

MEETING OF THE BOARD OF TRUSTEES

Hampton Court Palace, Wednesday 26th January 2011

Minutes

Present: Charles Mackay (Chairman)
Sophie Andreae
Dawn Austwick
Ian Barlow
Lord Dannatt (until item 8)
Sue Farr
John Hamer
Sir Trevor McDonald
Jonathan Marsden
Sir Adrian Montague (until item 7)
Malcolm Reading

Apologies Sir Alan Reid (Deputy Chairman)

In Attendance: Michael Day - Chief Executive
John Barnes - Conservation and Learning Director
Tania Fitzgerald - Finance Director
Rod Giddins - Palaces Group Director
Danny Homan - Communications and Development Director
Graham Josephs - Human Resources Director (from item 5)
Alyson Lawton - Trust and Company Secretary



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 the apologies received. On behalf of the Board, he congratulated John Hamer on the award of an OBE for services to heritage education. He was also pleased to report that John Penrose, Minister for Tourism and Heritage, had reappointed Malcolm Reading as a Trustee of Historic Royal Palaces for an exceptional third term, of three years, from 4 April 2011 to 3 April 2014.

2. Minutes from previous meetings

- 2.1 The minutes of the meeting held on Wednesday, 24th November 2010 were approved.

3. Matters arising from previous meetings

- 3.1 Lord Dannatt, Constable of the Tower of London, noted that the joint paper on the Chapels Royal was being deferred pending the appointments of Governor at the Tower of London and Palaces Group Director. He was concerned that this should not be outstanding for too long. The Chief Executive reassured the Constable that in the meantime, Historic Royal Palaces remained keen to support presentational improvements at the Chapel of St John at the Tower of London. This would be considered as part of the Annual Operating Plan to be presented for approval by Trustees in March.

4. Strategic Development

4.1 Financial Management Information

- 4.1.1 The Finance Director gave a presentation on the key aspects of the new financial management information pack, using the performance to the end of December. Additional reports were produced for the Executive Board to enable further

analysis and action. The Board discussed the report. The Board agreed it covered the main matters for review and that the new format was a significant improvement.

Ian Barlow, recognising the progress made in reporting financial matters, noted that there was more that contributes to the success of an organisation than just financial information and asked whether non financial performance indicators might be included at the appropriate time. Looking at both together would be beneficial. The Chief Executive noted that a significant amount of non financial information was reported to the Board during the year. Key performance indicators for other areas of the charity were less developed. The challenge was to collate this information on a timely basis. Dawn Austwick felt that this would be most useful at the time of the Strategic Review meeting in September. The Chief Executive agreed to develop a report for that meeting giving key trends.

4.2 The Quarter 3 Forecast 2010/11

- 4.2.1** The Board noted the report on the last forecast of the full year 2010/11 financial performance. The Finance Director explained that the improvement to the expected result would allow further designation of funds to support the ambitious plans for the next phase of the strategy. A list of proposals for projects against which to designate funds would be considered at the Trustees meeting in March.

Malcolm Reading noted that £2.4 million of project expenditure had been deferred until next year and asked whether this was a matter of concern. The Conservation and Learning Director explained there was no overarching reason. He reviewed each major project individually and explained the reasons for deferral of expenditure. He did not feel this was an area for concern.

Malcolm Reading also asked about spending on the Wharf Café and how this met our charitable purpose. The Chief Executive explained that we fund projects that have direct charitable impact such as our conservation or education work but we also need to fund commercial activity to generate future funding, which will ultimately be used to discharge our charitable purpose after we have disbursed our costs. The Wharf Café was an example of the latter just as funding of the Tower Shop had been as part of the earlier improvements to Tower Hill. The difference was the scale of funding required for building the Wharf Café.

The Board noted that £0.9 million would be raised in donations generated by the new approach to gift aid and asked about the projects which would be funded. The Communications and Development Director also explained that a report of the scheme would be discussed by the Executive Board in February. The Board approved the quarter 3 forecast.

4.3 The Financial Assumptions for the Strategic Plan 2011-14

- 4.3.1** The Board noted the contents of the report. The Chairman reminded the Board that the approach had been to set a prudent income forecast with the operating expenditure based on that level of income. If the outturn was better than this, the additional income could be held in reserves as a designation against future ambitions. He felt this was a good approach which had been adopted and had worked for several years.

The Board debated the general conclusions on economic outlook provided by Trajectory who produce our baseline visitor number projections. Our visitor assumptions had been produced before the announcement of the Royal Wedding. The Board felt that the wedding was likely to have a positive impact both for domestic and overseas visitors.

The Board asked about the assumptions on the level of expenditure on building conservation. The Chief Executive reminded Trustees that in 2011/12, Historic Royal Palaces would be undertaking the biggest series of building projects in its history as a charity. There is a high level of activity and staff time is fully committed. Conservation work as part of these projects had been reported in the overall project cost rather than in the figure for building conservation. However all conservation expenditure was always reported together for the purposes of the charity's annual accounts. The Chief Executive agreed to report expenditure in the same way for the Annual Operating Plan in March so that the overall conservation spend was clear.

The Board noting recent economic forecasts on the levels of inflation, asked for clarification on how the target of a 5% reduction on operating expenditure was being applied.

The Board supported the Chairman's view that as there had been no significant changes, no update would be needed of the contingency planning paper agreed by Trustees last March.

The Board approved the assumptions set out in the paper as the basis for the financial forecasts on the Strategic Plan for 2011-14 to be brought for full approval in March.

4.4 The Jubilee Crescendo

- 4.4.1** The Board noted the contents of the report which described the range of activities planned for 2012. Sue Farr noted that the scope and importance of these activities could underpin a powerful communications plan for visitors and opinion formers, especially as it was so linked to national events. The Communications and Development Director was already working on this. He also explained to Trustees the progress on the public affairs strategy and briefed them on recent developments and plans relating to media activity at the time of the Royal Wedding.

The Chairman noted that the completion of the conservation of the White Tower was also a part of the Jubilee plans and that due to the delay now anticipated in the public opening of the Royal Kitchens at Kew, this project would now be added to the list. The Chairman also asked about the content of the academic conference planned for Kensington.

5. Review of the roles of Constable and Resident Governor and recommendations for the future of the post of Resident Governor

- 5.1** The Board noted the contents of the report. The Chief Executive explained the value of reviewing the boundaries between the roles of Constable, Lieutenant and Governor. The Board approved the revised title of "Tower Group Director" with the alternative ceremonial titles of "Governor of the Tower and Keeper of the Jewel House". Historic Royal Palaces was a civilian organisation but these titles also reflected the historical and ceremonial aspects of this role. There was a strong preference for candidates who had commercial experience outside the direct military environment. The Board agreed to recommendations in the paper specifying that senior military experience was required at the rank of Colonel or above.

6. The Investment Committee

- 6.1** The Board noted the minutes of the Investment Committee held on 16th December. The Chairman of the Investment Committee, Sir Adrian Montague briefed Trustees on the main conclusions and actions. The basic strategy for investments continued to be to maximise return consistent with retaining

immediate access to funds, in extremis understanding that penalties might apply. The Committee also gave their views on the pension fund investment strategy, noting that the decisions themselves were a matter for the Pension Fund Trustees themselves.

7. The Wharf Café at the Tower of London

- 7.1 The Board noted the contents of the report. The financial costs and project assumptions in the report were based on information provided by the preferred caterer who had since withdrawn. Approval was being sought to appoint consultants and to proceed to the detailed design and tendering of the approved scheme. During this time, the financial estimates would be refined. Trustees' approval for the investment decision would be required at the July meeting to meet the timetable for a 2012 opening. Malcolm Reading suggested an alternative approach to procurement that would reduce the risks for Historic Royal Palaces. The Board approved the recommendation in the report.

8. Hampton Court Palace; Strategic Review

- 8.1 The Board noted the contents of the Palaces Group Director's Report. He had identified four factors critical to success;

- Keeping the product fresh; exhibitions; re-presentations
- Presenting the palace to a high quality standard
- Keeping the offer fresh; public programmes; live interpretation; 5* service
- Generating more visitors especially from the domestic audience. Research was being undertaken with a report planned for Trustees in July.

The review built on the success of 500th anniversary of Henry VIII's accession to the throne. The Conservation and Learning Director reminded Trustees that the level of investment at each palace is significantly higher year on year.

The Board noted the complexity of running the palace; the challenges of location; transport and making the best use of the accommodation as well as the range of future plans for visitors.

Although main palace visitors were just over 545,000, total visits to the palace and gardens taking into account other visits such as to festivals or to the flower show were over 1 million. The challenge was to convert these visits to repeat day visitors.

The Board thanked the Palaces Group Director for the report and looked forward to hearing about plans in July for increasing the domestic audience across all palaces.

9. Projects and Expenditure

9.1 The Kingston Gate Project, Hampton Court Palace

- 9.1.1 The Board noted the contents of the Conservation and Learning Director's report. This was the first of three phases to improve the infrastructure to Home Park, which was used extensively during the Flower Show and by the Golf Club. To prevent damage to drains and ensure the work would have long life, the project involved a heavy level of engineering and a high quality of materials used for the surface, resulting in a high cost. The Chairman had challenged these costs. The Director noted that the Royal Horticultural Society was making an annual contribution towards the phased work and explained alternative surfaces that might be used to reduce cost. The Chairman concluded that the final balance between cost, longevity and appearance should be a management decision. Board approved the investment decision.

9.2 Vrow Walk Exit Project, Hampton Court Palace

- 9.2.1 The Board noted the contents of the report. The Conservation and Learning director explained that this was a complex project involving highway improvements, modifying walls and repositioning of ticketing barriers. It would result in significant improvements to pedestrian safety to support our objective of removing as much traffic as possible from Trophy Walk. Planning permission had not yet been granted. The high level of fees indicated the complexity of planning sensitivities and extensive consultation. The Board approved the investment decision.

9.3 The Audio Guide Contract

- 9.3.1 The Board noted the contents of the report and approved the recommendation to appoint Acoustiguide as our preferred supplier.

10. Monitoring Performance

10.1 Chief Executive's Reports for December 2010 and January 2011

- 10.1.1 The Board noted the contents of the Chief Executive's Reports. The Chief Executive was pleased to note that for the first time, Her Majesty The Queen's Christmas Broadcast had been recorded at Hampton Court Palace. He also reported that it had been decided not to proceed with an exhibition of Royal Wedding Dresses to mark the Royal Wedding but to concentrate on media opportunities that can be managed within the context of our other work.

The Board noted that the transfer of the Royal Kitchens at Kew from the Royal Botanic Gardens at Kew had not yet been concluded.

Trustees were pleased to read about the stories of volunteering at Historic Royal Palaces.

11. Organisation and Governance

11.1 The Audit Committee

- 11.1.1 The Board noted the contents of the report and subject to satisfactory references, approved the appointment of Anupam Ganguli to the Audit Committee as a co-opted member. Dawn Austwick as Chairman of the Committee thanked the Finance Director for her help with this.

11.2 The Trustees' Register of Interests

- 11.2.1 The Board noted the contents of the updated register.

11.3 Dates for the Trustees meetings in 2012

- 11.3.1 The Board noted the dates of the proposed meetings and agreed to advise the Trust and Company Secretary of any dates where they not able to attend. The Chairman suggested that the May meeting should be held at Kensington Palace and the September meeting at Kew, which was agreed.

12. Any Other Business

- 12.1 There was no other business

13. **Next meeting:** Trustees' next Board Meeting will be on Wednesday, 23rd March 2011 at the Tower of London