at the January meeting.

6.2 Financial Performance

6.2.1 Financial Performance to the end of September

The Board noted the contents of the report. The Finance Director explained that the good results continue the trend of previous months with an improvement in functions and events income during the month. Despite a few variable weeks in visitor numbers, overall these continue to be strong.

6.2.2 The Mid Year Review

The Board noted the contents of the report. The Finance Director explained the three stage process. Since the review had taken place, there has been further improvement on income. Operating expenditure at the next review was also likely to show improvement. The Board approved the forecast operating result. The Board reviewed the proposals for additional (non-operating) expenditure in 2009/10 and approved the bids. The Board also noted the list of possible delegations for projects for the 2009/10 year end and gave their views.

7. Projects and Expenditure

7.1 “Welcome to Kensington – a palace for everyone” Investment Decision

The Board noted the contents of the report. The Conservation and Learning Director explained that transformation of Kensington Palace had been a long held ambition of Historic Royal Palaces. For the last four years, we have been working towards a time, in June 2012, when visitors will experience a very different Kensington. The Board had previously confirmed its desire to see the Kensington Palace Project succeed. The Trustees Sub Group reviewed the current assessment of the strategic risks, felt that the project was currently in a strong position and agreed that the risk-based approach to the Investment decision was appropriate. The Chairman considered this a good report and felt that currently the biggest strategic risk was achieving the external funding as the economic environment remained tough. The Board thanked the team for their work to date, and approved the investment decision for the project “*Welcome to Kensington – a palace for everyone*”.

7.2 The Wharf Café, The Tower of London

The Board noted the contents of the report. The Governor of the Tower of London explained that there were outstanding aspects of the architecture to be resolved and that the Conservation and Learning Director and Malcolm Reading had offered to help. A shallow archaeological scrape was yet to take place and the impact of the findings was therefore not yet known. The Board asked about the food offer and other locations in which the Company of Cooks operated. Given the length of contract, the Board asked for a change in control clause to be included in the contract. The Board approved the recommendations in the paper.

7.3 The Enchanted Palace, Kensington Palace

The Board noted the contents of the report. The Kensington Palace Sub Group had been briefed in further detail on this project and gave their views. This was an exciting and novel project which was aimed at a younger audience than usual and was designed to keep the palace open and appealing to visitors whilst the transformation of Kensington took place. Trustees recognised the risks associated with this. Sue Farr asked about the communications plan for Kensington. This was part of the organisation-wide plan. The Chief Executive explained that this was being developed and would arrange for her to be briefed. The Board approved the Enchanted Palace project.

7.4 Lessons learnt in the review of the Base Court resurfacing project.

The Board noted the contents of the report, which had been produced in response to a request at the Trustees meeting in January. The Chairman reported that Malcolm Reading had reviewed the paper in advance with the Conservation and Learning Director and had nothing to add to the conclusions reached with which he agreed.

7.5 The Royal Regiment of Fusiliers Museum Entrance Fee

The Board noted the contents of the report which was an agreement to buy out the separate entrance fee of this museum in the Tower of London. Care of the collections was recognised as an area in which standards differed but which was manageable with the goodwill of both organisations.

7.6 Security at the Tower

The Governor took the Board through the report on the forecast final costs of the project to improve security surrounding the Tower. The Board noted the contents of the report and approved the recommendation.

7.7 IT Hardware, Software & Service Contract

The Board noted the contents of the report and asked for further information on the prices for laptops quoted, for confirmation that the procurement was in line with the procurement policy and for the benchmarking information from the Office of Government Commerce. Trustees confirmed that they would be content to approve the contract, subject to satisfactory response on the matters above.

8. Organisation and Governance

8.1 The Investment Committee

- 8.1.1** Although he had not been able to attend the meeting himself, the Chairman of the Investment Committee, Sir Adrian Montague, reported on the outcome of the meeting of the Committee held on 30th October. Details were contained in the report and minutes in the papers. The Investment Committee proposed a slight increase in risk profile although not in policy to return some funds to term deposits. Since the report had been written, options had opened up further, the Deputy Chairman therefore proposed that the Board endorse the slight increase in risk but leave the choice of institution and term of deposit to the Finance Director and Chief Executive to decide provided that no deposit is longer than two years. The Board agreed this approach.

8.2 The Audit Committee

- 8.2.1** The Chairman of the Audit Committee, Sir Alan Reid briefed the Board on the main points of the meeting held on 15th October contained in the minutes. He explained the purpose of HRP Inc for fundraising in the US and noted that he had asked for additional assurances on governance. He also expanded on the discussions about Grant Thornton, who are auditors for Historic Royal Palaces Enterprises Ltd (HRPE). Discussions were taking place to clarify the outcome of earlier discussions on a liability limitation agreement. In future he had asked the

Directors of HRPE to refer to the Audit Committee before reaching a decision. The Audit Committee had also received a report on counter party risk. This was in response to a review suggested by Trustees at their June Meeting. The committee were content with the report. Discussions about liability in the event of major damage had also continued and the risks of business disruption would now be looked at as part of the contingency review to be discussed by Trustees at their January meeting.

8.3 The Register of Interests

8.3.1 The Board noted the changes to the register of interests and agreed to inform the Trust and Company Secretary of further changes as and when they occur.

9. Any Other Business

9.1 The Chairman reported the remaining written feedback on the papers from Malcolm Reading.

10. Next meeting: Wednesday 27th January 2010 at Hampton Court Palace