



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: **Wednesday 1st February 2017**
- Location: **Hampton Court Palace**
- Attendees: Rupert Gavin (Chairman)
Sir David Cannadine (Deputy Chairman) - *videoconference*
Zeinab Badawi
Bruce Carnegie-Brown
Ajay Chowdhury
Liz Cleaver
General Sir Nicholas Houghton
Jane Kennedy
Jonathan Marsden - *videoconference*
Sir Michael Stevens
Carole Souter
Louise Wilson - *videoconference*
- In attendance: Michael Day - Chief Executive
John Barnes - Conservation & Learning Director - *videoconference*
Sue Hall - Finance Director
Rachael Gilleard - Head of Governance
Elizabeth McKay, Alison Lightbown, Daniel Ferguson, Cathy Spalding (item 4)
Nikolai Segura (item 10b)

1. Opening business

- 1.1 The Chairman welcomed Trustees to the meeting.
- 1.2 General Nick Houghton made Trustees aware that he has become a Trustee of The Royal United Services Institute (RUSI). This does not create a conflict of interest at this meeting.
- 1.3. The minutes of the last meeting were agreed.
- 1.4 Actions arising from the last meeting were reviewed:.
- In the absence of any commentary to the contrary from Trustees, the Statement of Intent status presented at the last meeting was agreed. It will be reviewed again prior to the Strategic Plan 2018-2021.

2. Monitoring performance

2.1 Chief Executive's monthly reports

Michael Day drew Trustees' attention to several recent successes which had been reported in the last two CEO reports. From the December report: HRP achieving Investors In People Gold status; major grants from the Foyle and Wolfson Foundations; the new CEO appointment and some new acquisitions; including the Bacton Altar Cloth. From the January report: Granting of planning permission and the HLF grant of £4.95m,

Note that paragraph numbering aligns to the agenda.



both for Hillsborough Castle; Arts and Humanities Research Council funding of £163k for 'Portable Palaces' research; the opening of *Enlightened Princesses* at Yale that evening (for which many thanks to those Trustees attending on behalf of HRP); announcement of the erection of a statue of Diana, Princess of Wales, in the gardens at Kensington Palace and continued excellent visitor performance. The Chairman also noted the success of the recent filming for a major motion picture at Hampton Court Place and the Tower of London.

Several issues relating to Hillsborough Castle were discussed:

Michael Day explained that there were three conditions attached to the HLF grant, including that the break clause was not acceptable to the HLF. After a robust discussion of the pros and cons of the situation, Trustees agreed to accept removal of the break clause.

Jonathan Marsden commented that the quotes from Lisburn & Castlereagh City Council included in the report regarding the planning application for Hillsborough Castle clearly indicate what a fantastic job HRP has done.

John Barnes explained that 'red' risk attached to Hillsborough Castle on the major project plan related to increased costs in the visitor infrastructure elements of the project – particularly retail and catering and preliminaries. To get the performance we require from retail and catering will require increased investment, but this could also increase income.

Sir Michael Stevens noted that the Audit and Risk Committee had recently received an update on the project which did not reconcile with this latest information. Michael Day explained that a significant change has been a full understanding of the retail and catering costs. The Executive Board's judgment is that keeping to the original budget for this element will not deliver the best long-term results and the team is now finding ways to ensure that the funding can be allocated without prejudicing other projects..

Jane Kennedy asked whether HRP had received alternative advice on the retail and catering element. Michael Day explained that Directors have been very close to the detail and have made a lot of changes already.

Carole Souter asked whether it was possible to calculate the impact of sticking to the original budget. This will be addressed within the investment decision.

Trustees will review the full financial position when they consider the investment decision for Hillsborough Castle in March.

2.2 Report on financial performance to the end of December

Sue Hall presented the report on financial performance, noting that strong performance in October and November has continued and HRP is now £1m ahead of forecast visitor income and behind in expenditure.

Michael Day presented analysis of visits to the palaces and the apparent correlation between visits and external events such as the Brexit vote.

Ajay Chowdhury asked whether HRP had specifically increased marketing investment at particular points. We have not, but have been taking a different approach to marketing this year.

It was noted that exchange rate changes may have had a positive impact but that political changes in the USA may also have other consequences, such as a reduction in foreign travel.



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

Sue Hall introduced the report, explaining that: teams had been asked to plan for the next two years; targets have been set to levels that teams are comfortable with achieving and we have looked to create more financial 'headroom' by reducing discretionary spend.

In discussing the proposed number of visits across the palaces Sir Michael Stevens asked whether HRP should be doing more to encourage visitors to come to Hampton Court by train. Michael Day explained that most visitors come by car, despite other encouragement. Having experimented with expanding the car park temporarily, we are now looking at a project to make this permanent.

Several Trustees queried the proposed increase in visits at the Tower of London and Michael Day explained that this was due to a mixture of factors including trend analysis and that next financial year there will be 1.5 Easters – Easter accounting for a significant number of visits.

Ajay Chowdhury questioned the costs associated with the plan. Michael Day explained the need to strike a balance between caution and optimism; too much caution means cutting hard into core operation costs or project ambitions. Assumptions for visit numbers have been based on projections by Trajectory and this approach has served well during the last ten years. This year HRP took action to adjust expenditure at Q1 and this approach is possible again, although the current plan contains significant projects that would be very difficult to pull back from.

Ajay Chowdhury queried the level of marketing expenditure and Sue Hall explained that efficiencies had been achieved through better buying.

Bruce Carnegie-Brown asked about the timing of fundraising through Campaign III. Dan Wolfe will discuss this further with the Campaign Board.

Ajay Chowdhury queried the decision to invest in an equity fund. Sir Michael Stevens explained that this had been given due consideration by the Investment Committee and that this was a long term investment plan.

Sir Michael Stevens queried whether HRP can maintain gross margins on retail products, given that overseas sourcing will be subject to price inflation, and Sue Hall explained that prices have been fixed for the forthcoming year. He also queried the level of ambition in the catering income assumption – this will be detailed in the Annual Operating Plan to be received by Trustees in March.

Louise Wilson observed that staffing will need to be managed carefully, given the size of the payroll bill. As structural changes are implemented, HRP should be looking for synergies in staffing. A more detailed explanation of headcount changes will be provided in the Annual Operating Plan.

Trustees endorsed the financial assumptions at this stage, offering concluding comments as follows:

- comfort should be taken from the fact that this is a detailed and long term planning system, prepared by staff with extensive experience;
- HRP consistently delivers above expectations, although what is different in the current environment is the commitment required to significant capital projects; we are entering a period of uncertainty in the external environment unlike any we have seen in recent past,



- reassurance can be taken from HRP's proven ability to manage difficult situations;
- while acknowledging the detailed work that has gone into the plan, further comfort on the proposed increase in income will be sought when the final version is put to Trustees in March.

4. Learning and Engagement

Elizabeth McKay and team gave a short presentation to support the paper that Trustees had already received.

Trustees recognised the excellent work of the team. In particular, Liz Cleaver wished to record that in her view HRP's work in this area has completely transformed and, as a result, the organisation is now regarded as best in class within the sector.

Trustees raised the following questions/ comments:

Bruce Carnegie-Brown asked how personalised the experience was. Elizabeth McKay explained that there has been a conscious shift towards programming 'umbrellas' within which content is tailored for specific audiences.

The Chairman asked that in future activity is analysed against audiences as well as the Statement of Intent.

Sir Michael Stevens asked whether there were specific objectives for broader audiences, and Jane Kennedy noted that there appeared to be great focus on families. Daniel Ferguson described programmes for adults and community access schemes as just some examples of HRP's work with broader audiences.

In response to a question from Zeinab Badawi, it was noted that HRP is not yet using user-generated content, but is looking to try and do so in specific projects.

Zeinab Badawi also asked that HRP tries to incorporate stories with a global narrative and Jonathan Marsden asked for more use to be made of the art collection. HRP's use of this invaluable resource will be more accurately represented in future papers.

6. University Partnership

Michael Day summarised the proposal for a partnership with Queen Mary University London, the detail of which Trustees received in the accompanying paper.

All Trustees agreed that this was a very good and interesting initiative and supported the recommendations in the report. David Cannadine added his endorsement of the outcome of the selection process. The next step is to prepare an MOU between the respective parties and to begin to design the programme. Approval for the final terms of the partnership will be sought from Trustees in the summer.

7. Transition to new CEO

Sue Hall left the meeting for this item.

John Barnes discussed his plan for transitioning into the CEO role, and his proposal for restructuring the Conservation & Learning department, both of which were agreed by Trustees.

9. Sub-committees

Sir Michael Stevens provided a verbal report on the last Audit and Risk Committee meeting, which was noted by Trustees. The Board approved the new Terms of Reference for the Audit and Risk Committee.



10. **Procedural matters**

10.1 **Investment decision for Hillsborough car park**

The investment decision was approved.

10.2 **Investment decision for the hardware and services provision for the Digital Visitor Guide**

Nikolai Segura demonstrated the Digital Visitor Guide. Trustees approved the investment decision.

10.3 **Proposal for a statue at Kensington Palace**

The Board noted the report.

10.4 **Changes to the register of interests**

The Board noted the changes to the register.

11. **Any other business**

The Trustees' informal evening will take place in March.

On behalf of the Board, the Chairman warmly congratulated Sir Michael Stevens on the recent announcement of his Knighthood.

12. **Next meeting: 23rd March, the Tower of London.**

