

MEETING OF THE BOARD OF TRUSTEES

The Tower of London, Wednesday 28th September 2011

Minutes

Present: Charles Mackay (Chairman)(except for item 9)
Sir Alan Reid (Deputy Chairman)(from item 4.2 except for 6.1.1)
Sophie Andreae
Dawn Austwick
Ian Barlow
Liz Cleaver
Sue Farr (until item 6)
Jonathan Marsden
Sir Adrian Montague
Malcolm Reading (from item 4.1.3)

Apologies: Lord Dannatt
Sir Trevor McDonald

In Attendance: Michael Day - Chief Executive (until item 9)
John Barnes - Conservation and Learning Director (until item 9)
Tania Fitzgerald - Finance Director (until item 9)
Gina George - Retail Director (until item 9)
Richard Harrold - Tower Group Director (until item 9)
Alyson Lawton - Trust and Company Secretary (until item 9)

For item 5.3, the following members of staff joined the meeting:

Terry Gough - Head of Gardens and Estates
Lucy Worsley - Chief Curator

1. Chairman's comments

- 1.1 The Chairman noted the apologies received. Since the agenda had been set, the Royal Kitchens project at Kew had emerged as an issue for debate and decision. The Deputy Chairman had also asked to speak to Trustees about the Chairman of the Board, whose term of office completes next May.

2. Minutes from previous meetings

- 2.1 The minutes of the meeting held on Wednesday 27th July were approved with one amendment in 7.3.1.

3. Matters arising from previous meetings

- 3.1 The Finance Director explained the initial discussions on merging the May and June Board Meetings. Trustees confirmed that their preference would be to hold one meeting, notwithstanding the full agendas. The Board noted that this would be subject to further discussions involving the timing of the Audit Committee. She will report back at the November meeting.

Plans to drive domestic audiences next year would be ready in a few weeks time. Sue Farr re-iterated that 2012 would be an extraordinary year both celebrating the Diamond Jubilee and the Olympics and it would be important to ensure that we had both the human and financial resource in place to capitalise on this.

The Board debated the best way for their early involvement in emerging issues (7.3.1) and made some suggestions, which the Chief Executive took as guidance.

The Board valued the separate strategy session with input from an external



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

contributor on a relevant subject. The Board asked the Chief Executive to consider the feasibility of extending the session to an away day in September for Trustees to look at the underlying strategic issues. The autumn Trustees' informal evening should be separate. Trustees were reminded that good attendance at these events influenced their effectiveness.

The Chief Executive expected to report on our work with the Chapels Royal at the November Meeting.

4. Strategic Development

4.1 Strategic Aim: Generate the Money to make it all possible

4.1.1 The Board noted the contents of the Finance Director's report. Our strong performance had placed us in a good position for the future.

4.1.2 Visitors

Visitor income generated 70% of total contribution. There has been a change in the mix of visitors with more coming in groups through the travel trade. The Chairman felt this represented both an opportunity and a risk. It underlined the need to optimise all sources of income including non visitor related income and the importance of the forthcoming domestic audiences strategy. The Chief Executive also observed that there was a risk that the fixed cost base would expand with greater visitor numbers but our principle was to plan costs assuming lower levels of visitors.

Sir Adrian Montague felt that our understanding of where our visitors come from could be better. Currently we rely on an annual visitor survey and are now supplementing these with smaller surveys, but the Chief Executive explained that when the Visitor Engagement System Phases 2 & 3 are implemented, we would have much richer information.

The Chief Executive noted that as our strategic ambition to consistently achieve 3.2 million visitors per annum was in reach, he would propose the next incremental step as part of the statement of intent in the next strategic plan.

Dawn Austwick observed that there were a number of factors in the paper that indicated that there was pressure across all our income streams. With the current economic background, the challenge was how to outperform in a "soft" market. The Finance Director felt that perceived value for visitors would be key. The Chairman felt that there should be a mix as well as a price strategy. The Retail Director observed that even within one category of visitors such as Travel Trade, the mix was complex.

4.1.3 Functions and Events

In functions and events, there was also a mixed picture but generally, activities that the Functions and Events teams directly sell, are holding up well. Sir Adrian Montague observed that the management structure for this activity was different than for Retail. The two Palaces Operations Directors have responsibility for their palaces' functions and events teams, whilst in Retail, all retail activity is centralised with one director in charge. He felt new product development might benefit from a centralised approach. The Chief Executive explained that a successful event was about delivery and the current structure was best placed to deliver that. Nevertheless a number of Trustees felt that the potential for sales growth would be greater from a centralised structure. Some of these concerns had been already been addressed. However, the Chairman asked the Chief Executive to see if there was anything further that could be done. Ian Barlow asked about the scale of our ambition. The Chief Executive explained the capacity and resource constraints which limit growth.

4.1.4 Catering

With effect from 1st October, a new contract would be in place at all Palaces and there would be two new facilities opening in 2012.

4.1.5 Development

There had been a recent Trustees discussion on this important area. Ian Barlow noted the success of membership and the upside opportunity for renewals. There are now 43,000 members. The Chief Executive advised that membership events were well attended.

Ian Barlow also reiterated that for Campaign II to be successful there needed to be exciting projects.

4.1.6 Investment

Discussing the level of reserves, the strategic issue is what is the balance between being prudent and spending on the charitable objectives? This issue was probably best addressed after 2012, when significant projects complete. The Conservation and Learning Director reminded the Board that there was no shortage of future projects and inevitably choices would need to be made. Another question was defining our ambition in terms of broadening our reach. The Chief Executive proposed that the statement of intent in the 2012 Strategic Plan would aim to start defining the charity's ambition for the next 8-10 years, although the overall costs would be defined by 2013.

The Board thanked the Finance Director for her comprehensive update.

4.2 Retail Strategy Update

4.2.1 The Board noted the contents of the report. The Retail Director also gave a short presentation. The Chairman noted that there had been a step change since the arrival of the new Retail Director and a number of investments had been made. The question was how far could retail grow in the future? The Board noted the tough economic trading conditions affecting the sector. Jonathan Marsden felt there was still some opportunity at the high end of the market. The Retail Director explained that the temporary Crown Jewels shop proposed to trial an offer of a mix of product including high end stock. The challenge would be designing the shop to signal this.

The Board also discussed off site retail including website and licensing. The Board felt that further work was needed on the percentage of visitors going into the shops, which was declining. The Retail Director explained that this was partly due to visitor mix and also a significant number of guidebooks were now being sold at the ticket desks rather than in the retail shops and therefore not included in the figures. Location of shops was also important. For instance the Martin Tower had seen a 10% reduction in footfall since the opening of the Wall Walks. Getting the product in front of visitors was one of the reasons for the new Crown Jewels shop. Combining shops at Hampton Court to provide a bigger offer had also been looked at but is not possible as the layout of available spaces would not make a good shop.

The Chairman summarised discussions. Retail has improved thanks to the Retail Director and her team. We expect to do better than the prudent figures on which future investment is planned. Trustees agreed in principle to the investments outlined. A number of suggestions had been made but the overall theme was that a better understanding of our customers and non customers is needed.

4.3 Strategic plan 2012-2014: Trustees Strategic Planning Session

4.3.1 The Board noted the contents of the paper and confirmed this as a record of their discussions.

5. Projects and Expenditure

5.1 The Re-presentation of the Crown Jewels Business Case

- 5.1.1** The Board noted the contents of the report and that the programme was tight to achieve the March opening. Malcolm Reading suggested that the programme should include procurement so that it can be monitored together with the sub contractors. Dick Harrold, the Tower Group Director, explained the security arrangements during the project and the key risks. Jonathan Marsden explained that as Director of the Royal Collection he was on the case with approving the images for the marketing plan but the significance of the regalia dictated a specific process for approval. Time was tight. The Board approved the investment decision with a budget of £2.5 million plus VAT.

5.2 Palace Explorers

- 5.2.1** The Board noted the contents of the report and were shown a short DVD explaining the work with schools in Kensington who would not otherwise come to the Palace, the involvement of students' families and the legacy of participation and involvement with Historic Royal Palaces

The Board noted the Executive Board's agreement to the continuation of the Palace Explorers project work after 31 March 2012 to 30th September 2013, with appropriate provision being made in relevant annual operating plans. Trustees welcomed this work and recommended that other stakeholders such as politicians and local councilors should see the DVD about this aspect of the charity's work. This initiative would appeal to other organisations' social responsibility agenda and attract funding. Trustees asked that performance measures were developed to demonstrate impact.

5.3 The revised Hampton Court Palace Gardens and Estates Conservation Management Plan

- 5.3.1** The Board noted the contents of the report. The Chief Curator, Lucy Worsley, gave examples of the changes that had been made. The plan was intended to work together with the Views Management Plan and with the Buildings Conservation Management Plan to guide work at Hampton Court Palace. Malcolm Reading asked about the progress on the Buildings Conservation Management Plan. She explained that this was a very large task and that the approach was to write statements of significance for the relevant area of the palace in the research phase of relevant projects and exhibitions.

The Board agreed that the gardens had a significant role to play in broadening the appeal of Hampton Court and asked how many visitors to the palace spent time in the gardens. There were no statistics available. The Head of Gardens and Estates also reminded Trustees that there are separate maze and gardens visitors and some areas of the gardens were free entry. In visitor surveys, the gardens were rated highly.

The Board endorsed the revised Gardens and Estate Conservation Management plan. Trustees felt that the gardens had much to offer and encouraged management to consider how more could be made of them.

5.4 The Royal Kitchens at Kew

- 5.4.1** The Board noted the contents of the paper. The Conservation and Learning Director explained the recommendation. The Board gave their views and advice on the conclusions. After debate, the Board agreed to the new limit on the project budget and noted the actions to keep additional expenditure to a minimum.

6. Monitoring Performance

6.1 The Chief Executive's Reviews for August and September

6.1.1 The Board noted the contents of the August and September reports.

The Deputy Chairman as a member of the Royal Household withdrew from the discussions on changes to space allocation at Kensington Palace.

6.2 Financial Performance to the end of August

6.2.1 The Board noted the contents of the Finance Director's report and the continuing strong performance.

7. Organisation and Governance

7.1 Membership of Board Committees

7.1.1 The Board approved the following changes:

The Remuneration Committee

Liz Cleaver is appointed to this committee

The Campaign Board

Sir Trevor MacDonald replaces Sir Adrian Montague on the Campaign Board

The Nominations Committee

Dawn Austwick and Sue Farr are appointed as the two additional members to this committee

7.2 Matters reserved for the Board of Trustees

7.2.1 The Board of Trustees agreed the changes to the matters reserved for decision by the Board.

8. Any other business

8.1 There was no other business

9. The Chairman of the Board of Trustees

9.1 The Chairman and the Executive Board withdrew from the meeting. The Chairman's current term of office will finish in May 2012. The Chairman is appointed by Her Majesty The Queen on advice of the Secretary of State at the Department for Culture, Olympics, Media and Sport. A second reappointment might be possible. The Board therefore gave their views to the Deputy Chairman as a start to the process.

10. Next meeting:

The next Board meeting would be on 30th November. The Board agreed that this meeting should be moved to Kensington despite the challenge of finding a suitable meeting room, to enable Trustees to see progress on the project.