

MEETING OF THE BOARD OF TRUSTEES

Kew, Wednesday 25th May 2011

Minutes

Present: Charles Mackay (Chairman)
Sir Alan Reid (Deputy Chairman)
Sophie Andreae
Dawn Austwick
Ian Barlow (except 8.4)
Lord Dannatt (except 8.5.2)
Sue Farr
John Hamer
Jonathan Marsden
Sir Trevor McDonald
Sir Adrian Montague (until item 6)
Malcolm Reading

In Attendance: Michael Day - Chief Executive
John Barnes - Conservation and Learning Director
Tania Fitzgerald - Finance Director
Danny Homan - Communications and Development Director
Graham Josephs - Human Resources Director (item 1 only)
Alyson Lawton - Trust and Company Secretary
Chris Martin - Head of Development



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. The Action Learning Project

- 1.1 Members of staff who had taken part in the Action Learning Project gave a presentation on the efficiencies identified as a result of the project and their learning about leadership. The Board asked about the legacy from the project; how savings would be sustained and the lessons learnt about how the organisation works. Efficiency objectives are now included in staff performance and development reviews, there will be follow up reports on savings identified and the team will continue to meet to encourage each other on progress. The Board agreed that this was a fascinating and motivating project. Trustees had greatly enjoyed hearing about it and noted the tremendous result in people development. This approach could be used for other purposes. The Board congratulated the team and management for initiating this work.

2. Chairman's comments

- 2.1 The Chairman congratulated Sir Trevor McDonald on receiving the BAFTA Fellowship award.

3. Minutes from previous meetings

- 3.1 The minutes of the meeting held on Wednesday, 23rd March 2011 were approved.

4. Matters arising from previous meetings

- 4.1 There were no matters arising

5. Strategic Development

5.1 Review of Best Practice in Fundraising and the development of Campaign II.

Historic Royal Palaces has been fundraising for eight years, less time than the peer organisations reviewed. The aim of the review was to identify any further

areas of best practice. We are now 22 months away from the end of Campaign I, and planning Campaign II has begun. The Board noted the contents of the report including the factors in place for successful fundraising. Key to success was a high performing senior volunteer campaign group and prestige projects. The Chairman observed that with the shift in the number and scale of major projects, Campaign II was likely to be even harder to deliver than Campaign I.

Malcolm Reading asked about plans for seeking future funding from the Heritage Lottery Fund (HLF). Historic Royal Palaces can fulfill a number of HLF objectives and funds are available for a range of initiatives, not just for large capital investment projects. The Conservation and Learning Director explained that he was already meeting HLF officers to explain the palette of plans for the future in terms of access and revenue projects and our major project plans from 2015 onwards. There was not yet clarity about the future HLF process. The Board, noting that plans for this engagement were not formally written down, felt that a written management plan for this relationship would be beneficial.

Dawn Austwick observed that funding in the UK was still transaction based rather than relationship based and that recipients were generally poor at saying thank you. Taking the long term view that was an opportunity for us. The Head of Development agreed. He explained that we were quite good and getting better at this but still do not do it enough. He felt that we should never be nervous about sending updates, which should always be read as a “thank you” rather than a “please”.

The Board discussed the opportunity of receiving funds through legacies and gave some suggestions on how this might be grown in the future by further engagement.

Seniority needed to be brought to bear with some key relationships. The Chairman of Trustees is active in fundraising and the Campaign Board has been strengthened under the Chairmanship of Ian Barlow but we still needed further heavyweights who would ideally themselves be donors. Ian Barlow noted that we also need to build on members and patrons schemes.

Campaign II was still work in progress. A key part was having the right projects. Cost and definitions needed to be clearer and the aim was to achieve this by the end of the financial year. Ian Barlow observed that in the meantime, there was preparatory work that could be done.

The Chairman summarised the discussions. Benchmarking had confirmed that we were doing a good job but there were actions we could do to make it even better and Trustees looked forward to hearing about the development of Campaign II. He thanked the Development team and also, through Ian Barlow, the Campaign Board for their work.

5.2. The Public Affairs Strategy

5.2.1 Tim Collins, Managing Director, Bell Pottinger joined the meeting with Vikki Wood, Head of Media and Public Relations. The Chairman reminded the Board that Sue Farr had originally introduced Tim Collins to Historic Royal Palaces during the Public Bodies Review work in Sept 2010.

The Board noted the contents of the report, and commented on the approach and plan for 2011/12. During the Public Bodies Review it had become clear that Historic Royal Palaces was relatively poorly known and understood. Until now Historic Royal Palaces has not defined a strategy for public affairs, instead dealing with issues on an ad hoc basis. A proactive strategy that complements our corporate communications strategy to engage stakeholders is now proposed.

The structure and process of the public affairs strategy is designed to integrate with work engaging other important opinion formers such as funders, media, major donors and think tanks who were part of the Communications Strategy approved two years ago. The Director of Communications and Development explained that at the time, public affairs had been a conscious omission. The strategy aims to cover a wide range of politicians and civil servants not just from the Department for Culture, Olympics, Media and Sport and it is intended that there will be a continuous dialogue (not just when issues arose). Our model as an unfunded independent charity successful under successive governments holds lessons for the public sector. Sir Alan Reid asked about the plans for a reputation audit.

Noting an extensive list of stakeholders, the Board agreed that to have meaningful impact, our efforts would need to be narrowed and gave their views on subject areas for engagement. The next steps would be to establish priorities and focus efforts on these.

6 Projects and Expenditure

6.1 The Catering Contract

6.1.1 The Board noted the contents of the report. The Chairman, who had seen a detailed version, felt that this was an exemplar of how such a process should be conducted. The Board discussed the proposed caterer, the process for maintaining standards with the current caterers during the notice period and the handover, and asked about contract terms in the event of change of ownership of the caterer. The Communications and Development Director named reference sites. The Board discussed our ambition for catering and agreed that an institution's reputation is helped by the reputation of its catering. We offered a range of catering both inside and outside the pay perimeter. Next year, there would be two new cafes; one at Kensington and one at the Wharf at the Tower of London. One of our challenges was to encourage more people to visit our restaurants. This would be the challenge for both the caterer and ourselves. The Communications and Development Director then explained some specific concepts the caterer had proposed, giving families as an example. The Board endorsed the Executive Board decision to award a five and a half year contract to CH & Co for catering at all sites commencing 1st October 2011.

6.2 The Wharf Café Investment

6.2.1 The Board noted the contents of the report. The investment decision was being sought now to achieve the deadline of a 2012 Spring opening. As the tender prices were not yet known, the contingency was higher than usual. The Board expressed concern at the size of the contingency. The Conservation and Learning Director noted that both Malcolm Reading and Sophie Andreae had already been involved in the project representing Trustees in two meetings with the design team.

Malcolm Reading explained the challenge now was managing the balance of risks, achieving contract certainty on prices whilst accommodating changes required by the newly appointed caterer. The Board discussed options for final sign off. After discussion the Board gave authority for the project to proceed within a budget of £2 million plus VAT, agreeing that management for Trustees would be through a Sub Committee (Malcolm Reading and Sophie Andreae) and any significant developments would be reported back to Trustees through the monthly report from the Chief Executive. As with all other projects if, during the process, it emerged that the budget would be likely to be exceeded, approval from the main board would need to be sought.

6.3 Welcome to Kensington – a Palace for everyone

- 6.3.1** The Board noted the contents of the report, which explained the reasons for the rate of expenditure on the contingency. The project had suffered a high level of unexpected costs. The largest of these was the poor ground conditions below the new building. There were also potential enhancements which might be added to the project. It was proposed that a further allocation of £0.5 million from a designated fund be made. The Chairman felt that in due course this might be covered by fundraising allowing the designation to be reallocated. From experience, Malcolm Reading noted that a change to scope of works during a contract would not be helpful in terms of managing the main works contract on time and within budget. The Conservation and Learning Director explained that from the list of opportunities, only two would fall to the main contractor and these could be ring fenced.

The Board noted the warning on the rate of expenditure and agreed the principle of allocating up to £0.5 million from the designated fund for elements that will enhance the project. The Board agreed that new items should be debated and approved through the Trustees' subcommittee.

6.4 The Magic Garden, Hampton Court Palace

- 6.4.1** The Board noted the contents of the report which summarised the Project Proposal document and invited early comments. The Chief Executive explained the key points. The Board gave their views, asked about ticketing, noted the indicative costs and the principle of consulting potential users in the design. The Board gave their preliminary endorsement for the project. The Chief Executive agreed to talk further with Malcolm Reading about an open competition to select designers.

7. Monitoring Performance

7.1 The Chief Executive's Reports for April 2011 and May 2011

- 7.1.1** The Board noted the contents of the Chief Executive's Reports. The Chief Executive was pleased to note that the newly appointed Palaces Group Director, Paul Gray, would start work in August.

Trustees would be sent a draft of the Annual Review for comment by 4th June. The tight timetable was being driven as usual by the Parliamentary timetable. The Board noted the proposed front cover with its focus on the White Tower.

The Chairman and Chief Executive briefed Trustees on recent meetings including one with the Chairman and Chief Executive of English Heritage.

The Board was pleased to note that Historic Royal Palaces had won an award for Innovation at the Museum and Heritage awards for the *Henry VIII's Tapestries Revealed* exhibition and asked the Chief Executive to pass on their congratulations to the staff concerned.

7.2 Financial Performance

7.2.1 The year end position

The Board noted the update on the year end position which was still subject to audit and discussed the changes since the recent forecast. It had been a very successful year. The Chairman noted the ongoing work with staff to improve forecasting and the estimation of carry forward expenditure. More training was planned. He also suggested there might be a case for release of a portion of

unused income contingencies in forecasts rather than waiting until the end of the year.

7.2.2 Performance for the first weeks 2011/12

The Board noted the contents of the report. Overall there had been a good start to the year, although some palaces were performing less well than anticipated. These were being actively managed. The Finance Director noted the beneficial impact on retail of the sale of Royal Wedding merchandise. The Chairman asked about visitor numbers which were dipping at Kensington. The third phase of the *Enchanted Palace* exhibition was being launched shortly with a marketing campaign to support it.

7.2.3 The Reserves Policy

The Board noted the contents of the report and approved the continuation of the target for free reserves of £5 million, given the assessment of risks associated with key income and expenditure streams. The Board also approved the final year end designations of £13.2 million including carry-forward expenditure of £3.3 million.

8 Organisation and Governance

8.1 Review of the Role of the Constable and other changes at the Tower of London

8.1.1 The Board noted the contents of the report. The Chief Executive formally thanked the Constable for his assistance. The changes would allow wider access to Queen's House. Sir Alan Reid and Lord Dannatt were working on further clarification on the description of the relationship between the Keeper of the Jewel House and the Royal Household. The Memorandum of Understanding with the Royal Household set out our responsibilities for the Crown Jewels. The Chief Executive confirmed there would be increased access to Sir Thomas More's Cell and the Upper Bell Tower.

8.2 Notice of the AGM of HRPE Ltd

8.2.1 The Board noted the contents of the report and nominated Michael Day to represent Historic Royal Palaces' interests at the AGM of HRPE Ltd on 16th June 2011 and authorised Michael Day to write to the Company Secretary of HRPE Ltd at the registered office, notifying the company of the charity's decision to remove Keith Cima as a Director of the company.

8.3 Changes to the register of interests

8.3.1 The Board noted the changes reported to the register of interests.

8.4 The Chairman of the Campaign Board

8.4.1 The Chairman reported that Ian Barlow's first term of three years as Chairman of the Campaign Board finished at the end of June. The Board agreed to his reappointment for a further three years with effect from 1st July 2011.

8.5 The Remuneration Committee 25th May 2011

8.5.1 The Chairman of the Remuneration Committee, John Hamer gave a verbal report on the meeting. The main item had been Directors' bonuses for 2009/10 and targets for 2010/11.

8.5.2 The Board agreed to appoint Lord Dannatt as Chairman of the Remuneration committee to replace John Hamer.

9. **Any Other Business**

9.1 The Board confirmed the change in date for the Trustees meeting in September to Wednesday 28th September 2011 at the Tower of London.

9.2 The Chairman noted that this was John Hamer's last Board meeting after six years as a Trustee. On behalf of the Board, the Chairman thanked him warmly for all that he had contributed, especially bringing focus to the charity's Education work. He had been an excellent colleague and friend to Historic Royal Palaces. John observed that it had been a fascinating and rewarding six years, which had gone by too quickly.

9. **Next meeting:** Trustees' next Board Meeting will be on Monday 20th June 2011 at 61 Whitehall for the approval of the Annual Review and Accounts.