

MEETING OF THE BOARD OF TRUSTEES

The Tower of London, Thursday 27th September 2012

Minutes

Present: Charles Mackay (Chairman)
Sir Alan Reid (Deputy Chairman)
Sophie Andreae
Dawn Austwick
Ian Barlow
Liz Cleaver
Sue Farr
Malcolm Reading
Jonathan Marsden
Sir Trevor McDonald
Sir Adrian Montague

Apologies: Lord Dannatt

In Attendance: Michael Day - Chief Executive
John Barnes - Conservation and Learning Director
Tania Fitzgerald - Finance Director
Gina George - Retail Director
Danny Homan - Communications and Development
Alyson Lawton - Trust and Company Secretary

And until item 5;

Ricky Anthony - Catering Liaison Manager
Caroline Rand - Head of Financial Planning and Analysis

1. Chairman's comments

- 1.1 The Chairman on behalf of the Board of Trustees congratulated Sir Alan Reid on his promotion to Knight Grand Cross in the Royal Victorian Order in the recent Queen's Jubilee Honours List.

He also noted that apologies had been received from Lord Dannatt.

2. Minutes from previous meetings

- 2.1 The minutes held on Wednesday, 25th July 2012 were approved.

3. Matters arising from previous meetings

- 3.1 The Board discussed matters relating to the main banking provider.

4. Strategic Development

4.1 Generate the Money to make it all happen

4.1.1 Annual Update

The Board noted the contents of the Finance Director's Report. The Finance Director, Tania Fitzgerald noted the following conclusions reached by the management team.

- The significant investment in Kensington Palace had so far also been successful in financial terms.
- Visitor income had fallen during the Olympics indicating our vulnerability to fluctuations in visitor numbers but we had planned for it and numbers were recovering indicating organisational resilience.



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.

- The Jubilee and Olympics, as mass events, had seen a change in group behaviour and lessons have been learnt for future plans.
- There has been significant growth in internet sales as planned and this impacts on yield.
- There are some other income areas in which strategies need to be better developed.
- Cash balances remain healthy and give us confidence for our future plans.

Trustees asked about how lessons from the Kensington investment were being considered in future projects. It was concluded that whilst there were some factors unique to the project, the linking of all components such as landscape, entrance, commercial activity and content into a master plan had enabled us to market the palace in a different way and create high levels of awareness. The next large projects (Baroque Palace at Hampton Court Palace, future Tower developments and the Whitehall Palace project) will benefit from this learning.

Trustees also noted that due to the impact of Kensington, the re-presentation of the Crown Jewels had, to some extent, become lost in public awareness and suggested that the 60th anniversary of the Coronation next year provided another opportunity.

4.1.2 Visitors

The previous ambition for 2017 to reach on average 3.2 million visitors per annum was being consistently achieved. The target had therefore been revised to an ambition of 4 million by 2020 and the management team was now looking at strategies to achieve this.

The Board debated this ambition, concerned about the impact of congestion on the visitor experience and on the fabric of the palaces. Trustees were reminded that this aim was not primarily an economic one but to enable HRP to reach more people to fulfill its charitable purpose. Central to this idea is the expansion of domestic audiences, increasing visits in quieter periods and to new areas and events. For example, the Magic Garden in 2015 at Hampton Court Palace was expected to deliver to these objectives. A domestic audience strategy was being developed. Liz Cleaver observed therefore that it was more important to discuss who we were trying to reach rather than talking about visitor numbers. The new ticketing system going live in the next few weeks would also allow variable pricing.

4.1.3 Retail

Retail performance had been very strong and outperformed the trend on visitor numbers. Kensington had been a real success. The product sales for the Jubilee and Olympics had also been strong. Gina George, the Retail Director noted the beneficial impact of investment in the shops at Kensington and at the Tower. The lessons learnt from Kensington had been that; a larger shop permitted a better customer flow and display; that products sell well when they are connected to the visitor experience and therefore developed with the input of the curators and that good customer service is essential. Dawn Austwick observed that a shop next to a café might also have contributed to increased dwell time in the shop.

The Chairman on behalf of the Board congratulated Gina George and her team for the strong performance.

4.1.4 Functions and Events

The strategy for general functions and events was less developed than for other areas of income generation and this would be looked at in the forthcoming year. Our annual large scale events seemed to be suffering and were being reviewed.

4.1.5 Development

This area had been considered in detail by Trustees in May. The Board was pleased to note the success of the membership scheme which now had 60,000 members. The Chairman of the Campaign Board paid tribute to the membership team who had extended benefits and created some engaging membership literature and events. Danny Homan also thanked the Royal Collection for hosting some events for members.

4.1.6 Investment

The Board noted the ongoing role of the Investment Committee in reviewing the investment policy. The strength of the cash balances gives us resilience and choice.

4.1.7 Other Income

The Chairman noted that rents and licences also made a significant contribution to income. Paul Gray, Palaces Group Director was leading a review of all accommodation at Hampton Court Palace with the ambition to achieve further value from it. Further analysis of other income will be included in next year's review.

4.1.8 The Chairman thanked Tania Fitzgerald for her detailed annual review of this strategic aim. Ian Barlow asked about the cost of future projects. Michael Day explained that as the ideas had not all been developed in detail, we were working with broad estimates but felt that the key to getting maximum benefit was to ensure a co-ordinated masterplan for each, as discussed earlier.

4.2 Commercial Development of offsite retail

4.2.1 The Board noted the contents of the Retail Director's paper, which outlined a strategic approach to take the retail offer beyond the palace shops. Approaches to attract more visitors to the internet shop were discussed and Trustees gave their views. Trustees also noted the need for more resource and to be more proactive in developing further retail licences. The Board supported the outlined approach and the investment to make it happen. The proposal will now be tested and developed in further detail.

4.3. Catering Update

4.3.1 The Board noted the contents of the Communications and Development Director's paper which covered a busy period of refurbishment with the new catering contractor Ampersand. He explained that a strategy to cover the period looking forward to 2020 would be developed in detail early next year. Ricky Anthony, Catering Liaison Manager outlined performance to date.

In addition to the refurbishments, two new catering sites had been opened. Visitors to The Café at Kensington had exceeded expectations and some changes to the offer were necessary. The Perkin Reveller had now opened at the Tower of London which is a new destination restaurant which is attracting customers when the Tower is closed. Trustees agreed that the existing cafes have also been improved, noting in particular the Raven Café at the Tower of London and the Tiltyard at Hampton Court Palace. Sir Adrian Montague asked about Kew. Michael Day explained that currently all catering at Kew was the responsibility of the Royal Botanic Gardens.

There were still some improvements to be made, notably to the kitchens at the Orangery at Kensington which was now underway.

The Chairman thanked Ricky Anthony for this update, also noting that one of the key matters needing attention was to develop strategies to increase the number of visits to the cafes. In the coming year, he hoped there would be renewed

focus on marketing.

5. Projects and Expenditure

5.1 The Mint Street Project

- 5.1.1 The Board noted the content of the Tower Group Director's report. Costs for this project, due to complete in 2013, are being shared equally with the Royal Mint. The Board asked how the fees and direct cost percentages compared with the key performance indicators. The Conservation and Learning Director explained that this was not directly comparable with a conservation project as there were additional design elements.

5.2 Hampton Court Palace Buttery Roofs

- 5.2.1 The Board noted the contents of the report. This project had been deferred from earlier in the year to avoid disruption during the Jubilee and Olympic period. The complex roofs required more intervention and thus there were greater associated costs including scaffolding. Malcolm Reading asked about the level of contingency and the form of contract being used. This was a partnership contract.

The Chairman noted that the contractors being awarded the project had also been main contractor for the Royal Kitchens at Kew project, where problems had been encountered. John Barnes, Conservation and Learning Director reassured the Board that lessons had been learnt and that the contractors had the right skills for this project. The Board approved the recommendation.

5.3 The Tower of London Waterloo Block Chillers

- 5.3.1 The Board noted the contents of the report. The report did not include final tender prices. Should these be more than 10% above the value approved at this meeting, a further request would be made to Trustees for approval.

Sir Adrian Montague asked about energy efficiency and the energy costs for the organisation. Heat and power costs were over £1 million per annum. John Barnes explained that over the last five years, a number of quick win measures had been implemented to improve efficiency and we were now at the stage of addressing the more costly improvements. This project will improve matters.

The Chairman asked whether there were any less costly solutions. John Barnes reassured the Board that a number of options had been evaluated. The Board approved the investment subject to the tender prices being within 10% of the value in the paper and subject to management being confident that there was no cheaper option.

5.4 The Hampton Court Palace Railings Programme

- 5.4.1 The Board noted the contents of the Conservation and Learning Director's report. He explained that this was the third phase of the rolling railings programme to bring all estate railings to an easily maintainable condition in future years. The railings themselves are of high quality. He was confident that the new State of Estate survey would signal that the significant investment in conservation work on buildings had brought real impact but that outer lying parts of the estate would need work, of which this was an example. He indicated that similar amounts would be needed in subsequent years for other areas. The Board approved the investment decision.

5.5 The Print Management Contract

- 5.5.1** The Board noted the contents of the report and agreed the recommendations. The Chairman felt that the extension to the contract offered further opportunity to better the rates achieved and asked for this to be monitored in advance of the next tender. The Board also discussed the challenge of ensuring staff compliance with a sole supplier contract in order to achieve economies of scale and encouraged actions planned to improve this.

6. Monitoring Performance

6.1 The Chief Executive's Reports for August and September

- 6.1.1** The Board noted the contents of the Chief Executive's Reports. The Chairman on behalf of the Board congratulated Michael Day and all staff on the way the organisation had stepped up to deliver its part during the Jubilee and the Olympics. It had been a triumph.

Michael Day drew attention to key matters including:

- The summary of net costs relating to the Olympics
- The revised statement to be used in corporate communications which would now state that we raise all our own funds.
- Recent developments relating to the tenancy of the Vaults at Tower Hill
- The conclusion of a project to create an accurate replica of Henry VIII's crown, which would be on display shortly at Hampton Court Palace. [The original was destroyed at the Tower in the 1650s.]
- Developments in external relationships.

The Chairman would shortly meet Ed Vaizey, Minister for Culture, Communications and Creative Industries who would take over responsibility for Historic Royal Palaces from John Penrose in the Cabinet reshuffle. The Chairman paid tribute to the support John Penrose had given to HRP.

6.2 Financial performance to the end of August

- 6.2.1** The Board noted the contents of the Finance Director's report.

As a consequence of the additional work relating to the Jubilee and the Olympics, Tania Fitzgerald reported that some other projects were running behind programme.

The Quarter 2 Forecast would commence shortly and be reported to Trustees in November.

7. Organisation and Governance

7.1 Trustee Appointments

- 7.1.1** The Board noted the contents of the report. The Board had agreed the recommendations relating to the Trustees reaching the end of their second terms of office in 2013.

The Board had also agreed the recommendations in the first long term succession plan, which would now be reviewed annually. The Board debated the proposal to redefine one of the Trustee roles to seek an academic historian in 2013 and concluded that this should not be too narrowly specified to ensure we have a good field of candidates.

The Board was pleased to note that HM The Queen had reappointed Sir Trevor McDonald for a third and final three year term.

7.2 The Register of Interests

7.2.1 The Board noted the register of interests and agreed to advise the Trust and Company Secretary of any further changes.

8. Any Other Business

8.1 Trustees noted the arrangements for the Trustees' Strategic Planning session on 3rd October 2012 at the Tower of London.

9. Next Trustees meeting: Wednesday, 28th November 2012 at The Tower of London