

MEETING OF THE BOARD OF TRUSTEES

The Tower of London, Wednesday 20th March 2013

Minutes

Present: Charles Mackay (Chairman)
Sir Alan Reid (Deputy Chairman) (until item 5)
Sophie Andreae (until item 5)
Dawn Austwick
Ian Barlow
Liz Cleaver (until item 5)
Lord Dannatt (until item 5.3)
Sue Farr
Malcolm Reading
Sir Trevor McDonald
Jonathan Marsden (until item 5.3)
Sir Adrian Montague

In Attendance: Michael Day - Chief Executive
John Barnes - Conservation and Learning Director
Tania Fitzgerald - Finance Director
Gina George - Retail Director
Paul Gray - Palaces Group Director
Richard Harrold - Tower Group Director
Danny Homan - Communications and Development Director
Alyson Lawton - Trust and Company Secretary
For items 5.1 to 5.3 only:
Lucy Worsley - Chief Curator
Jane McKeown - Head of Financial Accounting



Historic Royal Palaces is the independent charity that looks after the Tower of London, Hampton Court Palace, the Banqueting House, Kensington Palace and Kew Palace. We help everyone explore the story of how monarchs and people have shaped society, in some of the greatest palaces ever built.

We receive no funding from the Government or the Crown, so we depend on the support of our visitors, members, donors, volunteers and sponsors.

1. Chairman's comments

1.1 The Chairman noted full attendance for this meeting but that some Trustees needed to leave early.

2. Minutes from previous meetings

2.1 The minutes of the meeting held on Thursday 24th January 2013 were approved.

3. Matters arising from previous meetings

3.1 The Conservation and Learning Director was pleased to report the acquisition of two dresses for the Royal Ceremonial Dress Collection following the recent auction of dresses worn by Diana, Princess of Wales.

The Chairman of our main banking provider, Barclays, had responded to the Chairman's letter with reassurances on actions Barclays were taking to address their reputational issues. This had been circulated by email to Trustees. After discussion on comments received, it was agreed that the response was acceptable for now and that the Chairman would write back to Barclays, noting this but also that the situation would be kept under review.

4. Strategic Development

4.1 Strategic Planning 2013-2016

4.1.1 Financial Performance to February 2013

4.1.1.1 As a foundation for discussions on the Strategic Plan, the Finance Director gave an update on current financial performance. She was confident that the actual

annual number of visitors should now exceed the forecast of 3.4 million. Retail and functions & events income would also beat forecast. She expected that expenditure would follow the pattern of previous years. The result was that there would be further funds to designate to reserves for future projects at the end of the year. Sir Alan Reid asked for further information on part of a donation, which had become overdue.

4.1.2 Designation of Reserves for the year end 2012/13

4.1.2.1 The Board noted the contents of the Finance Director's report seeking approval for the principles for designating funds at the year end. The Board approved the recommendations as set out in the paper.

4.2 The Revised Strategic Plan 2013-16 including the Annual Operating plan 2013-14

4.2.1 The Board noted the Chief Executive's comments on the Strategic Plan including the Annual Operating Plan. This continued to be an ambitious programme, which builds on previous underlying policies and ideas but has been updated to reflect recent progress, changes in the external context and new organisational thinking.

Dawn Austwick asked about the balance in our charitable aim; to help people learn about history (monarchs, people and society), between those visitors who can afford to pay and those who cannot, especially given the current economic climate. The Chief Executive explained that this was a constant challenge but we help people who cannot afford entry through our learning and outreach work. As a self-funded organisation, the more income we generate, the more we are able to expand this work. Through our evolving Learning and Digital Strategies, brought together under the Audiences First initiative, we will be expanding our offer to a wider audience through digital and offsite programmes.

She also asked about our editorial message. John Barnes, Conservation and Learning Director explained that we have expert voices for technical aspects. However our normal philosophy on wider issues is not to give our opinion but let others form their own. He noted that for most people, it is the royal story which leads them to come, and we need to work harder to connect these to the other stories of people and society. This is shaping our plans for the Georges Crescendo in 2014. Michael Day noted that in today's society, people wanted to develop and express their own opinions, evidenced for example by the rise of social media. The challenge for us is creating the space to allow people to form their opinions and in doing so, HRP will not have editorial control.

The Board discussed whether Historic Royal Palaces was successful in drawing out the links between the past and what was happening in today's world. Sir Trevor MacDonald cautioned against trying too hard to make these relationships, favouring focusing on the basic messages.

The Board asked about priorities in opportunities to expand our portfolio. Michael Day noted that Trustees had approved the principles in last year's plan. Whilst there may be overarching broad principles, each potential site has a set of distinguishing characteristics. The Chairman noted that one common theme was a complex number of stakeholders.

Trustees commented on plans for exhibitions and re-presentations, gave their views on the balance of the storyline of the Georges Crescendo at Kensington and noted that unlike previous crescendos, this anniversary would not have a national focus to give further prominence. The most significant anniversary in 2014 was likely to be the start of the first world war. John Barnes explained that there were some stories relevant to this that would be told through programming or small interventions.

4.2.2 *Give the palaces the care they deserve*

4.2.2.1 Ian Barlow noted the importance of the State of the Estate review which would be completed in 2013/14 as a way of setting priorities and monitoring performance.

The Chief Executive distributed a supplementary page describing plans for reviewing, managing and storing the collections, bringing together initiatives to progress the storage project and to respond to the recent internal audit report. Dawn Austwick observed that the plan had always given focus to delivery of projects and welcomed the greater attention here to this important area of infrastructure. She asked who would be responsible for making progress. John Barnes outlined the management responsibility noting that there would also be a new post of registrar.

He noted that the work next year on the Inner Curtain Wall at the Tower of London would be the last phase of work started eight years ago enabling opening up of new areas.

4.2.3 *Transform the way visitors explore their story.*

4.2.3.1 The Board discussed plans for day visitors at the Banqueting House, Whitehall this summer, which will tell the story of the Masques of James I, using a combination of physical imagery and live interpretation. This is in response to Trustees' ambition to see more on offer to the day visitor during a summer opening period rather than being closed at short notice because of functions and events. The Chairman observed that in the longer term, ambitions for the Banqueting House and the Whitehall Palace story should include links to Westminster.

4.2.4 *Have wider impact in the world*

4.2.4.1 Significant changes have been the *Audiences First* initiative including workshops and the new audience segmentation model, together with progress on the strategies for digital, domestic market and learning. Liz Cleaver noted the importance of the language being used to signal the significance of this work. It will inform and lead these strategies and other work across the palaces and become a way of targeting and measuring performance. The Chief Executive agreed with her, noting that ideas had already evolved even since the first workshop and undertook to review some of the the words used in the plan document.

Trustees asked about the rollout of the revised brand. This was an evolution of the existing brand, developed in 2005/06. Liz Cleaver also noted giving an example of a recent conference, the success of our brand as a uniting idea which was a simple and well understood message for the staff to communicate and use to drive ideas.

Sue Farr agreed and was impressed by all the actions identified, which would build on the work to date. Ian Barlow noted the fantastic membership results and that the plans to build the Patrons Scheme should also be added to the list. He felt however that there may be too many different types of newsletters. Danny Homan explained that they were intended to be targeted at different stakeholders.

4.2.5 *Build one organisation united behind our Cause.*

4.2.5.1 The Board noted the planned increase in headcount. Numbers of staff have inevitably grown as the ambition of the organisation has grown. Sue Farr noted that posts next year were junior or mid-level and asked about stress at the senior level. The Chief Executive reminded Trustees that senior posts had been recruited or were being recruited during this current year. Nevertheless, the Board felt that the continuing ambition inevitably leads to pressures in the top

team and immediately below, and it was an important area to keep a watch on. Ian Barlow asked for further information about the organisational design.

Noting the significant plans for IT, Jonathan Marsden asked whether these were being developed with a customer focus. The Finance Director confirmed this.

4.2.6 *Generate the money to make it all happen*

4.2.6.1 The Finance Director explained that the visitor targets had been revised upwards to reflect the new arrangements for visitors to Kew Palace and programming at Hampton Court Palace. Ian Barlow restated an underlying concern as to whether there was underperformance at Hampton Court in terms of visitor numbers. This had been a view shared by Paul Gray, the Palaces Group Director, when he started. However, with further analysis, he had concluded that the picture was not as simple. The Magic Garden will certainly make a big difference and programming, this year will give us further information on potential. Potential would also be informed by the domestic market strategy currently being developed.

Trustees gave a range of views on the ambition in the visitor target, which had as usual been set prudently to enable us to manage our resources and costs against income levels which should be achieved. The Chairman's challenge was for more growth from the Tower and a sustained level of visitors at Kensington Palace. Trustees were reminded of the sustained growth achieved by the organisation to date and the consistent achievement of above 3.2 million visitors over several years. Adrian Montague felt that that the visitor target was fair and congratulated the team on their ticketing agreement with Kew.

The Finance Director reminded Trustees of the boost to Retail and Functions income due to the Jubilee and Olympics, which would not be repeated in the forthcoming year. Gina George explained the retail assumptions. Sue Farr congratulated her on the refurbishment of the shops which were a significant improvement.

The Board discussed Development noting the commencement of Campaign 2 shortly. Dawn Austwick asked whether we had reached a maturity to smooth the peaks and troughs driven by campaigns. Due to the stage within the lifecycle of a campaign, 2013/14 reported an increase in the cost/income ratio. It was suggested that as it gave a confusing message, this should be measured in future over the course of the campaign.

The Board then discussed the results by charitable objective. The Finance Director identified an anomaly that made it more difficult to make comparisons. The split on project costs between the charitable aim of conservation or public access was not known until projects had completed. In the AOP, an assumption was to allocate all project costs to conservation which therefore distorted the percentage increase year on year.

The plan included indicative forecasts for years 2 and 3. The budget is not usually balanced for these years at this stage and would be done as projects crystallise. A range of views was expressed as to whether it was helpful to include this.

4.2.7 The Board noted the 2020 Statement of Intent and the projects framework. The Board had asked for further thinking on how we might achieve the growth in digital relationships. The Chief Executive proposed that rather than work through this separately now, we should work through the *Audiences First* work together with the three strategies on digital, domestic market and learning and use the outcomes of these to inform the thinking.

4.2.8 The Board approved the Strategic plan 2013-16 and the Annual Operating Plan 2013-14 as its first year, noting that this was the consolidation of a lot of detailed departmental plans. The Board thanked the Chief Executive, the Executive team

and their staff for a thorough piece of work.

4.3 Contingency Planning

- 4.3.1 The Board noted the contents of the paper which was an update of the plan written in 2006 on HRP's ability to withstand financial distress based on the current financial position. The paper is based on a number of scenarios. The Board observed that whilst the paper confirms confidence in our ability to manage in a number of different scenarios, the main difference between now and 2006, is the economic conditions and our ability, should it become necessary, to engage with government for help, given the current state of government finances.

5. Projects and Expenditure

5.1 Collections Storage

- 5.1.1 The Board noted the contents of the Conservation and Learning Director's Report which was a proposal to provide offsite storage in improved environmental conditions for the robust and semi robust parts of our collection, currently located in over ninety different locations around the palaces. The Conservation and Learning Director, John Barnes explained the background including alternative more costly options and in response to questions gave further information about the parts of the collections to be stored, the standard of environmental conditions assumed, and the security risk.

After discussion, the Board agreed that this was a good idea in principle but needed further reassurance, namely more detail on environmental conditions and related controls, security and indicative costs of an alternative option of a purpose built warehouse located further afield.

5.2 New Agreement and Operational arrangements between Historic Royal Palaces and the Royal Botanic Gardens Kew.

- 5.2.1 The Board noted the contents of the Palaces Group Director's report. Jane McKeown, Head of Financial Accounting, explained the current assessment of the impact of tax on the joint entrance arrangements. The Board agreed that this agreement was right for our current operations at Kew and that it would also enable us to explore a joint ambition and partnership to refurbish the Pagoda as part of the royal landscape at Kew. The Board agreed the arrangements subject to a review of some perceived ambiguity in the detail of the wording on our partnership for the Pagoda.

5.3 Update on the Research Strategy and progress towards Independent Research Organisation Status.

- 5.3.1 The Board noted the contents of the Chief Curator's report. The Chief Curator, Lucy Worsley explained that the strategy would lead to better research to underpin our work for visitors and could also unlock additional funding. Ian Barlow felt that it was also important for our Cause and for our standing with stakeholders. Lucy explained that one of the next steps was to reduce down the list of sixty research topics. The Chairman thanked Lucy for her update and noted enthusiastic support from the Board for this ambition.

6. Monitoring Performance

6.1 Chief Executive's Reports for February and March

- 6.1.1 The Board noted the contents of the Chief Executive's Reports. The Communications and Development Director also gave the broadcast dates for Lucy Worsley's television series *Fit to Rule*.

7. Organisation and Governance

7.1 Audit Committee 13th March 2013

7.1.1 The Chairman of the Audit Committee, Dawn Austwick, gave a verbal update on the recent meeting. The National Audit Office had submitted an audit fee proposal which was a substantial increase on last year. At the meeting, they had not been able to provide satisfactory justification. The Audit Committee had therefore rejected the proposal and asked the Finance Director to write a letter to the National Audit Office setting out the issues.

The Committee had also discussed the audit report on collections management and asked for a further report on progress on agreed actions at the June Audit Committee and for the July Trustees' Meeting.

7.2 The Investment Committee 20th March 2013

7.2.1 The Chairman of the Investment Committee, Sir Adrian Montague gave a verbal report of the discussions at the meeting, which was held to seek the views of the Committee on the assumptions for the Pension Scheme valuation. The Committee had advised the Chief Executive that they considered the assumptions reasonable.

7.3 Trustees Appointments

7.3.1 The Chairman gave a verbal update on progress on the forthcoming three vacancies; one DCMS Appointment, one Queen's Appointment and one appointment by the Trustee Board (Chairman of the Campaign Board), who would also be an ex officio Trustee appointed by DCMS. All followed different processes and the Nominations Committee was being consulted as appropriate.

A preferred candidate had emerged for the role of Chairman of the Campaign Board. Once the Nominations Committee had agreed to recommend this candidate to the Board, details would be circulated to the rest of the Board for approval. A formal announcement was not expected until the autumn, with the candidate due to start on 1 January 2014.

7.4 The Register of Interests

7.4.1 There were no changes to the register of interests.

8. Any Other Business

8.1 This was Sue Farr's last meeting as a Trustee. On behalf of the Board, the Chairman thanked Sue for all her work during the past six years. An energetic champion of Historic Royal Palaces and supporter of its Cause, she had generously given significant amounts of her time and brought energy, verve, challenge and flair to her role as Trustee, all qualities which have been highly appreciated by her fellow Trustees, by management and by staff during the last six years.

8.2 There was no other business.

9. Next Trustees meeting: Wednesday 22nd May 2013, Hampton Court Palace