



Historic Royal Palaces is the charity that looks after:

Tower of London
Hampton Court Palace
Banqueting House
Kensington Palace
Kew Palace
Hillsborough Castle

We help everyone explore the story of how monarchs and people have shaped society, in some of the greatest palaces ever built.

We raise all our own funds and depend on the support of our visitors, members, donors, sponsors and volunteers.

Minutes

Meeting name: **Board of Trustees**

Date of meeting: **Thursday, 23rd March 2017**

Location: **Tower of London**

Attendees: Rupert Gavin (Chairman)
Sir David Cannadine (Deputy Chairman)
Zeinab Badawi
Bruce Carnegie-Brown
Ajay Chowdhury
Liz Cleaver
General Sir Nicholas Houghton
Jane Kennedy
Jonathan Marsden
Sir Michael Stevens
Louise Wilson

In attendance: Michael Day - Chief Executive
John Barnes - Conservation & Learning Director
Gina George - Retail and Catering Director
Paul Gray - Palaces Group Director
Sue Hall - Finance Director
Richard Harrold - Tower Group Director
Graham Josephs - Human Resources Director
Dan Wolfe - Communications and Development Director
Rachael Gilleard - Head of Governance

Apologies: Carole Souter

1. Opening business

1.1 The Chairman welcomed Trustees to the meeting and asked all present to observe one minute of silence to remember those who lost their lives and were injured during the attack in Westminster the day before.

The Chairman explained that main item of business was to approve the Strategic Plan 2017-20 and Annual Operating Plan 2017/18, hence the Executive Board was present.

1.2 Carole Souter's apologies were noted.

1.3 Jane Kennedy reminded the Board that she is a Senior Partner of Purcell. Purcell has been selected as the architect for the build of the Orangery Wing at Kensington Palace. The Board noted that the appointment process was undertaken by an arm's length process, and that a different partner will be leading the project.

1.4 The minutes of the last meeting were approved. There were no outstanding actions.



2. **Monitoring performance**

2.1 *Chief Executive's monthly reports*

Michael Day drew Trustees' attention to *Diana: Her Fashion Story*, which has opened at Kensington Palace to public and critical acclaim. The success of the exhibition has brought operational challenges, but the team has managed this extremely well. There has been a vast amount of press coverage, which is continuing one month after opening. Louise Wilson thanked all staff involved with the exhibition; noting that it has had an enormous impact in the USA. The Chairman commented that this was a reminder that the right exhibition can have a significant and enduring impact. Michael Day stated that the subject matter for the exhibition – fashion – was right for HRP and that if HRP was to continue in this vein, further fashion items relating to Diana, Princess of Wales would need to be acquired.

Michael Day also drew attention to the items being acquired and loaned to HRP under Acceptance in Lieu (of inheritance tax), noting that insurance arrangements were currently being settled.

John Barnes clarified the report regarding potential acquisition of watercolours. These are being offered as a gift, so there is no cost to HRP to acquire. Trustees noted the acquisition.

With regard to the Visit England Welcome Accolade received by Kensington Palace, Sir Michael Stevens queried what marked Kensington Palace out from our other palaces. Paul Gray explained that the staffing score was 97%, which is exceptional.

Louise Wilson was encouraged by the networking event at Hillsborough Castle and asked whether there had been any follow up. Dan Wolfe explained that the Head of Hillsborough Castle was putting together new stakeholder engagement strategy.

Reflecting on the attack in Westminster the previous day, Michael Day noted that the official Government threat level has been 'severe' for some time and that, through the Security Adviser, the organisation receives intelligence in a timely manner. Richard Harrold reported that the impact at the Tower of London had been minimal but the Banqueting House had been closed as it was within the scene of crime cordon. The Head of Banqueting House had been on leave so command devolved to a more junior, and new, member of the team. He noted that during the incident she had been calm and had displayed great clarity of thought and confidence. Paul Gray reported that there had been an initial number of visitors wanting to cancel bookings but this had not been significant and the impact thereafter was no greater than when there had been attacks in mainland Europe. With regard to staff whereabouts, the Board noted that HRP will be shortly implementing an electronic cascade alert system, although General Sir Nick Houghton cautioned against implementing a system, where the imperfections might actually create more difficulties. The Board also noted that HRP undertakes regular security reviews. Richard Harrold reassured the Board that the Security Adviser was involved in all of the appropriate groups monitoring and advising on this type of activity. In response to a query from Jane Kennedy about the safety of the queues at Kensington Palace, it was noted that the location of the palace militated against car-based attack, and that there was a high level of security in the vicinity. Michael Day confirmed that HRP has a well-developed and tested major incident plan.

2.2 *Report on financial performance to the end of December*

Sue Hall presented the report on financial performance, noting that the year-to-date net surplus was better than anticipated. As of 19th March HRP had received 4.279m visits, and although the definition of 'visit' had been redefined during the year this was still a very strong like-for-like performance. Her view was that HRP would hold this positive position to year end.



Bruce Carnegie-Brown queried the recent upturn in retail sales and gross margin and Gina George explained that the team had taken a more strategic approach and was selling more higher-margin products. In response to a query from Zeinab Badawi, she explained that new products to support *Diana: Her Fashion Story* had already been launched and limited edition items were to be launched at Easter.

Ajay Chowdhury asked how many of the reported cost savings were time related, and Sue Hall explained that some maintenance projects had been stopped and some deferred.

General Sir Nick Houghton asked how the Executive Board takes in-year decisions based on financial performance. Michael Day explained that the Executive Board undertakes a detailed review at Q2 each year (and in this current financial year, noting difficult conditions early in the financial year, had also reviewed the situation at Q1). The aim is to hold on to any excesses as surplus to the year-end to be recommended for designation. It is particularly important to do this at the moment, given the scale of the projects that HRP has committed.

2.3 *Key events for Trustees' diaries*

The Board noted the dates of key events and undertook to attend if they were able.

3. **Strategic Plan 2017-20 and Annual Operating Plan 2017/18 and designation of surplus funds**

3.1 *Strategic Plan 2017-20 and Annual Operating Plan 2017/18*

Michael Day introduced the plan, the assumptions for which had been approved by Trustees at their previous meeting. Trustees examined the plan closely, commenting as follows:

Essence

Several Trustees queried the concept and execution of 'Essence'. John Barnes explained that 'Essence' for each palace, is the subject that both motivates our visitors and leads our stories. It needs to capture a range of characters and stories (expressed as primary and secondary themes), and this can happen in different ways over time. Essence applies to content and communications. Michael Day noted that it was a powerful idea but still needs more detailed work in its implementation

Digital

Ajay Chowdhury expressed his opinion that HRP has got the basics of digital right, but is still behind other organisations – the challenge is to navigate this area so that HRP is not leading edge, but does not lag behind the sector. Liz Cleaver thought that the work to date was intended to create infrastructure foundations – is it dynamic enough to cope with the future? Ajay Chowdhury kindly offered his expertise and the Chairman suggested a meeting with staff before the next Board meeting.

Research

Jane Kennedy felt that the role of research should be further emphasised in future versions.

The purpose and content of the plan

General Nick Houghton felt that the document was potentially conflating strategic and operational planning, although it was acknowledged that this can be the nature of such documents. Michael Day reminded Trustees that the current format was the result of years of refinement, taking into account Trustees' previous wishes and what the Executive Board needed. For everyone that wanted more or different detail, there were others who wanted a more concise document. Trustees agreed that any changes that they wish to see in future plans should be agreed with the Executive Board in the



autumn.

Language

Louise Wilson observed that the terms 'visitors' and 'customers' were used interchangeably and that this was confusing. This should be clarified in future versions.

Aim 4 - Build one organisation united behind our Cause

Trustees applauded the increase in interns and apprentices, noting that HRP was subject to the Apprenticeship Levy of £150,000 per annum. Louise Wilson was keen to encourage headcount savings in-year to fund additional posts.

Aim 5 - Generate the money to make it all possible

Trustees noted that the Campaign Board will review the target and strategy for Campaign III.

Trustees agreed that progress against the Statement of Intent targets should be reviewed on a bi-annual basis.

Ajay Chowdhury queried HRP's ability to react to changes in fortune or specific events in-year. The Chairman stated that HRP would be able to manage in the short term but that an extended downturn would require action.

Jonathan Marsden noted that much expenditure - e.g. on maintaining the palaces - relates directly to HRP's Cause.

Sir Michael Stevens questioned whether HRP has the resources to deliver future levels of project expenditure and that it would be helpful to have further explanation of how projects are funded.

The Chairman queried the projected increase in visits, and Dan Wolfe explained that the numbers included 1.5 Easters falling within the financial year, which had a significant positive impact.

Sir Michael Stevens questioned whether the retail spend per visit target was stretching enough. Gina George explained that this year had been a record year and that there was an inverse relationship between visit numbers and spend - as the shops become too busy to enable customers to buy. Visit mix also affects spend per visit. Predications for the growth of off-site sales are believed to be sound, and the reaction to the ecommerce site has been good so far.

In conclusion, Trustees agreed to:

- a) Endorse the overall direction and aims of the Plan, including the progress review of Statement of Intent to 2025.
- b) Approve the 2017/18 AOP (subject to the usual subsequent individual authorisations).
- c) Note the indicative financial projections for 18/19 and 19/20.

In closing, Michael Day commended the effort that went into creation of the plan and Trustees passed on their thanks to all who contributed.

3.2 *Designation of surplus funds from 2016/17*

The Board agreed the principles outlined in the paper, noting that their final approval would be sought in May.

4. **Development update**

4.1 As Chairman of the Campaign Board, Bruce Carnegie-Brown explained that the



intention was to create a celebratory moment at the end of Campaign II and then a respite before Campaign III. Campaign III will be shaped to take account of those elements of income that have come to be regarded as business as usual, to address project funding gaps and to maintain flexibility.

Sir David Cannadine asked how the fundraising climate was looking in the short to medium term – his feeling being that it is going to get tougher, Boards are increasingly evaluating the ethics of their donors and Trusts and Foundations will pay greater attention to performance indicators. Bruce Carnegie-Brown acknowledged that Campaign III will be a challenge, especially as HRP has to overcome misconceptions about its funding sources.

Zeinab Badawi queried HRP's response to the new Fundraising Regulations and fundraising levy. Michael Day explained that he felt strongly about the appointment process for the Regulators, their remuneration (which looks to be out of line with governance roles in the charitable sector), the lack of a voice for charities contributing and the Regulators' communication with HRP on the issue. Dan Wolfe confirmed that HRP will not miss out on any 'accreditation' by not paying the levy.

It was noted that HRP does have a legacy programme, but it is not currently a priority.

Sir Michael Stevens confirmed that the proposed attribution of naming rights for the Orangery Wing to a major donor falls within the agreed criteria.

5. Projects and expenditure – to approve the investment decision for Hillsborough Castle

5.1 Sir Michael Stevens informed the Board that the Audit and Risk Committee, which met on 20th March, had reviewed the report on Hillsborough operations published in February. The audit had been completed sometime previously and many of the weaknesses had been addressed. A follow up audit will take place in 2017/18.

The Board approved the investment decision.

6. Sub-committees

6.1 Sir Michael Stevens provided a verbal report on the last Audit and Risk Committee meeting, which was noted by Trustees.

7. Procedural matters – changes to the register of interest and year end guidance

7.1 The Board noted the changes to the register and the requirement for completion of year-end documentation.

8. Any other business

8.1 The Chairman reported that the selection process for a new Trustee and the Board effectiveness interviews were both ongoing.

9. Next meeting: 17th May, Kensington Palace

