

HISTORIC ROYAL PALACES

England & Wales · Charity number 1068852

Details

Status Registered

Legal form Other

Registered 1998-03-25

Register [View on the Charity Commission register](#)

Contact

Address Historic Royal Palaces
Hampton Court Palace
East Molesey
KT8 9AU

Phone 0333 320 6000

Email info@hrp.org.uk

Website www.hrp.org.uk

Activities

Objects: FOR THE BENEFIT OF THE NATION: (A) TO MANAGE, CONSERVE, RENOVATE, REPAIR, MAINTAIN AND IMPROVE THE PALACES ("THE PALACES" BEING THE TOWER OF LONDON; HAMPTON COURT PALACE; THE STATE APARTMENTS AND ORANGERY AT KENSINGTON PALACE; THE BANQUETING HOUSE, WHITEHALL; KEW PALACE WITH QUEEN CHARLOTTE'S COTTAGE; AND OTHER PALACE OR PROPERTY CONSIDERED BY THE TRUSTEES TO BE OF ROYAL ASSOCIATION AND HISTORIC AND/OR ARCHITECTURAL IMPORTANCE AND AGREED BY US AND OUR SECRETARY OF STATE; TOGETHER WITH ANY ASSOCIATED GARDENS, LANDS, BUILDINGS AND CONTENTS OTHER THAN THE COLLECTION OF THE ROYAL ARMOURIES) TO A HIGH STANDARD CONSISTENT WITH THEIR STATUS AS BUILDINGS OF ROYAL ASSOCIATION AND HISTORIC AND/OR ARCHITECTURAL IMPORTANCE; AND (B) TO HELP EVERYONE TO LEARN ABOUT THE PALACES, THE SKILLS REQUIRED FOR THEIR CONSERVATION AND THE WIDER STORY OF HOW MONARCHS AND PEOPLE TOGETHER HAVE SHAPED SOCIETY BY PROVIDING PUBLIC ACCESS, BY EXHIBITION, BY EVENTS AND EDUCATION PROGRAMMES, BY THE PREPARATION OF RECORDS, BY RESEARCH AND BY PUBLICATION AND BY SUCH OTHER MEANS AS ARE APPROPRIATE.

Activities: a)to manage, conserve, renovate and repair the Palaces (Hampton Court, Tower of London, Kensington Palace, Kew Palace, Banqueting House, Hillsborough Castle) to a high standard consistent with their status; b)to help everyone to learn about the Palaces, the skills required for their conservation and the wider story of how monarchs and people together have shaped society, by all appropriate means

Classification

- **How:** Provides Buildings/facilities/open Space, Provides Services, Sponsors Or Undertakes Research
- **What:** Education/training, Arts/culture/heritage/science, Environment/conservation/heritage
- **Who:** The General Public/mankind

Geography

- **Area of benefit:** THE UNITED KINGDOM
- Northern Ireland
- City Of London
- City Of Westminster
- Kensington And Chelsea
- Kingston Upon Thames
- Richmond Upon Thames
- Surrey
- Tower Hamlets

Finances

Period end	Income	Expenditure	Assets	Employees
2025-03-31	£138,596,000	£108,351,000	£135,001,000	910
2024-03-31	£134,386,000	£90,891,000	£104,439,000	833
2023-03-31	£102,475,750	£82,130,276	£61,866,552	746
2022-03-31	£54,444,990	£61,296,420	£44,122,806	679
2021-03-31	£32,694,763	£53,903,653	£40,867,072	839

Trustees

Name	Role	Appointed
Sir Nicholas Coleridge	Chair	2023-11-01
Camilla Finlay		2021-06-07
Caroline Hope		2026-01-09
Dame Caroline Michel		2025-04-15
Dan Jones		2025-04-15
General Sir Gordon Messenger		2022-08-01
James Chalmers		2025-01-01
John Mothersole		2025-10-01
Jonathan Bewes		2024-10-01
Lisa Jane Burger		2022-04-01
TIMOTHY AIDAN JOHN KNOX		2018-03-05
Tom Harris		2025-04-15

Accounts

Historic Royal Palaces

**Trustees' Report and Financial Statements
For the year ended 31 March 2025**



HISTORIC ROYAL PALACES

**Trustees' Report
and
Financial Statements**

**for the year ended
31 March 2025**

**Presented to Parliament by the Secretary of State for Culture, Media and
Sport by Command of His Majesty**

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This publication is available on our website at www.hrp.org.uk.

Any enquiries regarding this publication should be sent to us at helen.baxter@hrp.org.uk
Apt 22, Hampton Court Palace, East Molesey, Surrey KT8 9AU

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Trustees' Report

Trustees

Sir Nicholas Coleridge CBE DL (Chair)
Jonathan Bewes (from 1 Oct 2024)
Lisa Burger CBE
James Chalmers (from 1 Jan 2025)
Camilla Finlay
Tom Harris (from 15 Apr 2025)
Sarah Jenkins
Dan Jones (from 15 Apr 2025)
Tim Knox FSA
General Sir Gordon Messenger KCB DSO OBE DL
Sir Michael Stevens KCVO (until 31 Dec 2024)
Dame Caroline Michel (from 15 Apr 2025)
Dr Jo Twist OBE
Sue Wilkinson OBE (until 30 Apr 2024)
Professor Michael Wood OBE (until 10 Mar 2025)
William Fall (until 14 Apr 2025)

Executive Team

John Barnes OBE (Chief Executive and Accounting Officer)
Nicola Andrews (Palaces Group Director)
Jane Crowther (Director of Corporate Services)
Anupam Ganguli (Finance Director)
Andrew Jackson CBE (Tower of London Director)
Antonia Newman (Director of Development)
Tom O'Leary (Public Engagement Director)
Adrian Phillips (Palaces and Collections Director)
Dan Wolfe (Commercial Director)

Registered Office

Hampton Court Palace, Surrey KT8 9AU

Auditors of the Group

The Comptroller and Auditor General, National Audit Office
157-197 Buckingham Palace Road, London SW1W 9SP

Bankers

Barclays Bank plc
1 Churchill Place, London E14 5HP

Solicitors

Farrer & Co
66 Lincoln's Inn Fields, London WC2A 3LH

Historic Royal Palaces

Charity registered with the Charity Commission for England and Wales
Registration number: 1068852

Historic Royal Palaces Enterprises Ltd

Company limited by share capital, Companies House: 03418583

Trustees' Report

Objectives and Activities

The Purpose and Activities of the Organisation

Historic Royal Palaces (HRP) was established in 1998 as a Royal Charter Body with charitable status. It is responsible for the care, conservation and presentation to the public of the unoccupied Royal Palaces: HM Tower of London (TOL), Hampton Court Palace (HCP), Kensington Palace State Apartments (KP), the Banqueting House (BH) at Whitehall and Kew Palace with the Royal Kitchens, Queen Charlotte's Cottage and the Great Pagoda. These palaces are owned by HM The King in right of Crown. HRP is contracted by the Secretary of State for Culture, Media and Sport to manage the five London palaces on his behalf. The contract is authorised until 31 March 2028.

HRP is also contracted by the Secretary of State for Northern Ireland to manage Hillsborough Castle and Gardens (HCG) in Northern Ireland. The Castle is owned by the Government and is the official residence in Northern Ireland of HM The King.

HRP is a Public Corporation but receives no public funding - all costs are met by self-generated income. HRP is governed by a Board of Trustees, all of whom are non-executive. The Chief Executive is accountable to the Board of Trustees.

Further information can be obtained from www.hrp.org.uk.

The charitable objects of HRP, as set out in its Royal Charter are, for the benefit of the nation:

- to manage, conserve, renovate, repair, maintain and improve the palaces to a high standard consistent with their status as buildings of Royal association and historic and/or architectural importance.
- to help everyone to learn about the palaces, the skills required for their conservation and the wider story of how monarchs and people together have shaped society by providing public access, by exhibitions, by events and education programmes, by the preparation of records, by research, by publications and by such other means as are appropriate.

Historic Royal Palaces Enterprises Limited is a company wholly owned by Historic Royal Palaces. It forms the charity's general trading arm, responsible for running the commercial activities such as retail, functions, sponsorship and other events at HRP. It Gift Aids its taxable profits to the Charity.

Transition year for new strategy

At the beginning of the year, and after our annual operating budget had been set, we launched our new strategy and ambition to become a *charity for everyone by reaching further, meaning more and acting for the future*. Activities and work during 2024/25 were delivered in the spirit of our new strategic direction and three strategic pillars. 2024/25 was therefore a transitional year in aligning our operational and strategic planning. In future years our planning will be tightly aligned to the strategy with clear, outcomes-focussed objectives.

Trustees' Report

For the purpose of reporting on activities during this transitional year, achievements and performance are described below under the previous strategic aims of Palaces, Experiences, Culture and Money. We have reviewed and refined our approach to operational and financial planning throughout 2024/25 to bring it more in line with the framework set out in the new strategy.

Our enduring commitment

We will always love and look after the palaces in our care, open them to the public, generate the income which will make it all possible - we will achieve our goals through our people.

Our Royal Charter objects

Manage, look after, and improve the palaces to a high standard consistent with their status.

Help everyone to learn about the palaces, the stories and what it takes to look after them.

Our ambition

To be a charity for everyone.

Achievements and Performance

Performance Overview

The performance targets to measure our success in achieving our objectives remain unchanged. We monitor visit numbers, visitor satisfaction and operating surplus.

Measure	Target 2024/25 (*)	Performance
Visit Numbers	Achieve at least 3.95m visits across all sites	4.22m visitors
Visitor Satisfaction	Achieve the following scores, as measured through the ALVA benchmarking (new scale: 1 to 10): Enjoyment – 8.3 Value for Money – 8.0 Staff Friendliness & Welcome – 8.8 (An average of the scores for the 'welcome from the staff at the entrance' and 'staff helpfulness and friendliness')	8.0 8.5 9.3
Operating Surplus (**)	Deliver Operating Surplus of £32.1m	£45.3m operating surplus

(*) The targets were set in March 2024 as part of the internal annual budgeting process.

(**) This is an internal measure aligned with HRP's management accounts. After deducting expenditure on strategic projects (£10.4m) and irrecoverable VAT (£5.7m), the net surplus per the management accounts is £29.2m. Further adjustments relating to the onerous lease (£705k) and defined benefit pension (£646k) take the total surplus per the SOFA to £30.6m.

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Performance Summary

1. Palaces - Give the palaces a future as bright as their past

Through consistent year-on-year investment, we improve the condition, presentation, curation and records of the palaces. A notable conservation project of 2024/25 was on the Chapel Royal East Wall at Hampton Court Palace (HCP), supported by the Syder Foundation and the Leche Trust. The project focused on the conservation of Baroque art in the Chapel Royal and gave a rare opportunity for conservators to conduct in-depth assessments and essential stabilisation work - something that had not been possible for more than 20 years.

Our world-class Heritage Science work continued to go from strength to strength this year, and we were successful in securing funding from the UKRI Arts and Humanities Research Council's (AHRC) Research Infrastructure for Conservation and Heritage Science (RICHeS) programme to create a 'Research Vault' for Heritage Science Collections. We are one of 31 RICHeS projects supported by AHRC across the country, which will unlock the potential of existing heritage collections and provide access to untapped cultural assets.

Our loans and acquisitions programmes have continued too. This year we sent a carved stone badge of Jane Seymour from our collection to the National Portrait Gallery's 'Six Lives' exhibition, which attracted 67,591 visitors during its run from 20 June to 8 September 2024. There were nearly 100 additions to our collection, including a portrait of Wills Hill, 1st Earl of Hillsborough by Allan Ramsay, which was acquired by HRP under the Arts Council England Acceptance in Lieu scheme for display at Hillsborough Castle (HCG). The painting and frame were carefully conserved (with funding from the Apollo Foundation), and the painting is now on prominent display in the State Entrance.

Plans to digitise our collection have continued through the Stennett Legacy-funded Royal Ceremonial Dress Collection project, and Google Arts and Culture. We digitised 200 stunning pieces from our collection, including ultra-high resolution gigapixel images that enable audiences to zoom in on every stitch and sequin.

In 2024-25 our programme of work included the completion of 13 large Planned Maintenance projects on our estate – all prioritised through our decennial 'State of the Estate' condition surveys. Highlights included: repairs and redecorations to the East Front façade, electrical mains infrastructure upgrades at HCP, roof and masonry repairs to the Broad Arrow Tower, and barrier improvements at the East Gate of the Tower of London (TOL). Our Surveyor of the Fabric and Projects teams have also been busy progressing design and tenders for around eight other large projects scheduled for construction in next year's programme.

In 2024/25 our Major Projects have focussed on the development and delivery of initiatives that align with our ambition to be a charity for everyone. These include: the development of design proposals, planning applications and securing funding from the National Lottery Heritage Fund to help provide a high-quality education facility at the TOL; securing planning permission for the landscape prototype in the moat;

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developing improved access at the TOL - including West Gate and Middle Tower entry, East Drawbridge and ramp and stairs access to the moat; and extensive work at the Banqueting House, Whitehall, including steps towards decarbonisation and installing lift access. The latter was supported by the Garfield Weston Foundation and the Wolfson Foundation.

We completed access reviews for all palaces to inform our Access programme. Work continues around St Peter ad Vincula at the Tower of London and our efforts to make an accessible entrance for the chapel, supported by the Anthony & Elizabeth Mellows Charitable Trust. The project has provided the opportunity for one of the most important excavations at the Tower in the last 20 years - yielding some fascinating archaeological finds, including human remains, the foundations of a medieval chapel, fragments of stained glass, evidence of the fire of 1512 which led to the building of the existing Chapel, sewing needles, and cannon balls.

2. Experiences - create unique and memorable experiences, onsite, offsite and online

Helping everyone to learn about the palaces is in our Royal Charter, and providing access, enjoyment and engagement with the palaces onsite, offsite, and online is a strategic priority.

This year we have been busy at HCP opening new spaces, revamping our live performances and experimenting with new ways to make unique and memorable experiences. In July, we opened the Tudor World in the Wolsey Rooms, supported by the DCMS/Wolfson Museums and Galleries Improvement Fund. A multi-sensory experience created with accessibility and inclusive storytelling at its heart; this new display embodies our ambition to be a charity for everyone by revealing previously untold stories about the ordinary men and women who made the Tudor court flourish. In July we relaunched the Hampton Court Joust, embracing a high-octane stunt show approach to represent the sense of spectacle of royal jousts during the early reign of Henry VIII, to attract more families – a priority audience for the palace. We welcomed 28,365 people to the joust over four days. Now in its third year, Unheard Voices returned to Hampton Court in August. This six-week programme shone a light on the history of under-represented communities by working with writers, directors and performers with lived experience. It featured the marriage of James Howard (born a woman named Amy Poulter) and Arabella Hunt during the reign of Mary II, the story of Diego (an African who fled Spanish enslavement and worked as Francis Drake's interpreter and negotiator), and suffragette Sophia Duleep Singh in conversation with her godmother, Queen Victoria. Finally, Still The Hours arrived at HCP in March 2025 – a remarkable after-hours immersive audio tour unveiling the lives of forgotten women of the palace. This project was designed in consultation with local charities and a specialist dramaturg to make it as accessible as possible for visually impaired audiences.

Temporary exhibitions continued to be a core part of our offer at Kensington Palace (KP) and HCG. In March 2025, Dress Codes opened in Kensington, supported by our Associate Partners, the Blavatnik Family Foundation and Avis Charles Associates. The exhibition was a real cross-organisation achievement and included a special collaboration throughout its planning and development with a team of 'young

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producers' new to our palaces. From text to videos to music, their creativity was embedded throughout the exhibition and particularly in the final room where outfits they created and inspired by the Royal Ceremonial Dress Collection are on display. Following its successful display at KP in 2022, Royal Style in the Making opened at HCG in March 2025.

Peter Rabbit also arrived at HCG this Summer in the form of a family trail and accompanying themed retail and catering offer. The programme successfully brought a family audience to the castle and was so popular we're bringing him to HCP in Summer 2025.

This year the Tower of London won the Visit Britain Gold Award and was the most visited paid attraction of 2024 in ALVA's annual survey. Alongside maintaining excellent customer standards for our day visitors, in November 2024 we also hosted Poppy Fields at the Tower. This poignant and moving sell-out (25,000 tickets) after-hours lightshow explored themes of remembrance, loss and hope within the iconic walls – featuring imagery from our archives, the Royal Armouries and the Royal Fusiliers Museum. This audiovisual space created an environment for visitors to remember those who lost their lives in the first and second world wars.

Our Accessible Programme Pilot ramped up throughout the year as we delivered: deaf-led tours at Hampton Court; access resources including the online accessibility webpage, digital and print sensory maps, and a video to support disabled visitors plan their time at HCP; and an audio-described tour of The Indian Army at Hampton Court Palace. We also started a programme of neurodiversity training to help visitor-facing staff better support audiences. In January, we held our first ever Relaxed Hour at the Tower. This two-hour event was designed for neurodivergent and learning-disabled children (age 5-16) and their families. Crowd levels were limited, and access considerations were made to ensure families enjoyed the experience, free from loud sounds and low or harsh lighting.

Our online audiences were not left behind either. We relaunched our blog (and have so far reached 201,749 active users) and increased podcast audiences through series such as Tracey Borman's Elizabeth 1 – The women who shaped a Queen. Work continues improving our digital accessibility including enhancing our online resources, piloting virtual tours, producing audio description videos, and providing more British Sign Language tours for our Digital Visitor Guides. This year we've hit some big milestones on social media in pursuit of our ambition to reach further. We have surpassed 600k followers on Instagram and 400k on TikTok - our total social media following is now over 2.9 million. We've had great successes with content on our conservation work, history stories recounted by our curators, and even some viral trends, which help us to reach new audiences. Nine of our films reached over 1 million views this year on TikTok. We experimented partnering with a range of influencers and developing a new way of storytelling, with performance-led videos, helping us to tell inclusive stories in an engaging and empathetic way. In total, our content reached 99.5 million people.

The Community Partnerships programme continues to respond to social issues and individuals' needs, finding opportunities for people to connect with others, our palaces' stories and the wider world. The Community Access Scheme, now in its 12th

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year, includes 517 partners across palaces. We've welcomed 13,525 people through group visits, with a further 11,877 people making independent return visits. Warm and Welcome Space at KP, in partnership with Turning Point, is now its second year. In 2024/25, we provided 50 (250 hours) drop-in sessions and made 856 individual contacts with people over warm drinks, workouts, art making, board games, and chats. We planned, and walked the Five Palaces Walk together, raising £1,000 to support the programme.

The Amazing Days Out programme aims to support children with multiple barriers to visit our palaces and have a joyful, memory-making day out. We run this programme year-round, working in partnership with organisations who support families with financial, geographical, cultural, physical or health/wellbeing barriers. In December 2024 we invited seven groups to experience Christmas at Kensington. These were aimed at children who would struggle to enjoy a Santa's grotto due to sensory, behavioural, social, emotional and financial issues. Two events took place when the palace was closed to the public, allowing us to provide a more relaxed experience. On one of these dates, we welcomed the school choir from St Edwards Roman Catholic Primary School, a Kensington Enrichment Programme partner.

This year our schools programme has focussed on reaching schools nationally as well as locally. In 2024/25, thanks to multiple supporters, we expanded the Access Fund for Schools, reaching 20,181 participants. This doubled the number of children benefiting from this programme and extended the fund to schools in NI and ROI for Hillsborough Castle. We welcomed schools from every home nation and every county in England. Our touring show for secondary schools *Fire: A Princess' Guide to Burning Issues* went on tour in London and to the East Midlands reaching 7,302 students and teachers. Following the success of the 2022 Superbloom Schools project for the Platinum Jubilee, supported by the Clasper family, the initiative was extended to a further 25 schools per year in 2023, 2024 and 2025. Partner schools were selected for high levels of Pupil Premium, ESL, and SEND support, and each created a garden inspired by TOL's Moat in Bloom. The project aimed to support wellbeing, behaviour, and academic achievement through nature-based learning. Schools received expert training, classroom resources, and funding—culminating in an expenses-paid visit to the Tower.

We have also launched a variety of new digital content for schools including biographies, family trees, timelines, an interactive virtual tour of Beauchamp Tower, a suite of films and classroom resources for Key Stage 1 inspired by 'significant individuals' from Queen Victoria to John Blanke, and a new YouTube channel for schools *Teach with Historic Royal Palaces*.

As part of our preparation for the Henry VIII on Tour school's festival in June 2025, we have worked in partnership with the Royal School of Needlework and six heritage partners nationally to deliver outreach workshops to schools, engaging students in the history of Tudor royal progresses through classroom discussion and creative activities. Students have explored the logistical challenges of Henry VIII's tours—and produced embroidered flags and other creative outputs which will be featured at the festival.

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3. Culture - nurture a culture that unites us behind our strategy

In April 2024 we internally launched our new strategy and undertook a wide-ranging staff engagement and communication programme to share information, stories, and plans to encourage conversation. The programme included a special one-day training event for staff - enabling everyone to step away from their day jobs, immerse themselves in the themes of the strategy, and consider how they could take their own 'micro steps' in delivering it. 54 sessions were delivered between December and March 2025 and 94% of staff completed the programme. The new strategy messaging has also been incorporated into material for our new joiners, and our brand-new Staff Induction Marketplace launched in 2024 with successful events at HCP and the TOL. Work continues to consider how we can extend this engagement programme to contracted staff and volunteers.

This year, and in support of our new strategy, we reinstated our Apprenticeship Programme with support from the Gosling Foundation. By autumn we had welcomed 15 new apprentices in roles ranging from paralegal and event management to horticulture and conservation. In addition to these new recruits, 17 members of staff are being upskilled against apprenticeship standards this year. Our Apprenticeship Programme is becoming widely recognised externally - we have not only received nominations for various awards, but also secured external funding to help support the scheme in future years. Wider engagement work around the programme is being developed, including Teacher Encounters - events for teachers to learn about the different career pathways available at HRP and to see how their subject is applied practically in the HRP context. Teachers can use the insights gained to enrich their curriculum teaching, and help their students build a deeper understanding of the diverse range of pathways and routes into employment.

One of our paid internships in textile conservation, supported by The Clothworkers' Company and Buccleuch Living Heritage Trust, is now in its 15th year - showing our enduring commitment to sharing our knowledge and supporting career pathways in 'endangered' heritage skills. HRP's MA in Heritage Management, delivered jointly with Queen Mary University of London, is now in its seventh year. 33 students and scholarship students are currently benefiting from HRP staff expertise, enjoying over 40 masterclasses delivered by HRP's experts across all directorates and working with professionals in over 12 departments. Many members of the MA alumni have secured jobs in heritage and related sectors across the UK and abroad, acting as ambassadors for HRP's approach. Some have gone on to undertake PhDs and eight former students have secured jobs at HRP itself - including in Curating, Communities, Media and PR, Events, and Development.

Work has continued in identifying and removing barriers in our recruitment practices in line with our new ambition. This year we successfully delivered over 225 campaigns leading to the onboarding of 320 new joiners. A key project for our HR team - the Pay and Reward Review - was launched in April 2024. During the year, we completed the diagnostic phase generating encouraging findings and clear outputs to help inform the next phase of the project in 2025/26. Our Gender Pay Gap report for 2023-24 showed that our mean hourly gender pay gap was 4.03% (5.41% in 2022/23) and our median hourly gender pay gap was 7.93% (4.03% in 2022-23). Around 62% of our organisation identify as female and we have recruited a higher proportion of females since the last gender pay report.

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This year, we achieved significant milestones across various areas of technology and operations. We enhanced case management in the Contact Centre with Dynamics 365 integration into Outlook and deployed a new Ticketing Network to support our evolving processes. We strengthened our security by achieving Cyber Essentials, upgrading firewalls at HCP, introducing iTrent Single Sign-On, and conducting a Cyber Breach Tabletop Exercise with the Executive Team. Our commitment to innovation saw us rebrand the team, design a Windows 11 Zero Trust framework, and replace VPN with Windows Virtual Desktop in just three weeks. We also empowered our community through the launch of PowerBI and Office 365 Clubs. The launch of our new ticketing platform is progressing well, cementing another step forward. Altogether, it's been a transformative year of growth and resilience.

4. Money - generate the money to rebuild our charity

All our work is made possible by the income generated through admissions, retail, functions and events, and the generosity of our members, donors, patrons and sponsors. This year we welcomed 4.2m visitors to the palaces, generating £136.8m income for the charity. We continued our £1 ticket scheme across all sites throughout the year, selling 218k tickets in total. People with a £1 ticket also received a 50% discount on their food and drink and children in the group could eat for free.

We had a record year for catering with commission from sales for the period reaching £2.5m and retail sales reaching £19.5m. Since the reopening of the Orangery at KP in April 2024 we achieved a total sales figure of £2.9 million - selling over 45,000 afternoon teas and raising £36,503 for our Community Programme through our optional £1 afternoon tea donation.

We also had a record-breaking year for functions and events, bringing in £9.0m across all the venues – up 13% on last year. The re-opening of The Orangery for events at KP led to a 132% increase in revenue from 2023/24 to £1.7m. From welcoming over 5,000 guests for a corporate family day, to hosting the two-day Sustainable Markets Initiative, we generated over £1m from just three events at HCP and in total increasing revenue from 2023/24 by 27% to £4.1m. TOL also continued to be a very popular venue for events but also tours, with nearly 300 sold valuing £670k.

2024/25 was our second-best ever year for membership behind the record-breaking 2023/24 Coronation year. We recruited 90,617 new members and renewed 77,898, ending the year with a total audience of 160,622 members. Income from our membership subscriptions generated £5.7m for HRP, with an additional £775k generated through Gift Aid. Members made just over 300k visits to our sites this year, equating to £22 per member visit.

This year we launched our largest-ever fundraising campaign - Tomorrow's Tower - securing £1.9m already in donations and pledges towards the projects, including securing a development grant from the National Lottery Heritage Fund and £1 million from the Sandys Trust towards the educational transformation at the site. In addition, our Schools Access Fund was fully funded, The Lord Leonard and Lady Estelle Wolfson Foundation donated £90,000 towards our SEND programme development, and Wol Kolade and Richard Taylor led the fundraising to launch the new KP Schools Engagement programme, raising £109,000 this year.

Trustees' Report

Financial Review

Funds and reserves

The trustees recognise the need to establish a level of free reserves that enables financial stability, is adequate to meet the requirements of working capital and acts as a cushion against fluctuations in income levels. Reserves enable HRP to make long-term commitments to projects. In determining a realistic level of reserves, several key factors are considered including the level of risk associated with the main income and expenditure streams, the adequacy of the controls in place to mitigate those risks and other contingencies available to call on in emergencies. This is balanced by the general legal duty that trustees are under to apply income funds on the objects of the charity within a reasonable period of receiving them. In the past, designated funds were created to protect long-term commitments to major projects.

Prior to the pandemic, we had built designated funds of £22.4m for this purpose but, due to the sudden and devastating impact of COVID-19, trustees agreed at the end of 2019/20 to transfer all designated funds to free reserves to meet operating commitments during 2020/21 and subsequently 2021/22.

The free reserves target in 2024/25 was £20m, which we have achieved.

	Funds as at 31 March 2025 £000	Funds as at 31 March 2024 £000	Funds as at 31 March 2023 £000	Funds as at 31 March 2022 £000
General (Free) reserves	20,000	14,000	5,000	(1,243)
Designated funds	68,350	45,081	12,361	-
Fixed assets	31,785	31,699	30,398	28,826
Pension plan	7,204	6,558	7,276	9,437
Unrestricted funds	127,339	97,338	55,035	37,020
Restricted funds	7,662	7,101	6,832	7,103
Total funds	135,001	104,439	61,867	44,123

Restricted funds (£7.7m)

These are funds subject to specific restrictions imposed by donors that are still within the wider objects of the charity.

Unrestricted funds (£127.3m)

These are funds that are expendable at the discretion of the trustees in furtherance of the charity's objects. They are made up of:

- **Free reserves (£20.0m)**

Part of the unrestricted funds that are not held as fixed assets or designated for other purposes. This is higher than the pre-pandemic levels of free reserves, in order to ensure a greater level of resilience.

Trustees' Report

- **Designated funds (£68.4m)**

We have designated funds from our general funds towards our major projects and strategic programmes. This consists of the following:

- A Carry-Forward Fund of £2.1m to complete projects and programmes from 2024/25 that need to be carried over and completed in 2025/26.
- The Redevelopments Designated Fund of £27.8m is in respect of large-scale capital projects such as: Tomorrow's Tower (expenditure until 2029/30); Banqueting House (lifts and lighting 2025/26, Rubens ceiling work over the next 10 years); and Hillsborough City Deal associated projects (beginning in 2025/26, ramping up in 2027/28 and 2028/29).
- The Infrastructure Fund of £22.5m, primarily covering the increased levels of planned maintenance expenditure, budgeted at c£8m per annum for the next eight years, with an ambition of an increase to £12m per annum.
- The "Other" Designated Fund of £16.0m includes our ambitious plans to increase expenditure on digital and technology to exceed £3.5m pa in 2025/26 rising sharply thereafter, and significant increases in spend on sustainability projects over the next 10 years, including decarbonization of palaces.

- **Fixed asset fund (£31.8m)**

A permanent designated fund is matched to fixed assets, as this cannot be quickly utilised to realise cash in the event this is required. The part of the general fund represented by fixed assets is therefore excluded from free reserves, as generally a charity could not dispose of all or the majority of these assets and continue its operations as a going concern.

- **Pension plan (£7.2m)**

The pension surplus or liability recorded in the Consolidated and Charity Balance Sheet is calculated annually for accounting purposes under FRS102. As at 31 March 2025, the pension surplus has been calculated as £7.2m (2024: £6.6m) and shown in the accounts in accordance with accounting standards. Details of the retirement benefit scheme are disclosed in Note 11.

The defined benefit pension scheme is also valued for funding purposes by an actuary in a more detailed assessment, every three years. The last triennial valuation was at 31 March 2024 and showed a surplus of £3.8m. This valuation was performed during 2024/25.

HRP, as employer, agreed with the trustees of the scheme that no deficit contributions will be required between May 2022 and June 2025. See Note 11 for further information on the different valuations of the scheme. The scheme was closed to future accrual on 31 March 2019. HRP will continue to meet the expenses of the scheme and levies to the Pension Protection Fund.

The Statement of Financial Activities

Total visits of 4.2m in 2024/25 (4.3m visits in 2023/24) were higher than budget of 3.9m. The strong visitor performance was particularly pronounced at Hampton Court

Trustees' Report

Palace with a strong spring line-up of Lindt and the Tulip Festival and a very successful Halloween experience. Kensington Palace outperformed budget following the successful opening of the new Untold Lives exhibition and at the Tower of London, the US market performed well, outstripping other markets and the Halloween and Christmas offers proved popular with domestic audiences.

Total income was £ 138.6m (£134.4m in 2023/24), with visitor-facing activities generating £115.5m (£114.7m in 2023/24), supported by further strong performances in both Functions and Events and Development Income. Total grants were £3.0m (£1.3m in 2023/24). This income was achieved whilst keeping costs under control and has resulted in HRP achieving its largest operational surplus to date of £45.3m (£42.6m in 2023/24).

The Balance Sheet

Overall total funds increased during the year by £30.6m. Fixed assets remained at £38.9m, excluding £19m in long-term cash deposits. Debtors have increased by £2.2m, reflecting increased activity. Creditors falling due within one year have increased by £5.8m, reflecting increased activity and £4.5m repayments due on the Culture Recovery Fund (CRF) loan in the next 12 months. Overall, net current assets increased by £6.0m year on year.

The provision for an onerous lease has decreased by £0.7m. Long-term creditors decreased as the first interest repayment on the £40m CRF loan took place in March 2025.

Cash Flow

The net cash inflow from operating activities for the 12-month period was £27.8m (£41.0m in 2023/24). The cash balances increased to £17.0m (£16.3m in 2023/24) with a further £105.0m being invested in short term deposits (£96.0m in 2023/24).

Finance & Investment policy

The trustees continued to adhere to the investment policy over the period. The receipt of the £40m CRF loan in March 2021, in a global context that was still uncertain, resulted in a re-balancing of investments in both term and risk profile.

In 2024/25, the Finance & Investment Committee agreed to release bonds as they matured and not invest in new bonds. The bond portfolio investment returned 4.40% against 4.59% in 2023/24.

The multi-asset portfolios performed in line with the market and their respective benchmarks, with a combined annualised return of -0.38% interest/dividend income return (12.82% 2023/24).

HRP's investment policy is currently as follows:

Trustees' Report

Investment objectives

- Capital preservation is the priority.
- In order to balance immediate cash requirements, medium-term future capital and commercial investment plans (3-year operating plans), HRP investments aim to achieve regular annual income returns and long-term income growth.

Risk mitigation

- Achieve flexibility through the broad categories of asset types, maturity dates and institutions.
- Except for deposits with the Bank of England, no more than 33% of total cash and investments balance to be with a single counterparty.
- Cash balances to be deposited with institutions with a credit rating of at least equal to the upper tier of the lower medium grade.

Amount invested and time horizon

- Up to £10m may be invested in a fixed income portfolio with an average maturity date of no more than 4 years.
- Investment in global multi asset portfolios is no more than 5% of the total projected cash & investments balance.
- Funds are primarily invested on the money market in the UK on 3-to-24-month fixed term deposits (with the majority in 12 months or less maturity). This allows a balanced spread of maturity over a 2-year horizon to ensure maximum return while retaining instant access.

Ethical Investment

- HRP's assets should be invested with regard to its charitable aims and reviewed on a regular basis. The trustees have not elected to adopt an exclusionary policy but will exclude and reject individual investments if they are perceived to conflict with the charity's purpose and values.

Going Concern and Future Plans

The 2025/26 operating budget has been set to build on the positive performance of 2024/25. Income targets have been set to reflect our latest visitor number target of 4.4m. Expenditure budgets have taken into consideration the strategic aims and the current economic climate.

Whilst the future is always uncertain and we have seen a slowdown in the sector, forecasts are made on best estimates. We will be reviewing these assumptions in the second half of 2025/26 in the light of global uncertainties and their impact on inbound tourism.

Performance will continue to be scrutinised closely throughout the year and significant deviation from our current income assumptions may be mitigated by imposing stricter controls on expenditure rather than drawdown on reserves, if deemed appropriate. We are well placed to hold back expenditure to create further financial headroom should circumstances require.

The Board of Trustees is content to adopt the going concern basis for preparing these financial statements. Further details are provided in Note 1 (r).

Trustees' Report

Report of the People Committee

Membership

During the year, the following trustees served on the People Committee: Sarah Jenkins (Chair), Tim Knox FSA, Sue Wilkinson OBE, Sir Nicholas Coleridge CBE DL and General Sir Gordon Messenger KCB DSO OBE DL.

Policy statement

The remit of the People Committee is governed by the legal framework of HRP as set out in the Royal Charter. In establishing the level of remuneration for each Director, the People Committee considers the guidelines laid down by the Combined Code and HM Treasury and has a remuneration policy similar to comparable and competing organisations. This policy aims to ensure that remuneration packages are in line with the general market practice and consistent with recruiting and retaining Directors of the highest calibre.

Members of the Board of Trustees receive no remuneration. However, they are entitled to claim expenses and to make charges if instructed by the Charity to apply their specialist skills and knowledge. Details are set out in Note 9 to the accounts.

Review of activity during the year

The Committee reviewed and approved a number of changes to HRP's approach to pay, reward and recognition of its people. The Committee also discussed outcomes of the prior year's Investors in People survey, plans for a series of staff engagement workshops on the new organisational strategy and an outline structure for future meetings of the Committee.

Details of the emoluments of the Chief Executive are set out in Note 10 to the accounts, together with information on the number of employees whose remuneration (excluding pension contributions) exceeds £60,000.

Trade Union relationships

We continue to work in partnership with the Trade Unions and their local representatives. To facilitate information flows and discussion between the organisation and Trade Union representatives, partnership meetings are regularly held.



Sir Nicholas Coleridge CBE DL
Chair of the Board of Trustees
Hampton Court Palace, Surrey KT8 9AU

15 July 2025

Trustees' Report

Governance Statement

Structure and Governance Framework

HRP's governance reflects its constitution and contractual responsibilities. We are directly accountable to the Charity Commission through the Chair and Trustees but also accountable to Government through the Chief Executive (as Accounting Officer). The contract with Government includes a management statement and a financial memorandum with which we comply.

Memoranda of Understanding governing operations in areas of common interest are in place with key partner bodies, such as the Royal Household and the Royal Armouries.

The Charity's governance is aligned with the Charity Governance Code endorsed by the Charity Commission. HRP is also subject to the Freedom of Information Act and Environmental Information Regulations.

Details of the trustees are given in the Administrative Details section on page 4. The Board consists of a Chair and up to eleven trustees, chosen for their skills and experience. All are non-executive and unpaid.

The Chair is appointed by the Sovereign on the advice of the Secretary of State. Four trustees are appointed by the Sovereign, of whom three are ex-officio appointments: the Director of the Royal Collection; the Keeper of the Privy Purse and the Lord Chamberlain (unless they choose not to take up the appointment, in which case the Sovereign may appoint someone to take their place, as currently). The remaining trustees are appointed by the Secretary of State, two of whom are ex-officio; the Constable of the Tower of London and the Chair of the Campaign Board.

The appointments are initially for three years. With the exception of ex-officio appointments, trustees may be appointed for a further two periods of up to three years, subject to review at the end of each period.

Trustees are recruited through open advertisement and appointed following an interview process. New trustees are supported through an induction process tailored to their needs and experience. This includes meetings with HRP staff and colleagues on the Board, visits to HRP sites and a substantial amount of information and guidance on their responsibilities as charity trustees, and about the organisation.

The Chief Executive is granted a general delegation to act on behalf of the trustees, except for matters reserved for decision by the trustees. Such matters include approval of strategic plans, annual budgets and major projects, remuneration of the Directors, acceptance of donations over a set amount and variations to governing documents.

The Trustees and Chief Executive (as Accounting Officer) are jointly responsible for maintaining a sound system of internal control that:

- supports the achievement of HRP's charitable and strategic objectives, while

Trustees' Report

safeguarding the public funds and assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned in

- *Managing Public Money*; and
- ensuring compliance with the Management Statement and Financial Memorandum.

There are four sub-committees of the Board:

The Audit & Risk Assurance Committee formally reports annually to the Board on the adequacy of HRP's arrangements for governance, risk management and internal control. During the year the following trustees served on the Committee: Michael Stevens (Chair), Nicholas Coleridge, William Fall and James Chalmers. Ian Starkey was a co-opted member.

Oversight of financial and investment activities is provided by the Finance & Investment Committee, whose remit includes reviewing the balance of risk/return, the impact of external factors, and HRP's financial policies and controls. During the year, the Committee comprised the following trustees: Nicholas Coleridge (Chair), Jonathan Bewes, Lisa Burger, James Chalmers, Michael Stevens and William Fall.

Remuneration policy for the Chief Executive and Directors of HRP is agreed by the People Committee which also oversees and advises on issues concerning HRP's human resources, working with the Executive to ensure HRP is a great place to work and all HRP staff feel included, valued and respected. During the year the following trustees served on the Committee: Sarah Jenkins (Chair), Tim Knox, Nicholas Coleridge and Gordon Messenger.

The Nominations & Governance Committee reviews and advises on Board performance, trustee appointments and succession planning, and makes recommendations to the Board to ensure the appropriate balance of competencies, skills, experience and diversity on the Board of Trustees. During the year the following trustees served on the committee: Nicholas Coleridge (Chair), James Chalmers, Sarah Jenkins, Michael Stevens and Jo Twist.

The Board agrees the terms of reference for each committee and reviews them regularly to ensure they remain fit for purpose.

The work of the Board is further supported by the Campaign Board, which brings specialist expertise on fundraising to HRP. Jonathan Bewes chairs this Board.

Further trustee input to HRP's work comes through informal advisory/working groups, set up as and when required, where trustees work with members of the Executive Team to advise on particular areas such as major projects. The Company Secretary provides counsel and administrative support to the Board.

The trustees' and directors' register of interests and their biographical details are available for inspection on application to the Company Secretary. Day to day management of HRP is carried out by an Executive Team. The Executive Team is chaired by the Chief Executive and comprises Directors of Palaces & Collections, Finance, Palaces Group, Tower, Commercial, Public Engagement and Corporate

Trustees' Report

Services and is supported by the Company Secretary.

Governance Effectiveness

The performance and effectiveness of the Board, its committees and of individual trustees is reviewed by the Chair in consultation with trustees each year, with periodic external reviews undertaken in line with the best practice recommended in the Charity Governance Code.

Trustee attendance at Board and Committee meetings is monitored and discussed with each trustee as part of each Board Effectiveness Review. The attendance record of individual trustees is summarised in the table below:

Trustee	Board	Audit & Risk Assurance Committee	Finance & Investment Committee	People Committee	Nominations & Governance Committee
Nicholas Coleridge	4/4	3/4	3/3	3/3	1/1
Lisa Burger	4/4		3/3		
Camilla Finlay	3/4				
Sarah Jenkins	3/4			3/3	1/1
Tim Knox	3/4			3/3	
Gordon Messenger	4/4			2/3	
Michael Stevens (until 31 Dec 24)	3/3	3/3	2/3		0/1
Jo Twist	2/4				1/1
Sue Wilkinson	0/1			0/1	
Michael Wood (until 10 Mar 25)	3/4				
Jonathan Bewes (from 1 Oct 24)	1/2		2/3		
James Chalmers (from 1 Jan 25)	2/2	2/2	1/2		
William Fall (Note 1)	1/3	2/4	1/3		
Ian Starkey (Note 2)		4/4			

Note 1: William Fall was Chair of the Campaign Board until Oct 2024

Note 2: Ian Starkey is a co-opted member of the Audit & Risk Committee.

Trustees' Report

Highlights of Board Committee Reports

The Board of Trustees meets regularly throughout the year. Minutes of trustee meetings are produced by the Company Secretary and published on HRP's website once approved by the Board.

The Chief Executive provides an update on charitable activity and impact at each trustee board meeting and financial performance of the organisation is also reviewed at each meeting through summary management information that reports key aspects of financial performance and key non-financial organisational performance indicators. Updates on major projects are also provided at each meeting.

The work of committees of the Board is reviewed by trustees through circulation of the minutes and verbal reports from the Chair of each committee.

The scheme for delegating authority reserves a number of matters for decision by trustees. These matters are considered at Board meetings and include approval of expenditure above a certain limit. Variations to budgeted approved expenditure of more than the lower of 10% or £750,000 on any project are also referred to the Board for further approval. The threshold for approval of projects and contracts at the Board is £750,000 excluding VAT, although projects not agreed in budgets will still be brought to trustees' attention.

During the year, the Board monitored and considered the progress of the organisation through strategic updates on the palaces, experiences, culture and money and continued supporting the Executive in the development and delivery of a new strategy for HRP.

Audit & Risk Assurance Committee agendas were similarly structured, considering matters of risk management, the external audit and internal audit plans and progress against recommended actions. HRP's internal audit provision is outsourced to RSM. RSM provide assurance to the Audit & Risk Assurance Committee at each meeting and annually through a programme of audit work agreed in advance with trustees.

The Finance and Investment Committee reviewed HRP's financial performance, current and projected cash balances, the allocation between investment asset types and term deposits, the spread of counterparties, the rates of return and the retention levels for instant access.

The Nominations and Governance Committee provided guidance on trustee appointment requirements, and other governance arrangements, including the Board's performance review process. This year the Committee met to consider trustee vacancies and refinements to organisational governance to reflect and best support delivery of HRP's new strategy.

Trustees' Report

Risk Management Statement

The trustees of HRP have considered the major risks to which HRP is exposed and satisfied themselves that systems or procedures are established to manage those risks.

The responsibility for the management and control of HRP rests with the Board of Trustees and therefore they are involved in the key aspects of risk management, particularly in setting the parameters of the process and reviewing and considering the results. The trustees do not undertake each aspect of the process themselves; they delegate elements of the risk management process to HRP staff and professional advisers. The trustees review and consider the key aspects of the process and results. The level of involvement is such that the trustees can make this risk management statement with reasonable confidence.

The Audit & Risk Assurance Committee is a sub-committee of the Board. The purpose of the Committee is to support the Board and the Chief Executive Officer (CEO)/Accounting Officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, control, and the integrity of the financial statements and annual report.

The Audit & Risk Assurance Committee is responsible for reviewing management's mechanisms for the assessment and management of risk, the planned activity of external and internal audit and the results of their work, the adequacy of management's responses to issues identified by audit activity and the adequacy of assurances relating to corporate governance. In line with best practice, the Committee publishes an annual report on its work for the Board.

Strategic leadership of the risk management process comes from the Executive Team, and the trustees and CEO/Accounting Officer oversee the process. The Audit & Risk Assurance Committee reports annually to the Board on the effectiveness of the internal control system established to ensure that the aims, objectives and key performance targets of HRP are achieved in the most economic and effective manner. Directors, managers and staff are responsible for identifying, assessing and managing the corporate and operational risks in their areas.

HRP's system of governance, risk and control is based on the three lines of defence model as per HM Treasury and Institute of Internal Auditor's guidance. There is an escalation process to ensure key and emerging risks are reviewed at the correct level as they arise.

- Risk and control monitoring at the first line of defence (front line operations) occurs throughout HRP and is recorded via operational risk registers and detailed management information. The project management framework and project governance structure include detailed guidance to ensure that risk is a fundamental part of each project from start to finish.
- The second line of defence is formed of a strategic risk register which is reviewed at least quarterly by the Executive Team and the Audit & Risk Assurance

Trustees' Report

Committee, and annually by the Board of Trustees. The Executive Team approves HRP's risk management policy.

- The Executive Team is responsible for communicating HRP'S risk management policy to staff, maintaining the risk registers, monitoring changes in the strategic risk profile and reporting significant changes to the trustees. The Executive Team also assesses future risks and opportunities annually as part of the Operating Plan process.
- Internal Audit is outsourced to RSM to ensure it continues to provide robust independent assurance to the Executive Team and the Board of Trustees. The internal auditors take a risk-based approach to audits and operate in compliance with Public Sector Internal Audit Standards. RSM will provide an annual report to the CEO, the Audit & Risk Assurance Committee and the Board.

HRP's risk appetite is a balance between managing risk, enhancing innovation and creativity, whilst carefully weighing up risks with all rewards and our charitable and strategic objectives. HRP considers risk and its management in a structured way to ensure that the identification, assessment and management of risk is linked to the achievement of HRP's objectives and that all areas of risk are covered - for example, financial, governance, operational and reputational. The corporate ("Strategic") risk register at HRP focuses on high impact and/ or likelihood risks aligned with our strategy. Major risks are those risks that have a major impact and a probable or highly probable likelihood of occurring and would have a major impact across any area of HRP.

The Board has gained assurance that the data quality of the information it receives is sound through a mix of audit work on data held and challenges of the data presented.

A summary of the most significant risks are:

Risk	Controls in place
Sustained or protracted loss of income which has an impact on the current level of reserves	Annual Operating Plan prepared and reviewed by trustees. Tight control over expenditure and further work being undertaken to improve accuracy of expenditure forecasts. Major Incident Plan in place and is regularly tested.
Inability to effectively respond operationally to an incident or disruption	Detection controls in place. Detailed corporate Major Incident Plan in place including site specific security plans and emergency procedures and scenario testing. One-on-one incident management training for Duty Management. Mandatory training for all staff on security and incidents in place.
Cyber attack	Policies and Procedures, anti-phishing and anti-virus / malware controls, cyber E-learning and regular external audits in place. Sophisticated and comprehensive, testing, monitoring and alerting systems in place. Decommissioning legacy infrastructure.

Trustees' Report

Risk	Controls in place
	Increased team capacity in this area. Suppliers complete Cyber Questionnaire. Cyber Essentials Plus accreditation achieved since 31st March.
Failure to recruit, manage and retain the right quality and staff mix	New strategy finalised and shared with all staff through active engagement sessions to obtain buy-in. Annual pay increases benchmarked against sector. Plans to address themes identified in recent IIP survey in progress. Relevant policies, training and support in place. Succession plans for senior team developed. Performance conversation tools and guidance for managers developed.
Significant fire, health, safety and environment or safeguarding incident	Fire, HSE, accident/incident policies, processes and training in place. Internal inspections, assessment and audit programmes in place and outcomes overseen by internal committees. Annual review of fire, HSE effectiveness undertaken. Safeguarding policy and training in place, leads appointed.
Failure to execute the organisational change required to successfully deliver a strategy that aligns to stakeholders	Strategy implementation in progress, supported by external change management experts. Supporting strategies and programmes in place or in development (e.g., Audience Development Plans, new Digital & Technology and Schools and Communities' strategies). Since October 2024 all staff have taken part in strategy engagement training sessions. A three-year Operating Plan in place with objectives clearly aligned to the new strategy; measures and metrics in place to track progress. A number of organisational change projects identified and launched including in the areas of organisational design, internal governance, process efficiencies, and performance management. Close monitoring of progress by the Executive and senior leadership team.
HRP's digital provision doesn't meet the future needs of the organisation or its visitors	New Digital Strategy agreed and being implemented. This aligns with wider HRP strategy to focus on visitors' and stakeholders' needs. Trustee working group established to provide oversight. Significant investment in new technology, infrastructure, headcount and training to improve visitor experience and to support staff.
Climate change adversely affects our estate and our ability to operate as a visitor attraction	Overarching sustainability programme prioritised as part of our corporate strategy, which will oversee HRP's work to respond to the impact of climate change and to reduce its own environmental footprint. Sustainability action plan for next 3 years approved and communicated. Sustainability champions established across the organisation. Strong partnership network established across the heritage sector. All ongoing and new projects reviewed for opportunities to improve

Trustees' Report

Risk	Controls in place
	sustainability performance/decarbonise. Climate change risk assessment methodology devised. Decarbonisation reports completed for HCP and TOL. Procurement processes amended to include sustainability requirements as standard.
Inclusive Histories: Poor reception of new content by visitors, media and stakeholders	Content based on careful and authentic research overseen by the Curator of Inclusive History. Governance role of the Editorial Programming Group and subgroup on Inclusive Histories. Focussed involvement of Community Partners and the HRP Inclusivity Network as appropriate. Ethical Frameworks developed. Communication strategies for key inclusive history initiatives. Resilience training for staff key staff working on inclusive histories.
Collections Security: Loss or damage to collections and late awareness of that loss or damage	Comprehensive Collections Management, Heritage Asset Incident, and Security policies and procedures in place. Spot checks and audits carried out by partner organisation(s) and external and internal auditors. Periodic security inspections on behalf of Government Indemnity Insurance (GIS) and Fine Art Insurance.

General Data Protection Regulations (GDPR) effective since May 2018 set out clear requirements for management and control of personal data. Over the last financial year, HRP has taken effective measures to demonstrate our ongoing compliance with data protection legislation. In 2024/2025 we had cause to notify the Information Commissioner's Office of one minor data protection incident.



Sir Nicholas Coleridge CBE DL
Chair of the Board of Trustees



John Barnes OBE
Chief Executive and Accounting Officer

15 July 2025

Other Reports and Disclosures

Sustainability and Climate Action

In June 2024, following the launch of the wider Charity for Everyone strategy, we formally released our Sustainability Action Plan, in response to the Act for the Future pillar. The plan launch coincided with Show Your Stripes Day on the 21st of June 2024, which saw us project the Warming Stripes created by Prof. Ed Hawkins onto the White Tower.

The Sustainability Action Plan is separated into three core delivery areas:

1. **People** - Engage our colleagues and visitors, talk to them about our plans and inspire them to play a more active role both within our organisation and in their own lives and communities.
2. **Data** - Improve the consistency and quality of our data collection and reporting of our Scope 1 and 2 emissions, including a timeline for the capture of Scope 3 emissions, and assessing the health of our green spaces with a nature baseline.
3. **Actions** - Identify and implement immediate actions which will help us achieve nature-positive, carbon net zero across our estates and value chain by 2050.

Progress within our People delivery area has been more limited compared to other parts of the plan in 2024/25. However, this is expected to accelerate in 2025/26 following the successful recruitment of a Sustainability Officer in May 2025. A key responsibility of this role will be to lead the Sustainability Champions Network, helping to increase its impact across HRP.

Encouragingly, a staff survey conducted in February 2025 revealed that 82% of respondents were aware of the Sustainability Action Plan—surpassing our target of 75%—and 51% reported being clear or somewhat clear about their role within it. These results are promising for the first year of the plan and highlight significant potential to further grow awareness and understanding over the next two years.

In 2024/25, we made significant strides in the delivery of our Data workstream, largely thanks to the addition of a new role within the Sustainability team: the Energy and Sustainability Analyst. This role has been instrumental in formalising our data collection processes, greatly enhancing our reporting capabilities, and collaborating with utility providers to reduce the reliance on estimated readings—from over 78% in 2023/24 to just 8% in 2024/25. This dramatic improvement in billing accuracy has increased confidence in our consumption and emissions data, while also enabling quicker identification of potential maintenance issues. The Analyst will play a central role in 2025/26 as we baseline new categories in Scope 3 for the first time.

We also initiated the process of assessing the health and value of our natural estate. In partnership with the Ecology Coop, we began consolidating existing ecological data across our sites and supplementing it with new surveys and data sources. For the first time, we will collect soil carbon samples this year to estimate the land's carbon sequestration potential. These insights will inform recommendations in 2025/26 for

Other Reports and Disclosures

improved land management practices and help identify areas requiring climate mitigation and adaptation strategies.

2024 marked the final year of the Moat in Bloom project, paving the way for the design and construction of the permanent scheme, set to open in 2027. Once established, the new scheme will offer a richer variety of habitats than the flower meadow it replaces, while also enhancing surface water flood defences and creating new opportunities for water harvesting. In autumn 2024, several prototypes were installed to test the proposed water management systems and layout configurations.

We have continued to make sensitive upgrades to our building fabric to improve energy efficiency, for example secondary glazing has been added to the Royal Kitchens at Kew to improve winter conditions for staff. We have also trialled a number of new products in this area, working closely with our colleagues at Historic England to find solutions to tackle the variety of window types and designs.

We have begun the detailed decarbonisation feasibility and design stages for some of our biggest users, considering various drivers for change. Some, like the Waterloo Block (the largest user at the Tower and second largest in the HRP estate) are driven by their consumption and the opportunities presented by other projects in the building. Others, such as Apartments 39, 39A and 45 at Hampton Court are driven by a more urgent need to upgrade ageing boiler systems.

The appointment of a Senior Project Manager for Decarbonisation—joining in June 2025—will bring the dedicated expertise and capacity needed to accelerate our energy programme.

Decarbonising our buildings will be the process of many years, in the meantime we are looking at ways to reduce the consumption, and extend the lives of, our existing gas plant. We installed M2G on a number of older systems in 2024/25, this product reduces the amount of gas consumed through ‘dry cycling’ of the boiler and so far, we’ve seen significant reductions in consumption in areas such as Kensington Palace. The M2G dashboard is showing saving of 364 KgCo₂e saved since installation, and we expect the savings to increase as controls are improved

Beyond the Energy workstream, we have also made significant progress across other areas of the programme. In Gardens and Parks, we’ve begun redesigning the Great Fountain Garden with the aim of enhancing soil health, biodiversity, and climate resilience—while preserving the historic character of the space. Much of the current planting in this area is cultivated on-site in the Nursery, which is the largest consumer of gas across the entire HRP estate. As such, a key objective of this project is to reduce our reliance on the glasshouses to help lower carbon emissions. We are excited to be partnering with designer Ann-Marie Powell on this initiative.

Our total carbon emissions for 2024/25 were 3,642 tCO₂e representing a 21% decrease on our 2019 baseline (see table below). The reduction in Scope 1 and 2 emissions is 31% against baseline, our Action Plan is targeting a 46% reduction of these scopes by 2027.

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Table 1 - HRP Greenhouse Gas emissions

*data restated

Greenhouse Gas Emissions (tCO ₂ e)	2024/25	2023/24*	2022/23	2021/22	2020/21	2019
Scope 1	1,621	1,515	1640	1,519	1,075	2,367
Scope 2	1,145	1,151	1,064	1,010	839	1,631
Subtotal	2,766	2,666	2,704	2,529	1,914	3,998
Scope 3	876	130	80	36	79	608
Total	3,642	2,796	2,784	2,565	1,993	4,606

The significant increase in total emissions reported for 2024/5 compared to 2023/4 (30%) is largely caused by improved data rather than increased emissions. The introduction of the Analyst role to the team last year has enabled us to expand and improve our data collection for emissions. As a result, there are a number of additions to this year's data:

- emissions from vehicle fuel at Hillsborough Castle & Gardens;
- emissions from waste at Hampton Court, HM Tower of London and Kensington Palace;
- well-to-tank and transmission and distribution emissions for gas and electricity supplies;
- emissions from mains water treatment.

There has also been an update to the scope 1 and 2 emissions reported for 2023/24. This is due to some of the consumption used in that year being billed and reported in April 2024, along with improvements to our metering systems and business mileage figures.

Additionally for the first time we have included the emissions from the royal buildings managed by HRP situated in Kew Gardens. The emissions from these sites have previously been reported within the boundary of the Royal Botanic Gardens Kew. These emissions total approximately 33 tCO₂e across scopes 2 and 3.

In 2024/25, HRP's electricity contract was on a REGO-backed blended zero carbon/UK renewables tariff, with a 50/50 split between nuclear and renewables, for all palaces and warehouses except Kew and Hillsborough, which are on REGO-backed 100% renewables and a standard tariff respectively. Adjusting our calculations to account for this, the total emissions for 2024/25 would reduce to 2,415 tCO₂e as shown below. We have moved to a new tariff for our London sites for 2025/26 which procures from REGO-backed 100% renewable sources.

Other Reports and Disclosures

Table 2 - HRP's emissions adjusted to take account of the blended electricity tariff

Greenhouse Gas Emissions (tCO ₂ e)	2024/25
Scope 1	1,621
Scope 2	141
Scope 3	653
Total	2,415

Recognising the increase in carbon emissions caused by the significant improvements to data, we have also run a 'like-for-like' report (see Table 3). This shows a rise of 120 tCO₂e (1.8%) in Scopes 1 and 2 year-on-year, and an increase of 71 tCO₂e (55%) in Scope 3 emissions..

Table 3: Like-for-like comparison of emissions

Greenhouse Gas Emissions (tCO ₂ e)	2024/25	2023/24	2022/23	2021/22	2020/21	2019
Scope 1	1,594	1,515	1,640	1,519	1,075	2,367
Scope 2	1,120	1,151	1,064	1,010	839	1,631
Subtotal	2,714	2,666	2,704	2,529	1,914	3,998
Scope 3	201	130	80	36	79	608
Total	2,915	2,796	2,784	2,565	1,993	4,606

Our intensity measure for SECR (streamlined energy and carbon reporting) is 'per visitor'. Based on 4.22m physical visitors to our sites in 2024/25, we emitted 0.86kg of CO₂e per visitor at a total level and 0.69kg on a like-for-like basis (0.67kg in 2023/24).

Other Reports and Disclosures

Whistleblowing Disclosure

Whistleblowing policy

HRP is committed to maintaining high ethical standards and takes all concerns seriously. We have a policy in place to support HRP's values/ethics and ensure compliance with the Public Interest Disclosure Act 1998 (PIDA) and subsequent amendments under the Enterprise and Regulatory Reform Bill 2013 and the Bribery Act 2010.

There are a number of different routes suggested for reporting concerns in addition to the direct management and HR routes:

- Internally, individuals can disclose their concerns to appropriate internal specialists, a specific email address managed by the Whistleblowing Officer and the Company Secretary or directly to the Corporate Services Director (The Whistleblowing Officer) and The Chief Executive, Chair of the Audit and Risk Assurance Committee or the Chair of Trustees, or via HRP's employee assistance providers CIC.
- Externally, people can report issues to external bodies such as legal advisers, Minister of the Crown or statutory regulators.
- There were no whistleblowing incidents reported during 2024/25.

Suppliers' payment policy

HRP observes the principles of the CBI Prompt Payment code. The code requires bills to be paid in accordance with contractual obligations, or where no such conditions exist, within 30 days of the receipt of the goods or services, or the presentation of a valid invoice, whichever is the latter. It is the policy of HRP to pay all invoices not in dispute in accordance with contractual terms. Payments are made fortnightly and include all invoices received in Finance and due for payment by the time of the next payment run.

During 2024/25, 74% of supplier invoices were paid within 30 days of date of invoice (45% in 2023/24). The improvement is due to a new Purchase Invoice Manager system. This payment performance is not adjusted for invoices delayed for payment due to a query with the supplier.

Related parties

Details of material dealings with any related parties are set out in Note 24.

Other Reports and Disclosures

Fundraising Regulator

- We are registered with the Fundraising Regulator and abide by the Code of Fundraising Practice and the Fundraising Promise. We are not aware of any failure to comply with the scheme. We received no complaints about our fundraising practices during the year.
- We did not engage any professional fundraisers to fundraise from individuals during the year. Two groups of volunteers solicited personal donations on behalf of HRP: our Campaign Board, and our Hillsborough Castle Board. We have invested in fundraising resources within HRP in preparation for the targets of strategic projects.
- The activities of the Campaign Board were monitored through three board meetings during the year and sub-group meetings focused on specific fundraising streams. Two trustees are members of the Campaign Board, which ensures the trustees have a high degree of awareness of what the Board does and the activities of its individual members. The Hillsborough Castle Board met three times in the 2023/24 financial year. Membership includes one trustee of HRP. The Chief Executive of HRP also attends all meetings.
- Tailored approaches for high value grants were made throughout the year to companies, charitable trusts and philanthropists. In each case new approaches, and reports on existing funding, were shared in compliance with relevant data privacy regulations. Individuals solicited for gifts were either introduced to the charity by existing supporters or contacted us in the first instance. We avoided practices that risk being unreasonably intrusive or persistent.
- Direct marketing in a fundraising context was limited to advertising in our Members' magazine, HRP e-newsletters and more tailored updates to existing supporters and contacts who have either opted-in or not opted-out, as appropriate.
- In-person donations are solicited and taken only by staff and volunteers within HRP's sites. These are taken onsite via contactless and cash donation boxes, or via signposting to our website and text-to-donate.

Statement of Responsibilities

Statement of Trustees' and Accounting Officer's responsibilities

Law applicable to incorporated charities in England and Wales requires the Trustees of Historic Royal Palaces to prepare financial statements for each financial year. The Secretary of State (with the consent of HM Treasury) has also directed the Trustees to prepare a statement of accounts in the form, and on the basis, set out in the Accounts Direction. The Secretary of State also requires the Accounting Officer to prepare for each financial year a statement of accounts.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs, the net income and cash flows of the Historic Royal Palaces and its group during the year. In preparing those financial statements, the Trustees and Accounting Officer are required to comply with the requirements of FRS 102: UK GAAP and the Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102). In addition, they shall also have regard to the Government Financial Reporting Manual. In particular to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures being disclosed and explained in the financial statements;
- ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to assume that the Charity and the Group will continue in operation;
- confirm that the Trustees' Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Trustees' Report and Accounts and the judgements required for determining that it is fair, balanced and understandable; and
- observe the Accounts Direction issued by The Secretary of State (with the consent of HM Treasury), including the relevant accounting and disclosure requirements.

The Trustees and Accounting Officer have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that Historic Royal Palaces' auditors are aware of that information. As far as we are aware there is no relevant audit information of which the auditors are unaware.

The Trustees are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of Historic Royal Palaces and its group and which enable them to ensure that the financial statements comply with the applicable law. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of Historic Royal Palaces and its group and to prevent and detect fraud and other non-compliance with laws and regulations.

Statement of Responsibilities

The Principal Accounting Officer for the DCMS has designated the Chief Executive as the Accounting Officer for Historic Royal Palaces and its group. His responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records and for the safeguarding of the Historic Royal Palaces' and its group's assets, are set out in Managing Public Money published by HM Treasury.



Sir Nicholas Coleridge CBE DL
Chair of the Board of Trustees



John Barnes OBE
Chief Executive and Accounting Officer

15 July 2025

The Audit Report of the Comptroller and Auditor General to the Board of Trustees and the Houses of Parliament

Opinion on financial statements

I have audited the financial statements of Historic Royal Palaces and its Group for the year ended 31 March 2025.

The financial statements comprise Historic Royal Palaces and its Group's:

- Consolidated and Charity Balance Sheets as at 31 March 2025;
- Consolidated Statement of Financial Activities and Consolidated Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom accounting standards including Financial Reporting Standards (FRS) 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion, the financial statements:

- give a true and fair view of the state of the Historic Royal Palaces and its Group's affairs as at 31 March 2025 and its net income for the year then ended; and
- have been properly prepared in accordance with the Charities Act 2011 and the Secretary of State directions issued, with the consent of HM Treasury, under the Royal Charter.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2024*. I am independent of Historic Royal Palaces and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical

The Audit Report of the Comptroller and Auditor General to the Board of Trustees and the Houses of Parliament

responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Historic Royal Palaces and its group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Historic Royal Palaces and its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Trustees and Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises information included in the Trustees' Report but does not include the financial statements and my auditor's report thereafter. The Trustees and Accounting Officer are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Trustees' Report subject to audit have been properly prepared in

The Audit Report of the Comptroller and Auditor General to the Board of Trustees and the Houses of Parliament

accordance with Secretary of State directions issued, with the consent of HM Treasury, under the Royal Charter; and

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of Historic Royal Palaces and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Trustees' Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by Historic Royal Palaces and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Trustees' Report, subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by the Charities Act 2011 have not been made; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Trustees and Accounting Officer for the financial statements

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the Trustees and the Accounting Officer are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within Historic Royal Palaces and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements, which give a true and fair view, in accordance with the applicable financial reporting framework; and
- assessing Historic Royal Palaces and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using

The Audit Report of the Comptroller and Auditor General to the Board of Trustees and the Houses of Parliament

the going concern basis of accounting unless the Trustees and the Accounting Officer either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

My responsibility is to audit and express an opinion on the financial statements in accordance with section 151 of the Charities Act 2011.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of Historic Royal Palaces and its Group's accounting policies and its key performance indicators.
- inquired of management, Historic Royal Palaces' head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Historic Royal Palaces and its Group's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Historic Royal Palaces and its Group's controls relating to Historic Royal Palaces' compliance with the Charities Act 2011 and Managing Public Money;
- inquired of management, Historic Royal Palaces' head of internal audit and those charged with governance whether:

The Audit Report of the Comptroller and Auditor General to the Board of Trustees and the Houses of Parliament

- they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team including significant component audit teams and the relevant internal and external specialists, including IT and pensions experts, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within Historic Royal Palaces and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I obtained an understanding of Historic Royal Palaces and its Group's framework of authority and other legal and regulatory frameworks in which Historic Royal Palaces and its Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Historic Royal Palaces and its Group. The key laws and regulations I considered in this context included the Charities Act 2011, Managing Public Money, employment law, pensions legislation and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board of Trustees and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I addressed the risk of fraud in revenue recognition, assessing the recognition of income in line with the accounting framework and undertaking procedures to test the significant income streams subject to the risk of fraud.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members, including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The Audit Report of the Comptroller and Auditor General to the Board of Trustees and the Houses of Parliament

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
16 July 2025

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road Victoria, London, SW1W 9SP

Consolidated Statement of Financial Activities

for the year ended 31 March 2025

<i>Note</i>	Unrestricted funds	Restricted funds	Total 2025	Total 2024
	£000	£000	£000	£000

INCOME

Donations and legacies:

Grants	3	55	2,990	3,045	1,302
Donations		680	-	680	1,015
Gifts in Kind		3	118	121	358
		738	3,108	3,846	2,675

Income from other trading activities:

Retail income		19,691	-	19,691	19,977
Functions and events		7,796	-	7,796	6,770
Licenses, rent & recharges	4	5,702	-	5,702	5,421
Sponsorship		890	-	890	1117
		34,079	-	34,079	33,285

Income from investments:

		6,268	-	6,268	4,899

Income from charitable activities:

Admissions	5	84,734	-	84,734	84,949
Membership		6,385	-	6,385	5,565
Concessions		3,284	-	3,284	3,013
		94,403	-	94,403	93,527

Total Income

6	135,488	3,108	138,596	134,386

EXPENDITURE

Costs of raising funds:

Fundraising		1,234	-	1,234	1,164
Retail activities		12,446	-	12,446	12,602
Investment management costs		2	-	2	5
Other commercial activities		3,682	-	3,682	3,534
	7	17,364	-	17,364	17,305

Expenditure on charitable activities:

Palaces		34,920	1402	36,322	25,518
Experiences:					
Public Access		28,478	164	28,642	24,273
Interpretation and learning		16,253	961	17,214	16,716
Money - Organisational Growth		6,312	5	6,317	5,519
Culture		2,799	15	2,814	1,913
	7	88,762	2,547	91,309	73,939

Consolidated Statement of Financial Activities

for the year ended 31 March 2025

Continued from previous page

Defined Pension scheme net interest cost/(income)	11	(322)	-	(322)	(353)
Total Expenditure	7	105,804	2,547	108,351	90,891
Net (losses)/gains on investments	14	(7)	-	(7)	148
Net Income / (Expenditure)		29,677	561	30,238	43,643
Actuarial (loss)/gain on pension plan	11	324	-	324	(1,071)
Net movement in funds		30,001	561	30,562	42,572
Fund balances brought forward at 1 April	6	97,338	7,101	104,439	61,867
Fund balances carried forward at 31 March	6	127,339	7,662	135,001	104,439

Note: The amounts shown above derive from continuing activities. There were no recognised gains or losses other than those disclosed above.

The notes on pages 45 to 81 form an integral part of these accounts.

Consolidated and Charity Balance Sheet

as at 31 March 2025

	<i>Note</i>	Group 2025 £000	Charity 2025 £000	Group 2024 £000 Restated*	Charity 2024 £000 Restated*
Fixed assets:					
Intangible assets		-	-	2	2
Tangible assets	12	26,408	26,408	26,439	26,439
Heritage assets	13	10,302	10,302	10,183	10,183
Investments	14	2,266	2,266	2,298	2,298
Long-term cash deposits		19,000	19,000	-	-
		57,976	57,976	38,922	38,922
Current assets:					
Stocks - goods for resale		2,203	-	2,247	-
Debtors	15	11,870	17,762	9,701	13,080
Short-term cash deposits		105,000	105,000	96,000	96,000
Cash at bank and in-hand		17,033	10,032	16,253	12,551
		136,106	132,794	124,201	121,631
Creditors:					
Amounts falling due within one year	16	26,353	23,097	20,494	17,979
Net current assets		109,753	109,697	103,707	103,652
Total assets less current Liabilities excluding Pension Plan asset/liability		167,729	167,673	142,629	142,574
Creditors: Amounts falling due after more than one year	17	36,588	36,588	40,279	40,279
Provision for liabilities and charges	18	3,344	3,344	4,469	4,469
Net assets excl Pension Plan asset/liability		127,797	127,741	97,881	97,826
Pension Plan asset/(liability)	11	7,204	7,204	6,558	6,558
Net assets including Pension Plan liability		135,001	134,945	104,439	104,384
Funds:					
Unrestricted funds		127,339	127,283	97,338	97,283
Restricted funds		7,662	7,662	7,101	7,101
Total funds	6	135,001	134,945	104,439	104,384

*Debtors and Creditors falling due within one year have been restated (see Notes 15 and 16). The notes on pages 45 to 81 form an integral part of these accounts.

These financial statements were approved by the Trustees and the Accounting Officer on 15 July 2025 and were signed on their behalf by



Sir Nicholas Coleridge CBE DL
Chair of the Board of Trustees



John Barnes OBE
Chief Executive and Accounting Officer

Consolidated Cash Flow Statement

for the year ended 31 March 2025

	<i>Note</i>	2025 £000	2024 £000 Restated*
Cash flows from operating activities			
Net cash inflow/(outflow) from operating activities (<i>Note A below</i>)		27,882	40,911

Cash flows from investing activities:

Purchase of tangible assets	12	(2,822)	(3,625)
Purchase of heritage assets	13	(119)	-
Redemption of investments	14	-	985
Interest received		6,107	2,366
Net (purchase)/sale of short-term deposits*		(28,000)	(37,000)
Net cash used in investing activities		(24,834)	(37,274)

Cash flows from financing activities:

Interest paid on Culture Recovery Loan		(2,268)	-
Net cash used in financing activities		(2,268)	-

Cash and cash equivalents at the beginning of the year		16,253	12,616
Change in cash and cash equivalents		780	3,637
Cash and cash equivalents at the end of the year		17,033	16,253

Analysis of cash and cash equivalents

Cash at bank and in hand		17,033	16,253
Total cash and cash equivalents		17,033	16,253

Note A: Reconciliation of net income/expenditure to net cash inflow from operating activities:

Net Income/(Expenditure) from charitable and trading activities		30,238	43,643
Net (Gains)/Losses on Investments	14	7	(148)
Intangible amortisation		2	-
Interest income*		(6,268)	(4,899)
Interest expense on Culture Recovery Loan*		858	843
Pension scheme: non-cash movements	11	(322)	(353)
Gifts in kind	13	0	(358)
Depreciation & amortisation	12	2,827	2,339
(Profit)/Loss on disposal of fixed assets	12	0	3
(Increase)/Decrease in stocks	2	44	226

Consolidated Cash Flow Statement

for the year ended 31 March 2025

Continued from previous page

(Increase)/Decrease in debtors	15	(3,020)	(1,249)
Increase/(Decrease) in creditors: current liabilities*	16	4,645	(464)
Increase/(Decrease) in long term creditors*	17	(14)	10
Increase/(Decrease) in provisions for liabilities & charges	18	(1,125)	1,337
Other non-cash movements		10	(19)
Net cash inflow/(outflow) from operating activities		27,882	40,911

Analysis of changes in net debt:

	As at 1 Apr-24 £000	Cash flows £000	Other non- cash changes £000	As at 31 Mar-25 £000
Cash and cash equivalents				
Cash	16,253	780	-	17,033
	16,253	780	-	17,033
Borrowing				
Debt due within one year	(2,268)	2,268	(4,536)	(4,536)
Debt due after one year	(40,259)	-	3,677	(36,582)
	(42,527)	2,268	(859)	(41,118)

	As at 1 Apr-23 £0	Cash flows £000	Other non- cash changes £000	As at 31 Mar-24 £0
Cash and cash equivalents				
Cash	12,616	3,637	-	16,253
Borrowing				
Debt due within one year	-	-	(2,268)	(2,268)
Debt due after one year	(41,684)	-	1,425	(40,259)
	(41,684)	-	(843)	(42,527)

*The interest expense and increase/(decrease) in current and long-term creditors have been restated.

The notes on pages 45 to 81 form an integral part of these accounts.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

1 Accounting Policies

The following accounting policies are applied consistently in dealing with items which are considered material in relation to the financial statements of the Charity, Historic Royal Palaces (HRP), and its trading subsidiary, Historic Royal Palaces Enterprises Ltd (HRPE), together 'the Group'.

a) Status of charity

HRP is a registered charity (No: 1068852) established by Royal Charter.

b) Basis of preparation

The financial statements are prepared in accordance with the Statement of Recommended Practice (SORP): Accounting and Reporting by Charities (effective 1 January 2019), applicable United Kingdom accounting standards (FRS 102) and the Charities Act 2011. The financial statements are prepared on a going concern basis under the historical cost convention (see also Note 1 q). They are prepared in accordance with the Accounts Direction a copy of which can be obtained from the Finance Director or Head of Financial Accounting issued by the Secretary of State in accordance with HRP's Royal Charter.

HRP meets the definition of a public benefit entity under FRS 102.

Upcoming changes to standards

The FRS 102 Periodic Review 2024 issued in September 2024, which is effective for accounting periods beginning on, or after, 1 January 2026, will result in changes to the accounting and disclosure of key areas such as income and leases. Management has not yet quantified the impact these changes will have upon the financial statements as they await the issuance of the revised Charities Statement of Recommended Practice, also effective for the 2026/27 accounts, which will provide interpretation of the changes to FRS 102 for the Charities sector.

c) Basis of consolidation

The Group accounts consolidate HRP and its subsidiary, HRPE Ltd, which has a co-terminus year-end. Consolidation is carried out on a line-by-line basis.

d) Funds

Incoming resources and resources expended are allocated to particular funds according to their purpose.

Unrestricted funds – the unrestricted funds include income from admissions, donations and other income received without restriction including retained profits of HRPE Ltd. Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity. Trustees may earmark unrestricted funds for a particular project or use, without restricting or committing the funds legally. Such amounts are known as designated funds.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

Restricted funds - restricted funds include those receipts, which are subject to specific restrictions imposed by donors, including grants towards specific conservation and improvement projects undertaken at the palaces.

e) Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Group is entitled to the income, receipt is probable, and the amount can be quantified with reliable accuracy. The following specific policies apply to categories of income:

- **Grants** – include operating and project grants and contributions. Grants related to performance and specific deliverables, are accounted for as the Group earns the right to consideration by its performance. Where income is received in advance of performance, its recognition is deferred and included in creditors. Where entitlement occurs before receipt, the income is accrued.
- **Donations** - include major gifts and appeals. Donations are recognised when received or on a receivable basis where receipt is probable and there is entitlement to the income.
- **Gifts in Kind** – where donated to the Group, are included at market value at the time of receipt.
- **Retail income** – relates to sales of goods, souvenirs and guidebooks. Income is recognised upon sale of the goods.
- **Functions and Events** – includes income from corporate and private events, weddings and events. It is accounted for in the month that the event is due to take place.
- **Licences, Rents & Recharges**– income is accounted for on a pro-rata basis over the period to which the income relates.
- **Sponsorship** – relates primarily to corporate sponsorship of exhibitions and education programmes. Income is accounted for evenly over the period of sponsorship.
- **Investments** - investment income is recorded in the period it is earned.
- **Admissions** – income is recognised upon visitor entry. Any donations on admissions (and related gift aid) are recognised at the point of sale.
- **Membership** - income that is attributable to visits that members make to HRP sites is deferred and released to the SOFA equally over the period to which the membership relates. The portion of life membership subscriptions deemed to be of the nature of a gift is recognised in full in the year in which it is received, with the remainder deferred and released to income in equal instalments over the average period over which the life membership is expected to be used. Gift Aid income resulting from membership is recognised at the point when the membership is sold.
- **Concessions** – concessions includes income from our cafés and restaurants and is accounted for in the period it relates.

f) Resources expended

All expenditure is accounted for on an accruals basis and is classified under the principal categories of 'Costs of raising funds' and 'Charitable activities'. The expenditure classifications comprise direct expenditure, including staff costs,

Notes to the Consolidated Accounts

for the year ended 31 March 2025

attributable to the activity. Support costs, which include functions such as Accounting, Payroll, Procurement, Information Systems and Governance Costs are allocated across the categories of costs of raising funds and expenditure on charitable activities. The basis of the cost allocation is explained in the Notes to the accounts.

g) Tangible fixed assets

Tangible fixed assets costing more than £5,000 are capitalised at a value net of VAT and included at cost and are not revalued. All expenditure on repairing and maintaining the original fabric of the buildings and on non-revenue generating improvements is written off in the year incurred. All improvements to the fabric of the buildings, with the aim of raising or increasing revenue, are capitalised. Assets purchased by or gifted to the Charity's predecessors prior to September 1989 have not been capitalised.

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their useful economic lives. The guidance on useful economic lives are as follows:

New buildings	20 - 50 years
Building refurbishments	10 - 20 years
Fixtures and fittings	3 - 10 years
Plant and machinery	5 - 20 years
Furniture and equipment	3 - 10 years
Exhibitions	3 - 10 years
Vehicles	3 - 5 years
Computer hardware	3 - 5 years

h) Heritage Assets

SORP 2019 defines heritage assets as assets of historical and artistic importance that are held to advance preservation, conservation and the educational objectives of the Charity. Those heritage assets acquired since September 1989 are reported in the balance sheet at cost or, in the case of donated assets, at an approximate valuation estimated by HRP's curators to be an appropriate market value at the time of acquisition. Such assets are not depreciated as they are deemed to have indeterminate lives and a high residual value. Regular impairment reviews of heritage assets are undertaken.

Those items that were purchased by or gifted to the Charity's predecessors prior to September 1989 have not been capitalised. These comprise the majority of the collection but trustees do not consider that relevant cost or valuation information can be obtained at a cost commensurate with the benefit to readers of the financial statements. This is because of the diverse nature of the assets held, the volume, and the lack of comparable market values.

Further information about HRP's collection of heritage assets is set out in the Notes

Notes to the Consolidated Accounts

for the year ended 31 March 2025

to the Accounts.

i) Investments, Short-term cash deposits and cash at hand & in bank

Investment income comprises interest receivable from cash at bank and liquid resources as well as income from investments held in a fixed income bond portfolio and multi-assets funds. All investments are held to provide investment returns. Dividend income is recognised on a receivable basis.

Fixed income investments are short-dated high credit rated bonds with fixed and determinable coupons. The bonds are retained with the intention and ability to be held to maturity. The bond portfolio is measured at fair value.

The investments in multi-asset funds are measured at market value each year.

Funds placed on money market deposits are short-term cash deposits of up to 18 months and are defined as liquid resources. All liquid resources are held in commercial banks with appropriate credit ratings, in line with HRP's investment policy at the time of contracting.

Funds held in cash or in current/premium accounts are defined as cash at bank and in hand. They represent the deposits and cash used to finance HRP on a day-to-day basis.

j) Investment in subsidiary

In the Charity's accounts, the investment in its subsidiary undertaking, HRPE Ltd, is stated at cost.

Historic Royal Palaces Inc. is a US-based private non-operating foundation. This is not consolidated into the Group accounts, as it is not controlled by the Charity.

k) Current assets & liabilities

Stock consists of purchased goods for resale. Stock is stated at the lower of cost and net realisable value. Cost of sales is determined on a weighted average cost basis and includes all costs of purchase such as associated transportation charges. Debtors are measured at their recoverable amounts and creditors at their settlement amounts when these can be measured or estimated reliably.

l) Financial instruments

HRP primarily carries financial instruments in the form of a concessionary loan from the Culture Recovery Fund initially recognised at the amount received, with the carrying amount adjusted in subsequent years to reflect repayments and any accrued interest and adjusted if necessary for any impairment.

HRP also has basic financial instruments in the form of cash, debtors and creditors at fair value, other than where a provision for specific doubtful debts has been

Notes to the Consolidated Accounts

for the year ended 31 March 2025

made. Since almost all of these are expected to be realised within one year, there is no material difference between fair value and historical cost. Fixed income investments are measured at fair value.

m) Leases

The Group has no finance leases. Costs relating to operating leases are charged in the Statement of Financial Activities over the life of the lease. Income from operating leases is recognised over the life of the lease.

n) Pensions

The Charity operates a funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of HRP. From October 2002, the scheme was closed to new members and from April 2019, the scheme was closed to future accruals. The Charity has implemented the full reporting requirements of FRS 102: Employee Benefits in relation to the defined benefit scheme.

The present value of HRP's liability for its obligations and the fair value of the scheme assets are calculated by an independent actuary. The net asset or liability is recognised in the Balance Sheet and is treated as an unrestricted fund.

Changes in the net asset or liability during the period that result from employee service or interest on the net liability are recognised in the appropriate heading in the Consolidated Statement of Financial Activities in that period. Changes as a result of actuarial gains or losses are recognised in 'Other recognised gains or losses'.

A group personal pension scheme based on defined contributions was established for new members of established staff and staff on contracts exceeding 1 year with effect from October 2002. An additional group personal pension scheme based on defined contributions was set up for casual staff and staff on contracts of less than 1 year with effect from October 2013. The cost to HRP of both defined contribution schemes is the contributions due during the year, recognised on an accruals basis.

o) Taxation

As a charity, HRP is exempt from corporation tax under section 505 ICTA 1988. HRPE normally distributes its profits before tax by Gift Aid to the Charity to leave reserves at or close to nil. The amount gift aided in 2024/25 was £8,443,280 (£8,326,017 in 2023/24).

Admissions to the palaces administered by HRP are exempt from VAT under Schedule 9 of the VAT Act 1994. Due to this exemption, approximately 70.8% of VAT incurred by HRP is irrecoverable in 2024/25 (67.0% in 2023/24).

Notes to the Consolidated Accounts

for the year ended 31 March 2025

p) Provisions

Provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

q) Key judgements and estimates

The Group makes estimates and assumptions concerning the future which will impact the accounting estimates. The significant judgements and estimates made in preparing these accounts are disclosed throughout the document, and briefly outlined below:

- the useful economic lives of tangible and intangible assets are assessed regularly and amended when necessary, impacting the annual depreciation and amortisation charge for assets; the heritage assets valuation is reviewed annually for indicators of impairment.
- the retail stock valuation and associated provisioning is assessed throughout the year with consideration for condition and saleability.
- valuations for the bond and multi-asset portfolios rely on the estimates provided by the relevant investment managers.
- HRP has an obligation to pay pension benefits to the members of its defined benefit pension scheme. The cost of these benefits and the present value of the obligation depend on factors including the discount rate on corporate bonds, salary increases, life expectancy, inflation and asset valuations. Management estimates these factors in determining the net pension obligation in the balance sheet with the support from independent external actuaries. The recognition of any pension surplus or deficit in the accounts is a key judgement.
- Provisions include amounts for an onerous lease provision. The onerous lease provision is in relation to sub-let premises where the unavoidable costs of meeting obligations under the contract exceed the expected economic benefits. Key assumptions relate to usable space, and the opportunity cost of alternative storage space. It is assumed that 15,109 sq. ft of the space is usable for storage at a rate of £20.00 per sq. ft. An RPI value of 3.6% has been used in the provision calculation, which is the compound annual growth rate of RPI since 1987. The discount rate used is 5.33%, which is the rate for 30-year government bonds as at 31st March 2025.
- When assessing the going concern, several visitor forecast scenarios were used to inform projections for income, expenditure and cash-flows. Other key considerations included the liquidity of unrestricted funds and reserves, overdraft and borrowing facilities and all other forms of financial assistance available to the organisation.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

r) Going Concern

The trustees have considered all factors and risks that may influence the company within the next 12 months. These include continuing global conflicts and the international and domestic economic outlook. They have reviewed the organisation's resilience in the light of these in terms of income projects, measures to improve liquidity and risk mitigation actions.

Global outlook

According to the OECD June 2025 report, global GDP growth is projected to slow from 3.3% in 2024 to 2.9% this year and next year.

The slowdown is concentrated in the United States, Canada, Mexico, and China. GDP growth in the United States is projected to decline from 2.8% in 2024 to 1.6% in 2025 and 1.5% in 2026. In the euro area, growth is projected to strengthen modestly from 0.8% in 2024 to 1.0% in 2025 and 1.2% in 2026.

Domestic & Sector Outlook

Per the Office for Budget Responsibility's March 2025 economic & fiscal outlook, domestic output stagnated in the second half of 2024 and business and consumer confidence have trended lower.

The outlook has also become more uncertain with the two geopolitical risks of upward pressure on defence spending and a tightening of global trade restrictions.

CPI inflation is now forecast to rise from 2.5 per cent in 2024 to 3.2 per cent in 2025. Bank Rate is expected to fall from its current level of 4.5 per cent to 3.8 per cent from mid-2026 onwards.

International tourism recovered to 99% of pre-pandemic levels in 2024, per the UNWTO (World Tourism Organization). The latest UN Tourism Confidence Index shows positive prospects for 2025, although economic and geopolitical headwinds continue to challenge international tourism and confidence levels.

The March 2025 statement from the Association of Leading Visitor Attractions (ALVA) reported that the total number of visits to ALVA sites in 2024 was 157.2 million, which was a 3.4% increase on the previous year. However, there has been a slowdown in the sector in early 2025.

Organisation context

Income & Expenditure and cash flow projections are based on assumptions which support the 2024/25 operating budget. The assumptions have been agreed by the relevant managers and directors in charge of the revenue streams for HRP.

Overall assumptions have been reviewed by the Executive were approved by trustees at the February 2025 board meeting.

Performance will be scrutinised very closely through the quarterly forecasts and

Notes to the Consolidated Accounts

for the year ended 31 March 2025

significant deviation from our current income assumptions will be offset by imposing higher controls on expenditure.

Visitor assumptions

Visitor assumptions drive visit income and HRPE Ltd's retail income projections. The visit number target for 2025/26 is 4.437m, a slight increase on 2024/25 and 93% of the pre-Covid actual achieved in 2019/20.

The increase is primarily driven by an initiative at the Tower to attract more visitors in the cold shoulder months with promotional discounted ticket price offers. Kensington Palace visit numbers are also expected to increase slightly on current year forecast with the extension of 7 day opening across a larger part of the year. Hampton Court Palace numbers are expected to fall slightly due to maintenance works in the second half of the year which will impact both capacity and programming.

We will be reviewing these assumptions in the second half of 2025/26 in the light of global uncertainties and their impact on travel.

Liquidity, Borrowing

HRP is forecast to remain cash positive throughout 2025/26. This includes repayments for the Culture Recovery Loan, which started in 2025.

Risks and further actions

The Directors have identified the following mitigations against continuing and emerging risks and have further levers to call upon if needed:

Additional cost savings include: continuing to hold headcount vacancies; re-introducing payroll saving initiatives; removing discretionary operating expenditure currently phased in the latter part of the year; using periods of closure or working from home to rein in site costs including cleaning, heating, power etc.; deferring project expenditure if visit performance falls behind budget; and, generally, reviewing and restricting operating expenditure by monitoring committed versus non-committed expenditure throughout the year.

Summary

The trustees take comfort from the financial performance in 2024/25, year-to-date results since the beginning of 2025/26 and the organisation's future plans. They will be closely reviewing the impact of global events on our visitor numbers and income. However, the fact that the company's model has been successful and has historically generated profits also supports this opinion that the organisation will continue as a going concern.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

2. Historic Royal Palaces Enterprises Ltd

The Charity has one wholly owned trading subsidiary, Historic Royal Palaces Enterprises Limited (HRPE Ltd), with a paid-up share capital of £2. HRPE Ltd is incorporated in the UK (registration number 03418583). The principal activities of the company are retail, functions, and other events held at the palaces managed by the Charity. A summary of its trading results and its net assets is shown below. Audited accounts are filed with the Registrar of Companies.

Profit and loss account

	2025 £000	2024 £000
Turnover (other trading activities)	29,603	29,421
Cost of sales (costs of raising funds)	(6,139)	(6,620)
Gross profit	23,464	22,801
Administrative expenses	-15,147	(14,539)
Interest receivable	127	69
Profit on ordinary activities before taxation	8,444	8,331
Taxation	(1)	(5)
Total profit for the financial year	8,443	8,326
Amount distributable under Gift Aid to HRP	(8,443)	(8,326)
Retained in subsidiary	-	-

Balance Sheet as at 31 March 2025

	2025 £000	2024 £000
Stocks - goods for resale	2,203	2,247
Debtors	2,095	1,157
Cash	7,001	3,702
Current liabilities	(11,244)	(7,051)
Creditors due after more than one year	-	-
Net assets	55	55
Share capital and reserves	55	55

Notes to the Consolidated Accounts

for the year ended 31 March 2025

3. Grant Income

Total grant income of £3,045k (2023/24: £1,302k) includes funding of £461k from government bodies as follows (2023/24: £471k):

Grantor	Amount	Purpose
Arts & Humanities Research Council Fund	£405k	Henry VIII on Tour project, Riches Programme
Local Councils	£3k	Projects at Hillsborough
Heritage Lottery Fund	£53k	Tomorrow's Tower

4. Licence, rent & recharges income

Licence & rent income includes a range of activities which can be summarised as follows:

	2025 £000	2024 £000
Licences	2,379	2,504
Recovery of Costs	1,813	1,356
Rents	1,335	1,398
Other Income	175	163
Total licence & rent income	5,702	5,421

5. Admissions income

Admissions income includes visitor admissions, gift aid on admissions, car park, royal passes, etc. and can be broken down as follows:

	2025 £000	2024 £000
Tower of London	68,321	66,210
Hampton Court Palace	7,611	7,887
Kensington Palace	6,150	8,392
Hillsborough Castle	718	658
Other palaces	118	127
Education	1,113	1,044
Other admissions income	703	631
Total admissions income	84,734	84,949

Notes to the Consolidated Accounts

for the year ended 31 March 2025

6. Total funds (Group basis)

£23.4m has been transferred from free reserves to designated funds (£23.3m) and fixed assets (£0.1m).

Current Year Total Funds:	Funds as at 1 April 2024 £000	Incoming resources 2024/25 £000	Resources expended 2024/25 £000	Reval'n 2024/25 £000	Transfers between funds 2024/25 £000	Funds as at 31 March 2025 £000
<u>Unrestricted funds</u>						
General (Free)reserves	14,000	135,166	(105,804)	(7)	(23,355)	20,000
Designated funds	45,081	-	-	-	23,269	68,350
Fixed assets	31,699	-	-	-	86	31,785
Pension plan	6,558	322	-	324	-	7,204
Total	97,338	135,488	(105,804)	317	-	127,339
<u>Restricted funds</u>						
Donated assets	4,924	0	0	-	-	4,924
Hillsborough Castle & Gardens	298	80	(193)	-	-	185
Hampton Court Palace projects	779	39	(241)	-	-	577
Tower of London projects	330	1,310	(400)	-	-	1,240
Kensington Palace projects	30	150	(33)	-	-	147
Banqueting House project	439	275	(714)	-	-	(0)
AHRC-funded Research projects	34	651	(498)	-	-	187
Support for Heritage & re-opening	(1)	0	0	-	-	(1)
Other projects	268	603	(468)	-	-	403
Total	7,101	3,108	(2,547)	-	-	7,662
Total funds	104,439	138,596	(108,351)	317	-	135,001

Notes to the Consolidated Accounts

for the year ended 31 March 2025

Prior Year Total Funds:	Funds as at 1 April 2023 £000	Incoming resources 2023/24 £000	Resources expended 2023/24 £000	Reval'n 2023/24 £000	Transfers between funds 2023/24 £000	Funds as at 31 March 2024 £000
<u>Unrestricted funds</u>						
General (Free)reserves	5,000	132,491	(89,618)	148	(34,021)	14,000
Designated funds	12,361	-	-	-	32,720	45,081
Fixed assets	30,398	-	-	-	1,301	31,699
Pension plan	7,276	353	-	(1,071)	-	6,558
Total	55,035	132,844	(89,618)	(923)	-	97,338
<u>Restricted funds</u>						
Donated assets	4,566	358	-	-	-	4,924
Hillsborough Castle & Gardens	241	486	(429)	-	-	298
Hampton Court Palace projects incl. <i>Field of the Cloth of Gold</i>	752	322	(295)	-	-	779
Tower of London projects incl. Tower Entry	276	104	(50)	-	-	330
Kensington Palace projects incl. Orangery Learning Centre and the Sunken Garden statue	45	35	(50)	-	-	30
Banqueting House project	661	-	(222)	-	-	439
AHRC-funded Research projects	-	268	(234)	-	-	34
Support for Heritage & re-opening	(1)	-	-	-	-	(1)
Other projects	292	322	(346)	-	-	268
Total	6,832	1,895	(1,626)	-	-	7,101
Total funds	61,867	134,739	(91,244)	(923)	-	104,439

- **Free reserves**

Part of the unrestricted funds that are not held as fixed assets or designated for other purposes. This is now higher than the pre-pandemic levels of free reserves, in order to ensure a greater level of resilience.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

- **Designated funds**

We designate funds from our general funds towards our ‘big moments’, major projects and strategic programmes. This consists of £27.8m for Redevelopments and Conservation projects, £22.5m for Infrastructure projects and £16.0m on other programmes including Digital and Sustainability, in addition to £2.1m to complete projects in 2025/26 that were underway in 2024/25.

Further details about the Designated funds are included on page 14 of the Finance Review.

- **Transfers between funds**

As set out in our Reserves policy in the Funds and Reserves section, a permanent designated fund is matched to fixed assets, as this cannot be quickly utilised to realise cash in the event of a cash requirement. Any excess above this is designated at trustees’ discretion.

- **Donated assets funds**

These refer to restricted heritage assets and donated items including work of art and artefacts (see Note 13 for more details).

Analysis of net assets between funds

Fund balances of the Group and Charity at 31 March 2025 are represented by:

	Unrestricted funds £000	Restricted funds £000	2025 £000	Unrestricted funds £000	Restricted funds £000	2024 £000
Intangible assets	1	-	1	2	-	2
Tangible assets	26,408	-	26,408	26,439	-	26,439
Heritage assets	5,378	4,924	10,302	5,259	4,924	10,183
Investments	2,266	-	2,266	2,298	-	2,298
Net current assets	126,014	2,738	128,752	101,530	2,177	103,707
Creditors > one year	(36,588)	-	(36,588)	(40,279)	-	(40,279)
Provisions	(3,344)	-	(3,344)	(4,469)	-	(4,469)
Pension Asset	7,204	-	7,204	6,558	-	6,558
Total net assets	127,339	7,662	135,001	97,338	7,101	104,439

Notes to the Consolidated Accounts

for the year ended 31 March 2025

7. Total expenditure (Group basis)

	Total direct costs £000	Allocation of support costs £000	Total 2025 £000	Total 2024 £000
Costs of raising funds:				
Fundraising	1,111	123	1,234	1,164
Retail activities	10,952	1,494	12,446	12,602
Investment management costs	2	-	2	5
Other commercial activities	3,314	368	3,682	3,534
Total	15,379	1,985	17,364	17,305
Expenditure on charitable objectives:				
Palaces	33,171	3,151	36,322	25,518
Experiences:				
Public Access	25,308	3,334	28,642	24,273
Interpretation & Learning	15,421	1,793	17,214	16,716
Money – Organisational Growth	5,799	518	6,317	5,519
Culture	2,523	291	2,814	1,913
Total	82,222	9,087	91,309	73,939
Other:				
Exceptional Items	-	-	-	-
Pension Finance/(Income) Costs	(322)	-	(322)	(353)
Total	97,279	11,072	108,351	90,891

Resources expended include charges for:	Total 2025 £000	Total 2024 £000
Auditors' remuneration (<i>The auditors did not provide any non-audit services</i>):		
Audit - HRP	89	79
- HRPE	38	37
Operating lease charges	1,124	1,104
Stock recognised as an expense	6,022	6,282
Impairment of stock (included in cost of sales)	116	338
Depreciation charged on fixed assets:		
Tangible	2,825	2,247
Intangible	0	92
Corporation tax	1	5

Notes to the Consolidated Accounts

for the year ended 31 March 2025

8. Support costs (Group basis)

	Information Systems £000	Finance Department £000	Employee Services £000	Management Costs £000	Governance Costs £000	Total 2025 £000	Total 2024 £000

Costs of raising funds:

Fundraising	72	16	4	22	9	123	123
Retail activities	593	612	30	186	73	1,494	1,578
Other commercial activities	176	108	9	53	22	368	385

Charitable expenditure:

Palaces	974	1,703	49	304	121	3,151	2,425
Experiences: Public access	1,682	831	85	528	208	3,334	2,855
Interpretation and learning	845	534	43	266	105	1,793	1,554
Money – Organisation Growth	154	290	8	47	19	518	492
Culture	143	78	7	45	18	291	187
Total	4,639	4,172	235	1,451	575	11,072	9,599

The basis of apportionment for support costs is staff headcount (see Note 10), except for the Finance Department which is based upon expenditure excluding payroll.

Governance Costs (included in Support costs) (*)	2025 £000	2024 £000
Internal and external audit	205	184
Trustee expenses and costs	20	9
Management costs	350	277
Total	575	470

(*) Trustees and the Chairman also attend sub- committees alongside staff of HRP. The costs associated with those meetings are included in the support costs.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

9. Remuneration of trustees

None of the trustees received any remuneration during the year in connection with services to the Charity or its subsidiary. Reimbursement of travel and subsistence expenses incurred by 8 trustees (2023/24: 3) whilst carrying out their responsibilities for the Charity totalled £11,497 (2023/24: £3,196) for the year ended 31 March 2025. Liability insurance for trustees is included as part of HRP's total insurance cost.

10. Staff numbers and costs (Charity only. HRPE Ltd has no employees)

None of the Trustees received any remuneration during the year in connection with services to the Charity or its subsidiary.

a) Average staff numbers

	2025 FTE	2024 FTE
Fundraising	13.1	13.7
Retail activities	108.0	112.5
Other Commercial Activities	32.0	35.7
Palaces	177.5	162.9
Experiences:		
Public Access	306.7	269.4
Interpretation and Learning	154.1	134.7
Money – organisational growth	28.0	28.3
Culture	26.1	16.6
Support functions	64.6	59.1
Total	910.1	832.9

b) Staff costs

	2025 £000	2024 £000
Wages and salaries	37,259	31,278
Loss of office	21	52
Severance & ex gratia payments	26	74
Social security costs	3,861	3,078
Pension costs	5,170	4,271
Total	46,337	38,753
Agency staff	878	842
Total	47,215	39,595

FTE increased by 9.3% year on year.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

c) Pay bands

Excluding the Chief Executive, there were 91 staff during the year earning in excess of £60,000 (2023/24: 62). None were in the defined benefit scheme closed to accruals since 1 April 2019 (2023/24: -). All 91 were in the defined contribution scheme (2023/24: 62) where the employer contributions were £ 1,669,204 (2023/24: £1,033,461). This includes a compensation payment to those who were in the defined benefit scheme when it closed.

The number of employees, excluding the Chief Executive, whose total remuneration, including bonuses and staff benefits, but excluding employer's pension contributions, was over £60k was as follows:

	2025 No. of Staff	2024 No. of Staff
£60,001 to £70,000	44	23
£70,001 to £80,000	14	15
£80,001 to £90,000	22	15
£90,001 to £100,000	3	-
£100,001 to £110,000	0	-
£110,001 to £120,000	0	1
£120,001 to £130,000	1	3
£130,001 to £140,000	3	4
£140,001 to £150,000	3	-
£150,001 to £160,000	0	1
£160,001 to £170,000	1	-
Total	91	62

The remuneration of the Chief Executive in 2024/25 was £196,136 (2023/24: £188,854) with employer pension contributions of £59,718 (2023/24: £23,760*) and staff benefits of £1,115 (2023/24: £1,049).

Excluding the Chief Executive, the total remuneration to the Executive Board was £1,121,788 (2023/24: £1,058,481) with employer pension contributions of £369,500 (2023/24: £308,434) and staff benefits of £7,135 (2023/24: £6,721).

*Figure has been restated to remove double-counting of bonus in 2023/24.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

11. Retirement benefits (Group & Charity)

a) Historic Royal Palaces Pension Scheme

HRP operates a defined benefit scheme in the UK. The scheme is closed to new entrants and was closed to future accrual from 31 March 2019. This is a separate trustee administered fund holding the pension scheme assets to meet long-term pension liabilities.

The most recent full triennial actuarial valuation was carried out at 31 March 2024 and showed a surplus of £3.8m, which includes an allowance for the scheme assets to meet the expenses of running the scheme. Therefore, no contributions are required from the Charity and scheme expenses will be paid from the scheme assets. A new schedule of contributions came into force on 26 March 2025 which confirms that, excepting PPF levies and insurance premia, future expenses will be paid by the Scheme. The funding position will be revisited at the next triennial valuation as at 31 March 2027.

A qualified actuary, independent of the scheme's sponsoring employer, updated to 31 March 2025 the annual accounting valuation required under Section 28 of FRS 102. The major assumptions used by the actuary are shown below. The basis of apportionment for pension expense costs is payroll costs.

Present values of defined benefit obligation, fair value of assets and defined benefit asset/ (liability):

	31/03/2025 £000	31/03/2024 £000	31/03/2023 £000
Fair value of plan assets	66,019	72,955	74,869
Present value of defined benefit obligation	58,815	66,397	67,593
Surplus / (Deficit) in plan	7,204	6,558	7,276
Defined benefit asset/(liability) to be recognised	7,204	6,558	7,276

A note on pension valuations

Two valuations are included in the notes to the accounts. They use different assumptions and are at different points in time.

Actuaries employed by HRP undertake a triennial valuation based on a set of prudent assumptions determining how much future funding the scheme may require. The last valuation was at 31 March 2024 and showed a surplus of £3.8m.

Each year, the scheme is valued at fair value under accounting standard FRS102 using 'best estimate' assumptions. As at 31 March 2025, this year's valuation produced a surplus of £7.2m (2022/23: £6.6m). As the charity is entitled under the scheme rules to net refunds at least equivalent to the amount of the asset recognised, it is this figure that is shown in the accounts. This is in line with interpretation statement IFRIC 14.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

Given the significant increase in gilt market-implied RPI price inflation in 2021/22 year and evidence from the Government Actuary's Department (September 2021) and the Bank Of England (November 2021), the scheme actuary recommended introducing an inflation risk premium adjustment 0.2% p.a. in 2021/22 to reduce any potential market distortion. This remained in place for 2024/25.

Reconciliation of opening and closing balances of the defined benefit obligation:

	Period Ending 31/03/2025 £000	Period Ending 31/03/2024 £000
Defined benefit obligation at start of period	66,397	67,593
Interest expense	3,176	3,212
Benefit payments from plan assets	(3,154)	(2,733)
Actuarial losses / (gains):		
- Changes in assumptions	(8,354)	(2,276)
- Changes in experience	750	601
Defined benefit obligation at end of period	58,815	66,397

Reconciliation of opening and closing balances of the fair value of plan assets:

	Period Ending 31/03/2025 £000	Period Ending 31/03/2024 £000
Fair value of scheme assets at start of period	72,955	74,869
Interest income	3,498	3,565
Actuarial (losses)/ gains	(7,280)	(2,746)
Contributions by the employer	-	-
Benefits paid	(3,154)	(2,733)
Expenses	-	-
Fair value of plan assets at end of period	66,019	72,955

The actual return on the plan assets over the period ended 31 March 2025 was a loss of £7,280k (£2,746k loss in 2023/24).

Given the closed position of the Scheme, a high proportion of the assets have been chosen to be invested in bonds with the expectation that their characteristics will match, and to that extent provide a hedge against, the liabilities. In 2024, the increase in discount rates for corporate bonds caused a reduction in the value of the assets and a corresponding fall in the value of the Scheme liabilities.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

Defined benefit cost recognised in Statement of Financial Activities (SOFA):

	Period Ending 31/03/2025 £000	Period Ending 31/03/2024 £000
Expenses	-	-
Net Interest cost/(income)	(322)	(353)
Total expense recognised in SOFA	(322)	(353)

Defined benefit costs recognised in other comprehensive income:

	Period Ending 31/03/2025 £000	Period Ending 31/03/2024 £000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	(7,280)	(2,746)
Experience gains and losses arising on the plan liabilities – gain / (loss)	(750)	(601)
Net effects of changes in the demographic and financial assumptions	8,354	2,276
Total amount recognised in other comprehensive income – gain/(loss)	324	(1,071)

Assets	31/03/2025 £000	31/03/2024 £000	31/03/2023 £000
Equities	8,216	15,194	27,843
Debt instruments	55,465	44,909	34,684
Property	-	-	10,846
Cash	2,056	11,903	1,496
Other	282	949	-
Total assets	66,019	72,955	74,869

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Assumptions	31/03/2025 % per annum	31/03/2024 % per annum	31/03/2023 % per annum
Discount Rate	5.80%	4.90%	4.85%
Inflation (RPI)	3.15%	3.20%	3.25%
Inflation (CPI)	2.75%	2.70%	2.65%
Salary growth	2.75%	2.70%	2.65%
Allowance for:			
Revaluation of deferred pensions of CPI or 5% p.a. if less	2.75%	2.70%	2.65%

Notes to the Consolidated Accounts

for the year ended 31 March 2025

Revaluation of deferred pensions of CPI or 2.5% p.a. if less	2.50%	2.50%	2.50%
Pension in payment increases of RPI or 5% p.a. if less	3.00%	3.00%	3.00%
Pension in payment increases of RPI or 3% p.a. if less	2.30%	2.30%	2.30%
Pension in payment increases of RPI	3.25%	3.30%	3.35%
Commutation of pension for cash at retirement	70% of Post A Day	70% of Post A Day	70% of Post A Day

The mortality assumptions adopted at 31 March 2025 imply the following life expectancies at age 60 years:

	31/03/2025	31/03/2024	31/03/2023
Male currently aged 60	25.2	26.0	26.5
Male currently aged 40	26.8	27.6	28
Female currently aged 60	28.1	28.2	28.5
Female currently aged 40	29.7	29.8	30

The Virgin Media Ltd verses NTL Pension Trustees II decision, handed down by the High Court in June 2023, considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out scheme cannot be altered unless the actuary confirmed that the scheme would continue to satisfy the statutory standards.

The Scheme was contracted out and the trustees, based on the current facts and circumstances around this case, do not believe there is a material risk of an impact on the scheme funding and will continue to work with their advisers as case law evolves.

b) Defined Contribution Schemes

A group personal pension scheme based on defined contributions was set up for new members of established staff and staff on contracts exceeding one year with effect from October 2002. The cost for the year was £ 5,325,414 (2023/24: £4,039,095), with no outstanding contributions at the balance sheet date. The cost forms part of staff costs that as stated in note 1(f) are classed as direct expenditure attributable to the activity and are all from unrestricted funds.

An additional group personal pension scheme based on defined contributions was set up for casual staff and staff on contracts of less than 1 year with effect from October 2013, to meet pension auto-enrolment requirements. The cost for the year was £57,992 (2023/24: £65,784), with no outstanding contributions at the balance sheet date.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

12. Tangible fixed assets (Group & Charity)

	Buildings & refurbishm ents	Fixtures & fittings	Furniture, equipment & exhibitions	Computers	Plant, machinery & vehicles	Assets in course of construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At 1 April 2024	33,159	11,431	3,870	784	5,859	695	55,798
Additions	-	1,559	368	-	534	361	2,822
Disposals	-	(232)	(71)	(6)	(131)	-	(440)
Transfers to Heritage assets	-	-	-	-	-	(27)	(27)
Transfers within Tangible fixed assets	51	600	197	-	29	(876)	1
At 31 March 2025	33,210	13,358	4,364	778	6,291	153	58,154
Accumulated depreciation							
At 1 April 2024	15,165	5,450	2,840	657	5,247	-	29,359
Charge for the year	1,323	1,017	193	43	251	-	2,827
Disposals	-	(232)	(71)	(6)	(131)	-	(440)
At 31 March 2025	16,488	6,235	2,962	694	5,367	-	31,746
Net book value							
At 31 March 2025	16,722	7,123	1,402	84	924	153	26,408
At 31 March 2024	17,994	5,981	1,030	127	612	695	26,439

Notes to the Consolidated Accounts

for the year ended 31 March 2025

Use of Fixed Assets

The net book value as at 31 March 2025 represents fixed assets used for:

Fundraising	-	-	-	-	-	-	-
Retail activities	362	185	-	2	43	-	592
Other commercial activities	-	1	7	1	-	-	9
Charitable expenditure:							
Palaces	9,770	1,892	1,285	38	507	128	13,620
Experiences							
Public access	1,025	35	46	39	361	-	1,506
Interpretation and learning	5,565	5,010	64	3	13	25	10,680
Money – Grow our impact	-	-	-	1	-	-	1
Culture	-	-	-	-	-	-	-
At 31 March 2025	16,722	7,123	1,402	84	924	153	26,408

Notes to the Consolidated Accounts

for the year ended 31 March 2025

13. Heritage assets (Group & Charity)

Cost and net book value	Artefacts 2025 £000	No.	Artefacts 2024 £000	No.	Artefacts 2023 £000	Artefacts 2022 £000	Artefacts 2021 £000
Balance as at 1 April	10,183	469	9,806	463	9,601	9,173	9,156
Additions, at cost	119	8	1	1	159	42	17
Transfers from assets in the course of construction	-	-	18	3	-	303	-
Disposals	-	-	-	-	-	-	-
Donated works, at deemed value			358	2	46	83	-
Balance as at 31 March	10,302	477	10,183	469	9,806	9,601	9,173
Made up of: Interpretation and learning	10,302	477	10,183	469	9,806	9,601	9,173

There were three significant additions to Heritage Assets in the year, valued at £82,110.

A bridesmaid's dress from the 1947 wedding of Princess Elizabeth (HM Queen Elizabeth II), designed by Sir Norman Hartnell, which was acquired via auction purchase at £39,360. This purchase was funded by Art Fund (Registered Charity Number 209174), the ACE/V&A Purchase Grant Fund, and the William Brake Foundation (Registered Charity Number 1023244).

Three pieces of clothing worn by Queen Victoria, including a tartan skirt, silk peignoir (dressing gown) and embroidered cotton underdress, which were purchased together at £30,000.

Finally, two miniature almanacs given by Queen Charlotte to Anne Dundas Viscountess Melville (Lady of the Bedchamber 1813-1818), and a spinning wheel given by Queen Charlotte to Mary Marchioness of Buckingham, were purchased with other items, totalling £12,750.

a) Further information on HRP's collections of heritage assets

The palaces are not owned by HRP, but by HM The King on behalf of the nation. Expenditure on their conservation is recognised in the Statement of Financial Activities when it is incurred.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

The main categories of accessioned heritage assets, including those shown on the balance sheet, are:

- The Royal Ceremonial Dress Collection (c10,000 accessioned items), an important Designated collection of largely British royal and court ceremonial dress, established at Kensington Palace in 1984;
- The general collection (c9,000 accessioned items), consisting of paintings, drawings, prints, furniture, sculpture, furnishing textiles, decorative arts and social history objects, chiefly displayed as part of the historic furnished interiors at the palaces;
- Architectural drawings archive (c22,000 accessioned items), containing both modern and historic drawings and copies.
- Architectural and archaeological materials salvaged or excavated from the palaces. These are primarily used as a research archive. (c10,000 accessioned items).

HRP also displays items on short and long-term loan. In particular:

- The majority of the important works of art displayed “at home” at our palaces and stored form part of the Royal Collection, owned by HM The King on behalf of the nation and administered by the Royal Collection Trust (c8,000 items);
- The displays of arms, armour and related material at the Tower of London belong to the Royal Armouries (c 900 items).
- The artwork collection and other items on display at Hillsborough Castle (c1,500 items).
- Collection of jewellery associated with Queen Victoria from a private owner on display at Kensington Palace

Our collections remain on public display whenever possible. Storage is normally limited to items providing a research resource, unsuitable for display for conservation reasons or archaeological finds. We loan historic objects from our collections to public exhibitions and museum/ gallery displays.

The priority for acquisition or long-term loan of heritage assets is to enhance and explain the palaces and the people who populated them with relevant objects. Acquisitions are made by purchase or donation, taking into account our Collections Development Policy. Significant acquisitions require trustee approval and activity is driven by our Acquisition Strategy with priority given to items that meet multiple criteria as detailed in our Collections Development Policy.

Exceptionally, the trustees will approve the disposal of objects for curatorial reasons but not disposal motivated by financial reasons. The principle of retaining disposed items in public ownership is preferred. Any proceeds of sale are applied for the benefit of the collections. Any disposals are processed in accordance with our Collections Development Policy.

b) Heritage assets of particular importance

The most significant heritage asset shown on the balance sheet is the van Dyck portrait of Princess Mary, received as a donation from the Museums Libraries and Archives Council in 2008/09 and valued at acquisition at £1.5m.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

Of particular significance and not shown on the balance sheet is the only surviving in-situ ceiling painting by Peter Paul Rubens, at the Banqueting House, installed in 1636.

We display and provide day-to-day care for the Crown Jewels in the Tower of London. Like the palaces themselves, the Crown Jewels are owned by HM The King in right of Crown.

c) Management and Conservation

HRP maintains a register of heritage assets, which includes records of ownership, conservation status and location. The conservation and curatorial teams manage the collections, including loan items, in accordance with the policies approved by trustees. These teams report to the Palaces & Collections Director.

The long-term conservation requirements of the collections are identified and prioritised by HRP's conservators through a programme of condition audits and detailed in our Conservation and Collections Care Policy and State of the Interior Estate programme.

14. Investments

HRP held £2.3m (2023/24: £2.3m) in Fixed Asset Investments as at 31st March 2025. These investments fall into three main vehicles, the movement on each is shown in the tables below:

Bond Portfolio	Group 2025 £000	Charity 2025 £000	Group 2024 £000	Charity 2024 £000
Balance as at 1 April	1,141	1,141	2,106	2,106
Effective interest earned	15	15	-	-
Interest coupons received	(42)	(42)	-	-
Bonds purchased	-	-	-	-
Bonds redeemed		0	(985)	(985)
Gain / (Loss) on valuation	38	38	20	20
Balance as at 31 March	1,152	1,152	1,141	1,141

These consist of short dated, investment grade, sterling, fixed income securities. The bond portfolio is intended to be held to maturity.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

Ethical Investment Fund	Group 2025 £000	Charity 2025 £000	Group 2024 £000	Charity 2024 £000
Balance as at 1 April	442	442	402	402
Units disposed of	-	-	-	-
Gain / (Loss) on revaluation	(19)	(19)	40	40
Balance as at 31 March	423	423	442	442

This is a diversified multi-asset fund with ethical and responsible investment standards. It consists of global and UK equities, with a proportion allocated to infrastructure & operating assets, property and cash.

Multi-Asset Investment Fund	Group 2025 £000	Charity 2025 £000	Group 2024 £000	Charity 2024 £000
Balance as at 1 April	715	715	627	627
Units disposed of	-	-	-	-
Gain / (Loss) on revaluation	(26)	(26)	88	88
Balance as at 31 March	689	689	715	715

This is a balanced mixed asset fund with a focus on funds that contribute to society or the environment. It includes global and UK growth equity funds, with a proportion allocated to corporate bonds, gilts, and cash.

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15. Debtors

	Group 2025 £000	Charity 2025 £000	Group 2024 £000 Restated*	Charity 2024 £000 Restated*
Trade debtors	2,657	1,945	3,536	2,829
Amounts due from subsidiary	0	7,985	-	4,536
Other debtors	236	236	99	99
Prepayments and accrued income	8,977	7,596	6,066	5,616
Total	11,870	17,762	9,701	13,080

*Other debtors have been restated to remove amounts which relate to the subsequent financial year and where there was a corresponding deferred income balance.

All of the above debtors are due within one year.

In 2021/22, HRP Audit & Risk Assurance Committee Trustees approved a long-term update in the service charge calculation to better reflect changes in the structure of the organisation.

The changes implemented from 2021/22 are as follows:

- The payroll recharge is now broken into two parts: a direct re-charge for dedicated trading. An apportioned charge for the pool of 'mixed' trading/charity staff, where roles cover both retail and admissions in Palaces Group. The apportionment is based on the respective income generated by Admissions and Retail activity.
- The facility recharge now reflects a simple new mechanism to allocate a 'fair' portion of shared accommodation and support costs to HRPE. It is based on a percentage of turnover scale.

Turnover	Facility charge %
Less than £5m	10%
£5m to £10m	15%
£10m - £20m	18%
£20m +	21%

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16. Creditors: amounts falling due within one year

	Group 2025 £000	Charity 2025 £000	Group 2024 £000 Restated*	Charity 2024 £000 Restated*
Trade creditors	2,879	2,622	1,177	1,150
Amounts drawn down on the Culture Recovery Fund Loan Facility	4,536	4,536	2,268	2,268
Taxation and social security	1,174	1,024	949	859
Other creditors	1,008	1,010	917	886
Accruals	7,897	7,303	7,513	6,780
Deferred income	8,859	6,602	7,670	6,036
Total	26,353	23,097	20,494	17,979

*Deferred income has been restated to remove amounts where income had not been received in the year and there was a corresponding debtor balance.

Accruals include accrued annual leave of £1.5m (2023/24: £1.3m).

Deferred Income

	Group 2025 £000	Charity 2025 £000	Group 2024 £000	Charity 2024 £000
Balance at the beginning of the year	7,670	6,036	8,658	7,604
Amount released to income in year	(7,450)	(5,858)	(8,548)	(7,504)
Amount deferred in year	8,639	6,424	7,560	5,936
Balance at the end of the year	8,859	6,602	7,670	6,036

Deferred Income comprises advance visitor bookings, rent, membership income and function and event deposits.

17. Creditors: amounts falling due after more than one year

	Group 2025 £000	Charity 2025 £000	Group 2024 £000	Charity 2024 £000
Trade creditors	6	6	20	20
Amounts drawn down on the Culture Recovery Fund Loan Facility	36,582	36,582	40,259	40,259
Total	36,588	36,588	40,279	40,279

In 2020/21, HRP was awarded a £40m repayable loan from the Culture Recovery Fund for Heritage jointly managed by the Arts Council England (ACE) and the National Lottery Heritage Fund (NLHF). This was part of the £1.57 billion rescue package announced by the DCMS to safeguard cultural and heritage organisations

Notes to the Consolidated Accounts

for the year ended 31 March 2025

across the UK from the economic impact of COVID-19. The loan attracts a 2% interest rate which accrues from its March 2021 receipt. After a four-year repayment holiday, the loan must be repaid in 21 equal repayment instalments (from March 2025) over a ten-year period and by March 2035.

18.Provisions for liabilities and charges

	Group 2025 £000	Charity 2025 £000	Group 2024 £000	Charity 2024 £000
Balance as at 1 April	4,469	4,469	3,132	3,132
Amounts used in year (HRPPS pension)	(420)	(420)	(455)	(455)
Amounts reversed in year (Onerous Lease)	(705)	(705)	(377)	(377)
New provisions in year due within 1 year	-	-	477	477
New provisions in year due after 1 year	-	-	1,692	1,692
Balance as at 31 March	3,344	3,344	4,469	4,469

The provision includes £3.34m for an onerous lease provision (2023/24: £4.05m) and £nil for pension scheme closure compensation payments (2023/24: £420k).

The calculation of the onerous lease provision takes into account the unavoidable costs of meeting the obligations under the contract of £17.4m (2023/24: £21.6m), and the expected economic benefits of £14.0m (2023/24: £17.6m), discounted to present value.

A number of key assumptions included in the calculation have been based on information available from external surveyors, historical trends, and projections available at this present time.

The key assumptions included in the calculation of the expected economic benefit relate to usable space, and the “opportunity cost” of alternative storage space. It is assumed that 15,109 sq. ft of the space is usable for storage. A 5% variance in the assumption has an impact on the provision of £626k.

The rents for alternative local storage spaces vary between £17.50 - £30 per sq. ft. An opportunity cost of £20.00 per sq. ft. has been assumed in the calculation. If the low end of this range is used, the provision increases by £1.6m.

Per the lease, rent increases in line with RPI. Service charge and insurance are assumed to do the same. An RPI value of 3.6% has been used in the provision calculation, which is the compound annual growth rate of RPI since 1987 (2023/24: 3.6%). An increase in RPI of 0.5% would increase the provision by £328k. A decrease of 0.5% would decrease the provision by £271k.

The discount rate used is 5.33%, which is the rate for 30-year government bonds as at 31st March 2025 (2023/24: 4.47%). This is deemed the most appropriate rate as it is

Notes to the Consolidated Accounts

for the year ended 31 March 2025

the opportunity cost from investment income foregone. An increase of 0.5% would decrease the provision by £322k. A decrease of 0.5% would increase the provision by £399k.

19. Financial commitments under operating leases

The Group and Charity had the following future minimum lease payments under non-cancellable operating leases (with landlord-only break clause) for each of the following periods:

	Group 2025 £000	Charity 2025 £000	Group 2024 £000	Charity 2024 £000
< 1 year	1,124	912	1,104	893
Between 2 -5 years	4,070	3,222	4,243	3,396
> 5 years	33,760	33,760	40,134	39,922
Total payable	38,954	37,894	45,481	44,211

An onerous lease provision has been made in respect of a lease for the period to 2028 (refer to Note 18).

20. Operating lease receipts

The Group and Charity had the following future minimum rental income under non-cancellable operating leases for each of the following periods:

	Group 2025 £000	Charity 2025 £000	Group 2024 £000	Charity 2024 £000
< 1 year	353	273	301	252
Between 2 -5 years	755	563	714	714
> 5 years	-	-	-	-
Total receivable	1,108	836	1,015	966

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21. Capital commitments

	Group 2025 £000	Charity 2025 £000	Group 2024 £000	Charity 2024 £000
Contracted capital commitments as at 31 March 2025, for which no provision has been made in the accounts:	886	886	41	41

Commitments include no amount (2024: nil) relating to projects funded by donations from third parties.

22. Contingent liabilities

Either HRP or the Secretary of State may give one year's notice of termination of the contract to manage the palaces. Upon termination, a calculated net asset value would revert to the Secretary of State, being the lower of the value of the net assets transfer of £7.795m on 1 April 1998 (indexed for inflation and as revised for material changes in accounting policy) or the value of the equivalent assets held at the date of termination of the contract.

23. The summary financial performance of the charity alone

	Unrestricted funds £000	Restricted funds £000	Total 2025 £000	Total 2024 £000
INCOME				
Donations and legacies:				
Grants	55	2,990	3,045	1,302
Donations	680	-	680	1,015
Gifts in Kind	3	118	121	358
	738	3,108	3,846	2,675
Income from other trading activities:				
Functions and events	647	-	647	389
Licences, rent & recharges	3,683	-	3,683	3,330
	4,330	-	4,330	3,719
Income from investments:	6,142	-	6,142	4,831
Income from charitable activities:				
Admissions	84,734	-	84,734	84,949
Memberships	6,385	-	6,385	5,565
Concessions	3,284	-	3,284	3,013

Notes to the Consolidated Accounts

for the year ended 31 March 2025

	94,403	-	94,403	93,527
Other Income:				
Gift aid distributed from HRPE	8,443	-	8,443	8,326
Service charge from HRPE	12,624	-	12,624	12,067
Total Income	126,680	3,108	129,788	125,145
EXPENDITURE				
Costs of raising funds:				
Fundraising	1,240	-	1,240	1,157
Retail activities	4,003	-	4,003	3,439
Investment management costs	2	-	2	5
Other commercial activities	2,104	-	2,104	2,213
	7,349	-	7,349	6,814
Expenditure on charitable activities:				
Palaces	35,527	1,401	36,928	26,046
Experiences:				
Public access	28,764	165	28,929	24,614
Interpretation and learning	16,438	961	17,399	16,946
Money – Organisational Growth	6,415	5	6,420	5,645
Culture	2,826	15	2,841	1,938
	89,970	2,547	92,517	75,189
Defined Pension scheme net interest cost	(322)	-	(322)	(353)
Total Expenditure	96,997	2,547	99,544	81,650
Net (losses)/gains on investments	(7)	-	(7)	148
Net Income / (Expenditure)	29,676	561	30,237	43,643
Actuarial (loss)/gain on pension plan	324	-	324	(1,071)
Net movement in funds	30,000	561	30,561	42,572
Fund balances brought forward at 1 April	97,283	7,101	104,384	61,812
Fund balances carried forward at 31 March	127,283	7,662	134,945	104,384

Notes to the Consolidated Accounts

for the year ended 31 March 2025

24. Related party transactions

This note lists material transactions with other entities in which either trustees or senior employees of HRP or their close family members hold positions of authority. It also details all transactions with trustees, except remuneration of trustees covered in Note 9 and donations made by them, nil in 2024/25, (2023/24: nil).

The Palaces and much of their contents are held by HM The King in right of Crown. These contents are the responsibility of The Royal Collection Trust.

HRP is contracted by the Secretary of State to manage the five London palaces on her behalf. This contract has been re-authorised until 31 March 2028.

The contribution to the Charity's funds by its wholly owned subsidiary, Historic Royal Palaces Enterprises Limited is disclosed in Note 2.

The figures in brackets represent the amounts due at the balance sheet date.

Related party	Connected party (a)	2025 £000	2024 £000	Detail of transaction
Association des Residences Royales Europeennes (ARRE)	John Barnes (Chief Executive of HRP) is a member of ARRE on behalf of HRP	- (nil)	9 (nil)	Charges made to HRP by the Association for HRP's annual membership
The Attingham Trust	Tim Knox (trustee of HRP) is a Member of Council at The Attingham Trust	- (nil)	9 (nil)	Charges made to HRP for services in relation to a summer school
The Choral Foundation, Chapel Royal, Hampton Court Palace	Jane Crowther (Director of HRP) is a trustee of The Choral Foundation	7 (nil)	4 (nil)	Charges for choral services and recitals made by the Choral Foundation to HRP

Notes to the Consolidated Accounts

for the year ended 31 March 2025

The Foundation of the Chapels Royal of HM Tower of London	General Sir Gordon Messenger (trustee of HRP) is Chair & Andrew Jackson (Director of HRP) is a trustee of the Foundation	13 (nil)	7 (nil)	Charges made by the Foundation to HRP for choral services at HM Tower of London
Historic Royal Palaces Inc. (HRP Inc.) (b)	John Barnes (Chief Executive of HRP) is President of HRP Inc., Antonia Newman (Director of HRP) and Anupam Ganguli (Finance Director of HRP) are respectively director and treasurer of HRP Inc.	25 (nil)	- (nil)	Grants received by HRP from HRP Inc. for Kensington Palace Dress Codes exhibition
		63 (nil)	8 (nil)	Grants received by HRP from HRP Inc. for Tower of London projects
		8 (nil)	167 (79)	Grants received to support Hillsborough Castle Schools and Communities and Wild about Wellbeing projects
		25 (nil)	81 (43)	Grants received by HRP from HRP Inc. for general purposes
The Privy Purse Charitable Trust	James Chalmers (trustee of HRP) is a trustee of the Trust	67 (27)	- (nil)	Charges made by HRP to PPCT for share of staff costs
Royal Armouries (RA)	Lord Houghton (was a trustee of HRP from August 2016 until July 2022) is a trustee of RA General Sir Gordon Messenger (trustee of HRP from Aug 2022) is a trustee of RA	425 (449)	327 (424)	Charges made by RA to HRP & HRPE for goods and services provided at HM Tower of London
		6 (nil)	9 (nil)	Recovery of costs from RA for goods, services and maintenance provided by HRP at HM Tower of London

Notes to the Consolidated Accounts

for the year ended 31 March 2025

Royal Household (RH)	James Chalmers (trustee of HRP) is Keeper of the Privy Purse and Receiver General of the Duchy of Lancaster	49 (14)	82 (20)	Charges made by RH to HRP for rent and services provided at Kensington Palace & vetting clearance costs
		3 (nil)	3 (nil)	Charges made by HRP and HRPE to RH for share of staff costs and grazing licence
Royal Collection Trust (RCT), and Royal Collection Enterprises Limited (RCEL), which is a wholly owned subsidiary of RCT	James Chalmers (trustee of HRP) is Keeper of the Privy Purse	- (nil)	1 (nil)	Charges made by RCEL to HRP and HRPE for the right to produce images of Royal Collection items and for the purchase of goods for resale.
	Tim Knox (trustee of HRP) is a Director of RCEL and Director of the Royal Collection at RCT	57 (nil)	54 (nil)	Recovery by RCT from HRP of a proportion of the costs of maintaining and recording Royal Collection and other items displayed in the palaces, and from HRPE for the purchase of goods for resale
Todd Longstaffe-Gowan Ltd	Tim Knox (trustee of HRP) is a director at Todd Longstaffe-Gowan Ltd	21 (nil)	20 (nil)	Charges made by Todd Longstaffe-Gowan Ltd to HRP for garden design

- (a) Copies of the trustees' register of interests and their biographical details are available from the Head of Governance, Apartment 39, Hampton Court Palace, Surrey KT8 9AU.
- (b) Historic Royal Palaces, Inc. is an entity independent of Historic Royal Palaces. Whilst its object is to support the work of Historic Royal Palaces, how this is expressed is the responsibility of the Board alone. This independence is required to maintain US charity status. Current arrangements, in which Historic Royal Palaces' staff have a seat ex-officio on the Board (Antonia Newman) and fill the officer posts of the US charity (John Barnes as President, Anupam Ganguli, Finance Director as Treasurer, Lydia Lawrence, Patrons and Philanthropy Officer as Secretary), provide sufficient communication and co-operation with the Board whilst retaining the US charity's independence.

25. Financial instruments

Disclosure is required of the role financial instruments have played during the year in creating or changing the risks HRP faces in undertaking its activities.

Notes to the Consolidated Accounts

for the year ended 31 March 2025

Liquidity and Credit Risk

Long-term liquidity was secured by the receipt of a £40m long-term repayable finance loan from the CRF fund in March 2021. Surplus funds are held on short-term fixed interest rate deposits with institutions with low credit risk ratings. Risks relating to interest rates are managed by budgeting conservatively for investment income. HRP has no finance leases.

Since most income was generated from donations, grants, and visitors to the Palaces, most of HRP's income was received as cash.

HRP is exposed to a credit risk of £2.7m trade debtors (2023/24: £3.5m). The risk is not considered significant since major customers are known to HRP or are required to pay for services in advance. We have made provisions against bad debts where applicable.

HRP has no overdraft facility.

Market risk

HRP is subject to market risk in that the defined benefit pension fund holds investments.

HRP is subject to credit and market risk in its investment portfolio (Note 14). These risks are mitigated by investing only in investment grade bonds and by using a professional investment manager.

HRP is not subject to any significant foreign currency risk.

26. Post balance sheet events

There have been no significant events after 31 March 2025 that require adjustment to, or disclosure in the financial statements.

The financial statements were approved by the Accounting Officer and Trustees and authorised for issue on the date the Comptroller and Auditor General signed the independent auditor's report.

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Accounts

Historic Royal Palaces

**Trustees' Report and Financial Statements
For the year ended 31 March 2024**

Financial Statements
For the year ended 31 March 2024

**Financial Statements presented to Parliament by the Secretary of State for Culture, Media
and Sport by Command of His Majesty**

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This publication is available on our website at www.hrp.org.uk.

Any enquiries regarding this publication should be sent to us at helen.baxter@hrp.org.uk
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HISTORIC ROYAL PALACES

Trustees' Report

and

Financial Statements

for the Year Ended
31 March 2024

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Trustees' Report

Trustees

Sir Nicholas Coleridge CBE DL (Chair) (from 1 Nov 23)
Carole Souter CBE (until 31 Dec 23)
Lisa Burger CBE
Camilla Finlay
Sarah Jenkins
Tim Knox FSA
General Sir Gordon Messenger KCB DSO OBE DL
Sir Michael Stevens KCVO (Deputy Chair)
Dr Jo Twist OBE
Sue Wilkinson OBE
Professor Michael Wood OBE
William Fall

Executive Team

John Barnes OBE (Chief Executive and Accounting Officer)
Nicola Andrews (Palaces Group Director)
Jane Crowther (Director of Corporate Services)
Anupam Ganguli (Finance Director)
Andrew Jackson CBE (Tower of London Director)
Antonia Newman (Director of Development)
Tom O'Leary (Public Engagement Director)
Adrian Phillips (Palaces and Collections Director)
Dan Wolfe (Commercial Director)

Registered Office

Hampton Court Palace,
Surrey KT8 9AU

Auditors of the Group

The Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP

Bankers

Barclays Bank plc
1 Churchill Place, London, E14 5HP

Solicitors

Farrer & Co
66 Lincoln's Inn Fields, London WC2A 3LH

Historic Royal Palaces

Charity registered with the Charity Commission for England and Wales
Registration number: 1068852

Historic Royal Palaces Enterprises Ltd

Company limited by share capital, Companies House: 03418583

Objectives and Activities

The Purpose and Activities of the Organisation

Historic Royal Palaces (HRP) was established in 1998 as a Royal Charter Body with charitable status. It is responsible for the care, conservation and presentation to the public of the unoccupied Royal Palaces: HM Tower of London (TOL), Hampton Court Palace (HCP), Kensington Palace State Apartments (KP), the Banqueting House (BH) at Whitehall and Kew Palace with the Royal Kitchens, Queen Charlotte's Cottage and the Great Pagoda. These palaces are owned by HM The King in right of Crown. HRP is contracted by the Secretary of State for Culture, Media and Sport to manage the five London palaces on his behalf. The contract is authorised until 31 March 2028.

HRP is also contracted by the Secretary of State for Northern Ireland to manage Hillsborough Castle and Gardens (HCG) in Northern Ireland. The Castle is owned by the Government and is the official residence in Northern Ireland of HM The King.

HRP is a Public Corporation but receives no public funding - all costs are met by self-generated income. HRP is governed by a Board of Trustees, all of whom are non-executive. The Chief Executive is accountable to the Board of Trustees.

Further information can be obtained from www.hrp.org.uk.

The objectives of HRP, as set out in its Royal Charter are, for the benefit of the nation:

- to manage, conserve, renovate, repair, maintain and improve the Palaces to a high standard consistent with their status as buildings of Royal association and historic and/or architectural importance.
- to help everyone to learn about the Palaces, the skills required for their conservation and the wider story of how monarchs and people together have shaped society by providing public access, by exhibitions, by events and education programmes, by the preparation of records, by research and by publications and by such other means as are appropriate.

Historic Royal Palaces Enterprises Limited is a company wholly owned by Historic Royal Palaces. It forms the charity's general trading arm, responsible for running the commercial activities such as retail, functions, sponsorship and other events at HRP. It Gift Aids its taxable profits to the Charity.

Our Cause

We stir every spirit to inspire and provoke change.

Our work is guided by five principles:

- Open** - We believe everyone's in. We create space for people to take part in places and ways they couldn't or didn't think to before.
- Colourful** - We lift everything beyond the ordinary into the wonderful, sharing our love of the Palaces, our expertise and personality with everyone.

Trustees' Report

- c) **Provocative** - We embrace perspectives as diverse as the world itself, challenge preconceptions, set minds racing, and invite others to share their own opinions and stories.
- d) **Personal** - We warmly welcome everyone as individuals, whatever they come for and however they meet us. We want every encounter to go above and beyond.
- e) **Always Evolving** - We innovate and experiment, responding to the ever-changing world with fresh thinking and the courage to try new things.

Four major strategic aims to face the challenges of the future

In setting HRP's aims and planning our activities, the Trustees have had regard to the Charity Commission's guidance on public benefit.

i) Palaces – Give the palaces a future as bright as their past

We are guardians of six of the nation's most important historic sites. One is a World Heritage Site (the Tower of London) and another is situated within a World Heritage Site (Royal Botanic Gardens, Kew); four are Scheduled Ancient Monuments; within these sites are many individual grade 1 listed buildings.

Conserving our palaces is a Royal Charter objective and a continuous strategic priority. Through consistent year-on-year investment, we improve the condition, presentation, curation and records of the palaces. Our planned building conservation programme is supplemented by improvements that we make through our major development projects.

To advance this aim, in 2023/24, we committed to:

1. Deliver a broad range of conservation and maintenance projects across our estate, ensuring that access is a key priority.
2. Deliver a number of projects including the Jewel House at the Tower of London, the Queen Anne's Orangery at Kensington Palace, and The Clore Learning Centre at Kensington Palace.
3. Focus our research outputs on overlooked history.
4. Increase online access to our collections through our new digital collections management system (CMS) and through online content and social media.
5. Invest in a new sustainability programme - scoping out on-site renewable options, reducing carbon emissions, and reviewing the impact of climate change on our palaces, collections, gardens and estates.

ii) Experiences – Create unique and memorable experiences, onsite, offsite and online

Helping everyone to learn about the Palaces, providing access, enjoyment and engagement with the Palaces (physically and virtually) is also a Royal Charter objective and a strategic priority. Most of our overall investment goes into this area through operations, programming, investment in the visitor offer and, increasingly, in reaching beyond the Palaces with their stories.

To advance this aim, in 2023/24, we committed to:

1. Plan wide-ranging activities to mark the Coronation so that we could

Trustees' Report

- play our part in national events and bring more people to the palaces.
2. Ensure our core visitor business continues to deliver exceptional experiences to all who engage with us.
3. Continue to improve the customer experience onsite and online.
4. Invest in our inclusive public engagement activity, interpretation/stories/ education and the research that supports it so that they are accessible to all cultures.
5. Increase digital story telling content including social media.
6. Supercharge our schools programme to increase visits, expanding the Schools Access Fund/Schools Go Free, extending the schools outreach programme, and creating a new national programme for the Coronation.
7. Establish HRP as a key digital go-to destination for teachers and pupils studying history in the UK and beyond. Creating digital content relating to the change in monarch.
8. Increase our communities programme across the UK.
9. Invest in new digital technology to create new experiences and tours and enhance the overall visitor experience.
10. Invest in data analytics to improve our understanding of audiences.

iii) Culture – Nurture a culture that unites us behind our Cause

Creating an environment where all staff are performing to a high standard, are engaged and consistently demonstrate that our Performance Framework qualities are central to this aim. Payroll costs are still the largest single expenditure element of our budget and our staff are the means by which we will succeed.

To advance this aim, in 23/24, we committed to:

1. Launch a new programme to bring on board and align staff with the new strategic direction for HRP.
2. Continue work to ensure our workforce is more representative of the UK and create an environment for staff where everyone feels included, valued and respected.
3. Address any gaps in our 'Investors in People' assessment to ensure we maintain our 'gold status' and remain a great place to work.
4. Invest in our core technology and systems so they are fit for purpose. and support our digital ambitions.

iv) Money - Generate the money to rebuild our charity

Financial sustainability for HRP depends on the success of key income streams to fund our Charter and Cause objectives. This is supported by a reserves policy that aims to keep free reserves at a level sufficient to achieve an appropriate level of resilience, and to designate any annual surpluses for projects. Our main income streams are from visitors, retail, catering, functions and events, and fundraising. Our reserves were significantly depleted during the pandemic, and the charity had to take on Government-backed debt to ensure its viability. The first steps in our recovery have been to build back reserves, and then to create enough financial headroom to help fund our strategic aims and objectives for the years ahead.

To advance this aim, in 23 / 24, we committed to:

1. Continue to manage costs and pursue opportunities to grow income.
2. Ensure we have the funds to begin paying the CRF loan back from 2025 and build back reserves.

Trustees' Report

3. Grow development income by ensuring everyone recognises the role of fundraising as central to delivering our Cause. This will enable improved donor recruitment and retention in support of a clear pipeline of projects.
4. Implement a new approach to pricing to give affordable access to targeted groups e.g., universal credit, open house, schools, communities.
5. Revise our business case approval process to help us make the right decisions/choices and ensure we can measure success through simple KPIs that will be linked to this strategic framework.

Achievements and Performance

Performance Overview

Our three-year Operating Plan was adapted to reflect the impact of COVID-19 however the performance targets to measure our success in achieving our objectives remain. We monitor visit numbers, visitor satisfaction and operating surplus.

Measure	Target 2023/24 (*)	Performance
Visit Numbers	Achieve at least 3.67m visits across all sites	4.26m
Visitor Satisfaction	Achieve the following scores, as measured through the ALVA benchmarking (new scale: 1 to 10): Enjoyment – 8.3 Value for Money – 8.0 Staff Friendliness & Welcome – 8.8	8.6 8.2 9.2
Operating Surplus (**)	Deliver Operating Surplus of £35.3m	£60.6m operating surplus

(*) The targets were set in March 2023 as part of the internal annual budgeting process. At that time the operating context remained potentially volatile and therefore our projections were relatively conservative.

(**) this is an internal measure aligned with HRP's management accounts set as part of the annual budgeting process.

Performance Analysis

We agreed three key objectives which were shared with all staff. These are:

- 1) Deliver our Cause – stir every spirit to inspire and provoke change
- 2) Achieve our financial goals in 2023/24
- 3) Change our ways of working and behaviours to:
 - To ensure that our resources deliver even greater value for money.
 - Be creative and innovative with the resources and finances we have
 - Be agile and flexible when constantly changing circumstances require it
 - Embrace fresh perspectives and create a culture where everyone feels welcomed and accepted

We continue to monitor performance through monthly management accounts, regular reporting against targets and KPIs, and review of staff performance.

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Performance Summary

1. Palaces - Give the palaces a future as bright as their past

Caring for the palaces and their gardens is a core part of our charitable responsibility and we are recognised for our conservation excellence in the heritage sector. This year saw our specialist conservation teams and surveyors undertake a broad range of projects across the palaces, from masonry repairs, to preparing Coronation robes for display. Our expert curators and historians continued to expand the history of the palaces and their occupants, with new research exploring a wide range of topics, from King Henry VIII's progresses, to the lives of royal servants.

Following the completion of our State of the Estate condition survey in 2022, we confirmed our Planned Maintenance programme of works, including building conservation projects, for the next decade. Increasing access across the sites will be a key priority, supported by conservation work to ensure the fabric of the buildings is protected. Projects completed in 2023-24 include the Cradle Tower stone repairs and Salt-Lantern Tower Wall Walk maintenance at the Tower of London, and masonry repairs to the Tudor Kitchens parapets and Moat Bridge at Hampton Court Palace. The first phase of the Tijou Screen restoration secured Historic Royal Palaces and our contractors the 2023 National Award for Heritage Metalwork Conservation.

After an extensive conservation project, Queen Anne's Orangery at Kensington Palace re-opened at the end of March and is now a venue for entertainments once more, following the re-opening of the interior restaurant and afternoon tea venue. Behind the Orangery, we opened a new purpose-built facility for schools and Communities: The Clore Learning Centre.

The work of our world-class conservation team continues to extend beyond our palace walls. In addition to preparing items for display in the Untold Lives exhibition at Kensington Palace and the new display of the Jewel House at the Tower of London (including a suit worn by the Earl of Caledon at George IV's coronation in 1821), the team prepared objects from our HRP collection for loan to other organisations around the UK including the V&A Dundee and The King's Gallery, Buckingham Palace.

Throughout this year we continued to grow the impact of our heritage science laboratory, delivering analytical services and innovative research to our conservation teams. We were awarded nearly £200k of funding from the Department for Science, Innovation and Technology to upgrade our hyperspectral imaging system, with which we have developed a groundbreaking methodology for the non-invasive analysis of dyestuffs in historic textiles, among other promising new applications.

In November 2023 we began an ambitious project to extend the digital reach of the Royal Ceremonial Dress Collection (RCDC), which includes more than 10,000 items of historic dress from the 16th century to the present day. Over 12-18 months, we will digitise outfits and individual objects from the RCDC. We are creating digital assets in the form of styled object photography, short films and gigapixels for use across our website, YouTube channel, social media and the Google Arts & Culture website. When they are exploring images online, audiences will be able to zoom in to examine every stitch and sequin of a dress and read stories about the garments and how we care for them. Our ambition is to make the RCDC available online to a global audience.

Our sustainability programme gained momentum in 2023-24 with the appointment of

Trustees' Report

a new team dedicated to helping us achieve our ambition to be Nature Positive and Carbon Net Zero across our estates and value chain by 2050. We completed one of the first actions in the plan in the past year, conducting high-level decarbonisation feasibility studies at Tower of London and Hampton Court. Using the findings of these studies, we built a programme of works for the next 10 years to remove gas from these sites and scope options for on-site renewables. We also completed trials of smart technology to improve management of gas consumption with planned rollouts for 2024-25.

At Hampton Court Palace, we are stewards of a 750-acre outdoor estate, including parklands and formal gardens. Responding to the changing climate is an increasingly important priority: we have a responsibility to preserve the magnificent gardens and parks for future generations. We commissioned a study exploring how best to do this whilst preserving the historic landscape and are now designing a corresponding programme of works. In the meantime, this year we began to make changes to the planting schemes to reduce the amount of annual bedding plants. We upgraded some of our garden vehicles and tools to electric options to bring down our fuel emissions.

Following the success of Superbloom in 2022, on 26 May we opened Moat in Bloom – our second year of filling the Tower of London Moat with flowers. Visitors were able to walk through the colourful display and spot blooming poppies, cornflowers and sunflowers, as well as bees and butterflies who made the moat their home, as we had hoped. This was the first stage of our plans to permanently transform the moat into a biodiverse natural landscape, creating more habitats for wildlife at the Tower.

2. Experiences - create unique and memorable experiences, onsite, offsite and online

In May 2023, we celebrated the Coronation of Their Majesties King Charles III and Queen Camilla. For the first time in seventy years, many of the Crown Jewels left the Tower of London for Westminster Abbey. Several members of the Tower of London team were involved in the ceremony itself. We hosted events at our palaces to celebrate the occasion, including gun salutes, screens in our gardens showing live broadcasts of the service, and parties for staff, volunteers and visitors.

Our new Crown Jewels exhibition opened to the public in May, shortly after the jewels returned to the Tower of London. The display was informed by detailed research and consultation with stakeholders, including community groups and academics. It explores the history of the jewels in more detail than ever before and showcases some previously overlooked pieces, including the Sword of State (now more popularly known as 'Penny Mordaunt's sword') and the hammer used to divide the Cullinan diamond.

In January 2023 we invited schools across the UK to take part in a national competition to celebrate the Coronation. Children and young people from over 500 schools designed their own illustrated Coronation benches, exploring their hopes for the future reign, including themes of unity, peace and care for the environment. The children behind the winning designs were invited to the Tower of London and Hillsborough Castle to see them on display. A group who took part met Their Majesties The King and Queen at Hillsborough Castle, both of whom were so impressed with the benches that they took the chance to sit down for a photo opportunity. The benches were gifted to the schools in September as a lasting legacy of the Coronation and their work with Historic Royal Palaces.

To extend the reach of our Coronation celebrations, we provided new opportunities for

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audiences across the country to see the Crown Jewels close-up. For nine nights in November the Tower of London provided the iconic backdrop to the Crown and Coronation light and sound show. We welcomed 11,287 visitors to the Tower after dark before the show then went on tour to four cathedrals around the country in Exeter, Ely, Carlisle and Winchester. The tour was a reminder of the wider remit of Historic Royal Palaces and our aim to take our content and experiences offsite to where people who might not be able to visit us in person.

2023 also saw Historic Royal Palaces mark a major event in the history of Northern Ireland at Hillsborough Castle. In mid-April, we staged a series of events to mark the 25th anniversary of the Good Friday Agreement. In partnership with Queen's University Belfast, we hosted a dinner at the castle to celebrate the life of Mo Mowlam, the former Secretary of State for Northern Ireland, who conducted some of the negotiations there. The dinner was attended by some of the key architects of the agreement, including President Bill Clinton, Hillary Clinton, Tony Blair and Bertie Ahern. We also held a series of public events, including talks by Northern Irish artists, and a panel discussion with participants in the talks, giving schoolchildren the opportunity to ask questions about the legacy of the agreement.

Throughout 2023-24 we developed and opened a range of onsite exhibitions and displays across our Palaces. Our blockbuster exhibition at Kensington Palace, *Crown to Couture*, opened on 5 April and received 372,609 visitors before closing in October. This was 70k visitors over target, resulting in an additional £2m of income. The ambitious exhibition, drawing parallels between 18th century fashion and contemporary couture, included over 200 objects from 150 different lenders.

Following its success at Kensington Palace in 2022, we opened *Life Through a Royal Lens* at Hillsborough Castle in May 2023 in a newly created exhibition space, the Stable Yard Gallery. In addition to the iconic images of the Royal Family, the display included contributions from people across Northern Ireland. To house the display, we created a permanent flexible 80sqm gallery, which will be used for future exhibitions.

In September a small exhibition opened at Hampton Court Palace. *The Indian Army* at the Palace explored the forgotten story of the Indian Army Soldiers who camped at Hampton Court Palace in the early 20th Century. The exhibition was the result of extensive collaboration with Community Curators, who contributed stories, photographs and objects. The display received positive feedback for recognising the significant contribution made by the Indian soldiers and was extended into 2024 following an excellent reception from visitors.

In March 2024 we launched *Untold Lives*, a new exhibition at Kensington Palace uncovering the forgotten stories of those who worked at the royal palaces over 300 years ago. It shines a light on the overlooked people from all walks of life who worked tirelessly to maintain, protect and promote the monarch and the royal palaces. The display was described by the Daily Telegraph as 'a brilliant display of social history.' It features a diverse range of objects, from an ice saw to a bucket used to put out fires at Kensington Palace in the 18th century.

Throughout the summer we hosted many special events and activities at the palaces, creating unique and memorable experiences for visitors. A Joust ran at Hampton Court for five consecutive days in August in the presence of a young King Henry VIII. Performances were staged throughout the Summer, showcasing the stories of diverse figures from the palace's past, including Jane 'the foole' (who researchers believe is likely to have had a learning disability) and the Tudor diver Jacques Francis (the first

Trustees' Report

black man to give evidence in an English Court). Meanwhile, at the Tower of London, we staged Trailblazers: women at the Tower, thrilling visitors with the stories of pioneering, change-making women connected to the fortress.

Our seasonal programmes continued to prove popular. Halloween events ran throughout October half term at the Tower of London and Hampton Court Palace, attracting and delighting family audiences. Spooky installations and 'ghosts' haunted the palaces, with the introduction of eerie outdoor stages, ambient noise and pumpkin displays at the Tower, and dynamic soundscapes and full room projections at Hampton Court. Over 50% of all our visitors gave the experiences at both sites a score of 10/10. At Christmas, the theme at the Tower was Coronations, with 9 installations each exploring a different tradition. Meanwhile, the magic of The Snowman arrived at Hillsborough Castle, with the installation of a new festive trail, inspired by the famous book and film.

Our aim as a charity is to make the palaces accessible to everyone and our work with schools and communities is central to achieving that ambition. We welcomed just over 203,000 school visitors to the palaces in the past year. For the first time, we trialled 'schools only' days on Tuesdays at Hampton Court Palace, opening the building exclusively for school groups. We also took our schools programme on the road with our outreach show Fire: A Princess' Guide to Burning Issues, exploring the story of Sophia Duleep Singh, the Indian Princess and Suffragette who once lived at Hampton Court Palace.

Our Community Access Scheme continues to thrive. In August, we hosted our annual summer Community Celebration at Kensington Palace. All the activities were designed and delivered by our Community Access Scheme partners with the aim of sharing their perspective on our stories and spaces. The programme they put together showcased the breadth of the innovative, sector leading scheme we run across the palaces. As part of that scheme, in 2023, we offered up space at Kensington Palace as a 'Warm Space' for the first time. Between November and March, the Community Partnerships team and charity partner Turning Point provided a Warm Space on Mondays and Tuesdays in the new Clore Learning Centre. The space provided the opportunity to better support our local communities through the winter. Our aim was to create a safe, non-judgemental, welcoming environment that connected people through a mix of programmed activities.

This year, we added to our provision for British Sign Language users, introducing a brand-new tour of Kew Palace in partnership with Royal Botanic Gardens Kew. The walking tour provides a fascinating overview of the palace and the historic gardens and is free. In the Summer we piloted membership of the Sunflower Scheme at Hampton Court. The scheme seeks to promote awareness of hidden disabilities through members of the public wearing sunflower lanyards and/or pin badges. As HRP became an accredited organisation, staff had access to Sunflower training, which explains what we can do to make life easier for our colleagues and visitors with invisible disabilities.

Throughout the year, we invested in digital technology to create virtual resources and digital storytelling content. In October we released our latest MOOC (Massive Open Online Course) A History of Tudor Entertainment and a new series with Co-Chief Curator Tracy Borman, The Six Tudor Queens, on our podcast. To date it has reached almost 150,000 listeners. November saw the release of our new film on YouTube, Guy Fawkes and the Gunpowder Plot – The REAL Story, along with resources for schools. At the end of March 2024, we launched new content for the Tower of London and Banqueting House to a global audience on the Google Arts & Culture website where,

Trustees' Report

using 360-degree photography, audiences can visit parts of the palace they may not normally be able to access, zooming in to examine beautiful art in detail.

Our new Digital Visitor Guide Film and TV tour launched in August. The tour is a new way of experiencing Hampton Court for film fans, exploring how productions from the Private Life of Henry VIII to Bridgerton have been filmed in the palace. Through interviews with film directors, curators, conservators and other HRP staff, visitors get behind the scenes of Sherlock Holmes, Mamma Mia, The Favourite and many other films, to discover how stunts are performed in historic spaces, how to transform Clock Court colonnade into Venice (with gondola) and how to safely throw the contents of a chamber pot on a historic stone floor!

In February 2023 we launched our Tik-Tok account, which saw impressive growth through the year. We now have 273,000 followers, and 10 of our films have been seen by over a million people each. Our biggest successes were those that included people-led content, featuring curators, Yeoman Warders, conservators and historic cooks. We have also co-produced content with a range of influencers, including Dan Snow's History Hit as part of our campaign for the Untold Lives exhibition at Kensington palace. Overall, our presence on social media has reached 104.9 million people in the past year.

Throughout 2023 we continued to strive to deliver exceptional experiences for all and were celebrated in doing so with the 2023 TripAdvisor Travellers' Choice award for Hillsborough Castle and the Best of the Best' Travellers' Choice award for the Tower of London. The former is an award given to attractions that consistently earn great reviews from travellers and are ranked within the top 10% of properties on TripAdvisor, and the latter is Trip Advisor's highest recognition, presented annually to those organisations that earn excellent reviews and are ranked in the top 1% of properties worldwide.

3. Culture - nurture a culture that unites us behind our Cause

In 2023 we collaborated across the executive and senior leadership teams, and with staff throughout HRP, to develop our new strategy. We articulated our shared ambition to become a charity for everyone, identified three strategic pillars that will deliver the change, and agreed how we want to work together and with partners to make it happen. We also launched new audience development plans, designed to help us become more representative of the communities we serve, planning our work to respond to their needs. In February 2024 the new strategic framework was endorsed by our Trustees. Work then started on a full staff engagement and development programme to implement the new strategy in the new financial year.

We have continued to identify and remove any barriers in our recruitment practices, in line with this ambition. We have reinstated our apprenticeship programme with dedicated resource and budget and are now developing plans on a larger programme that will aim to reach individuals we might not otherwise reach. In addition, we are extending these same principles to our volunteer and work experience programmes, to attract a representative workforce to our charity.

We have also continued to review and develop our internal policies, including a new recruitment policy that reinforces the importance of fair and transparent selection processes i.e., raising awareness of potential unconscious bias in decision-making. We have also developed new policies and practical guidance around wellbeing, menopause, and resolving workplace disputes through informal resolution practices (where

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appropriate). We want all of our workforce to feel valued, empowered, and respected and so we have invested a significant amount in our learning and development offer this year.

Our Gender Pay Gap report for 2022-23 showed that our median hourly gender pay was 4.05%. Around 60% of our organisation identify as female and we have recruited a higher proportion of females since the last gender pay report.

Our MA in Heritage Management with Queen Mary, University of London, continued to thrive in 2023, with 23 students enrolled from the UK and overseas. Students have received masterclasses from HRP's leading heritage professionals and undertaken integral work placements across all directorates. To date, we have 123 alumni on the course with astounding success in terms of securing jobs with leading global heritage organisations. Several have returned to work with HRP. We also continued our textile conservation 12-month paid internship, supported by the Clothworkers Company and Buccleuch Living Heritage Trust.

HRP's Staff Inclusivity Network continued to go from strength to strength. The network includes staff from across directorates, who meet regularly to discuss a range of topics. This year the network introduced subgroups to champion 'moments' throughout 2024, where staff can come together to raise awareness, increase understanding and promote an inclusive culture throughout the organisation.

'Investors in People' is an internationally recognised scheme where accreditation is based on a formal assessment of nine indicators that measure an organisation's ability to lead, support and manage people. HRP achieved its 'gold' status in 2016 and we were able to maintain this standard in November 2023.

In 2023, we rebuilt our website and migrated all of our documents from file share servers to Microsoft Sharepoint. All departments and project teams now have online workspaces, facilitating a more collaborative way of working. We also continued to develop and improve our operations using the Microsoft Dynamics 365 platform. From integrating Microsoft Outlook with the Fundraising, Customer Service and Membership apps, to building a brand-new app to allow the Community Access Scheme team to manage our relationships with community leaders securely, we made innovations to improve how we serve and understand our audiences and function as an organisation.

4. Money - generate the money to rebuild our charity

None of the charitable work we deliver would be possible without the income generated by admissions, the generous support of our members, donors and patrons, and the work of our commercial teams. This year, we welcomed 4.3m visitors to the palaces, generating £134.4m income for the charity.

It was a record year for the HRP Festivals at Hampton Court Palace. In addition to the three festivals we host in the palace grounds (The Artisan Fayre, the Hampton Court Palace Food Festival and the Festive Fayre), on 11 June we co-produced the inaugural Literature Festival at Hampton Court. We partnered with The Queen's Reading Room (QRR), a charity established by Her Majesty Queen Camilla, to help people find and connect with books that enrich their lives. The one-day festival was a celebration of the written word and included talks and performances from authors and actors such as Dame Judi Dench, Philippa Gregory, Ken Follett, Robert Harris and Kate Mosse. The evening show was attended by Their Majesties The King and Queen following a

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reception in the Cartoon Gallery which saw guests delighted by readings from Joanna Lumley and Richard E Grant.

In November we hosted a major event for the Department of Business, Energy and Industrial Strategy, the Global Investment Summit. Overall planning took nearly a year and involved almost every team at Hampton Court Palace. Some of the world's biggest investors and British innovators joined the Prime Minister and several members of the cabinet to showcase the UK as a business leader. We were delighted to host this high-profile event and to share the rich cultural heritage of the UK with attendees from around the world.

2023-24 has been a record-breaking year for new member recruitment. We significantly exceeded our target of 60,581 by recruiting 106,661 new members (+76%), breaking last year's previous record of 71,629. We ended the year on a new record of 167,799 members, against a target of 150,171 (+12%). This represents a net growth of 30,022 members in the financial year, or +22% growth. Over the year, income from our membership subscriptions has generated £5.6m, compared to the previous year's £4.6m. In reviewing our communications to increase emphasis of HRP's charitable work, we've increased our Gift Aid take up and generated just over £800k in Gift Aid.

Charitable donations and corporate sponsorships helped fund a variety of charitable projects and exhibitions throughout 2023-24. We're grateful to our campaign board for their continued efforts to grow and diversify our charitable income. Donations totalled £1.0m. It was also a strong year for corporate partnerships including welcoming two brand new sponsors. These helped trading income from corporate partners reach £1.1m for the year.

We are grateful to all our supporters during the year. In particular we would like to highlight the contributions of Garrard who became lead partner for the re-presentation of the Jewel House at The Tower of London; and the DCMS/Wolfson Museums and Galleries Improvement Fund who are supporting the re-opening of the Wolsey Rooms at Hampton Court Palace. This year also saw the re-establishment of our King's Presence Chamber supporter group after the pandemic. We were delighted to welcome back supporters past and present to a fabulous evening of entertainment held at the Banqueting House and look forward to building on this success in the future.

The money we raised enabled us to subsidise access for people facing financial barriers to visiting the palaces. In 2023, we piloted a £1 ticket scheme at Hampton Court Palace for people on Universal Credit and other means-tested benefits. Eligible visitors can bring up to six people on their £1 ticket. People with a £1 ticket also received a 50% discount on their food and drink and children in the group could eat for free. Following this trial phase, the scheme was expanded in the Autumn to include the Tower of London and Kensington palace, in March to include Hillsborough Castle. At Hillsborough Castle, we trialled a new 'Kids Go Free' offer, and we also hosted a family-friendly day at Banqueting House in August, offering free access for children. We intend to expand this provision in future years.

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Financial Review

Funds and reserves

The Trustees recognise the need to establish a level of free reserves that enables financial stability, is adequate to meet the requirements of working capital and acts as a cushion against fluctuations in income levels. Reserves enable HRP to make long-term commitments to projects. In determining a realistic level of reserves, several key factors are considered including the level of risk associated with the main income and expenditure streams, the adequacy of the controls in place to mitigate those risks and other contingencies available to call on in emergencies. This is balanced by the general legal duty that Trustees are under to apply income funds on the objects of the charity within a reasonable period of receiving them. In the past, designated funds were created to protect long-term commitments to major projects.

Prior to the pandemic, we had built designated funds of £22.4m for this purpose but, due to the sudden and devastating impact of COVID-19, Trustees agreed at the end of 2019/20 to transfer all designated funds to free reserves to meet operating commitments during 2020/21 and subsequently 2021/22.

At the beginning of 2020/21 we had free reserves of £5.2m and by the end of 2021/22 negative free reserves of £1.2m. Free reserves and designated funds had increased to £17.4m by the end of 2022/23. The free reserves target in FY24/25 was £10m, which we have exceeded.

	Funds as at 31 March 2024	Funds as at 31 March 2023	Funds as at 31 March 2022	Funds as at 31 March 2021
	£000	£000	£000	£000
General (Free) reserves	14,000	5,000	(1,243)	5,163
Designated funds	45,081	12,361	-	-
Fixed assets	31,699	30,398	28,826	29,116
Pension plan	6,558	7,276	9,437	(829)
<u>Unrestricted funds</u>	97,338	55,035	37,020	33,450
<u>Restricted funds</u>	7,101	6,832	7,103	7,417
Total funds	104,439	61,867	44,123	40,867

Restricted funds (£7.1m)

These are funds subject to specific restrictions imposed by donors that are still within the wider objects of the charity.

Unrestricted funds (£97.3m)

These are funds that are expendable at the discretion of the Trustees in furtherance of the charity's objects. They are made up of:

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- **Free reserves (£14.0m)**

Part of the unrestricted funds that are not held as fixed assets or designated for other purposes. This is higher than the pre-pandemic levels of free reserves, in order to ensure a greater level of resilience.

- **Designated funds (£45.0m)**

We have designated funds from our general funds towards our major projects and strategic programmes. This consists of the following:

- A Carry-Forward Fund of £2.8m to complete projects and programmes from 2023/24 that that need to be carried over and completed in 2024/25 and a Payroll progression fund of £1.2m to cover the cost of realignment of staff to their respective progression points following its pause during the pandemic.
- The Redevelopments Designated Fund of £13.3m is in respect of large-scale capital projects such as: Tower 2030, (expenditure until 2028/29); Banqueting House (lifts and lighting 2024/25 – 2025/26, Rubens ceiling work over the next 10 years); and Hillsborough City Deal associated projects (beginning in 2024/25, ramping up in 2027/28 and 2028/29).
- The Infrastructure Fund of £13.4m, primarily covering the increased levels of planned maintenance expenditure, budgeted at c£8m per annum for the next ten years, with an ambition of an increase to £12m per annum.
- The “Other” Designated Fund of £14.3m includes our ambitious plans to increase expenditure on digital and technology to exceed £3.5m pa in 2025/26 rising sharply thereafter, and significant increases in spend on sustainability projects over the next 10 years, including decarbonization of palaces.

- **Fixed asset fund (£31.7m)**

A permanent designated fund is matched to fixed assets, as this cannot be quickly utilised to realise cash in the event this is required. The part of the general fund represented by fixed assets is therefore excluded from free reserves, as generally a charity could not dispose of all or the majority of these assets and continue its operations as a going concern.

- **Pension plan (£6.6m)**

The pension surplus or liability recorded in the Consolidated and Charity Balance Sheet is calculated annually for accounting purposes under FRS102. As at 31 March 2024, the pension surplus has been calculated as £6.6m (2023: £7.3m) and shown in the accounts in accordance with accounting standards. Details of the retirement benefit scheme are disclosed in Note 11.

The defined benefit pension scheme is also valued for funding purposes by an actuary in a more detailed assessment, every three years. The last triennial valuation was at 31 March 2021 and showed a deficit of £4.1m. The next triennial valuation at 31 March 2024 will be completed in 2024-25 and is therefore not incorporated into the accounts.

HRP, as employer, agreed with the trustees of the scheme that no deficit contributions will be required between May 2022 and June 2025. See Note 11 for further details on how the actuarial deficit may be eliminated and for more information on the different valuations of the scheme. The scheme was closed to future accrual on 31 March 2019. HRP will continue to meet the expenses of the scheme and levies to the Pension Protection Fund.

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The Statement of Financial Activities

Total visits of 4.3m in 2023/24 (3.5m visits in 2022/23) were 16% better than original targets and reflects the continuing recovery from the Covid-19 pandemic.

Total income was £ 134.4m (£102.5m in 2022/23), with visitor-facing activities generating £113.5m (£85.1m in 2022/23), supported by further strong performances in both Functions and Events and Development Income. Total grants were £1.3m (£1.4m in 2022/23).

The significantly better than expected income was achieved whilst keeping costs under control and has resulted in HRP achieving its largest operational surplus to date of £42.6m. This is in comparison to £20.2m in 2022/23.

The Balance Sheet

Excluding the decrease in the pension surplus of £0.7m, overall total funds increased during the year by £43.3m. Fixed assets increased slightly from £38.1m to £38.9m, with depreciation (£2.2m) and disposals (£0.2m) being more than offset by the capital expenditure on the Orangery and new learning centre at Kensington Palace.

Debtors have increased by £3.8m in line with increased activity as the organisation recovers from the pandemic. Creditors falling due within one year have increased by £1.8m. Overall, net current assets increased by £42.4m year on year.

The provision for an onerous lease has increased by £1.3m. Long-term creditors increased due to accrued interest on the £40m loan from the Culture Recovery Fund (CRF). Repayment of the capital and associated accrued interest is due to commence from March 2025.

The Group's cash flows fully returned to a pre-pandemic pattern. The overall cash inflow from operating activities for the 12-month period was £41.0m (£27.5m in 2022/23). The cash balances increased to £16.3m (£12.6m in 2022/23) with a further £96.0m being invested in short term deposits (£59.0m in 2022/23).

Finance & Investment policy

The Trustees continued to adhere to the investment policy over the period. The receipt of the £40m CRF loan in March 2021, in a global context that was still uncertain, resulted in a re-balancing of investments in both term and risk profile.

In 2023/24, the Finance & Investment Committee continued to release bonds as they matured and not invest in new bonds. The bond portfolio investment returned 4.59% against -1.33% in 2022/23. Since inception in January 2014, the portfolio has returned an annualised +1.27%.

The multi-asset portfolios performed in line with the market and their respective benchmarks, with a combined annualised return of 12.82% interest/dividend income return (-5.24% 2022/23).

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HRP's investment policy is currently as follows:

Investment objectives

- Capital preservation is the priority.
- In order to balance immediate cash requirements, medium-term future capital and commercial investment plans (3-year operating plans), HRP investments aim to achieve regular annual income returns and long-term income growth.

Risk mitigation

- Achieve flexibility through the broad categories of asset types, maturity dates and institutions.
- Except for deposits with the Bank of England, no more than 33% of total cash and investments balance to be with a single counterparty.
- Cash balances to be deposited with institutions with a credit rating of at least equal to the upper tier of the lower medium grade.

Amount invested and time horizon

- Up to £10m may be invested in a fixed income portfolio with an average maturity date of no more than 4 years.
- Investment in global multi asset portfolios is no more than 5% of the total projected cash & investments balance.
- Funds are primarily invested on the money market in the UK on 3 to 24 month fixed term deposits (with the majority in 12 months or less maturity). This allows a balanced spread of maturity over a 2-year horizon to ensure maximum return while retaining instant access.

Ethical Investment

- HRP's assets should be invested with regard to its charitable aims and reviewed on a regular basis. The Trustees have not elected to adopt an exclusionary policy but will exclude and reject individual investments if they are perceived to conflict with the charity's purpose and values.

Going Concern and Future Plans

The 2024/25 operating budget has been set to build on the positive performance of 2023/24. Income targets have been updated to reflect our latest visitor number projections. Expenditure budgets have taken into consideration the strategic aims and the current economic climate.

Whilst the future is always uncertain, and forecasts are made on best estimates, the strong visitor performances we have seen at the Palaces to date in 2024 gives us confidence that we will achieve our proposed targets for 2024/25. In addition, we are well placed to hold back expenditure in order to create further financial headroom should circumstances require.

Performance will continue to be scrutinised closely throughout the year and any significant deviation from our current income assumptions may be mitigated by imposing stricter controls on expenditure rather than drawdown on reserves, if deemed appropriate.

Trustees' Report

The Board of trustees is content to adopt the going concern basis for preparing these financial statements.

Further details are provided in Note 1 (o).

Report of the People Committee

Membership

During the year the following Trustees served on the People Committee: Sarah Jenkins (Chair), Tim Knox and Sue Wilkinson, with Carole Souter, Sir Nicholas Coleridge and Gordon Messenger having also attended.

Policy statement

The remit of the People Committee is governed by the legal framework of HRP as set out in the Royal Charter. In establishing the level of remuneration for each Director, the People Committee considers the guidelines laid down by the Combined Code and HM Treasury and has a remuneration policy similar to comparable and competing organisations. This policy aims to ensure that remuneration packages are in line with the general market practice and consistent with recruiting and retaining Directors of the highest calibre.

Members of the Board of Trustees receive no remuneration. However, they are entitled to claim expenses and to make charges if instructed by the Charity to apply their specialist skills or knowledge. Details are set out in Note 9 to the accounts.

Review of activity during the year

The Committee discussed the need to refresh HRP's approach to pay, reward and recognition of its people, and continued to review plans to identify and develop future leaders from within the organisation.

Details of the emoluments of the Chief Executive are set out in Note 10 to the accounts, together with information on the number of employees whose remuneration (excluding pension contributions) exceeds £60,000.

Trade Union relationships

We continue to work in partnership with the Trade Unions and their local representatives. To facilitate information flows and discussion between the organisation and Trade Union representatives, partnership meetings are regularly held.



Nicholas Coleridge
Chair of the Board of Trustees
15 November 2024

Hampton Court Palace
Surrey
KT8 9AU

Governance Statement

Structure and Governance Framework

HRP's governance reflects its constitution and contractual responsibilities. We are directly accountable to the Charity Commission through the Chair and Trustees but also accountable to Government through the Chief Executive (as Accounting Officer). The contract with Government includes a management statement and a financial memorandum with which we comply.

Memoranda of Understanding governing operations in areas of common interest are in place with key partner bodies, such as the Royal Household and the Royal Armouries.

The Charity's governance is aligned with the Charity Governance Code endorsed by the Charity Commission. HRP is also subject to the Freedom of Information Act and Environmental Information Regulations.

Details of the Trustees are given in the Administrative Details section on page 2. The Board consists of a Chair and up to eleven Trustees, chosen for their skills and experience. All are non- executive and unpaid.

The Chair is appointed by the Sovereign on the advice of the Secretary of State. Four Trustees are appointed by the Sovereign, of whom three are ex-officio appointments: the Director of the Royal Collection; the Keeper of the Privy Purse and the Lord Chamberlain (unless they choose not to take up the appointment, in which case the Sovereign may appoint someone to take their place, as currently). The remaining Trustees are appointed by the Secretary of State, two of whom are ex-officio; the Constable of the Tower of London and the Chair of the Campaign Board.

The appointments are initially for three years. With the exception of ex-officio appointments, Trustees may be appointed for a further two periods of up to three years, subject to review at the end of each period. Third period appointments are only made exceptionally.

Trustees are recruited through open advertisement and appointed following an interview process. New Trustees are supported through an induction process tailored to their needs and experience. This includes meetings with HRP staff and colleagues on the Board, visits to HRP sites and a substantial amount of information and guidance on their responsibilities as charity trustees, and about the organisation.

The Chief Executive is granted a general delegation to act on behalf of the Trustees, except for matters reserved for decision by the Trustees. Such matters include approval of strategic plans, annual budgets and major projects, remuneration of the Directors, acceptance of donations over a set amount and variations to governing documents.

The Trustees and Chief Executive (as Accounting Officer) are jointly responsible for maintaining a sound system of internal control that:

- supports the achievement of HRP's charitable objectives and strategy, whilst;
- safeguarding the public funds and assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned in *Managing Public Money*;

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- and ensuring compliance with the Management Statement and Financial Memorandum.

There are four sub-committees of the Board:

The Audit & Risk Assurance Committee (ARAC) formally reports annually to the Board on the adequacy of HRP's arrangements for governance, risk management and internal control. During the year the following Trustees served on the committee: Sir Michael Stevens (Chair) and Carole Souter. Ian Starkey is a co-opted member. William Fall was interim chair of the Campaign Board and attended in this capacity.

Oversight of financial and investment activities is provided by the Finance & Investment Committee, whose remit includes reviewing financial performance, the annual budget and forecasts, the balance of risk/return on investments, the impact of external factors, and HRP's use of the long-term borrowing facility. During the year, the committee comprised the following Trustees: Carole Souter (Chair), Rupert Gavin (Chair) Lisa Burger, Sir Michael Stevens, Robert Swannell. William Fall was interim chair of the Campaign Board and attended in this capacity.

Remuneration policy for the Chief Executive and Directors of HRP is agreed by the People Committee which also oversees and advises on issues concerning HRP's human resources, working with the Executive to ensure HRP is a great place to work and all HRP staff feel included, valued and respected. During the year the following Trustees served on the Committee: Sarah Jenkins (Chair), Tim Knox and Sue Wilkinson, with Nicholas Coleridge, Carole Souter and Gordon Messenger having also attended.

The Nominations & Governance Committee reviews and advises on Board performance, Trustee appointments and succession planning, and makes recommendations to the Board to ensure the appropriate balance of competencies, skills, experience and diversity on the Trustee Board. During the year the following Trustees served on the committee: Nicholas Coleridge (Chair), Carole Souter (former Chair), Sarah Jenkins, Michael Stevens, and Jo Twist.

The Board agrees the terms of reference for each committee, and reviews them regularly to ensure they remain fit for purpose.

The work of the Board is further supported by the Campaign Board, which brings specialist expertise on fundraising to HRP. William Fall chairs this Board.

Further Trustee input to HRP's work comes through informal advisory/working groups, set up as and when required, where Trustees work with members of the Executive Team to advise on particular areas such as major projects. The Company Secretary provides administrative support and guidance on governance matters to the Board.

The Trustees' and Directors' register of interests and their biographical details are available for inspection on application to the Company Secretary. Day to day management of HRP is carried out by an Executive Team. The Executive Team is chaired by the Chief Executive and comprises Directors of Palaces & Collections, Finance, Palaces Group, Tower, Commercial, Public Engagement and Corporate Services and is supported by the Company Secretary.

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Governance Effectiveness

The effectiveness of the Board of Trustees and its Committees is reviewed by the Chair in consultation with Trustees each year, with periodic external reviews undertaken in line with the best practice recommended in the Charity Governance Code.

Trustee attendance at Board and Committee meetings is monitored and discussed with each Trustee as part of each Board Effectiveness Review.

The attendance record of individual Trustees is summarised in the table below:

Trustee	Board	Audit & Risk Assurance Committee	Finance & Investment Committee	People Committee	Nominations & Governance Committee
Gordon Messenger	3/4				
Nicholas Coleridge (from 1 Nov 23)	2/2		1/1		
William Fall	4/4	4/4	4/4		
Camilla Finlay	3/4				
Sarah Jenkins	4/4			1/1	3/3
Tim Knox	4/4			1/1	
Carole Souter (until 31 Dec 23)	3/3	3/3	3/3	1/1	3/3
Lisa Burger	4/4		4/4		
Michael Stevens	4/4	4/4	4/4		3/3
Jo Twist	3/4				3/3
Sue Wilkinson	3/4			0/1	
Michael Wood	3/4				
Ian Starkey (Note 1)		4/4			

Note 1: Ian Starkey is a co-opted member of the Audit & Risk Committee

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Highlights of Board Committee Reports

The Trustee Board meets regularly throughout the year. Minutes of Trustee meetings are produced by the Company Secretary and published on HRP's website once approved by the Board.

The Chief Executive provides an update at each Trustee Board meeting and financial performance of the organisation is also reviewed at each meeting through summary management information that reports key aspects of financial performance and key non-financial organisational performance indicators. Updates on major projects are also provided at each meeting.

The work of committees of the Board is reviewed by Trustees through circulation of the minutes and verbal reports from the Chair of each committee. A Board appraisal was conducted in June 2023. The overall outcome was positive and the Board will follow up on areas of improvement.

The scheme for delegating authority reserves a number of matters for decision by Trustees. These matters are considered at Board meetings and include approval of expenditure above a certain limit. The threshold for approval of projects and contracts at the Board is £750,000 excluding VAT, although projects not agreed in budgets will still be brought to Trustees' attention. Variations to budgeted approved expenditure greater than the lower of 10% or £750,000 are also referred to the Board for further approval.

During the year, the Board monitored and considered the progress of the organisation through strategic updates on the palaces, experiences, culture and money and began supporting the Executive in the development of a new strategy for HRP.

Audit & Risk Assurance Committee agendas were similarly structured, considering matters of risk management, external audit and internal audit plans. HRP's internal audit provision is outsourced to RSM, who provide assurance to the Audit & Risk Assurance Committee at each meeting and annually through a programme of audit work agreed in advance with the Committee.

The Finance and Investment Committee reviewed HRP's current and projected cash balances, the allocation between investment asset types and term deposits, the spread of counterparties, the rates of return and the retention levels for instant access.

The Nominations and Governance Committee provided guidance on Trustee appointment requirements, and other governance arrangements, including the Board's performance review process. This year the Committee met to consider Trustee vacancies, refinements to organisational governance, and the process overseen by DCMS to recruit a new Chair of the Trustee Board.

The People Committee met to consider next steps in developing HRP's approach to staff reward and recognition, and the results of our recent 'Investors in People' survey and the future work planned to ensure HRP retains its gold status.

Risk Management Statement

The Trustees of HRP have considered the major risks to which HRP is exposed and satisfied themselves that systems or procedures are established to manage those risks.

The responsibility for the management and control of HRP rests with the Board of Trustees and therefore they are involved in the key aspects of risk management, particularly in setting the parameters of the process and reviewing and considering the results. The Trustees do not undertake each aspect of the process themselves; they delegate elements of the risk management process to staff and professional advisers. The Trustees review and consider the key aspects of the process and results. The level of involvement is such that the Trustees can make this risk management statement with reasonable confidence.

The Audit & Risk Assurance Committee is a sub-committee of the Board. The purpose of the Committee is to support the Board and the Chief Executive Officer (CEO)/ Accounting Officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, control, and the integrity of the financial statements and annual report.

The Audit & Risk Assurance Committee is responsible for reviewing management's mechanisms for the assessment and management of risk, the planned activity of external and internal audit and the results of their work, the adequacy of management's responses to issues identified by audit activity and the adequacy of assurances relating to corporate governance.

Strategic leadership of the risk management process comes from the Executive Team, and the Trustees and CEO/Accounting Officer oversee the process. The Audit & Risk Assurance Committee reports annually to the Board on the effectiveness of the internal control system established to support the achievement of HRP's aims, objectives and key performance targets. Directors, managers and staff are responsible for identifying, assessing and managing the corporate and operational risks in their areas.

HRP's system of governance, risk and control is based on the three lines of defence model as per HM Treasury and Institute of Internal Auditor's guidance. There is an escalation process to ensure key and emerging risks are reviewed at the correct level as they arise.

- Risk and control monitoring at the first line of defence (front line operations) occurs throughout HRP and is recorded via risk registers and detailed management information. The project management framework and project governance structure include detailed guidance to ensure that risk is a fundamental part of each project from start to finish.
- The second line of defence is formed of a corporate risk register which is reviewed at least quarterly by the Executive Team and the Audit & Risk Assurance Committee. The Executive Team approves HRP's risk management policy.
- The Executive Team is responsible for: communicating HRP'S risk management policy to staff, maintaining the risk registers, monitoring changes in the corporate risk profile and reporting significant changes to the Trustees. The Executive Team also assesses

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future risks and opportunities annually as part of the Operating Plan process.

- Internal Audit is outsourced to RSM to ensure it continues to provide robust independent assurance to the Executive Team and the Board of Trustees. The internal auditors take a risk-based approach to audits and operate in compliance with Public Sector Internal Audit Standards. RSM provide an annual report to the CEO, the Audit & Risk Assurance Committee and the Board.

HRP's risk appetite is a balance between managing risk, enhancing innovation and creativity, whilst carefully weighing up risks with all rewards and our charitable and strategic objectives. HRP considers risk and its management in a structured way to ensure that the identification, assessment and management of risk is linked to the achievement of HRP's objectives and that all areas of risk are covered - for example, financial, governance, operational and reputational. The corporate ("Strategic") risk register at HRP focuses on high impact and/ or likelihood risks aligned with our strategy. Major risks are those risks that have a major impact and a probable or highly probable likelihood of occurring and would have a major impact across any area of HRP.

The Board has gained assurance that the data quality of the information it receives is sound through a mix of audit work on data held and challenges of the data presented.

A summary of the most significant risks are:-

Risk	Controls /Actions
Sustained or protracted loss of income	• Annual Operating Plan and Quarterly forecasts prepared and reviewed by trustees • Tight control over expenditure
Inability to effectively respond operationally to an incident or disruption	• Detection controls in place • Detailed corporate Major Incident Plan in place including site specific security plans and emergency procedures and scenario testing • One-to-one incident management training for Duty Management. • Mandatory training for all staff on security and incidents in place
Successful cyber attack	• Policies and Procedures, anti-phishing and anti-virus / malware controls, cyber E-learning and regular external audits in place • Sophisticated and comprehensive monitoring and alert systems in place • Decommissioning legacy infrastructure including servers, hardware, telephony system, and replacing and upgrading these • Increased team capacity and capability
Failure to recruit, manage and retain the right quality and staff mix	• Annual pay increases benchmarked against sector • Plans to address themes identified in recent 'Investors in People' survey in progress • Renewed focus on communication and engagement • New strategy shared with all staff and strategic framework being developed

Trustees' Report

	• Relevant policies, training and support in place • Succession plans for senior team developed • Performance conversation tools and guidance for managers developed • Significant budget allocated for training and development
Significant fire, health, safety and environment or safeguarding incident	• Fire, HSE, accident/incident policies, processes and training in place • Internal inspections, assessment and audit programmes in place across key policy areas and outcomes overseen by internal committees • Annual review of Fire, HSE effectiveness undertaken • Safeguarding policy and training in place, leads appointed
Failure to define and execute a strategy that aligns to stakeholders	• Strategy approved by Trustees at February 2024 meeting ; implementation in progress • Supporting strategies and programmes in place or in development (e.g., Audience Development Plans, Digital and Technology Strategy • New schools' and communities' strategies in place
HRP's digital provision doesn't meet the future needs of the organisation or its visitors	• Investment in new technology and infrastructure to improve the visitor experience and support staff. Investment in new software, hardware, and training • Digital strategy aligned with wider HRP strategy to ensure focus on the needs of visitors and stakeholders • Increased ambition to be at the forefront of new IT initiatives and cutting-edge technology • Improve staff training to ensure that we are able to use the latest technology effectively
Climate Change: HRP does not become net zero by 2050	• Overarching Sustainability Programme prioritised with increased investment as part of our corporate strategy, which will oversee HRP's work to respond to the impact of climate change and to reduce its own environmental footprint • Climate change risk assessment methodology devised • Climate change flood risk assessment information collated • Moat hydrology report for Tower of London commissioned
Inclusive Histories: Poor reception of new content by visitors, media, and stakeholders	• Content based on careful and authentic research overseen by the Curator of Inclusive History. • Governance role of the Editorial Programming Group and subgroup on Inclusive Histories. • Focussed involvement of Community Partners and the Inclusivity Network as appropriate. • Communication strategies for key inclusive history initiatives. • Resilience training for staff key staff working on inclusive histories.
Restitution and Repatriation: Reputational and relationship risk through badly handled response	• Collections Acquisitions procedure requires due diligence on provenance. • Collections Management System (CMS) holds evidence of provenance. • Collections Management Procedures cover arrangements and authority for disposals. • Regular liaison meetings with key stakeholders

Trustees' Report

	• Interpretation of sensitive objects carefully addressing the question of where objects have come from and how they have changed hands.
Collections Security: Loss or damage to collections and late awareness of that loss or damage; reputational impact	• Collections Management Policy and procedures in place covering: Cataloguing; Acquisitions; Object entry; Location & movement control; Missing objects • Heritage Asset Incident Policy and Procedure in place. • CCC/RCT audits and spot-checks • Security Policy and procedures in place • Government Indemnity Insurance (GIS) and Fine Art Insurance, with periodic security inspections on behalf of both insurers.

General Data Protection Regulations (GDPR), effective since May 2018 set out clear requirements for management and control of personal data. Over the last financial year, HRP has taken effective measures to demonstrate our ongoing compliance with data protection legislation. In 2023/24, there were no personal data incidents recorded.



Nicholas Coleridge
Chair of the Board of Trustees



John Barnes
Chief Executive and Accounting Officer

15 November 2024

Statement of Responsibility

Sustainability and Climate Action

In 2023/24 we appointed our first dedicated roles within Sustainability, recruiting a Sustainability Programme Manager to have overall responsibility for the programme and its outputs and an Energy Futures Engineer to steer our decarbonisation ambitions. These roles have allowed us to develop a much more targeted approach to our sustainability ambitions and drive activity forward with more pace than was previously possible.

In September we approved a new Sustainability Action Plan to follow on from the strategy adopted in 2018. This Action Plan identified three core delivery areas that will lay solid foundations for the programme between 2024-2027:

1. **People** - Engage our colleagues and visitors, talk to them about our plans and inspire them to play a more active role both within our organisation and in their own lives and communities.
2. **Data** - Improve the consistency and quality of our data collection and reporting of our Scope 1 and 2 emissions, including a timeline for the capture of Scope 3 emissions, and assessing the health of our green spaces with a nature baseline.
3. **Actions** - Identify and implement immediate actions which will help us achieve Nature Positive, Carbon Net Zero across our estates and value chain by 2050.

The Programme will report against these delivery areas on a quarterly basis.

As with 2022/23 our primary focus for 2023/24 was on reducing our emissions from energy within scope 1 and 2. Alongside continuing with initiatives to improve energy efficiency, such as lighting upgrades, smart technology and secondary glazing, we have started to look more deeply at our building infrastructure. High-level reports on decarbonisation options were received from our expert partners, CBRE and Max Fordham. They have identified opportunities to reduce our scope 1&2 emissions by 70% vs. our 2019 baseline and include installation of air-source heat pumps to replace gas boilers, options for on-site energy generation via solar PV and simpler efficiency measures such as draught-proofing. We have also looked more broadly at fossil fuel reduction, replacing diesel garden tools and vehicles with electric versions at Hampton Court and Hillsborough, and switching our refuelling station to HVO biofuel.

Investments made over the last two years in automatic meter readers (AMRs) have proved invaluable this year as we work to understand and act on areas of high energy consumption. The AMRs have also enabled us to interrogate our utility billing more closely and has identified areas of estimated consumption leading to inaccurate data. This is on-going for 2024/25 as we continue to improve our data collection.

Our other priority this year was to expand outside of carbon reduction and strengthen other areas of the programme, specifically nature recovery, resilience, and biodiversity. We commissioned a report from two prominent garden historians, first to baldly state the realities of the climate crisis's impact on nature and gardens to provoke action and secondly to assess the significance of each of Hampton Court's character areas in order to protect those features which are historically important. The action driven from these two pieces of work will continue to develop over the course of the next two years but has started in the Pond Garden where annual bedding plants have been replaced with more permanent shrub and perennial planting. This will reduce the amount of natural gas and water needed to grow the plants each year but retained the historic character of the space.

Statement of Responsibility

Plans for the permanent landscape in the Moat at the Tower of London are progressing with irrigation feasibility and water quality testing complete and designs advancing into greater detail. In 2024 we will run a series of trials once the moat closes to the public to narrow down options for layout, water management systems and lighting ahead of work starting on the new scheme in 2025.

Our total carbon emissions for 2023/24 were 2,626 tCO₂e representing a 43% decrease on our 2019 baseline (see table below). However, it should be noted that the data for scope 3 emissions is not like-for-like when compared to the baseline. The reduction for Scope 1 and 2 emissions only is 37% against baseline.

Improvements in our data collection and a review of our scope 1 & 2 operational boundaries mean that figures for 2023/24 have some additions:

- Emissions from the gas district heating system at the Banqueting House
- Emissions from three additional gas supplies found to be missing from data
- Emissions from HVO biodiesel (housed in the Hampton Court works yard pumps)

There has also been an update to the scope 1 emissions reported for 2022/23, this is due to gas consumption used in that year being billed and reported in April 2023. The table below shows the updated 2022/23 scope 1 figure – an increase of 30 tCO₂e. We expect further improvements to scope 1 & 2 data throughout the life of the Sustainability Action Plan and potentially expect to see additional sources of emissions added in the future.

Please note that the emissions figures do not include the royal buildings managed by HRP situated in Kew Gardens, the emissions from these sites are currently reported within the emissions reporting of the Royal Botanic Gardens Kew. These emissions total approximately 30 tCO₂e across scopes 1-3.

Greenhouse Gas Emissions (*)	2023/24	2022/23	2021/22	2020/21	2019	2018
Emissions Scope 1 (tonnes CO ₂ e)	1,356	1,610	1,519	1,075	2,367	1,981
Emissions Scope 2 (tonnes CO ₂ e)	1,145	1,064	1,010	839	1,631	1,932
Subtotal GHG emissions (tonnes CO ₂ e)	2501	2,674	2,529	1,914	3,998	3,913
Emissions Scope 3 (tonnes CO ₂ e)	125	23	36	79	608	755
Total GHG emissions (tonnesCO ₂ e)	2626	2,697	2,565	1,993	4,606	4,668

(*) From 2020/21 we moved from calendar to financial year reporting.

Scope 3 emissions are not yet covered in full. Included in the calculation at present are business travel and water supply. Please note that 2022/23's Business Travel figure has been increased by 57 tCO₂e to reflect train, flight and hotel data from our travel provider as well as business mileage.

Statement of Responsibility

Our intensity measure for SECR (streamlined energy and carbon reporting) is 'per visitor'. Based on 4.26m physical visitors to our sites in 2023/24, we emitted 0.59kg of CO₂e per visitor (0.77kg in 2022/23).

Whistleblowing Disclosure

Whistleblowing policy

HRP is committed to maintaining high ethical standards and takes all concerns seriously. We have a policy in place to support HRP's values/ethics and ensure compliance with the Public Interest Disclosure Act 1998 (PIDA) and subsequent amendments under the Enterprise and Regulatory Reform Bill 2013 and the Bribery Act 2010.

There are a number of different routes suggested for reporting concerns in addition to the direct management and HR routes:

- Internally, individuals can disclose their concerns to appropriate internal specialists, a specific email address managed by the Whistleblowing Officer and the Company Secretary or directly to the Corporate Services Director (The Whistleblowing Officer) and The Chief Executive, Chair of the Audit and Risk Committee or the Chair of Trustees, or via HRP's employee assistance providers CIC.
- Externally, people can report issues to external bodies such as legal advisers, Minister of the Crown or statutory regulators.
- There were no whistleblowing incidents reported during 2023/24.

Suppliers' payment policy

HRP observes the principles of the CBI Prompt Payment code. The code requires bills to be paid in accordance with contractual obligations, or where no such conditions exist, within 30 days of the receipt of the goods or services, or the presentation of a valid invoice, whichever is the latter. It is the policy of HRP to pay all invoices not in dispute in accordance with contractual terms. Payments are made fortnightly and include all invoices received in Finance and due for payment by the time of the next payment run.

During 2023/24, 45% of supplier invoices were paid within 30 days of date of invoice (61% in 2022/23). The reduction is due to staff turnover in the year. This payment performance is not adjusted for invoices delayed for payment due to a query with the supplier.

Related parties

Details of material dealings with any related parties are set out in Note 24.

Fundraising Regulator

- We are registered with the Fundraising Regulator and abide by the Code of Fundraising Practice and the Fundraising Promise. We are not aware of any failure to comply with the scheme. We received no complaints about our fundraising practices during the year.

Statement of Responsibility

- We did not engage any professional fundraisers to fundraise from individuals during the year. Two groups of volunteers solicited personal donations on behalf of HRP: our Campaign Board, and our Hillsborough Castle Board.
- The activities of the Campaign Board were monitored through three board meetings during the year and sub-group meetings focused on specific fundraising streams. Two Trustees are members of the Campaign Board, which ensures the Trustees have a high degree of awareness of what the Board does and the activities of its individual members. The Hillsborough Castle Board met three times in the 2023/24 financial year. Membership includes one Trustee of HRP. The Chief Executive of HRP also attends all meetings.
- Tailored approaches for high value grants were made throughout the year to companies, charitable trusts and philanthropists. In each case new approaches, and reports on existing funding, were shared in compliance with relevant data privacy regulations. Individuals solicited for gifts were either introduced to the charity by existing supporters or contacted us in the first instance. We avoided practices that risk being unreasonably intrusive or persistent.
- Direct marketing was limited to advertising in our Members' magazine, HRP e-newsletters and more tailored updates to existing supporters and contacts who have either opted-in or not opted-out, as appropriate.
- In-person donations are solicited and taken only by staff and volunteers within HRP's sites. These are taken onsite via contactless and cash donation boxes, or via signposting to our website and text-to-donate.

Statement of Trustees' and Accounting Officer's responsibilities

Law applicable to incorporated charities in England and Wales requires the Trustees of Historic Royal Palaces to prepare financial statements for each financial year. The Secretary of State (with the consent of HM Treasury) has also directed the Trustees to prepare a statement of accounts in the form, and on the basis, set out in the Accounts Direction. The Secretary of State also requires the Accounting Officer to prepare for each financial year a statement of accounts.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs, the net income and cash flows of the Historic Royal Palaces and its group during the year. In preparing those financial statements, the Trustees and Accounting Officer are required to comply with the requirements of FRS 102: UK GAAP and the Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102). In addition, they shall also have regard to the Government Financial Reporting Manual. In particular to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures being disclosed and explained in the financial statements;
- ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to assume that the Charity and the Group will continue in operation;

Statement of Responsibility

- confirm that the Trustees' Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Trustees' Report and Accounts and the judgements required for determining that it is fair, balanced and understandable; and
- observe the Accounts Direction issued by The Secretary of State (with the consent of HM Treasury) , including the relevant accounting and disclosure requirements.

The Trustees and Accounting Officer have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that Historic Royal Palaces' auditors are aware of that information. As far as we are aware there is no relevant audit information of which the auditors are unaware.

The Trustees are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of Historic Royal Palaces and its group and which enable them to ensure that the financial statements comply with the applicable law. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of Historic Royal Palaces and its group and to prevent and detect fraud and other non-compliance with laws and regulations.

The Principal Accounting Officer for the DCMS has designated the Chief Executive as the Accounting Officer for Historic Royal Palaces and its group. His responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records and for the safeguarding of the Historic Royal Palaces' and its group's assets, are set out in Managing Public Money published by HM Treasury.



Nicholas Coleridge
Chair of the Board of Trustees



John Barnes
Chief Executive and Accounting Officer

15 November 2024

The Audit Report of the Comptroller and Auditor General to the Board of Trustees and the Houses of Parliament

Opinion on financial statements

I have audited the financial statements of Historic Royal Palaces and its group for the year ended 31 March 2024.

The financial statements comprise Historic Royal Palaces and its Group's:

- Consolidated and Charity Balance Sheets as at 31 March 2024;
- Consolidated Statement of Financial Activities and Consolidated Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom accounting standards including Financial Reporting Standards (FRS) 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion, the financial statements:

- give a true and fair view of the state of the Historic Royal Palaces and its Group's affairs as at 31 March 2024 and its net income for the year then ended; and
- have been properly prepared in accordance with the Charities Act 2011 and the Secretary of State directions issued, with the consent of HM Treasury, under the Royal Charter.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom* (2022). My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of Historic Royal Palaces and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The Audit Report of the Comptroller and Auditor General to the Board of Trustees and the Houses of Parliament

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Historic Royal Palaces and its group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Historic Royal Palaces and its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the of the Trustees and Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises information included in the Trustees' Report but does not include the financial statements and my auditor's report thereafter. The Trustees and Accounting Officer are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Trustees' Report subject to audit have been properly prepared in accordance with Secretary of State directions issued, with the consent of HM Treasury, under the Royal Charter; and
- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of Historic Royal Palaces and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Trustees' Report.

The Audit Report of the Comptroller and Auditor General to the Board of Trustees and the Houses of Parliament

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by Historic Royal Palaces and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Trustees' Report, subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by the Charities Act 2011 have not been made; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Trustees and Accounting Officer for the financial statements

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the Trustees and the Accounting Officer are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within Historic Royal Palaces and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements, which give a true and fair view, in accordance with the applicable financial reporting framework; and
- assessing Historic Royal Palaces and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees and the Accounting Officer either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial Statements

My responsibility is to audit and express an opinion on the financial statements in accordance with the Charities Act 2011.

The Audit Report of the Comptroller and Auditor General to the Board of Trustees and the Houses of Parliament

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of Historic Royal Palaces and its Group's accounting policies and its key performance indicators.
- inquired of management, Historic Royal Palaces' head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Historic Royal Palaces and its Group's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Historic Royal Palaces and its Group's controls relating to Historic Royal Palaces' compliance with the Charities Act 2011 and Managing Public Money;
- inquired of management, Historic Royal Palaces' head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team including significant component audit teams and the relevant internal and external specialists, including IT and pensions experts, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within Historic Royal Palaces and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management

The Audit Report of the Comptroller and Auditor General to the Board of Trustees and the Houses of Parliament

override of controls.

I obtained an understanding of Historic Royal Palaces and its Group's framework of authority and other legal and regulatory frameworks in which Historic Royal Palaces and its Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Historic Royal Palaces and its Group. The key laws and regulations I considered in this context included the Charities Act 2011, Managing Public Money, employment law, pensions legislation and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board of Trustees and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I addressed the risk of fraud in revenue recognition, assessing the recognition of income in line with the accounting framework and undertaking procedures to test the significant income streams subject to the risk of fraud.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

The Audit Report of the Comptroller and Auditor General to the Board of Trustees and the Houses of Parliament

Gareth Davies

20 November 2024

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria, London, SW1W 9SP

Consolidated Statement of Financial Activities

for the year ended 31 March 2024

	Note	Unrestricted funds £000	Restricted funds £000	Total 2024 £000	Total 2023 £000
INCOME					
Donations and legacies:					
Grants	3	59	1,243	1,302	1,428
Donations		721	294	1,015	1,892
Gifts in Kind		-	358	358	46
Total		780	1,895	2,675	3,366
Income from other trading activities					
Retail income		19,977	-	19,977	14,984
Functions and events		6,770	-	6,770	6,414
Licenses, rent & Recharges	4	5,421	-	5,421	5,463
Sponsorship		1,117	-	1,117	886
Total		33,285	-	33,285	27,747
Income from investments		4,899	-	4,899	1,275
Income from charitable activities:					
Admissions	5	84,949	-	84,949	63,269
Membership		5,565	-	5,565	4,600
Concessions		3,013	-	3,013	2,219
Total		93,527	-	93,527	70,088
Total income	6	132,491	1,895	134,386	102,476
EXPENDITURE					
Costs of raising funds:					
Fundraising		1,164	-	1,164	727
Retail activities		12,602	-	12,602	9,855
Investment management costs		5	-	5	8
Other commercial activities		3,531	3	3,534	3,302
	7	17,302	3	17,305	13,892
Expenditure on charitable activities:					
Palaces		25,108	410	25,518	22,461
Experiences:					
Public Access		24,010	263	24,273	23,668
Interpretation and learning		15,766	950	16,716	16,433
Money - Organisational Growth		5,519	-	5,519	4,767
Culture		1,913	-	1,913	1,169
	7	72,316	1,623	73,939	68,498
Defined Pension scheme net interest cost/(income)	11	(353)	-	(353)	(260)

Consolidated Statement of Financial Activities

for the year ended 31 March 2024

Total Expenditure	7	89,265	1,626	90,891	82,130
Net (losses)/gains on investments	14	148	-	148	(175)
Net Income / (Expenditure)		43,374	269	43,643	20,171
Actuarial (loss) / gain on pension plan	11	(1,071)	-	(1,071)	(2,427)
Net movement in funds		42,303	269	42,572	17,744
Fund balances brought forward at 1 April	6	55,035	6,832	61,867	44,123
Fund balances carried forward at 31 March	6	97,338	7,101	104,439	61,867

Note: The amounts shown above derive from continuing activities. There were no recognised gains or losses other than those disclosed above. The notes on pages 43 to 78 form an integral part of these accounts.

Consolidated and Charity Balance Sheet

for the year ended 31 March 2024

Note	Group 2024 £000	Charity 2024 £000	Group 2023 £000	Charity 2023 £000

Fixed assets:

Intangible assets		2	2	94	94
Tangible assets	12	26,439	26,439	25,064	25,064
Heritage assets	13	10,183	10,183	9,806	9,806
Investments	14	2,298	2,298	3,135	3,135
		38,922	38,922	38,099	38,099

Current assets:

Stocks - goods for resale		2,247	-	2,473	-
Debtors	15	11,642	15,021	7,860	10,889
Short-term cash deposits		96,000	96,000	59,000	59,000
Cash at bank and in-hand		16,253	12,551	12,616	9,930
		126,142	123,572	81,949	79,819

Creditors:

Amounts falling due within one year	16	22,435	19,920	20,631	18,556
Net current assets		103,707	103,652	61,318	61,263
Total assets less current Liabilities excluding Pension Plan asset/liability		142,629	142,574	99,417	99,362
Creditors: Amounts falling due after more than one year	17	40,279	40,279	41,694	41,694
Provision for liabilities and charges	18	4,469	4,469	3,132	3,132
Net assets excl Pension Plan asset/liability		97,881	97,826	54,591	54,536
Pension Plan asset/(liability)	11	6,558	6,558	7,276	7,276
Net assets including Pension Plan liability		104,439	104,384	61,867	61,812

Funds:

Unrestricted funds		97,338	97,283	55,035	54,980
Restricted funds		7,101	7,101	6,832	6,832
Total funds	6	104,439	104,384	61,867	61,812

These financial statements were approved by the Trustees and the Accounting Officer on 6 November 2024 and were signed on their behalf by



Nicholas Coleridge
Chair of the Board of Trustees
15 November 2024



John Barnes
Chief Executive and
Accounting Officer

The notes on pages 43 to 78 form an integral part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 March 2024

	Note	2024 £000	2023 Restated £000
Cash flows from operating activities			
Net cash inflow/(outflow) from operating activities (<i>Note A below</i>)		41,019	27,527
Cash flows from investing activities:			
Purchase of tangible assets	12	(3,625)	(3,399)
Purchase of heritage assets	13	-	(159)
Redemption of investments	14	985	1,425
Interest received		2,258	1,275
Net (purchase)/sale of short-term deposits*		(37,000)	(32,000)
Net cash used in investing activities		(37,382)	(32,858)
<i>2023 figures have been restated to reclassify Net (purchase)/sale of short-term deposits from financing to investing activities in order to better reflect the use of the assets.</i>			
Cash flows from financing activities:			
Interest paid on overdraft		-	(1)
Net cash used in financing activities		-	(1)
Cash and cash equivalents at the beginning of the year			
		12,616	17,948
Change in cash and cash equivalents		3,637	(5,332)
Cash and cash equivalents at the end of the year		16,253	12,616
Analysis of cash and cash equivalents			
Cash at bank and in hand		16,253	12,616
Total cash and cash equivalents		16,253	12,616

Note A: Reconciliation of net income/expenditure to net cash inflow from operating activities:

Net Income/(Expenditure) from charitable and trading activities		43,643	20,171
Net (Gains)/Losses on Investments	14	(148)	175
Interest received		(2,258)	(1,275)
Interest paid		-	1
Pension scheme: non-cash movements	11	(353)	(266)
Gifts in kind	13	(358)	(46)
Depreciation & amortisation		2,339	1,934
(Profit)/Loss on disposal of fixed assets	12	3	50
Other decrease in fixed asset investments	14	-	61
(Increase)/Decrease in stocks	2	226	(952)

Consolidated Cash Flow Statement

for the year ended 31 March 2024

(Increase)/Decrease in debtors	15	(3,782)	(617)
Increase/(Decrease) in creditors: current liabilities	16	1,804	5,281
Increase/(Decrease) in long term creditors	17	(1,415)	830
Increase/(Decrease) in provisions for liabilities & charges	18	1,337	2,179
Other non-cash movements		(19)	1
Net cash inflow/(outflow) from operating activities		41,019	27,527

Analysis of changes in net debt:

As at 1 April 2023 £000	Cash flows £000	Other non- cash changes £000	As at 31 March 2024 £000

Cash and cash equivalents

Cash	12,616	3,637	-	16,253
	12,616	3,637	-	16,253

Borrowing

Debt due within one year	-	-	(2,268)	(2,268)
Debt due after one year	(41,684)	-	1,425	(40,259)
	(41,684)	-	(843)	(42,527)

As at 1 April 2022 £000	Cash flows £000	Other non- cash changes £000	As at 31 March 2023 £000

Cash and cash equivalents

Cash	17,948	(5,332)	-	12,616
	17,948	(5,332)	-	12,616

Borrowing

Debt due within one year	-	-	-	-
Debt due after one year	(40,859)	-	(825)	(41,684)
	(40,859)	-	(825)	(41,684)

The notes on pages 43 to 78 form an integral part of these accounts.

Notes to the Consolidated Accounts

for the year ended 31 March 2024

1 Accounting Policies

The following accounting policies are applied consistently in dealing with items which are considered material in relation to the financial statements of the Charity, Historic Royal Palaces (HRP), and its trading subsidiary, Historic Royal Palaces Enterprises Ltd (HRPE), together 'the Group'.

a) Status of charity

HRP is a registered charity (No: 1068852) established by Royal Charter.

b) Basis of preparation

The financial statements are prepared in accordance with the *Statement of Recommended Practice (SORP): Accounting and Reporting by Charities* (effective 1 January 2019), applicable United Kingdom accounting standards (FRS 102) and the Charities Act 2011. The financial statements are prepared on a going concern basis under the historical cost convention (see also Note 1 b). They are prepared in accordance with the Accounts Direction a copy of which can be obtained from the Finance Director or Head of Financial Accounting issued by the Secretary of State in accordance with HRP's Royal Charter.

HRP meets the definition of a public benefit entity under FRS 102.

c) Basis of consolidation

The Group accounts consolidate HRP and its subsidiary, HRPE Ltd, which has a co-terminus year-end. Consolidation is carried out on a line-by-line basis.

d) Funds

Incoming resources and resources expended are allocated to particular funds according to their purpose.

Unrestricted funds – the unrestricted funds include income from admissions, donations and other income received without restriction including retained profits of HRPE Ltd. Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity. Trustees may earmark unrestricted funds for a particular project or use, without restricting or committing the funds legally. Such amounts are known as designated funds.

Restricted funds - restricted funds include those receipts, which are subject to specific restrictions imposed by donors, including grants towards specific conservation and improvement projects undertaken at the palaces.

e) Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Group is entitled to the income, receipt is probable, and the amount can be quantified with reliable accuracy. The following specific policies apply to categories of income:

- **Grants** – include operating and project grants and contributions. Grants related to performance and specific deliverables, are accounted for as the Group earns the right to consideration by its performance. Where income is received in advance of performance, its recognition is deferred and included in creditors. Where entitlement occurs before receipt, the income is accrued.
- **Donations** - include major gifts and appeals. Donations are recognised when

Notes to the Consolidated Accounts

for the year ended 31 March 2024

received or on a receivable basis where receipt is probable and there is entitlement to the income.

- **Gifts in Kind** – where donated to the Group, are included at market value at the time of receipt.
- **Retail income** – relates to sales of goods, souvenirs and guidebooks. Income is recognised upon sale of the goods.
- **Functions and Events** – includes income from corporate and private events, weddings and events. It is accounted for in the month that the event is due to take place.
- **Licences, Rents & Recharges** – income is accounted for on a pro-rata basis over the period to which the income relates.
- **Sponsorship** – relate primarily to corporate sponsorship of exhibitions and education programmes. Income is accounted for evenly over the period of sponsorship.
- **Investments** – investment income is recorded in the period it is earned.
- **Admissions** – income is recognised upon visitor entry.
- **Membership** – income that is attributable to visits that members make to HRP sites is deferred and released to the SOFA equally over the period to which the membership relates. The portion of life membership subscriptions deemed to be of the nature of a gift is recognised in full in the year in which it is received, with the remainder deferred and released to income in equal instalments over the average period over which the life membership is expected to be used. Gift Aid income resulting from membership is recognised at the point when the membership is sold.
- **Concessions** – concessions includes income from our cafés and restaurants and is accounted for in the period it relates.

f) **Resources expended**

All expenditure is accounted for on an accruals basis and is classified under the principal categories of 'Costs of raising funds' and 'Charitable activities'. The expenditure classifications comprise direct expenditure, including staff costs, attributable to the activity. Support costs, which include functions such as Accounting, Payroll, Procurement, Information Systems and Governance Costs are allocated across the categories of costs of raising funds and expenditure on charitable activities. The basis of the cost allocation is explained in the Notes to the accounts.

g) **Tangible fixed assets**

Tangible fixed assets costing more than £5,000 are capitalised at a value net of VAT and included at cost and are not revalued. All expenditure on repairing and maintaining the original fabric of the buildings and on non-revenue generating improvements is written off in the year incurred. All improvements to the fabric of the buildings, with the aim of raising or increasing revenue, are capitalised. Assets purchased by or gifted to the Charity's predecessors prior to September 1989 have not been capitalised.

Notes to the Consolidated Accounts

for the year ended 31 March 2024

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their useful economic lives. The guidance on useful economic lives are as follows:

New buildings	20 - 50 years
Building refurbishments	10 - 20 years
Fixtures and fittings	3 - 10 years
Plant and machinery	5 - 20 years
Furniture and equipment	3 - 10 years
Exhibitions	3 - 10 years
Vehicles	3 - 5 years
Computer hardware	3 - 5 years

Decisions on appropriate useful economic life are made at the point of capitalisation to ensure that the depreciation charge for each asset is appropriately reflected in the accounts.

h) Heritage Assets

SORP 2019 defines heritage assets as assets of historical and artistic importance that are held to advance preservation, conservation and the educational objectives of the Charity. Those heritage assets acquired since September 1989 are reported in the balance sheet at cost or, in the case of donated assets, at an approximate valuation estimated by HRP's curators to be an appropriate market value at the time of acquisition. Such assets are not depreciated as they are deemed to have indeterminate lives and a high residual value. Regular impairment reviews of heritage assets are undertaken.

Those items that were purchased by or gifted to the Charity's predecessors prior to September 1989 have not been capitalised. These comprise the majority of the collection but Trustees do not consider that relevant cost or valuation information can be obtained at a cost commensurate with the benefit to readers of the financial statements. This is because of the diverse nature of the assets held, the volume, and the lack of comparable market values.

Further information about HRP's collection of heritage assets is set out in the Notes to the Accounts.

i) Investments, Short-term cash deposits and cash at hand & in bank

Investment income comprises interest receivable from cash at bank and liquid resources as well as income from investments held in a fixed income bond portfolio and multi-assets funds. All investments are held to provide investment returns. Dividend income is recognised on a receivable basis.

Fixed income investments are short-dated high credit rated bonds with fixed and determinable coupons. The bonds are retained with the intention and ability to be held to maturity. The bond portfolio is measured at fair value.

The investments in multi-asset funds are measured at market value each year. The funds yield a dividend income at set times in the year.

Funds placed on money market deposits are short-term cash deposits of up to 18 months and are defined as liquid resources. All liquid resources are held in

Notes to the Consolidated Accounts

for the year ended 31 March 2024

commercial banks with appropriate credit ratings, in line with HRP's investment policy at the time of contracting.

Funds held in cash or in current/premium accounts are defined as cash at bank and in hand. They represent the deposits and cash used to finance HRP on a day-to-day basis.

j) Investment in subsidiary

In the Charity's accounts, the investment in its subsidiary undertaking, HRPE Ltd, is stated at cost.

Historic Royal Palaces Inc. is a US-based private non-operating foundation. This is not consolidated into the Group accounts, as it is not controlled by the Charity.

k) Current assets & liabilities

Stock consists of purchased goods for resale. Stock is stated at the lower of cost and net realisable value. Cost of sales is determined on a weighted average cost basis and includes all costs of purchase such as associated transportation charges. Debtors are measured at their recoverable amounts and creditors at their settlement amounts when these can be measured or estimated reliably.

l) Financial instruments

HRP primarily carries financial instruments in the form of a concessionary loan from the Culture Recovery Fund initially recognised at the amount received, with the carrying amount adjusted in subsequent years to reflect repayments and any accrued interest and adjusted if necessary for any impairment.

HRP also has basic financial instruments in the form of cash, debtors and creditors at fair value, other than where a provision for specific doubtful debts has been made. Since almost all of these are expected to be realised within one year, there is no material difference between fair value and historical cost. Fixed income investments are measured at fair value.

m) Leases

The Group has no finance leases. Costs relating to operating leases are charged in the Statement of Financial Activities over the life of the lease. Income from operating leases is recognised over the life of the lease.

n) Pensions

The Charity operates a funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of HRP. From October 2002, the scheme was closed to new members and from April 2019, the scheme was closed to future accruals. The Charity has implemented the full reporting requirements of FRS 102: Employee Benefits in relation to the defined benefit scheme.

The present value of HRP's liability for its obligations and the fair value of the scheme assets are calculated by an independent actuary. The net asset or liability is recognised in the Balance Sheet and is treated as an unrestricted fund.

There has been one change in accounting estimate, in relation to the discount rate methodology used by the actuary, where they adopted an expanded bond universe. The impact of this change is an increase in defined benefit obligation of £1,722k.

Changes in the net asset or liability during the period that result from employee

Notes to the Consolidated Accounts

for the year ended 31 March 2024

service or interest on the net liability are recognised in the appropriate heading in the Consolidated Statement of Financial Activities in that period. Changes as a result of actuarial gains or losses are recognised in 'Other recognised gains or losses'.

A group personal pension scheme based on defined contributions was established for new members of established staff and staff on contracts exceeding 1 year with effect from October 2002. An additional group personal pension scheme based on defined contributions was set up for casual staff and staff on contracts of less than 1 year with effect from October 2013. The cost to HRP of both defined contribution schemes is the contributions paid during the year.

o) Taxation

As a charity, HRP is exempt from corporation tax under section 505 ICTA 1988. HRPE normally distributes its profits before tax by Gift Aid to the Charity to leave reserves at or close to nil. The amount gift aided in 2023/24 was £8,326,017 (£7,653,777 in 2022/23).

Admissions to the Palaces administered by HRP are exempt from VAT under Schedule 9 of the VAT Act 1994. Due to this exemption, approximately 67.0% of VAT incurred by HRP is irrecoverable in 2023/24 (67.0% in 2022/23).

p) Provisions

Provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

q) Key judgements and estimates

The Group makes estimates and assumptions concerning the future which will impact the accounting estimates. The significant judgements and estimates made in preparing these accounts are disclosed throughout the document, and briefly outlined below:

- the useful economic lives of tangible and intangible assets are assessed regularly and amended when necessary, impacting the annual depreciation and amortisation charge for assets; the heritage assets valuation is reviewed annually for indicators of impairment.
- the retail stock valuation and associated provisioning is assessed throughout the year with consideration for condition and saleability.
- valuations for the bond and multi-asset portfolios rely on the estimates provided by the relevant investment managers.
- HRP has an obligation to pay pension benefits to the members of its defined benefit pension scheme. The cost of these benefits and the present value of the obligation depend on factors including the discount rate on corporate bonds, salary increases, life expectancy, inflation and asset valuations. Management estimates these factors in determining the net pension obligation in the balance sheet with the support from independent external actuaries. The recognition of any pension surplus or deficit in the accounts is a key judgement.

Notes to the Consolidated Accounts

for the year ended 31 March 2024

- Provisions include amounts for an onerous lease provision and pension scheme closure compensation payments. The onerous lease provision is in relation to sublet premises where the unavoidable costs of meeting obligations under the contract exceed the expected economic benefits. Key assumptions relate to usable space, and the opportunity cost of alternative storage space. It is assumed that 15,109 sq. ft of the space is usable for storage at a rate of £20.00 per sq. ft. An RPI value of 3.6% has been used in the provision calculation, which is the compound annual growth rate of RPI since 1987. The discount rate used is 4.47%, which is the rate for 30-year government bonds as at 31st March 2024.
- When assessing the going concern, several visitor forecast scenarios were used to inform projections for income, expenditure and cash-flows. Other key considerations included the liquidity of unrestricted funds and reserves, overdraft and borrowing facilities and all other forms of financial assistance available to the organisation.

o) Going Concern

The Trustees have considered all factors and risks that may influence the company within the next 12 months. These include continuing global conflicts and the international and domestic economic outlook. They have reviewed the organisation's resilience in the light of these in terms of income projects, measures to improve liquidity and risk mitigation actions.

Global outlook

According to the OECD March 2024 report, global growth in 2023 continued at an annual rate of 3.1%, despite tighter financial conditions and the impact of continuing war in Ukraine and the conflict unfolding in the Middle East.

Global GDP growth is projected at 3.1% in 2024 and 3.2% in 2025. Although weaker than seen in the decade before the worldwide financial crisis, overall activity is proving resilient.

Domestic & Sector Outlook

Per the Office for Budget Responsibility's March 2024 economic & fiscal outlook, the UK economy has emerged from the twin global shocks of the pandemic and Russian invasion of Ukraine into a period of declining inflation but stagnating output. Inflation has receded more quickly than expected and markets now expect a sharper decline in interest rates.

CPI inflation was 4.2% in the final quarter of 2023-24. It is now expected to fall further to an average of 2.2% this year and 1.5% in 2025 before gradually returning to the BoE target of 2%.

Bank Rate is expected to fall in the second half of this year from its current peak of 5.25 per cent.

International tourism reached 97% of pre-pandemic levels in the first quarter of 2024, per the UNWTO (World Tourism Organization). The latest UN Tourism Confidence Index shows positive prospects for the period May-August 2024, though economic and geopolitical headwinds continue to challenge the complete recovery of international tourism and confidence levels.

The March 24 statement from the Association of Leading Visitor Attractions

Notes to the Consolidated Accounts

for the year ended 31 March 2024

(ALVA) reported that the total number of visits to ALVA sites in 2023 was 146.6million, which was a 19% increase on the previous year (123.6 million).

Organisation context

Income & Expenditure and cash flow projections for the trading entity are based on assumptions which support the 2024/25 operating budget for the whole charity. The assumptions have been agreed by the relevant managers and directors in charge of the revenue streams for HRP.

Overall assumptions have been reviewed by the Executive in charge of planning and have been approved by trustees at the February 2024 board meeting.

Performance will be scrutinised very closely throughout the year and any significant deviation from our current income assumptions will be offset by imposing higher controls on expenditure to ensure we are able to generate a surplus.

Visitor assumptions

Visitor assumptions drive HRP's retail income projections. They have been derived in detail by site, by visitor categories (e.g., adult/child/concession/family, gate/internet/group tickets, member/non-member, etc.) and by month.

The key assumptions behind the visitor mix percentages for 2024/25 is an improving performance of both domestic and international audiences.

There are positive signs about domestic tourism in 2024, evidenced by the strong April and Easter holiday. Since the beginning of April 2024, our visitor numbers have consistently exceeded budget.

Liquidity, Borrowing

HRP is forecast to remain cash positive throughout 2024/25. This includes repayments for the Culture Recovery Loan, which start in 2025.

Risks and further actions

The Directors have identified the following mitigations against continuing and emerging risks and have further levers to call upon if needed:

- Additional cost savings include: continuing to hold headcount vacancies; re-introducing payroll saving initiatives; removing discretionary operating expenditure currently phased in the latter part of the year; using periods of closure or working from home to rein in site costs including cleaning, heating, power etc.; deferring project expenditure if visit performance falls behind budget; and, generally, reviewing and restricting operating expenditure by monitoring committed versus non-committed expenditure throughout the year.

Summary

The Trustees take comfort from the financial performance in 2023/24, year-to-date results since the beginning of 2024/25 and the organisation's future plans. The fact that the company's model has been successful and has historically generated profits also supports this opinion that the organisation will continue as a going concern.

Notes to the Consolidated Accounts

for the year ended 31 March 2024

2. Historic Royal Palaces Enterprises Ltd

The Charity has one wholly owned trading subsidiary, Historic Royal Palaces Enterprises Limited (HRPE Ltd), with a paid-up share capital of £2. HRPE Ltd is incorporated in the UK (registration number 03418583). The principal activities of the company are retail, functions, and other events held at the palaces managed by the Charity. A summary of its trading results and its net assets is shown below. Audited accounts are filed with the Registrar of Companies.

<u>Profit and loss account</u>	2024 £000	2023 £000
Turnover (other trading activities)	29,421	24,765
Cost of sales (costs of raising funds)	(6,620)	(4,815)
Gross profit	22,801	19,950
Administrative expenses	(14,539)	(12,327)
Interest receivable	69	32
Profit on ordinary activities before taxation	8,331	7,655
Taxation	(5)	(1)
Total profit for the financial year	8,326	7,654
Amount distributable under Gift Aid to HRP	(8,326)	(7,654)
Retained in subsidiary	-	-

<u>Balance Sheet as at 31 March 2024</u>	2024 £000	2023 £000
Stocks - goods for resale	2,247	2,473
Debtors	1,157	467
Cash	3,702	2,685
Current liabilities	(7,051)	(5,570)
Creditors due after more than one year	-	-
Net assets	55	55
<u>Share capital and reserves</u>	55	55

Notes to the Consolidated Accounts

for the year ended 31 March 2024

3. Grant Income

Total grant income of £1,302k (2022/23: £1,428k) includes funding of £471k from government bodies as follows (2022/23: a net outflow of £59k due to repayment to DCMS):

Grantor	Amount	Purpose
Arts & Humanities Research Council Fund	£268k	Henry VIII on Tour project
Local Councils	£2k	Projects at Hillsborough
DCMS (Central and via Wolfson Foundation)	£201k	Wolsey Rooms interpretation project

4. Licence, rent & recharges income

Licence & rent income includes a range of activities which can be summarised as follows:

	2024 £000	2023 £000
Licences	2,504	2,943
Recovery of Costs	1,356	1,478
Rents	1,398	902
Other Income	163	140
Total Licence & rent income	5,421	5,463

5. Admissions income

Admissions income includes visitor admissions, gift aid on admissions, car park, royal passes, etc. and can be broken down as follows:

	2024 £000	2023 £000
Tower of London	66,210	50,723
Hampton Court Palace	7,887	6,588
Kensington Palace	8,392	3,925
Hillsborough Castle	658	472
Other palaces	127	147
Education	1,044	831
Other admissions income	631	583
Total admissions income	84,949	63,269

Notes to the Consolidated Accounts

for the year ended 31 March 2024

6. Total funds (Group basis)

£34.0m has been transferred from free reserves to designated funds (£32.7m) and fixed assets (£1.3m).

Current Year Total Funds:	Funds as a at 1 April 2023	Incoming resources 2023/24	Resources expended 2023/24	Reval'n 2023/24	Transfers between funds 2023/24	Funds as at 31 March 2024 £000
	£000	£000	£000	£000	£000	
<u>Unrestricted funds</u>						
General (Free)reserves	5,000	132,491	(89,618)	148	(34,021)	14,000
Designated funds	12,361	-	-	-	32,720	45,081
Fixed assets	30,398	-	-	-	1,301	31,699
Pension plan	7,276	353	-	(1,071)	-	6,558
Total	55,035	132,844	(89,618)	(923)	-	97,338
<u>Restricted funds</u>						
Donated assets	4,566	358	-	-	-	4,924
Hillsborough Castle & Gardens	241	486	(429)	-	-	298
Hampton Court Palace projects <i>incl. Field of the Cloth of Gold</i>	752	322	(295)	-	-	779
Tower of London projects <i>incl. Tower Entry</i>	276	104	(50)	-	-	330
Kensington Palace projects <i>incl. Orangery Learning Centre and the Sunken Garden statue</i>	45	35	(50)	-	-	30
Banqueting House project	661	-	(222)	-	-	439
AHRC-funded Research projects	-	268	(234)	-	-	34
Support for Heritage & re- opening	(1)	-	-	-	-	(1)
Other projects	292	322	(345)	-	-	268
Total	6,832	1,895	(1,626)	-	-	7,101
Total funds	61,867	134,739	(91,244)	(923)	-	104,439

Notes to the Consolidated Accounts

for the year ended 31 March 2024

Prior Year Total Funds:	Funds as a at 1 April 2022 £000	Incoming resources 2022/23 £000	Resources expended 2022/23 £000	Reval'n 2022/23 £000	Transfers between funds 2022/23 £000	Funds as at 31 March 2023 £000
<u>Unrestricted funds</u>						
General (Free)reserves	(1,243)	99,838	(79,487)	(175)	(13,933)	5,000
Designated funds	-	-	-	-	12,361	12,361
Fixed assets	28,826	-	-	-	1,572	30,398
Pension plan	9,437	263	3	(2,427)	-	7,276
Total	37,020	100,101	(79,484)	(2,602)	-	55,035
<u>Restricted funds</u>						
Donated assets	4,520	46	-	-	-	4,566
Hillsborough Castle & Gardens	369	14	(142)	-	-	241
Hampton Court Palace projects <i>incl. Field of the Cloth of Gold</i>	2	757	(7)	-	-	752
Tower of London projects <i>incl. Tower Entry</i>	1,273	251	(1,248)	-	-	276
Kensington Palace projects <i>incl. Orangery Learning Centre and the Sunken Garden statue</i>	480	703	(1,138)	-	-	45
Banqueting House project	240	510	(89)	-	-	661
AHRC-funded Research projects	-	-	-	-	-	-
Support for Heritage & re- opening	102	(203)	100	-	-	(1)
CJRS grant	-	-	-	-	-	-
Other projects	117	297	(122)	-	-	292
Total	7,103	2,375	(2,646)	-	-	6,832
Total funds	44,123	102,476	(82,130)	(2,602)	-	61,867

- **Free reserves**

Part of the unrestricted funds that are not held as fixed assets or designated for other purposes. This is now higher than the pre-pandemic levels of free reserves, in order to ensure a greater level of resilience.

- **Designated funds**

This is the second year since the pandemic we have been in a position to designate funds from our general funds towards our 'big moments', major projects and strategic programmes. This consists of £13.3m for Redevelopments and Conservation projects, £13.4m for ~~53~~ Infrastructure projects and £14.3m on other

Notes to the Consolidated Accounts

for the year ended 31 March 2024

programmes including digital and sustainability, in addition to £2.8m to complete projects in 2024/25 that were underway in 2023/24 and a payroll progression fund of £1.2m to cover the cost of realignment of staff to their respective progression points following its pause in April 2020 during Covid.

Further details about the Designated funds are included on page 14 of the Finance Review.

- **Transfers between funds**

As set out in our Reserves policy in the Funds and Reserves section, a permanent designated fund is matched to fixed assets, as this cannot be quickly utilised to realise cash in the event of a cash requirement. Any excess above this is designated at Trustees' discretion.

- **Donated assets funds**

These refer to restricted heritage assets and donated items including work of art and artefacts (see Note 13 for more details).

Analysis of net assets between funds

Fund balances of the Group and Charity at 31 March 2024 are represented by:

	Unrestrict ed funds	Restricted funds	2024	Unrestricted funds	Restricted funds	2023
	£000	£000	£000	£000	£000	£000
Intangible assets	2	-	2	94	-	94
Tangible assets	26,439	-	26,439	25,064	-	25,064
Heritage assets	5,259	4,924	10,183	5,240	4,566	9,806
Investments	2,298	-	2,298	3,135	-	3,135
Net current assets	101,530	2,177	103,707	59,052	2,266	61,318
Creditors > one year	(40,279)	-	(40,279)	(41,694)	-	(41,694)
Provisions	(4,469)	-	(4,469)	(3,132)	-	(3,132)
Pension Asset	6,558	-	6,558	7,276	-	7,276
Total net assets	97,338	7,101	104,439	55,035	6,832	61,867

Notes to the Consolidated Accounts

for the year ended 31 March 2024

7. Total expenditure (Group basis)

	Total direct costs £000	Allocation of support costs £000	Total 2024 £000	Total 2023 £000

Costs of raising funds

Generating the money to make it possible:				
Fundraising	1,041	123	1,164	727
Retail activities	11,024	1,578	12,602	9,855
Investment management costs	5	-	5	8
Other commercial activities	3,149	385	3,534	3,302
Total	15,219	2,086	17,305	13,892

Expenditure on charitable objectives:

Palaces	23,093	2,425	25,518	22,461
Experiences:				
Public Access	21,418	2,855	24,273	23,668
Interpretation & Learning	15,162	1,554	16,716	16,433
Money – Organisational Growth	5,027	492	5,519	4,767
Culture	1,726	187	1,913	1,169
Total	66,426	7,513	73,939	68,498

Other:

Exceptional Items	-	-	-	-
Pension Finance/(Income) Costs	(353)	-	(353)	(260)

Total	81,292	9,599	90,891	82,130

Notes to the Consolidated Accounts

for the year ended 31 March 2024

Resources expended include charges for:	Total 2024 £000	Total 2023 £000
Auditors' remuneration:		
The auditors did not provide any non-audit services		
Audit - HRP	79	68
- HRPE	37	31
Operating lease charges	1,104	1,027
Stock recognised as an expense	6,282	4,802
Impairment of stock (included in cost of sales)	338	13
Depreciation charged on fixed assets:		
Tangible	2,247	1,773
Intangible	92	161
Corporation tax	5	1

Notes to the Consolidated Accounts

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8. Support costs (Group basis)

Information Systems £000	Finance Department £000	Employee Services £000	Management Costs £000	Governance Costs £000	Total 2024 £000	Total 2023 £000

Costs of raising funds:

Fundraising	72	17	3	23	8	123	71
Retail activities	589	709	25	187	68	1,578	1,247
Other commercial activities	187	108	8	60	22	385	354

Charitable expenditure:

Palaces	853	1,167	36	270	99	2,425	2,226
Experiences: Public access	1,411	774	60	446	164	2,855	2,862
Interpretation and learning	705	514	30	223	82	1,554	1,407
Money – Organisation Growth	148	275	6	46	17	492	426
Culture	87	58	4	28	10	187	126
Total	4,052	3,622	172	1,283	470	9,599	8,719

The basis of apportionment for support costs is staff headcount (see Note 10 *Staff numbers and costs (Group & Charity)*), except for the Finance Department which is based upon expenditure excluding payroll.

Governance Costs <i>(included in Support costs) (*)</i>	2024 £000	2023 £000
Internal and external audit	184	219
Trustee expenses and costs	9	9
Trustee and chairman recruitment costs	-	5
Production of annual report	-	-
Management costs	277	156
Total	470	389

(*) Trustees and chairman also attend sub-committees alongside Trustees and staff of HRP. The costs associated with those meetings are included in the support costs above

Notes to the Consolidated Accounts

for the year ended 31 March 2024

9. Remuneration of Trustees

None of the Trustees received any remuneration during the year in connection with services to the Charity or its subsidiary. Reimbursement of travel and subsistence expenses incurred by 3 Trustees (2022/23: 2) whilst carrying out their responsibilities for the Charity totalled £3,196 (2022/23: £577) for the year ended 31 March 2024. Liability insurance for Trustees is included as part of HRP's total insurance cost.

10. Staff numbers and costs (Charity only. HRPE Ltd has no employees)

a) Average staff numbers

	2024	2023
	FTE	FTE
Fundraising	13.7	7.3
Retail activities	112.5	91.4
Other Commercial Activities	35.7	30.3
Palaces	162.9	153.1
Experiences: Public Access	269.4	254.6
Interpretation and Learning	134.7	118.5
Money – organisational growth	28.3	24.4
Culture	16.6	13.2
Support functions	59.1	53.1
Total	832.9	745.9

b) Staff costs

	2024	2023
	£000	£000
Wages and salaries	31,278	27,303
Loss of office	52	64
Severance & ex gratia payments	74	91
Social security costs	3,078	2,819
Pension costs	4,271	3,510
Total	38,753	33,787
Agency staff	842	361
Total	39,595	34,148

Employee numbers increased significantly during 2023/24 as the organisation's activities continued to recover from the pandemic. FTE increased by 11.7% year on year.

Notes to the Consolidated Accounts

for the year ended 31 March 2024

c) Pay bands (restated)*

Excluding the Chief Executive, there were 62 staff during the year earning in excess of £60,000 (2022/23: 45). None were in the defined benefit scheme closed to accruals since 1 April 2019 (2022/23: -). All 62 were in the defined contribution scheme (2022/23: 45) where the employer contributions were £ 1,033,461 (2022/23: £550,637).

The number of employees, excluding the Chief Executive, whose total remuneration and staff benefits (excluding employer's pension contributions) was over £60k was as follows:

	2024	2023 (restated)
	No. of Staff	No. of Staff
£60,001 to £70,000	23	22
£70,001 to £80,000	15	13
£80,001 to £90,000	15	3
£90,001 to £100,000	-	-
£100,001 to £110,000	-	1
£110,001 to £120,000	1	5
£120,001 to £130,000	3	1
£130,001 to £140,000	4	-
£140,001 to £150,000	-	-
£150,001 to £160,000	1	-
Total	62	45

*Figures have been restated to report amounts before salary sacrifice deductions.

The remuneration of the Chief Executive in 2023/24 was £188,854 (2022/23: £159,311) with employer pension contributions of £56,481 (2022/23: £19,223) and staff benefits of £1,049 (2022/23: £947).

Excluding the Chief Executive, the total remuneration to the Executive Board was £1,058,481 (2022/23: £852,908) with employer pension contributions of £308,434 (2022/23: £120,327) and staff benefits of £6,721 (2022/23: £5,625).

11. Retirement benefits (Group & Charity)

a) Historic Royal Palaces Pension Scheme

HRP operates a defined benefit scheme in the UK. The scheme is closed to new entrants and was closed to future accrual from 31 March 2019. This is a separate trustee administered fund holding the pension scheme assets to meet long-term pension liabilities.

The most recent full triennial actuarial valuation was carried out at 31 March 2021 and showed a deficit of £4,111k. The employer has agreed with the trustees of the scheme that it will aim to eliminate the deficit over a period of 7 years and 6 months from 1 April 2021 by the payment of contributions as follows:

- £32,888 p.a. payable monthly from 1 April 2021 to 31 March 2022, followed by one payment of £2,823 in April 2022 (in line with the previous recovery plan),
- No deficit contributions between 1 May 2022 and 30 June 2025,

Notes to the Consolidated Accounts

for the year ended 31 March 2024

- £250,000 p.a. payable monthly for a period of 3 years and 6 months from 1 July 2025 to 31 December 2028.

A new schedule of contributions was put in place in June 23. There have been no changes to the planned payments mentioned above but there are changes to the contributions by HRP in respect of death in service benefits and expenses. The new schedule permits expenses related to GMP equalisation work (up to an £180,000 limit) to be deducted from the scheme assets rather than being paid by Charity.

The funding shortfall is expected to be eliminated by December 2028 through the return on existing assets and the new contributions.

In accordance with the actuarial valuation, the employer has agreed with the trustees that it will meet expenses of the scheme and levies to the Pension Protection Fund.

A qualified actuary, independent of the scheme's sponsoring employer, updated to 31 March 2024 the annual accounting valuation required under Section 28 of FRS 102. The major assumptions used by the actuary are shown below.

The basis of apportionment for pension expense costs is payroll costs.

Present values of defined benefit obligation, fair value of assets and defined benefit asset/ (liability):

	31/03/2024	31/03/2023	31/03/2022
	£000	£000	£000
Fair value of plan assets	72,955	74,869	100,739
Present value of defined benefit obligation	66,397	67,593	91,302
Surplus / (Deficit) in plan	6,558	7,276	9,437
Defined benefit asset/(liability) to be recognised	6,558	7,276	9,437

A note on pension valuations

Two valuations are included in the notes to the accounts. They use different assumptions and are at different points in time.

Actuaries acting on behalf of HRP undertake a triennial valuation based on a set of prudent assumptions determining how much future funding the scheme may require. The last valuation was 31 March 2021 and showed a deficit of £4.1m.

Each year, the scheme is valued at fair value under accounting standard FRS102 using 'best estimate' assumptions. As at 31 March 2024, this year's valuation produced a surplus of £6.6m (2022/23: £7.3m). As the charity is entitled under the scheme rules to net refunds at least equivalent to the amount of the asset recognised, it is this figure that is shown in the accounts. This is in line with accounting standard IFRIC14.

Given the significant increase in gilt market-implied RPI price inflation over the past year

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and evidence from the Government Actuary's Department (September 2021) and the Bank Of England (November 2021), the scheme actuary recommended introducing an inflation risk premium adjustment 0.2% p.a. in 2021/22 to reduce any potential market distortion. This remained in place for 2022/23 and 2023/24.

Reconciliation of opening and closing balances of the defined benefit obligation:

	Period Ending 31/03/2024	Period Ending 31/03/2023
	£000	£000
Defined benefit obligation at start of period	67,593	91,302
Interest expense	3,212	2,480
Benefit payments from plan assets	(2,733)	(2,230)
Actuarial (losses) / gains:		
- Changes in assumptions	(2,276)	(30,478)
- Changes in experience	601	6,519
Defined benefit obligation at end of period	66,397	67,593

Reconciliation of opening and closing balances of the fair value of plan assets:

	Period Ending 31/03/2024	Period Ending 31/03/2023
	£000	£000
Fair value of scheme assets at start of period	74,869	100,739
Interest income	3,565	2,740
Actuarial (losses)/ gains	(2,746)	(26,383)
Contributions by the employer	-	3
Benefits paid	(2,733)	(2,230)
Expenses	-	-
Fair value of plain assets at end of period	72,955	74,869

The actual return on the plan assets over the period ended 31 March 2024 was a loss of £2,746k (£26,383k loss in 2022/23).

Notes to the Consolidated Accounts

for the year ended 31 March 2024

Defined benefit cost recognised in Statement of Financial Activities (SOFA):

	Period Ending 31/03/2024	Period Ending 31/03/2023
	£000	£000
Expenses	-	-
Net Interest cost/(income)	(353)	(260)
Total expense recognised in SOFA	(353)	(260)

Defined benefit costs recognised in other comprehensive income:

	Period Ending 31/03/2024	Period Ending 31/03/2023
	£'000	£'000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	(2,746)	(26,383)
Experience gains and losses arising on the plan liabilities – gain / (loss)	(601)	(6,519)
Net effects of changes in the demographic and financial assumptions underlying the	2,276	30,478
Total amount recognised in other comprehensive income – gain/(loss)	(1,071)	(2,424)

Assets	31/03/2024	31/03/2023	31/03/2022
	£000	£000	£000
Equities	15,194	27,843	45,751
Debt instruments	44,909	34,684	38,848
Property	-	10,846	13,337
Cash	11,903	1,496	2,803
Other	949	-	-
Total assets	72,955	74,869	100,739

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

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Assumptions	31/03/2024 % per annum	31/03/2023 % per annum	31/03/2022 % per annum
Discount Rate	4.90%	4.85%	2.75%
Inflation (RPI)	3.20%	3.25%	3.70%
Inflation (CPI)	2.70%	2.65%	3.10%
Salary growth	2.70%	2.65%	3.10%
Allowance for:			
Revaluation of deferred pensions of CPI or 5% p.a. if less	2.70%	2.65%	3.10%
Revaluation of deferred pensions of CPI or 2.5% p.a. if less	2.50%	2.50%	2.50%
Pension in payment increases of RPI or 5% p.a. if less	3.00%	3.00%	3.45%
Pension in payment increases of RPI or 3% p.a. if less	2.30%	2.30%	2.60%
Pension in payment increases of RPI	3.30%	3.35%	3.70%
Commutation of pension for cash at retirement	70% of Post A Day	70% of Post A Day	70% of Post A Day

The mortality assumptions adopted at 31 March 2024 imply the following life expectancies at age 60 years:

	31/03/2024	31/03/2023	31/03/2022
Male retiring in 2024	26.0	26.5	26.7
Female retiring in 2024	27.6	28.0	28.7
Male retiring in 2044	28.2	28.5	28.3
Female retiring in 2044	29.8	30.0	30.2

The Virgin Media Ltd verses NTL Pension Trustees II decision, handed down by the High Court in June 2023, considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out scheme cannot be altered unless the actuary confirmed that the scheme would continue to satisfy the statutory standards.

The Scheme was contracted-out and the Trustees and, based on the current facts and circumstances around this case, do not believe there is a material risk that there is any

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for the year ended 31 March 2024

impact on the scheme funding and will continue to work with their advisers as case law evolves.

b) Defined Contribution Schemes

A group personal pension scheme based on defined contributions was set up for new members of established staff and staff on contracts exceeding one year with effect from October 2002. The cost for the year was £ 4,039,095 (2022/23: £3,289,050 included payroll element sacrificed to pension through the redundancy programme), with no outstanding contributions at the balance sheet date. The cost forms part of staff costs that as stated in note 1(f) are classed as direct expenditure attributable to the activity and are all from unrestricted funds.

An additional group personal pension scheme based on defined contributions was set up for casual staff and staff on contracts of less than 1 year with effect from October 2013, to meet pension auto-enrolment requirements. The cost for the year was £ 65,784 (2022/23: £37,772), with no outstanding contributions at the balance sheet date.

Notes to the Consolidated Accounts

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12. Tangible fixed assets (Group & Charity)

	Buildings & refurbishments £000	Fixtures & fittings £000	Furniture, equipment & exhibitions £000	Computers £000	Plant, machinery & vehicles £000	Assets in course of construction £000	Total £000
Cost							
At 1 April 2023	27,269	6,224	3,496	811	5,738	8,858	52,396
Additions	10	27	92	-	229	3,267	3,625
Disposals	-	(56)	(32)	(27)	(108)	-	(223)
Transfers to Heritage assets	-	-	-	-	-	-	-
Transfers within Tangible fixed assets	5,880	5,236	314	-	-	(11,430)	-
At 31 March 2024	33,159	11,431	3,870	784	5,859	695	55,798
Accumulated depreciation							
At 1 April 2023	13,911	4,923	2,723	621	5,154	-	27,332
Charge for the year	1,254	583	146	63	201	-	2,247
Disposals	-	(56)	(29)	(27)	(108)	-	(220)
At 31 March 2024	15,165	5,450	2,840	657	5,247	-	29,359
Net book value							
At 31 March 2024	17,994	5,981	1,030	127	612	695	26,439

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At 31 March 2023	13,358	1,301	773	190	584	8,858	25,064
The net book value as at 31 March 2024 represents fixed assets used for:							
Fundraising	-	-	-	1	-	-	1
Retail activities	432	55	-	3	5	-	495
Other commercial activities	-	2	1	1	-	-	4
Charitable expenditure:							
Palaces	10,518	863	947	67	527	617	13,539
Experiences							
Public access	1,125	77	69	49	63	52	1,435
Interpretation and learning	5,919	4,984	13	4	17	26	10,963
Money – Grow our impact	-	-	-	1	-	-	1
Culture	-	-	-	1	-	-	1
At 31 March 2024	17,994	5,981	1,030	127	612	695	26,439

Notes to the Consolidated Accounts

for the year ended 31 March 2024

13. Heritage assets (Group & Charity)

Cost and net book value	Artefacts 2024 £000	No.	Artefacts 2023 £000	No.	Artefacts 2022 £000	Artefacts 2021 £000	Artefacts 2020 £000
Balance as at 1 April	9,806	463	9,601	458	9,173	9,156	8,561
Additions, at cost	1	1	159	3	42	17	488
Transfers from assets in the course of construction	18	3	-	-	303	-	12
Disposals	-	-	-	-	-	-	-
Donated works, at deemed value	358	2	46	2	83	-	95
Balance as at 31 March	10,183	469	9,806	463	9,601	9,173	9,156
Made up of: <i>Interpretation and learning</i>	10,183	469	9,806	463	9,601	9,173	9,156

There were two significant additions to Heritage Assets in the year, valued at £358,000.

One was accepted in lieu of inheritance tax by HMRC and allocated to HRP for Hillsborough Castle and Gardens. The valuation basis used is the tax settlement value (£158,000).

The other was a Portrait of Marcus Hill by Sir Thomas Lawrence, valued at £200,000. The portrait was gifted to Historic Royal Palaces by the Trustees of the Sandys Trust (Registered Charity Number 1168357). This has been added to the General Collection for Hillsborough Castle and Gardens.

a) Further information on HRP's collections of heritage assets

The Palaces are not owned by HRP, but by HM The King on behalf of the nation. Expenditure on their conservation is recognised in the Statement of Financial Activities when it is incurred.

The main categories of accessioned heritage assets, including those shown on the balance sheet, are:

- The Royal Ceremonial Dress Collection, an important collection of largely British royal and court ceremonial dress, established at Kensington Palace in 1984;
- The general collection, consisting of paintings, drawings, prints, furniture, sculpture, furnishing textiles, decorative arts and social history objects, chiefly displayed as part of the historic furnished interiors at the palaces;
- Architectural drawings archive, containing both modern and historic drawings and copies.
- Architectural and archaeological materials salvaged or excavated from the palaces. These are primarily used as a research archive.

Notes to the Consolidated Accounts

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In addition, HRP curates un-accessioned assets as follows:

- architectural drawings is an archive of historic and modern drawings detailing the architectural histories of the palaces in the late 19th and 20th centuries. The drawings are a public record and held as an Architectural Drawings Collection (ADC) under a place of deposit status at the Tower of London.

HRP also displays items on short and long-term loan. In particular:

- The majority of the important works of art displayed “at home” at our palaces and stored form part of the Royal Collection, owned by HM The King on behalf of the nation and administered by The Royal Collection Trust;
- The displays of arms, armour and related material at the Tower of London belong to the Royal Armouries.
- The artwork collection and other items on display at Hillsborough Castle.
- Collection of jewellery associated with Queen Victoria from a private owner on display at Kensington Palace

Our collections remain on public display whenever possible. Storage is normally limited to items providing a research resource, unsuitable for display for conservation reasons or archaeological finds. We loan historic objects from our collections to public exhibitions and museum/ gallery displays.

The priority for acquisition or long-term loan of heritage assets is to enhance and explain the palaces and the people who populated them with relevant objects. Acquisitions are made by purchase or donation, taking into account our Collections Development Policy. Significant acquisitions require Trustee approval and activity is driven by our Acquisition Strategy with priority given to items that meet multiple criteria as detailed in our Collections Development Policy.

Exceptionally, the Trustees will approve the disposal of objects for curatorial reasons but not disposal motivated by financial reasons. The principle of retaining disposed items in public ownership is preferred. Any proceeds of sale are applied for the benefit of the collections. Any disposals are processed in accordance with our Collections Development Policy.

b) Heritage assets of particular importance

The most significant heritage asset shown on the balance sheet is the van Dyck portrait of Princess Mary, received as a donation from the Museums Libraries and Archives Council in 2008/09 and valued at acquisition at £1.5m.

Of particular significance is the only surviving in-situ ceiling painting by Peter Paul Rubens, at the Banqueting House, installed in 1636.

We display and provide day-to-day care for the Crown Jewels in the Tower of London. Like the Palaces themselves, the Crown Jewels are owned by HM The King in right of Crown.

c) Management and Conservation

HRP maintains a register of heritage assets, which includes records of ownership, conservation status and location. The conservation and curatorial teams manage the collections, including loan items, in accordance with the policies approved by Trustees. These teams report to the Palaces & Collections Director.

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The long-term conservation requirements of the collections are identified and prioritised by HRP's conservators through a programme of condition audits.

14. Investments

HRP held £2.3m (2022/23: £3.1m) in Fixed Asset Investments as at 31st March 2024. These investments fall into three main vehicles, the movement on each is shown in the tables below:-

Bond Portfolio	Group 2024 £000	Charity 2024 £000	Group 2023 £000	Charity 2023 £000
Balance as at 1 April	2,106	2,106	3,681	3,681
Effective interest earned	-	-	41	41
Interest coupons received	-	-	(101)	(101)
Bonds purchased	-	-	-	-
Bonds redeemed	(985)	(985)	(1,425)	(1,425)
Gain / (Loss) on valuation	20	20	(90)	(90)
Balance as at 31 March	1,141	1,141	2,106	2,106

These consist of short dated, investment grade, sterling, fixed income securities. The bond portfolio is intended to be held to maturity.

Ethical Investment Fund	Group 2024 £000	Charity 2024 £000	Group 2023 £000	Charity 2023 £000
Balance as at 1 April	402	402	423	423
Units disposed of	-	-	-	-
Gain / (Loss) on revaluation	40	40	(21)	(21)
Balance as at 31 March	442	442	402	402

This is a diversified multi-asset fund with ethical and responsible investment standards. It consists of global and UK equities, with a proportion allocated to infrastructure & operating assets, property and cash.

Multi-Asset Investment Fund	Group 2024 £000	Charity 2024 £000	Group 2023 £000	Charity 2023 £000
Balance as at 1 April	627	627	691	691

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Units disposed of	-	-	-	-
Gain / (Loss) on revaluation	88	88	(64)	(64)
Balance as at 31 March	715	715	627	627

This is a balanced mixed asset fund with a focus on funds that contribute to society or the environment. It includes global and UK growth equity funds, with a proportion allocated to corporate bonds, gilts, and cash.

15. Debtors

	Group 2024 £000	Charity 2024 £000	Group 2023 £000	Charity 2023 £000
Trade debtors	3,536	2,829	2,482	2,211
Amounts due from subsidiary	-	4,536	-	3,495
Other debtors	2,040	2,040	2,155	2,154
Prepayments and accrued income	6,066	5,616	3,223	3,029
Total	11,642	15,021	7,860	10,889

All of the above debtors are due within one year.

In 2021/22, HRP Audit & Risk Committee Trustees approved a long-term update in the service charge calculation to better reflect changes in the structure of the organisation.

The changes implemented from 2021/22 are as follows:

- The payroll recharge is now broken into two parts: a direct re-charge for dedicated trading. An apportioned charge for the pool of 'mixed' trading/ charity staff, where roles cover both retail and admissions in Palaces Group. The apportionment is based on the respective income generated by Admissions and Retail activity.
- The facility recharge now reflects a simple new mechanism to allocate a 'fair' portion of shared accommodation and support costs to HRPE. It is based on a percentage of turnover scale.

Turnover	Facility charge %
Less than £5m	10%
£5m to £10m	15%
£10m - £20m	18%
£20m +	21%

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16. Creditors: amounts falling due within one year

	Group 2024 £000	Charity 2024 £000	Group 2023 £000	Charity 2023 £000
Trade creditors	1,177	1,150	1,918	1,799
Amounts drawn down on the Culture Recovery Fund Loan Facility	2,268	2,268	-	-
Taxation and social security	949	859	789	708
Other creditors	917	886	578	578
Accruals	7,513	6,780	8,688	7,867
Deferred income	9,611	7,977	8,658	7,604
Total	22,435	19,920	20,631	18,556

Deferred Income

Deferred Income comprises advance visitor bookings, rent, membership income and function and event deposits.

	Group 2024 £000	Charity 2024 £000	Group 2023 £000	Charity 2023 £000
Balance at the beginning of the year	8,658	7,604	6,655	5,001
Amount released to income in year	(8,548)	(7,504)	(6,534)	(4,890)
Amount deferred in year	9,501	7,877	8,537	7,493
Balance at the end of the year	9,611	7,977	8,658	7,604

17. Creditors: amounts falling due after more than one year

	Group 2024 £000	Charity 2024 £000	Group 2023 £000	Charity 2023 £000
Trade creditors	20	20	10	10
Amounts drawn down on the Culture Recovery Fund Loan Facility	40,259	40,259	41,684	41,684
Total	40,279	40,279	41,694	41,694

In 2020/21, HRP was awarded a £40m repayable loan from the Culture Recovery Fund for Heritage jointly managed by the Arts Council England (ACE) and the National Lottery Heritage Fund (NLHF). This was part of the £1.57 billion rescue package announced by the DCMS to safeguard cultural and heritage organisations across the UK from the economic impact of COVID-19. The repayable loan is met by Government guarantee, and therefore does not require any specific HRP assets to be secured against it. The loan attracts a 2% interest

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rate which accrues from its March 2021 receipt. After a four-year repayment holiday, the loan must be repaid in 21 equal repayment instalments (from March 2025) over a ten- year period and by March 2035.

18. Provision for liabilities and charges

	Group 2024 £000	Charity 2024 £000	Group 2023 £000	Charity 2023 £000
Balance as at 1 April 2023	3,132	3,132	519	418
Amounts used in year	(455)	(455)	(104)	(3)
Amounts reversed in year	(377)	(377)		
New provisions in year due within 1 year	477	477	435	435
New provisions in year due after 1 year	1,692	1,692	2,282	2,282
Balance as at 31 March 2024	4,469	4,469	3,132	3,132

The provision includes £4.05m for an onerous lease provision (2022/23: £2.72m) and £420k for pension scheme closure compensation payments (2022/23: £415k).

The calculation of the onerous lease provision takes into account the unavoidable costs of meeting the obligations under the contract (£21.6m), and the expected economic benefits (17.6m), discounted to present value.

A number of key assumptions included in the calculation have been based on information available from external surveyors, historical trends, and projections available at this present time.

The key assumptions included in the calculation of the expected economic benefit relate to usable space, and the “opportunity cost” of alternative storage space.

It is assumed that 15,109 sq. ft of the space is usable for storage. A 5% variance in the assumption has an impact of £795k.

The rents for alternative local storage spaces vary between £17.50 - £30 per sq. ft. An opportunity cost of £20.00 per sq. ft. has been assumed in the calculation. If the low end of this range is used, the provision increases by £2m.

Per the lease, rent increases in line with RPI. Service charge and insurance are assumed to do the same. An RPI value of 3.6% has been used in the provision calculation, which is the compound annual growth rate of RPI since 1987. An increase in RPI of 0.5% would increase the provision by £532k. A decrease of 0.5% would decrease the provision by £428k.

The discount rate used is 4.47%, which is the rate for 30-year government bonds as at 31st March 2024. This is deemed the most appropriate rate as it is the opportunity cost from investment income foregone. An increase of 0.5% would decrease the provision by £454k. A decrease of 0.5% would increase the provision by £571k.

19. Financial commitments under operating leases

The Group and Charity had the following future minimum lease payments under non-cancellable operating leases (with landlord-only break clause) for each of the following

Notes to the Consolidated Accounts

for the year ended 31 March 2024

periods:

Operating Lease payments due:	Group 2024 £000	Charity 2024 £000	Group 2023 £000	Charity 2023 £000
< 1 year	1,104	893	1,027	815
Between 2 -5 years	4,243	3,396	3,394	3,184
> 5 years	40,134	39,922	668	668
Total payable	45,481	44,211	5,089	4,667

In FY 2022/23, the commitment >5 years was reduced as there was an intention by the Freeholder to break the long lease in 2028. This is no longer the case. An onerous lease provision has been made in respect of the lease for the period to 2028 (refer to Note 18).

20. Operating lease receipts

The Group and Charity had the following future minimum rental income under non-cancellable operating leases for each of the following periods:

Operating Lease payments due:	Group 2024 £000	Charity 2024 £000	Group 2023 £000	Charity 2023 £000
< 1 year	301	252	100	32
Between 2 -5 years	714	714	142	34
> 5 years	-	-	-	-
Total receivable	1,015	966	242	66

21. Capital commitments

	Group 2024 £000	Charity 2024 £000	Group 2023 £000	Charity 2023 £000
Contracted capital commitments as at 31 March 2024, for which no provision has been made in the accounts:	41	41	1,848	1,848

Commitments include no amount (2023: nil) relating to projects funded by donations from third parties.

22. Contingent liabilities

Either HRP or the Secretary of State may give one year's notice of termination of the contract to manage the Palaces. Upon termination, a calculated net asset value would revert to the Secretary of State, being the lower of the value of the net assets transfer of £7.795m on 1 April 1998 (indexed for inflation and as revised for material changes in accounting policy) or the value of the equivalent assets held at the date of termination of the contract.

Notes to the Consolidated Accounts

for the year ended 31 March 2024

23. The summary financial performance of the charity alone

INCOME	Unrestricted funds £000	Restricted funds £000	Total 2024 £000	Total 2023 £000
Donations and legacies:				
Grants	59	1,243	1,302	1,428
Donations	721	294	1,015	1,892
Gifts in Kind	-	358	358	46
Total	780	1,895	2,675	3,366
Income from other trading activities				
Functions and events	389	-	389	84
Licences, rent & recharges	3,330	-	3,330	2,828
	3,719	-	3,719	2,912
Investments	4,831	-	4,831	1,243
Income from charitable activities:				
Admissions	84,949	-	84,949	63,269
Memberships	5,565	-	5,565	4,600
Concessions	3,013	-	3,013	2,211
	93,527	-	93,527	70,080
Other Income				
Service charge to & Gift aid distributed from HRPE	20,393	-	20,393	17,656
Total income	123,250	1,895	125,145	95,256
EXPENDITURE				
Costs of raising funds:				
Fundraising	1,157	-	1,157	701
Retail activities	3,439	-	3,439	2,977
Investment management costs	5	-	5	8
Other commercial activities	2,210	3	2,213	2,011
	6,811	3	6,814	5,697
Expenditure on charitable activities:				
Palaces	25,632	414	26,046	22,848
Experiences:				
Public access	24,355	259	24,614	23,984
Interpretation and learning	15,996	950	16,946	16,609

Notes to the Consolidated Accounts

for the year ended 31 March 2024

Money Organisational Growth	–	5,645	-	5,645	4,856
Culture		1,938	-	1,938	1,177
		73,566	1,623	75,189	69,474
Other					
Defined Pension scheme net interest cost		(353)		(353)	(260)
Total Expenditure		80,024	1,626	81,650	74,911
Net (losses)/gains on investments		148	-	148	(175)
Net Income / (Expenditure)		43,374	269	43,643	20,170
Actuarial (loss)/gain on pension plan		(1,071)	-	(1,071)	(2,427)
Net movement in funds		42,303	269	42,572	17,743
Fund balances brought forward at 1 April		54,980	6,832	61,812	44,069
Fund balances carried forward at 31 March		97,283	7,101	104,384	61,812

24. Related party transactions

This note lists material transactions with other entities in which either Trustees or senior employees of HRP or their close family members hold positions of authority. It also details all transactions with Trustees, except remuneration of Trustees covered in Note 9 and donations made by them, nil in 2023/24, (2022/23: nil).

The Palaces and much of their contents are held by HM The King in right of Crown. These contents are the responsibility of The Royal Collection Trust.

HRP is contracted by the Secretary of State to manage the five London palaces on her behalf. This contract has been re-authorised until 31 March 2028.

The contribution to the Charity's funds by its wholly owned subsidiary, Historic Royal Palaces Enterprises Limited is disclosed in Note 2.

Notes to the Consolidated Accounts

for the year ended 31 March 2024

The figures in brackets represent the amounts due at the balance sheet date.

Related party	Connected party (a)	2024 £000	2023 £000	Detail of transaction
Association des Residences Royales Europeennes (ARRE)	John Barnes (Chief Executive of HRP) is a member of ARRE on behalf of HRP	9 (nil)	19 (nil)	Charges made to HRP by the Association for HRP's annual membership
The Attingham Trust	Tim Knox (Trustee of HRP) is a Member of Council at The Attingham Trust	9 (nil)	- (nil)	Charges made to HRP for services in relation to a summer school
The Choral Foundation, Chapel Royal, Hampton Court Palace	Jane Crowther (Director of HRP) and Nigel Walley (a senior manager of HRP) are trustees of The Choral Foundation	4 (nil)	2 (nil)	Charges for choral services and recitals made by the Choral Foundation to HRP
The Foundation of the Chapels Royal of HM Tower of London	General Sir Gordon Messenger (Trustee of HRP from Aug 2022) is Chair & Andrew Jackson (Director of HRP from May 2019) is a trustee of the Foundation	7 (nil)	6 (nil)	Charges made by the Foundation to HRP for choral services at HM Tower of London
Historic Royal Palaces Inc. (HRP Inc.) ^(b)	John Barnes (Chief Executive of HRP is President of HRP Inc.), Antonia Newman (Director of HRP) and Anupam Ganguli (Finance Director of HRP) are respectively director and treasurer of HRP Inc.	- (nil)	49 (nil)	Grants received by HRP from HRP Inc. for Kensington Palace Projects, Crown to Couture, Orangery & sunken garden conservation
		8 (nil)	1 (nil)	Grants received by HRP from HRP Inc. for Tower of London projects
		167 (79)	- (nil)	Grants received to support Hillsborough Castle Schools and Communities and Wild about Wellbeing projects
		81 (43)	109 (nil)	Grants received by HRP from HRP Inc. for general purposes
Royal Armouries (RA)	Lord Houghton (was a Trustee of HRP from August 2016 until July 2022) is a trustee of RA	327 (424)	367 (327)	Charges made by RA to HRP & HRPE for goods and services provided at HM Tower of London
	General Sir Gordon Messenger (Trustee of HRP from Aug 2022) is a trustee of RA	9 (nil)	9 (2)	Recovery of costs from RA for goods, services and maintenance provided by HRP at HM Tower of London

Notes to the Consolidated Accounts

for the year ended 31 March 2024

Royal Household (RH)	Sir Michael Stevens KVCO (Trustee of HRP) is Keeper of the Privy Purse and Receiver General of the Duchy of Lancaster	82 (20)	76 (4)	Charges made by RH to HRP for rent and services provided at Kensington Palace & vetting clearance costs
		3 (nil)	3 (nil)	Charges made by HRP and HRPE to RH for share of staff costs and grazing licence
Royal Collection Trust (RCT), and Royal Collection Enterprises Limited (RCEL), which is a wholly owned subsidiary of RCT	Sir Michael Stevens KVCO (Trustee of HRP) is Keeper of the Privy Purse and a Trustee of RCT Tim Knox (Trustee of HRP) is a Director of RCEL and Director of the Royal Collection at RCT	1 (nil)	33 (nil)	Charges made by RCEL to HRP and HRPE for the right to produce images of Royal Collection items and for the purchase of goods for resale.
		54 (nil)	26 (nil)	Recovery by RCT from HRP of a proportion of the costs of maintaining and recording Royal Collection and other items displayed in the palaces, and from HRPE for the purchase of goods for resale
Todd Longstaffe-Gowan Ltd	Tim Knox (Trustee of HRP) is a director at Todd Longstaffe-Gowan Ltd	20 (nil)	9 (1)	Charges made by Todd Longstaffe-Gowan Ltd to HRP for garden design

- (a) Copies of the Trustees' register of interests and their biographical details are available from the Head of Governance, Apartment 39, Hampton Court Palace, Surrey KT8 9AU.
- (b) Historic Royal Palaces, Inc. is an entity independent of Historic Royal Palaces. Whilst its object is to support the work of Historic Royal Palaces, how this is expressed is the responsibility of the Board alone. This independence is required to maintain US charity status. Current arrangements, in which Historic Royal Palaces' staff have a seat ex-officio on the Board (Antonia Newman) and fill the officer posts of the US charity (John Barnes as President, Anupam Ganguli, Finance Director as Treasurer, Lydia Lawrence, Patrons and Philanthropy Officer as Secretary), provide sufficient communication and co-operation with the Board whilst retaining the US charity's independence.

25. Financial instruments

Disclosure is required of the role financial instruments have played during the year in creating or changing the risks HRP faces in undertaking its activities.

Liquidity and Credit Risk

Long-term liquidity was secured by the receipt of a £40m long-term repayable finance loan from the CRF fund in March 2021. Surplus funds are held on short-term fixed interest rate deposits with institutions with low credit risk ratings. Risks relating to interest rates are managed by budgeting conservatively for investment income. HRP has no finance leases.

Since most income was generated from donations, grants, and visitors to the Palaces, most of HRP's income was received as cash.

HRP is exposed to a credit risk of £3.5m trade debtors (2021/22: £2.5m). The risk is not

considered significant since major customers are known to HRP or are required to pay for services in advance. We have made provisions against bad debts where applicable.

HRP has no overdraft facility.

Market risk

HRP is subject to market risk in that the defined benefit pension fund holds investments. Plans are in place to fund the past service deficit, as detailed in Note 11.

HRP is subject to credit and market risk in its investment portfolio (Note 14). These risks are mitigated by investing only in investment grade bonds and by using a professional investment manager.

HRP is not subject to any significant foreign currency risk.

26. Post balance sheet events

There have been no significant events after 31 March 2024 that require adjustment to, or disclosure in the financial statements.

The financial statements were approved by the Accounting Officer and Trustees and authorised for issue on the date the Comptroller and Auditor General signed the independent auditor's report.

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Accounts

Historic Royal Palaces

**Trustees' Report and Financial Statements
For the year ended 31 March 2023**

Financial Statements
For the year ended 31 March 2023

**Financial Statements presented to Parliament by the Secretary of State for Culture, Media
and Sport by Command of His Majesty**

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This publication is available on our website at www.hrp.org.uk.

Any enquiries regarding this publication should be sent to us at dan.lill@hrp.org.uk
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HISTORIC ROYAL PALACES

Trustees' Report
and
Financial Statements

for the Year Ended
31 March 2023

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Trustees' Report

Trustees

Carole Souter CBE (Chair from 01 Aug 22)
Rupert Gavin (Chair until 31 July 22)
Lisa Burger CBE (appointed 1 April 2022)
Baron Houghton of Richmond in the County of
North Yorkshire (Lord Houghton) CBE DL
(until 31 July 22)
William Fall (Chair, Campaign Board, from 21
Sep 22)
Camilla Finlay
Sarah Jenkins
Tim Knox FSA
General Sir Gordon Messenger KCB DSO OBE
DL (from 01 Aug 22)
Sir Michael Stevens KCVO (Deputy Chair)
Robert Swannell CBE (until 31 March 23)
Dr Jo Twist OBE
Sue Wilkinson OBE
Professor Michael Wood OBE

Executive Board

John Barnes OBE (Chief Executive and Accounting Officer)
Nicola Andrews (Palaces Group Director)
Howard Beeston (Interim Finance Director to 31 Oct 22)
Jane Crowther (Director of Corporate Resources)
Anupam Ganguli (Finance Director from 31 Oct 22)
Andrew Jackson CBE (Tower Director)
Antonia Newman (Development Director)
Tom O'Leary (Public Engagement Director)
Adrian Phillips (Palaces and Collections Director)
Dan Wolfe (Commercial Director)

Registered Office

Hampton Court Palace,
Surrey KT8 9AU

Auditors of the Group

The Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP

Bankers

Barclays Bank plc
1 Churchill Place, London, E14 5HP

Solicitors

Farrer & Co
66 Lincoln's Inn Fields, London WC2A 3LH

Historic Royal Palaces

Charity registered with the Charity Commission for England and Wales
Registration number: 1068852

Historic Royal Palaces Enterprises Ltd

Company limited by share capital, Companies House: 03418583

Objectives and Activities

The Purpose and Activities of the Organisation

Historic Royal Palaces (HRP) was established in 1998 as a Royal Charter Body with charitable status. It is responsible for the care, conservation and presentation to the public of the unoccupied Royal Palaces: HM Tower of London (TOL), Hampton Court Palace (HCP), Kensington Palace State Apartments (KP), the Banqueting House (BH) at Whitehall and Kew Palace with the Royal Kitchens, Queen Charlotte's Cottage and the Great Pagoda. These palaces are owned by HM The King in right of Crown. HRP is contracted by the Secretary of State for Culture, Media and Sport to manage the five London palaces on his behalf. The contract is re-authorised until 31 March 2028.

HRP is also contracted by the Secretary of State for Northern Ireland to manage Hillsborough Castle and Gardens (HCG) in Northern Ireland. The Castle is owned by the Government and is the official residence in Northern Ireland of HM The King.

HRP is a Public Corporation but receives no public funding - all costs are met by self-generated income. HRP is governed by a Board of Trustees, all of whom are non-executive. The Chief Executive is accountable to the Board of Trustees.

Further information can be obtained from www.hrp.org.uk.

The objectives of HRP, as set out in its Royal Charter are, for the benefit of the nation:

- to manage, conserve, renovate, repair, maintain and improve the Palaces to a high standard consistent with their status as buildings of Royal association and historic and/or architectural importance.
- to help everyone to learn about the Palaces, the skills required for their conservation and the wider story of how monarchs and people together have shaped society by providing public access, by exhibition, by events and education programmes, by the preparation of records, by research and by publication and by such other means as are appropriate.

Historic Royal Palaces Enterprises Limited is a company wholly owned by Historic Royal Palaces. It forms the charity's general trading arm, responsible for running the commercial activities such as retail, functions, sponsorship and other events at HRP. It Gift Aids its taxable profits to the Charity.

Our Cause

We stir every spirit to inspire and provoke change.

Our work is guided by five principles:

- a) **Open** - We believe everyone's in. We create space for people to take part in places and ways they couldn't or didn't think to before.
- b) **Colourful** - We lift everything beyond the ordinary into the wonderful, sharing our love of the Palaces, our expertise and personality with everyone.

Trustees' Report

- c) **Provocative** - We embrace perspectives as diverse as the world itself, challenge preconceptions, set minds racing, and invite others to share their own opinions and stories.
- d) **Personal** - We warmly welcome everyone as individuals, whatever they come for and however they meet us. We want every encounter to go above and beyond.
- e) **Always Evolving** - We innovate and experiment, responding to the ever-changing world with fresh thinking and the courage to try new things.

Four major strategic aims to face the challenges of the future

In setting HRP's aims and planning our activities, the Trustees have had regard to the Charity Commission's guidance on public benefit.

i) Palaces – Give the palaces a future as bright as their past

We are guardians of six of the nation's most important historic sites.

One is a World Heritage Site (the Tower of London) and another is situated within a World Heritage Site (Royal Botanic Gardens, Kew); four are Scheduled Ancient Monuments; within these sites are many individual grade 1 listed buildings.

Conserving our palaces is a Royal Charter objective and a continuous strategic priority. Through consistent year-on-year investment, we improve the condition, presentation, curation and records of the palaces. Our planned building conservation programme is supplemented by improvements that we make through our major development projects.

ii) Experiences – Create unique and memorable experiences, onsite, offsite and online

Helping everyone to learn about the Palaces, providing access, enjoyment and engagement with the Palaces (physically and virtually) is also a Royal Charter objective and a continuous strategic priority. Most of our overall investment goes into this area through operations, programming, investment in the visitor offer and, increasingly, in reaching beyond the Palaces with their stories.

iii) Culture - Nurture a culture that unites us behind our Cause

Creating an environment where all staff are performing to a high standard, are engaged and consistently demonstrate that our Performance Framework qualities are central to this aim. Payroll costs are still the largest single expenditure element of our budget and our staff are the means by which we will succeed.

iv) Money - Generate the money to rebuild our charity

Our reserves have been significantly depleted due to the impact of closures required by the Government in response to the pandemic, and the charity had to take on Government-backed debt to ensure its viability. The first steps in our recovery were to reach operating breakeven, then to increase our income to pre-pandemic levels and finally to ensure that we had an overall surplus in our accounts. This strategic aim will require rigour about costs, and creativity to generate income. This is the objective shared by everyone in HRP – staff and trustees alike.

Trustees' Report

Achievements and Performance

Performance Overview

Our three-year Operating Plan was adapted to reflect the impact of COVID-19 however the performance targets to measure our success in achieving our objectives remain. We monitor visit numbers, visitor satisfaction and operating surplus.

Measure	Target 2022/23 ^(*)	Performance
Visit Numbers	Achieve at least 2.677m visits across all sites	3.479m
Visitor Satisfaction	Achieve the following scores, as measured through the ALVA benchmarking (new scale: 1 to 10): Enjoyment – 8.3 Value for Money – 8.0 Staff Friendliness & Welcome – 8.8	8.8 8.4 9.3
Operating Surplus ^(**)	Keep the operating deficit to no more than (£14.0m)	£20.2m surplus

(*) The targets were set in March 2022 as part of the internal annual budgeting process. At that time there was great uncertainty about how quickly our visitors would return to the palaces and therefore our projections were very conservative.

(**) this is an internal measure aligned with HRP's management accounts set as part of the annual budgeting process.

Within each of the strategic aims are various three-year priorities to drive value and ensure we deliver our aims:

Palaces

1. Adopt new approaches to maintaining and conserving our palaces and collections
2. Focus our research outputs on overlooked history
3. Invest in a new sustainability programme during 2023/24. We will be scoping out on-site renewable options, reducing emissions through wide-ranging decarbonisation activity, and reviewing the impact of climate change on our palaces, collections, gardens and estates.
4. Increase online access to our collections through our new digital collections management system (CMS) and through online content and social media.
5. A new accessibility programme starting by conducting accessibility surveys at Hampton Court Palace (HCP) in 2023/24, with Kensington Palace (KP) and Hillsborough Castle (HCG) in future years. We are also planning to improve surfaces at the Tower of London (TOL) walkway at HCP and KP access control during 23-24.

Experiences - create unique and memorable experiences, onsite, offsite and online

1. Plan wide-ranging activities to mark the Coronation, in addition to the representation of the Crown Jewels exhibition major project, so that we can play our part in national events and bring more people to the palaces.
2. Ensure our core visitor business continues to deliver exceptional experiences to all who engage with us.
3. Continue to improve the customer experience onsite and online.
4. Invest in our inclusive public engagement activity, interpretation/stories/ education and the research that supports it so that they are accessible to all cultures.

Trustees' Report

5. Increase digital story telling content including social media. To include a refreshed website in line with Greater Reach plan and to start pilot work on an HRP App.
6. Supercharge our schools programme to increase visits and return to a 5-day a week operation at the TOL, expanding the Schools Access Fund/Schools Go Free, extending the schools outreach programme, creating a new national programme for the Coronation.
7. Establish HRP as a key digital go-to destination for teachers and pupils studying history in the UK and beyond. We will create digital content relating to the change in monarch.
8. Increase our communities programme across the UK. We will expand the Community Access Fund across all six sites, doubling the reach of participants. We will deliver a programme of co-created/curated projects with a focus on inclusion and fresh perspectives. We will restart our dementia work and continue to work with marginalised young people.
9. Invest in new digital technology to create virtual palaces and tours, e.g., rebuild lost palaces, focusing on our own lost palaces first e.g., Whitehall, Kew, parts of Hampton Court and Tower of London.
10. Invest in a new Digital Handrail programme which will support the delivery of a seamless visitor experience, using technology to improve the end-to-end journey.
11. Invest in data analytics to improve our understanding of audiences.

Culture - nurture a culture that unites us behind our Cause

1. Launch a new programme to bring on board and align all staff to the new direction of HRP. This will test and refine our strategic framework, potentially develop a new set of organisational values or other tools, with the aim of helping staff make the right choices and align us all in the same direction.
2. Continue work to ensure our workforce is more representative of the UK (looking at our recruitment practices particularly for our Masters of Arts, apprentices, work experience and volunteer programme) and create an environment for staff where everyone feels included, valued and respected.
3. Develop a comprehensive training programme for staff which will include areas of strategic focus (e.g., inclusion awareness) and enable us to reinstate key training programmes such as team leader training, management training and leadership development.
4. Address any gaps in our IIP assessment to ensure we maintain our 'gold status' and remain a great place to work. This will include how we recognise and reward high performance.
5. Invest in our core technology and systems so they are fit for purpose and support our digital ambitions e.g., new ticketing provider, new Collections Management System, telephony review, increase connectivity.

Money - generate the money to rebuild our charity

1. Continue to manage costs and pursue opportunities to grow income.
2. After allowing for our investment priorities, ensure we have the funds to pay the CRF loan back from 2025 and build back reserves.
3. Grow fundraised income by becoming a charity where everyone supports fundraising as central to delivering our Cause enabling improved donor recruitment and retention in support of a clear pipeline of projects.

Trustees' Report

4. Implement a new approach to pricing to give free access to targeted groups e.g., universal credit, open house, schools, communities. Adjust admission income yield to ensure overall income isn't reduced.
5. Revise our business case approval process to help us make the right decisions/choices and ensure we can measure success through simple KPIs that will be linked to this strategic framework.

Performance Analysis

We have agreed three key objectives which have been shared with all staff. These are:

- 1) Deliver our Cause to stir every spirit
- 2) Achieve our financial goals in 2023/24
- 3) Change our ways of working and behaviours to:
 - To ensure that our resources deliver even greater value for money.
 - Be creative and innovative with the resources and finances we have
 - Be agile and flexible when constantly changing circumstances require it
 - Embrace fresh perspectives and create a culture where everyone feels welcomed and accepted

We continue to monitor performance through monthly management accounts, regular reporting against targets and KPIs, and review of staff performance

1. Palaces - Give the palaces a future as bright as their past

Our world-class textile conservation team faced a new challenge this year – preparing over 130 items for display in our major new 2023 exhibition, *'Crown to Couture'*. The exhibition features everything from the oldest surviving court gown in the country, to red carpet fashion worn as recently as 2022 and everything in between, including hats, gloves, face masks and even underwear. Custom-made mounts were prepared for each object and adapted with great ingenuity by the team, who spent 8 months working solidly on the exhibition. One of the major challenges they had to overcome was how to safely display Billy Porter's 'Sun God' outfit, which involved dressing a mannequin on a litter, carried by attendants. A first for our conservation team, but they rose to the challenge with aplomb. The exhibition was critically acclaimed and sold out in its opening month.

A team of preventative conservators care for the palaces and collections on a daily basis – monitoring the condition of objects on display and supervising events and filming to ensure that the fabric of the building is protected. This year, an increasing focus was the impact of changing weather conditions, with thermometers reaching almost 40 degrees celsius in the summer of 2022. The ever-vigilant preventive conservators at Hampton Court Palace kept a close watch on the famous tapestries, and many other objects on display throughout the palaces.

Protecting the buildings is a core part of our charitable responsibility and we are recognized for our conservation excellence in the heritage sector. At the beginning of 2023, we largely completed our 'State of the Estate' condition survey, which takes place every ten years. The survey includes a full inspection of all building exteriors and roof areas (vulnerable areas are assessed more frequently, every five years or as required.) 93% of the estate was found to be in a 'good' or 'fair' condition although some issues to address were identified. The aim of the survey is to inform our planned maintenance

Trustees' Report

and conservation programmes. which include and prioritise the large projects for the next decade. Projects underway this year include the Cradle Tower at the Tower of London and high-level masonry repairs at Hampton Court Palace. Planning for future years has already begun.

After a pause during the pandemic, the Kensington Palace Orangery Learning Centre project was completed and successfully opened in September 2023 (with the café opening in Spring 2024). This new, purpose-built facility will help us attract more schools and community groups to Kensington Palace than ever before and is a major focus for our Surveyors of the Fabric and Projects teams. We are grateful for the support of the Clore and Foyle Foundations, without whom this new building would not have been possible.

Historic Royal Palaces is an Independent Research Organisation and supports a number of collaborative research partnerships. Authentic research is at the heart of everything we do and one area of focus is overlooked history. Our aim is to add new perspectives and stories to our work, as we continue to explore the more familiar history of our palaces. This year, work began on a collaborative doctoral partnership with Manchester University, looking at the engagement of the Crown in Britain's Emerging Empire between 1660 and 1775. The project is co-supervised by two HRP Curators. A new exhibition is planned for Kensington Palace in 2024, exploring the 'Untold Lives' of workers at Kensington Palace since the 17th century.

Our curatorial team made some important new acquisitions in the past year, thanks to the generosity of donors and patrons. This included a deed signed by George Boleyn, Anne Boleyn's brother, and a gold signet ring also associated with the Boleyn family. A contemporary manuscript copy of a personal account of King George III's ill-health was purchased for display at Kew Palace. A leading Northern Irish artist, Colin Davidson, created a new portrait of the late politician John Hume, for display in Lady Grey's study at Hillsborough Castle. We were also fortunate to acquire 28 pieces from the wardrobe of the late Duchess of Grafton, who was a Lady of the Bedchamber to her late Majesty Queen Elizabeth II. These items were donated by the Duchess's family to the Royal Ceremonial Dress Collection.

Along with our six remarkable palaces and their collections, we also care for hundreds of acres of green space. Caring for and tending to the environment around the palaces is an important priority for HRP as a charity. In 2022 we made a long-term commitment to transform the moat at the Tower of London into a thriving habitat for wildlife. The moat, which has previously been covered by utility grass, was transformed by a major project into a new natural landscape, featuring winding paths for visitors to explore and enjoy. The moat transformation began with 'Superbloom' – a new natural landscape surrounding the Tower of London. This major new spectacle in the moat was sponsored by Burberry, reflecting their own sustainability commitments. After one year, signs of an environmental shift were already underway, with new species being spotted in the moat and species richness increasingly significantly across the site.

2. Experiences - Create unique and memorable experiences, onsite, offsite and online

Spring began with the planting of over 20 million seeds in the moat at the Tower of London, to create 'Superbloom', a vibrant and colourful floral landscape surrounding the Tower of London. In June, the display was in full bloom and attracted over a quarter of a million visitors, many of whom enjoyed an unusual entrance into the moat via a 17.5m slide! The flowers on display in the moat were enhanced by a specially commissioned soundtrack: 'Music for Growing Flowers' by Scottish composer Erland

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Cooper. New artistic commissions were also featured in the display, including a willow sculpture by Spencer Jenkins, and a series of glass emblems inspired by the designs of HM The Queen's 1953 Coronation Gown, by Max Jacquard, which were the crowning glory of the 'Queen's Garden' at the end of the experience.

Our palaces have witnessed almost 1,000 years of royal history, but 2022 brought the first Platinum Jubilee, a historic milestone. The 70-year long reign of Her Majesty Queen Elizabeth II was marked across the palaces from the accession anniversary in February, through to the Jubilee Bank Holiday weekend in June. We hosted gun salutes, garden parties, community celebrations and official ceremonies, bringing these events to a global audience through our social media channels, website and broadcast outreach. The Chief Yeoman Warder of the Tower of London was given a special honour and presented the 'Commonwealth Globe of Nations' to Her Majesty the Queen at Windsor Castle, watched by millions of people around the world.

At Kensington Palace, a photography exhibition, 'Life Through a Royal Lens' ran from March until October. The exhibition, which examined royal image-making from Queen Victoria to the present day, received excellent reviews, with the Evening Standard describing it as "fascinating". Accompanying the exhibition, were a series of films interviewing photographers whose work featured in the display including Rankin, Chris Levine, and Getty's Chris Jackson. Their work was displayed alongside pictures of the royal family taken by members of the public during royal engagements. Many of the amateur photographers featured visited the palaces to see their work on display, which was generously supported by Garrard.

On 8th September, Her Majesty Queen Elizabeth II passed away. Once again, the palaces played a prominent role in official mourning. The Tower of London and Hillsborough Castle (as the official residence of the Royal Family in Northern Ireland) both held several gun salutes and official proclamation ceremonies for His Majesty King Charles III. At Hillsborough Castle the Accession Proclamation was one of the four national moments and was followed by a visit by The King and The Queen, who met the public and guests from across the political spectrum in the Throne Room. Teams at the Tower of London facilitated the use of the Regalia for processions and the Lying-in-State, and the Yeoman Body helped to guard Her late Majesty's coffin in vigils at Westminster Hall.

In January, Hampton Court Palace hosted 'Permissible Beauty' – an installation exploring how notions of and ideas about beauty have changed over time. Taking inspiration from the famous 'Windsor Beauties' by Peter Lely on display in the Palace's Communication Gallery, 'Permissible Beauty' featured a series of new portraits of creative talents from the Black British queer community, captured by acclaimed photographer Robert Taylor. The project was conceived by the art historian and musician David McAlmont, led by the University of Leicester and supported by a grant from Arts Council England through a National Lottery project grant.

In February, a range of digital content was created to support LGBT history month, including a series of films about Norman Hartnell, who was famously the designer of Her late Majesty's Coronation gown. At the Tower of London, a redeveloped 'Queer Lives' evening tour ran for a week and received excellent reviews and social media feedback from those who attended.

February also saw Historic Royal Palaces establish a Tik-Tok presence, gaining over 150,000 followers in the space of a few short months. The top performing piece of content was a film following one of the Yeoman Warders as he rang the Curfew Bell for the evening, signaling the Tower of London's closure. Other highlights included a film looking at some 18th century plus-size stays featured in the 'Crown to Couture'

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exhibition, examining the bias in museum collecting which means that some body shapes and sizes are better preserved in the historical record than others. Another success for the year was the return of HRP's podcast series, with two separate content strands proving successful: staff talking through their favourite spaces in the palaces and curators hosting panel discussions on particular topics, including the Gunpowder Plot.

Our aim as a charity is to make the palaces accessible to everyone and our work with schools and communities is central to achieving that charitable ambition. Over 180,000 school children visited the palaces in the past year. The schools project accompanying last Summer's 'Superbloom' was our biggest effort yet. Almost 1,500 schools from across the country took part, creating gardens for their communities to enjoy, whilst benefitting from the boost to wellbeing, behaviour and academic achievement that spending time in nature can bring. In early 2023, a project of a similar scale challenged schools across the country to design a bench for the King's Coronation, featuring the values and symbols they'd like to see represented in the new reign. There were 1,507 entries and a team of judges whittled this down to 15 winning schools, who will work with artists to refine their designs. The benches have been displayed at the Tower and Hillsborough Castle throughout Summer 2023.

New to the schools programme this year, an outreach show, 'Fire: A Princess' Guide to Burning Issues' tells the story of Sophia Duleep Singh, the Indian Princess and Suffragette who once lived at Hampton Court Palace. The show explores how her experiences led her to become an activist, nurse and use her platform as a voice for justice and change. This show went on tour in October around London secondary schools and was seen by approximately 6,500 students. Meanwhile, at the palaces, a new series of core programmes were launched, including 'Jobs at Court', highlighting the contributions people from many backgrounds have made to the history of the palaces. Online sessions were offered too and have proved popular, with many already booked up until the end of 2023.

Our Communities programme enjoyed a record year. Nearly 19,000 people experienced our programmes across the sites. A highlight was the Platinum Jubilee Community Celebration we hosted at Kensington Palace with seven of our community partners. With bunting making workshops hosted by Stitches in Time, a Jubilee Scavenger Hunt hosted by Urbanwise London and free ice cream vouchers for participants, the day was a great success and supported the National 'Big Lunch' initiative held to celebrate the Jubilee.

3. Culture - Nurture a culture that's united behind our Cause

In 2022, as we continued to recover from the financial losses we had faced as a result of the impact of the pandemic, we also refreshed the future direction of our charity – a renewed focus on our charitable purpose and the public benefit that we bring. Our plan is to root our work, more than ever, in fulfilling our ambition to be for everyone, whoever and wherever they are, and investing in the programmes that will help us to achieve this. In 2022–23, as visitors returned and our organisation recovered, we recruited circa 300 new roles in crucial areas to support the business.

We pride ourselves on being 'a team of people who love and look after' some of the world's greatest palaces. One of the highlights of the year – the 'Superbloom' project – was achieved through teamwork across the organisation, from the project team on the ground, to operations at the Tower of London, to the ticketing team, who worked with a new partner to facilitate access to the display. We also benefitted from the incredible

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commitment of over 800 volunteers, who contributed around 17,000 hours to the project, creating a legacy which we will continue to develop in the moat for years to come.

'Investors in People' is an internationally recognised scheme where accreditation is based on a formal assessment of 9 indicators that measure an organisation's ability to lead, support and manage people. HRP achieved its 'gold' status in 2016 and we were able to maintain this standard in November 2022. The survey results demonstrated that our staff feel they share the organisation's values, they understand how their roles contribute to the charity, they believe the organisation has a positive impact on society, and we excel in collaborative working within our charity. Our learning and development offer (which had been reduced significantly during the pandemic), and our reward and recognition schemes – these will be key areas of focus in the coming years until our re-accreditation takes place again in November 2025.

HRP's Staff Inclusivity Network, set up in response to feedback we received in November 2021, continued to go from strength to strength. The network is Co-Chaired by a team of three and comprises staff from across directorates who meet regularly to discuss a range of topics. The network has provided invaluable feedback on new/updated policies and guidance which we published on Staff Wellbeing, Menopause, and increasing the inclusivity and transparency of our recruitment and selection practices.

We have already begun work on identifying and removing any unnecessary barriers in our internal and external recruitment practices for existing and prospective staff and volunteers, such as anonymising CVs, removing any qualifications which are not necessary for the role, and analysing the diversity of applicants and our workforce to better understand what the data is telling us and where there might be any gaps. Our data on ethnicity shows that it is proportionally consistent across our grades, though it is still lower than the UK population as a whole. Our data on gender is less proportionally consistent across grades, though there is no pattern which is borne out by our low Gender Pay Gap scores. A focus for 2023-24 is to improve data collection on workforce demographics, particularly around disability and social mobility. This will help us more accurately track our progress towards the goal that our workforce is more representative of the demographics of the UK, and at all levels of our charity.

As with many other organisations across the UK, the cost-of-living crisis has had a significant impact on the livelihood and wellbeing of our workforce. In response to this and to help ease some of the financial and emotional pressure that staff were facing, we implemented a range of additional support measures, including a one-off lump sum cost of living support payment; hardship loan provisions; increased access to free independent financial advice; and promotion of all of the benefits and resources that were already available.

The Gender Pay Gap report showed that the mean hourly gender pay gap has substantially improved in the last few years – it has decreased from 6.53% (2019/20), to 3.46% (2020-21) to the most recent figure of 2.29% (2022/23). This has largely been due to recruiting a higher proportion of females into upper quartile roles. However, there are still a number of roles that attract allowances which are found in departments with a higher proportion of male staff, such as security functions, IS, maintenance, etc. This impacts the median hourly pay gap. We will continue to keep all of our pay, including allowances, under review to ensure that our remuneration is fairly proportioned between all genders where practicable.

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Our MA in Heritage Management continued to be a success in 2022, with 17 students enrolled from the UK and overseas. Students have received masterclasses from HRP's leading heritage professionals and undertaken integral work placements across all directorates. To date, we have 103 alumni of the course with astounding success in terms of securing jobs with leading global heritage organisations. Several have returned to work with HRP.

4. Money - Generate the money to grow our impact

After a tumultuous period during the pandemic, generating the income to make our charitable work possible remains a key priority. We finished the year with 3.48 million visitors to our sites, which was significantly more than forecast at the beginning of the financial year when there was still uncertainty about further potential international Covid restrictions. 3.48m visitors is 70% of the numbers we enjoyed before the pandemic – a Cause for cautious optimism, although careful cost-control throughout the year has also contributed to our success.

Charitable donations and corporate sponsorships had a strong year in 2022/23 and we are grateful to our Campaign Board for their efforts in introducing several new funders to the organisation. Charitable donations totalled £1.9m and included an extraordinary legacy of £750k from Mr Michael Stennett. The breadth of sponsorship opportunities available during the year helped us achieve trading income from corporate partners of £886k.

Support from our donors and partners was critical to the success of 'Superbloom' at the Tower of London and its associated learning and education programmes. We are grateful to our lead partner Burberry and to a number of other generous funders including the City of London Corporation, HRP Inc and the Garfield Weston Foundation. We were also thrilled to continue our relationship with Garrard as our partner for our 'Life Through a Royal Lens' exhibition at Kensington Palace. Also at Kensington Palace, major grants were secured from the Clore Duffield Foundation and The Foyle Foundation, towards the creation of a new Clore Learning Centre. This year was also the inaugural year of our Hillsborough Castle Board who have come together to support fundraising for projects at the Castle.

Members, patrons, donors and sponsors continue to provide us with considerable support. 2022 – 23 was our best year yet for new member recruitment. We acquired 71,629 new members against a budget of 58,198 (+23%). The previous record was 21/22 when we acquired 71,367. Retention did not fare quite so well and so our member base closed slightly lower than budgeted. At the end of March, we had 137,777 members against a target of 141,362. This means we saw net growth of just over 18k members in year equating to +15% growth. In terms of income, membership generated £4.6m of income to a prior year comparison of £3.2m.

The HRP Festivals brand continues to go from strength to strength. Three festivals were held at Hampton Court Palace in the past year: the 'Artisan Fayre' in the Spring celebrating all things craft was swiftly followed by the ever-popular 'Food Festival' in the Summer, which returned at Christmas in the form of a 'Festive Fayre'. These events generated £620k of profit to support the charity.

2022–23 was another record year for filming, which brought in just under £900k of income almost £100k up on the previous year's income. The record performance was largely generated by repeat business from the 'Bridgerton' franchise, which filmed for series 3 at Hampton Court Palace for several days. The 'Bridgerton' prequel, 'Queen Charlotte: a Bridgerton Story' filmed at the palace twice last Summer, with an HRP Curator consulting on the script. Meanwhile, the successful 'Inside the Tower of

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London' series continued for a fifth year and achieved record audiences of 1.5m viewers per episode. A sixth series has been commissioned for 2023.

It was a strong year for our retail department, who made over £15 million in sales and delivered the best ever annual performance for the online shop, driven by the significant royal events taking place throughout the year. The team also opened a new pop-up shop to support 'Superbloom' at the Tower of London and commissioned a new product range to accompany the display. Work on 2023 projects continued apace throughout the year, including a new range to support 'Crown to Couture' at Kensington Palace, and a 150-page magazine which will be on sale in the palace shop.

Financial Review

Funds and reserves

The Trustees recognise the need to establish a level of free reserves that enables financial stability, is adequate to meet the requirements of working capital and acts as a cushion against fluctuations in income levels. Reserves enable HRP to make long-term commitments to projects. In determining a realistic level of reserves, several key factors are considered including the level of risk associated with the main income and expenditure streams, the adequacy of the controls in place to mitigate those risks and other contingencies available to call on in emergencies. This is balanced by the general legal duty that Trustees are under to apply income funds on the objects of the charity within a reasonable period of receiving them. In the past, designated funds were created to protect long-term commitments to major projects.

Prior to the pandemic, we had built designated funds of £22.4m for this purpose but, due to the sudden and devastating impact of COVID-19, Trustees agreed at the end of 2019/20 to transfer all designated funds to free reserves to meet operating commitments during 2020/21 and subsequently 2021/22.

At the beginning of 2020/21 we had free reserves of £5.2m and by the end of 2021/22 negative free reserves of £1.2m. Free reserves and designated funds as at the end of 2022/23 are £17.4m. The free reserves target is £10m in FY24/25 to provide a greater level of resilience.

	Funds as at 31 March 2023	Funds as at 31 March 2022	Funds as at 31 March 2021	Funds as at 31 March 2020
	£000	£000	£000	£000
General (Free) reserves	5,000	(1,243)	5,163	27,405
Designated funds	12,361	-	-	-
Fixed assets	30,398	28,826	29,116	28,448
Pension plan	7,276	9,437	(829)	(686)
Unrestricted funds	55035	37020	33450	55167
Restricted funds	6,832	7,103	7,417	5,667
Total funds	61,867	44,123	40,867	60,834

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Restricted funds (£6.8m)

These are funds subject to specific restrictions imposed by donors that are still within the wider objects of the charity.

Unrestricted funds (£55.0m)

These are funds that are expendable at the discretion of the Trustees in furtherance of the charity's objects. They are made up of:

- **Free reserves (£5.0m)**
Part of the unrestricted funds that are not held as fixed assets or designated for other purposes. This is a return to the pre-pandemic levels of free reserves.
- **Designated funds (£12.4m)**
This is the first year since the pandemic we have been in a position to designate funds from our general funds towards our 'big moments', major projects and strategic programmes. This consists of £4m for Redevelopments and conservation projects, £4m for Infrastructure projects and £4.4m on other programmes including digital and sustainability.
- **Fixed asset fund (£30.4m)**
A permanent designated fund is matched to fixed assets, as this cannot be quickly utilised to realise cash in the event this is required. The part of the general fund represented by fixed assets is therefore excluded from free reserves, as generally a charity could not dispose of all or the majority of these assets and continue its operations as a going concern.
- **Pension plan (£7.3m)**
The pension surplus or liability recorded in the Consolidated and Charity Balance Sheet is calculated annually for accounting purposes under FRS102. As at 31 March 2023, the pension surplus has been calculated as £7.3m (March 2022: £9.4m) and shown in the accounts in accordance with accounting standards. Details of the retirement benefit scheme are disclosed in the Notes to the accounts.

The defined benefit pension scheme is also valued for funding purposes by an actuary in a more detailed assessment, every three years. The last triennial valuation was at 31 March 2021 and showed a deficit of £4.1m.

HRP, as employer, agreed with the trustees of the scheme that no deficit contributions will be required between May 2022 and June 2025. See note 12 for further details on how the actuarial deficit may be eliminated and for more information on the different valuations of the scheme.

The scheme was closed to future accrual on 31 March 2019. HRP will continue to meet the expenses of the scheme and levies to the Pension Protection Fund.

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The Statement of Financial Activities

Total visits of 3.5m in 2022/23 (1.5m visits in 2021/22) were 30% better than original targets and reflects the continuing recovery from the Covid-19 pandemic.

Total income was £102.5m, with visitor-facing activities generating £85.1m, supported by further strong performances in both Functions and Events and Development Income. The Coronavirus Job Recovery Scheme (CJRS) grant ceased during 2021/22. Total grants therefore fell from £10.4m in 2021/22 to £1.4m year on year.

The significantly better than expected income was achieved whilst keeping costs under strict control, and has resulted in HRP achieving its largest operational surplus to date of £20.2m. This is in comparison to an operational net deficit in 2021/22 of £7.0m.

The Balance Sheet

Excluding the decrease in the pension surplus of £2.1m, overall total funds increased during the year by £19.9m. Fixed assets remained at £38.1m with depreciation (£1.9m) and disinvestments of financial assets (£1.7m) being offset by the continuing capital expenditure on the new learning centre at Kensington Palace.

Debtors have increased by £0.6m and creditors have increased by £4.8m in line with increased activity as the organisation recovers from the pandemic. Overall, net current assets increased by £23.4m year on year.

Long-term creditors increased due to accrued interest on the £40m loan from the Culture Recovery Fund (CRF). Repayment of the capital and associated accrued interest is due to commence from March 2025.

The Group's cash flows returned to a pre-pandemic pattern in 2022/23 with cash inflows being generated by Admissions from June to October. The overall cash inflow from operating activities for the 12 month period was £27.5m (£0.7m outflow in 2021/22). Cash and short term deposit investments balances reduced by £5.3m (£6.1m in 2021/22) with £32.0m being invested in short term deposits (£7.0m in 2021/22).

Finance & Investment policy

The Trustees continued to adhere to the investment policy over the period. The receipt of the £40m CRF loan in March 2021, in a global context that was still uncertain, resulted in a re-balancing of investments in both term and risk profile.

In 2022/23, the Finance & Investment Committee continued to release bonds as they matured and not invest in new bonds. The bond portfolio investment returned -1.48% against -2.15% in 2021/22. Since inception in January 2014, the portfolio has returned an annualised +0.91% (+1.2% in 2021/22).

The multi-asset portfolios performed in line with the market and their respective benchmarks, with a combined annualised return of 1.57% interest/dividend income return (1.36% 2021/22) and a capital revaluation of -7.59% at 31 March 2023 (+3.78% as at 31 March 2022).

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HRP's investment policy is currently as follows:

Investment objectives

- Capital preservation is the priority.
- In order to balance immediate cash requirements, medium-term future capital and commercial investment plans (3-year operating plans), HRP investments need to achieve regular annual income returns and long-term income growth.

Risk mitigation

- Achieve flexibility through the broad categories of asset types, maturity dates and institutions.
- Except for deposits with the Bank of England, no more than 33% of total cash and investments balance to be with a single counterparty.
- Cash balances to be deposited with institutions with a credit rating of at least equal to the upper tier of the lower medium grade.

Amount invested and time horizon

- Up to £10m may be invested in a fixed income portfolio with an average maturity date of no more than 4 years.
- Investment in global multi asset portfolios is no more than 5% of the total projected cash & investments balance.
- Funds are primarily invested on the money market in the UK on 3 to 24 month fixed term deposits (with the majority in 12 months or less maturity). This allows a balanced spread of maturity in a 2-year horizon to ensure maximum return while retaining instant access.

Ethical Investment

- HRP's assets should be invested with regard to its charitable aims and reviewed on a regular basis. The Trustees have not elected to adopt an exclusionary policy but will exclude and reject individual investments if they are perceived to conflict with the charity's purpose and values.

Going Concern and Future Plans (see note 1 q)

The 2023-24 operating budget was set to build on the positive performance of 2022/23. Income targets have been updated to reflect our latest visit number projections. Expenditure budgets have taken into consideration the current economic climate.

Whilst the future is always uncertain, and forecasts are made on best estimates, the strong visitor performances we have seen at the Palaces to date in 2023 gives us confidence that we will achieve our proposed targets for 2023/24. In addition, we are well placed to hold back expenditure to reduce costs in order to create further financial headroom should circumstances require.

Performance will be scrutinised very closely throughout the year and any significant deviation from our current income assumptions will be mitigated by imposing stricter

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controls on expenditure.

The Board of trustees is content to adopt the going concern basis for preparing these financial statements.

Further details are provided in Note 1 (q).

Report of the People Committee

Membership

During the year the following Trustees served on the People Committee: Sarah Jenkins (Chair), Tim Knox, Sue Wilkinson, Carole Souter and Gordon Messenger.

Policy statement

The remit of the People Committee is governed by the legal framework of HRP as set out in the Royal Charter. In establishing the level of remuneration for each Director, the People Committee considers the guidelines laid down by the Combined Code and HM Treasury and has a remuneration policy similar to comparable and competing organisations. This policy aims to ensure that remuneration packages are in line with the general market practice and consistent with recruiting and retaining Directors of the highest calibre.

Members of the Board of Trustees receive no remuneration. However, they are entitled to claim expenses and to make charges if instructed by the Charity to apply their specialist skills or knowledge. Details are set out in Note 10 to the accounts.

Review of activity during the year

The Committee discussed the need to refresh HRP's approach to pay, reward and recognition of its people, and reviewed plans to identify and develop future leaders from within the organisation. The Committee also noted the encouraging results from the recent Investors In People survey and the further work which would be undertaken to maintain HRP's Gold status in this area.

Details of the emoluments of the Chief Executive are set out in Note 11 to the accounts together with information on the number of employees whose remuneration (excluding pension contributions) exceeds £60,000.

Trade Union relationships

We continue to work in partnership with the Trade Unions and their local representatives. To facilitate information flows and discussion between the organisation and Trade Union representatives, partnership meetings are regularly held.



Carole Souter CBE
Trustee
16th November 2023

Hampton Court Palace
Surrey
KT8 9AU

Governance Statement

Structure and Governance Framework

HRP's governance reflects its constitution and contractual responsibilities. We are directly accountable to the Charity Commission through the Chairman and Trustees but also accountable to Government through the Chief Executive (as Accounting Officer). The contract with Government includes a management statement and a financial memorandum with which we comply.

Memoranda of Understanding are in place with key partner bodies, such as the Royal Household and the Royal Armouries which govern operations in areas of common interest.

HRP considers the UK Corporate Governance Code as a source of good practice as relevant to it as a Public Corporation and a Charity. The Charity's governance is broadly aligned with the Charity Governance Code endorsed by the Charity Commission. HRP is also subject to the Freedom of Information Act and Environmental Information Regulations.

Details of the Trustees are given in the Administrative Details section. The Board consists of a Chair and eleven Trustees, chosen for their skills and experience. All are non-executive and unpaid.

The Chair is appointed by the Sovereign on the advice of the Secretary of State for Culture, Media and Sport. The Chair of the Board of Trustees from 2015 – 2022 was Sir Rupert Gavin. His successor, Carole Souter (CBE) acted as Interim Chair from 3 August 2022. In September 2023, the Department for Culture, Media and Sport (DCMS) announced that Sir Nicholas Coleridge will succeed Carole Souter as the next Chair of Historic Royal Palaces from 1 November 2023.

Four Trustees are appointed by the Sovereign, of whom three are ex-officio appointments: the Director of the Royal Collection; the Keeper of the Privy Purse and the Lord Chamberlain (unless he/she chooses not to take up the appointment, in which case the Sovereign may appoint someone to take his/her place, as currently). The remaining seven Trustees are appointed by the Secretary of State, two of whom are ex-officio; the Constable of the Tower of London and the Chairman of the Campaign Board.

The appointments are initially for three years. With the exception of ex-officio appointments, Trustees may be appointed for a further two periods of up to three years, subject to review at the end of each period. Third period appointments are only made exceptionally.

Trustees are recruited through advertisement, by using existing contacts and by research. New Trustees are supported through an induction process tailored to their needs and experience. This includes meetings, visits and a substantial amount of written material on their responsibilities, and about the organisation.

The Chief Executive is granted a general delegation to act on behalf of the Trustees, except for matters reserved by the Trustees for decision by themselves. Such matters include approval of strategic plans, annual budgets and major projects, remuneration of the Directors, acceptance of donations over a set amount and variations to governing

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documents.

The Trustees and Chief Executive (as Accounting Officer) are jointly responsible for maintaining a sound system of internal control that:

- supports the achievement of HRP's Cause and Strategy, whilst;
- safeguarding the public funds and assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned in *Managing Public Money*;
- and ensuring compliance with the Management Statement and Financial Memorandum.

There are four sub-committees of the Board:

The Audit & Risk Assurance Committee (ARAC) formally reports annually to the Board on the adequacy of HRP's arrangements for governance, risk management and internal control. During the year the following Trustees served on the committee: Sir Michael Stevens (Chair) and Carole Souter. Ian Starkey is a co-opted member. William Fall (Chair, Campaign Board) also attended.

Oversight of financial and investment activities is provided by the Finance & Investment Committee, whose remit includes reviewing financial performance, the annual budget and forecasts, the balance of risk/return on investments, the impact of external factors, and HRP's use of the long-term borrowing facility. During the year, the committee comprised the following Trustees: Carole Souter (Chair), Rupert Gavin (Chair) Lisa Burger, Sir Michael Stevens, Robert Swannell. William Fall (Chair, Campaign Board) also attended.

Remuneration policy for the Chief Executive and Directors of HRP is agreed by the People Committee which also oversees and advises on issues concerning HRP's human resources, working with the Executive to ensure HRP is seen as an employer of choice where all HRP staff feel included, valued and respected. During the year the following Trustees served on the Committee: Sarah Jenkins (Chair), Tim Knox and Sue Wilkinson, with Carole Souter and Gordon Messenger having also attended.

The Nominations & Governance Committee reviews and advises on Board performance, Trustee appointments and succession planning, and makes recommendations to the Board to ensure the appropriate balance of competencies, skills, experience and diversity on the Trustee Board. During the year the following Trustees served on the committee: Carole Souter (Chair of the Committee), Rupert Gavin, Sarah Jenkins, Sir Michael Stevens, Lord Houghton and Jo Twist.

The Board agrees the terms of reference for each committee, and reviews them regularly to ensure they remain fit for purpose.

The work of the Board is further supported by the Campaign Board, which brings specialist expertise on fundraising to HRP. William Fall chairs this Board.

Further Trustee input to HRP's work comes through informal advisory/working groups, set up as and when required, where Trustees work with members of the Executive Board to advise on particular areas such as major projects. These working groups address current areas of need, enabling Trustees to advise on programmes of change within HRP. There are currently four working groups in operation, advising on HRP's sustainability strategy, inclusivity, the digital and technology programme, and an ongoing project to transform education facilities at the Tower of London and introduce a

Trustees' Report

biodiverse landscape in the moat.

The Trustees' and Directors' register of interests and their biographical details are available for inspection on application. Day to day management of HRP is carried out by an Executive Board. The Executive Board is chaired by the Chief Executive and comprises Directors of Palaces & Collections, Finance, Palaces Group, Tower, Commercial, Public Engagement, Corporate Services, and Fundraising.

Governance Effectiveness

The effectiveness of the Board of Trustees and its Committees is reviewed by the Chair in consultation with Trustees each year, with periodic external reviews undertaken in line with the best practice recommended in the Charity Governance Code.

Trustee attendance at Board and Committee meetings is monitored and discussed with each Trustee as part of each Board Effectiveness Review.

The attendance record of individual Trustees is summarised in the table below:

Trustee	Board	Audit & Risk Assurance Committee	Finance & Investment Committee	People Committee	Nominations & Governance Committee
Lisa Burger	4/4		3/3		
Rupert Gavin	1/1		1/1		1/1
Gordon Messenger	3/3			1/1	
Lord Houghton	1/1				1/1
William Fall	2/2	1/1	4/4		
Camilla Finlay	4/4				
Sarah Jenkins	4/4			2/2	2/2
Tim Knox	4/4			2/2	
Carole Souter	4/4	3/3	3/3	1/1	1/1
Sir Michael Stevens	4/4	3/3	4/4		2/2
Robert Swannell	1/2		1/1		
Jo Twist	2/4				1/1
Sue Wilkinson	4/4			1/2	
Michael Wood	3/4				

Ian Starkey (note 1)		3/3			
Francis Runacres (Note 2)			2/2		

Note 1: Ian Starkey a co-opted member of the Audit & Risk Committee.

Note 2: Francis Runacres is an observer from the Arts Council, England.

Highlights of Board Committee Reports

The Trustee Board meet regularly throughout the year. Minutes of Trustee meetings are published on our website once approved by the Board.

The Chief Executive provides an update at each Trustee Board meeting and financial performance of the organisation is also reviewed at each meeting through summary management information that reports key aspects of financial performance and key non-financial organisational performance indicators. Updates on major projects are also provided at each meeting.

The work of committees of the Board is reviewed by Trustees through either circulation of the minutes or a verbal report from the Chair of each committee.

The scheme for delegating authority reserves a number of matters for decision by Trustees. These matters are considered at Board meetings and include approval of expenditure above a certain limit. Variations to budgeted approved expenditure of more than the lower of 10% or £750,000 on any project are also referred to the Board for further approval. The threshold for approval of projects and contracts at the Board is £750,000 excluding VAT, although projects not agreed in budgets, will still be brought to Trustees' attention.

During the year, the Board monitored and considered the progress of the organisation through strategic updates on the palaces, experiences, culture and money.

Audit & Risk Assurance Committee agendas were similarly structured, considering matters of risk management, the external audit and internal audit plans and progress. Progress with all major projects was reported at each meeting with the status of each project being monitored as a matter of course. Internal audit provision was outsourced to RSM during the year. RSM will provide assurance to the Audit Committee at each future meeting and annually through a programme of audit work agreed in advance with Trustees.

The Finance and Investment Committee reviewed HRP's current and projected cash balances, the allocation between investment asset types and term deposits, the spread of counterparties, the rates of return and the retention levels for instant access.

The Nominations and Governance committee provided guidance on Trustee appointment requirements, and other governance arrangements, including the Board's performance review process. This year the Committee met to consider Trustee vacancies, refinements to organisational governance, and the process overseen by DCMS to recruit a new Chair of the Trustee Board.

The People Committee met to consider next steps in developing HRP's approach to staff reward and recognition, and the very encouraging results of our recent *investors in people* survey and the future work planned to ensure we retain our gold status.

Trustees' Report

Risk Management Statement

The Trustees of HRP have considered the major risks to which HRP is exposed and satisfied themselves that systems or procedures are established to manage those risks.

The responsibility for the management and control of HRP rests with the Board of Trustees and therefore they are involved in the key aspects of risk management, particularly in setting the parameters of the process and reviewing and considering the results. The Trustees do not undertake each aspect of the process themselves; they delegate elements of the risk management process to staff and professional advisers. The Trustees review and consider the key aspects of the process and results. The level of involvement is such that the Trustees can make this risk management statement with confidence.

The Audit & Risk Assurance Committee (ARAC) is a sub-committee of the Board. The purpose of the Committee is to support the Board and the Chief Executive Officer (CEO)/ Accounting Officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, control, and the integrity of the financial statements and annual report.

The ARAC is responsible for reviewing management's mechanisms for the assessment and management of risk, the planned activity of external and internal audit and the results of their work, the adequacy of management's responses to issues identified by audit activity and the adequacy of assurances relating to corporate governance. In line with best practice, the Committee publishes an annual report on its work for the Board.

Strategic leadership of the risk management process comes from the Executive Board, and the Trustees and CEO/ Accounting Officer oversee the process. The ARAC reports annually to the Board on the effectiveness of the internal control system established to ensure that the aims, objectives and key performance targets of HRP are achieved in the most economic and effective manner. Directors, managers and staff are responsible for identifying, assessing and managing the corporate and operational risks in their areas.

HRP's system of governance, risk and control is based on the three lines of defence model as per HM Treasury and Institute of Internal Auditor's guidance. There is an escalation process to ensure key and emerging risks are reviewed at the correct level as they arise.

- Risk and control monitoring at the first line of defence (front line operations) occurs throughout HRP with detailed management information. The project management framework and project governance structure include detailed guidance to ensure that risk is a fundamental part of each project from start to finish.
- The second line of defence is formed of a corporate risk register which is reviewed at least quarterly by the Executive Board and ARAC, and annually by the Board of Trustees. The Executive Board approves HRP's risk management policy.
- The Executive Board is responsible for: communicating HRP'S risk management policy to staff, maintaining the risk registers, monitoring changes in the corporate risk profile and reporting significant changes.

Trustees' Report

to the Trustees. The Executive Board also assesses future risks and opportunities annually as part of the Operating Plan process.

- Internal Audit has been outsourced to RSM to ensure it continues to provide robust independent assurance to the Executive Board and the Board of Trustees. Internal Audit takes a risk-based approach to audits and operates in compliance with Public Sector Internal Audit Standards. RSM will provide an annual report to the CEO, the ARAC and the Board.

HRP's risk appetite is a balance between managing risk, enhancing innovation and creativity, whilst carefully weighing up risks with all rewards and our charitable and strategic objectives. HRP considers risk and its management in a structured way to ensure that the identification, assessment and management of risk is linked to the achievement of HRP's objectives and that all areas of risk are covered - for example, financial, governance, operational and reputational. The corporate ("Strategic") risk register at HRP focuses on high impact and/ or likelihood risks aligned with our strategy. Major risks are those risks that have a major impact and a probable or highly probable likelihood of occurring and would have a major impact across any area of HRP.

The Board has gained assurance that the data quality of the information it receives is sound through a mix of audit work on data held and challenges of the data presented.

An amalgamation of the most significant risks at Year End are:

Risk	Controls /Actions
Sustained or protracted loss of income	• Annual Operating Plan and Quarterly forecasts prepared and reviewed by trustees • Tight control over expenditure • Major Incident Plan and regular testing of it
Inability to effectively respond operationally to an incident or disruption	• Detailed corporate Major Incident Plan in place including site specific security plans and emergency procedures and scenario testing • One-to-one incident management training for Duty Management. • Mandatory training for all staff on security and incidents in place
Successful cyber attack	• Policies and Procedures, anti-phishing and anti-virus / malware controls, cyber E-learning and regular external audits in place • Sophisticated and comprehensive monitoring and alert systems in place • Decommissioning legacy infrastructure including servers, hardware, telephony system, and replacing and upgrading these • Increased team capacity in this area • Suppliers complete Cyber Questionnaire

Trustees' Report

Failure to recruit, manage and retain the right quality and staff mix	• 51 new roles approved (including in planning and communication) for recruitment in 2023/24 and £500k allocated to training and development • Plans to address themes identified in recent IIP survey in progress • Renewed focus on communication and engagement • New direction shared with all staff and strategic framework being developed • Relevant policies, training and support in place • Succession plans for senior team developed • Performance conversation tools and guidance for managers developed
Significant fire, health, safety and environment or safeguarding incident	• Fire, HSE, accident/incident policies, processes and training in place • Internal inspections, assessment and audit programmes in place across key policy areas and outcomes overseen by internal committees • Annual review of Fire, HSE effectiveness undertaken • Safeguarding policy and training in place, leads appointed
Failure to define and execute a strategy that aligns to stakeholders	• Developing strategy to become a Charity for Everyone with the assistance of external expertise
HRP's digital provision doesn't meet the future needs of the organisation or its visitors	• Investment in new technology and infrastructure to improve the visitor experience and support staff. Invest in new software, hardware, and training. • Align digital strategy with wider HRP strategy to ensure focus on the needs of visitors and stakeholders. • Increase ambition to be at the forefront of new IT initiatives and cutting-edge technology. • Improve staff training to ensure that we are able to use the latest technology effectively.
Climate Change	• Overarching Sustainability Programme prioritised as part of our corporate strategy, which will oversee HRP's work to respond to the impact of climate change and to reduce its own environmental footprint • Climate change risk assessment methodology devised • Climate change flood risk assessment information collated • Moat hydrology report for Tower of London commissioned

General Data Protection Regulations (GDPR), effective since May 2018 set out clear requirements for management and control of personal data. Over the last financial year, HRP has taken effective measures to demonstrate our ongoing compliance with data protection legislation. In 2022/23, there were no personal data incidents recorded.



Carole Souter CBE
Trustee



John Barnes
Chief Executive and Accounting Officer

16th November 2023

Statement of Responsibility

Our Environment

In 2022/23 as we consolidated our recovery from the pandemic and the Palaces reopened, we continued to develop our sustainability plan. Our vision is to achieve Nature Positive, Carbon Net Zero across our estates and value chain by 2050. We are committed to being bold in the action we take and not afraid to use our palaces as showcases for innovative technologies and approaches. We will embed sustainable decision making at the heart of our governance with all staff taking responsibility for the role they play.

Our priority for the year was reducing our energy use, but we also made progress in many other areas. Our first objective was to improve our data and insight. We audited meters across our estate and introduced automatic meter readers at our 3 biggest sites: Tower of London, Hampton Court and Kensington. This is now providing us with information on what is being used and where, by hour/day/month. It has enabled us to spot our most efficient/inefficient areas and make changes to reduce use.

Our second objective was to improve our energy efficiency. We focused on delivering 'quick wins' in the following areas:

- raising staff awareness and driving behavioural change
- replacing end of life boilers and energy systems/equipment with more efficient (and ideally greener) solutions
- improving heating controls
- improving lighting (including sensor controls in some areas)
- improving insulation

Our third priority was to scope on-site renewable opportunities. We did not have the in-house expertise to develop a plan to decarbonize our energy use, so we spent time learning from organisations already leading in this area, gaining an understanding of what they were doing and who they were working with. Arising from this, we invited leading consultancies to bid to work with us to develop plans to decarbonize our energy use at Tower and Hampton Court in the first instance. We subsequently appointed CBRE to work with us at Tower of London and Max Fordham at Hampton Court. Their reports will be received the autumn of 2023 and will inform a major capital investment programme over the next decade.

We also made progress in many other areas. We undertook a multi-disciplinary Climate Risk Assessment to review the impact of climate change across our estate and identify the mitigating actions we need to be taking. This is now being updated annually.

We took important steps to improve how we manage the land in our care. We went peat free in our growing operations, recognising the importance of protecting the world's remaining peatlands. We converted the Moat at the Tower into a new natural landscape and are now planning for its future as a wildlife habitat. We started to explore the future for our other gardens and estates, taking a 25/50/100 year view of opportunities to improve carbon performance; enhance biodiversity; and manage change in the face of climate change. We subsequently commissioned a report on the future of the garden at Hampton Court, which will be received in autumn 2023.

We began exploring how we can build sustainability into our procurement, governance

Statement of Responsibility

and project processes and this work is continuing in 2023/24. We undertook a sustainability review with our catering partner and agreed an initial action plan. We also introduced 4 electric vehicle charging points for public use at Hampton Court, to compliment the 4 that have been installed for staff use at the Tower of London.

Overall, we reduced our measured scope 1 and 2 greenhouse emissions in 2022/23 by 33% compared to our 2019 baseline. This puts us well on track to achieve our target of 46% by 2030.

Our scope 3 emissions are not measured sufficiently well at present to provide a meaningful result. At present only business travel and water use are included. Improving data here will be a priority for future years.

Finally, in 2022 we delivered ‘Superbloom’ – the first stage of a major project to create a new natural landscape at the Tower of London, designed with increasing biodiversity in mind. We worked with over 1,500 schools to take this project nationwide, encouraging young people to think about biodiversity and the wellbeing benefits of green space.

Overall, our energy use, and thereby scope 1 and 2 emissions, remained significantly below pre-pandemic levels, our goal since 2021 has been to reduce our scope 1 and 2 emissions by 46% by 2030 (against a 2019/20 baseline). In 2022/23 we achieved a reduction of 33% of scope 1 and 2 emissions. Taking into account the strong performance to date, we have brought forward our 2030 target and aim to reduce scope 1 and 2 emissions by 46% by 2027.

Greenhouse Gas Emissions (*)	2022/23	2021/22	2020/21	2019	2018
Emissions Scope 1 (tonnes CO ₂ e)	1,610	1,519	1,075	2,367	1,981
Emissions Scope 2 (tonnes CO ₂ e)	1,064	1,010	839	1,631	1,932
Subtotal GHG emissions (tonnes CO ₂ e)	2,674	2,529	1,914	3,998	3,913
Emissions Scope 3 (tonnes CO ₂ e)	23	36	79	608	755
Total GHG emissions (tonnesCO ₂ e)	2,697	2,565	1,993	4,606	4,668

(*) From 2020/21 we have moved from calendar to financial year reporting.

Scope 3 emissions are not yet covered in full. Included in the calculation at present are business travel and water supply.

Our intensity measure for SECR (streamlined energy and carbon reporting) is ‘per visitor’. Based on 3.479m physical visitors to our sites in 2022/23, we emitted 0.77kg of CO₂e per visitor (1.73kg in 2021/22)

Statement of Responsibility

Whistleblowing Disclosure

Whistleblowing policy

HRP is committed to maintaining high ethical standards and takes all concerns seriously. We have a policy in place to support HRP's values/ethics and ensure compliance with the Public Interest Disclosure Act 1998 (PIDA) and subsequent amendments under the Enterprise and Regulatory Reform Bill 2013 and the Bribery Act 2010.

There are a number of different routes suggested for reporting concerns in addition to the direct management and HR routes:

- Internally, individuals can disclose their concerns to appropriate internal specialists, a specific email address managed by the Whistleblowing Officer and the Governance Manager or directly to the Corporate Services Director (The Whistleblowing Officer) and The Chief Executive, Chair of the Audit and Risk Committee or the Chair of Trustees.
- Externally, people can report issues to external bodies such as legal advisers, Minister of the Crown or statutory regulators.
- There were 2 whistleblowing incidents reported in the year (2 in 2021/22).

Suppliers' payment policy

HRP observes the principles of the CBI Prompt Payment code. The code requires bills to be paid in accordance with contractual obligations, or where no such conditions exist, within 30 days of the receipt of the goods or services, or the presentation of a valid invoice, whichever is the latter. It is the policy of HRP to pay all invoices not in dispute in accordance with contractual terms. Payments are made fortnightly and include all invoices received in Finance and due for payment by the time of the next payment run.

During 2022/23, 61% of supplier invoices were paid within 30 days of date of invoice (69% in 2021/22). This payment performance is not adjusted for invoices delayed for payment due to a query with the supplier.

Related parties

Details of material dealings with any related parties are set out in Note 25.

Fundraising Regulator

- We recognise the Fundraising Regulator and are not aware of any failure to comply with the scheme.
- We did not engage any professional fundraisers to fundraise from individuals during the year. Two groups of volunteers solicited personal donations on behalf of HRP: our Campaign Board, and our Hillsborough Castle Board.

Statement of Responsibility

- The activities of the Campaign Board were monitored through three board meetings during the year. Two Trustees are members of the Campaign Board, which ensures the Trustees have a high degree of awareness of what the Board does and the activities of its individual members. The Hillsborough Castle Board met three times in the 2022/23 financial year. Membership includes one Trustee of HRP. The Chief Executive of HRP also attends all meetings.
- We received no complaints about our fundraising practices during the year.
- Direct marketing was limited to advertising in our Members' magazine, Inside Story, and in HRP e-newsletters to those eligible. Tailored approaches for high value grants were also made throughout the year to companies, charitable trusts and philanthropists. In each case new approaches, and reports on existing funding, were shared in compliance with relevant data privacy regulations. Individuals solicited for gifts were either introduced to the charity by existing supporters or contacted us in the first instance. We avoided practices that risk being unreasonably intrusive or persistent.

Statement of Trustees' and Accounting Officer's responsibilities

Law applicable to incorporated charities in England and Wales requires the Trustees of Historic Royal Palaces to prepare financial statements for each financial year. The Secretary of State (with the consent of HM Treasury) has also directed the Trustees to prepare a statement of accounts in the form, and on the basis, set out in the Accounts Direction. The Secretary of State also requires the Accounting Officer to prepare for each financial year a statement of accounts.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs, the net expenditure and cash flows of the Historic Royal Palaces and its group during the year. In preparing those financial statements, the Trustees and Accounting Officer are required to comply with the requirements of FRS 102: UK GAAP and the Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102). In addition, they shall also have regard to the Government Financial Reporting Manual. In particular to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures being disclosed and explained in the financial statements;
- ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to assume that the Charity and the Group will continue in operation.
- confirm that the Trustees' Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Trustees' Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Trustees and Accounting Officer have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that Historic Royal Palaces' auditors are aware of that information. As far as we are aware there is no relevant audit information of which the auditors are unaware.

Statement of Responsibility

The Trustees are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of Historic Royal

Palaces and its group and which enable them to ensure that the financial statements comply with the applicable law. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of Historic Royal Palaces and its group and to prevent and detect fraud and other non-compliance with laws and regulations.

The Principal Accounting Officer for the DCMS has designated the Chief Executive as the Accounting Officer for Historic Royal Palaces and its group. His responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records and for the safeguarding of the Historic Royal Palaces' and its group's assets, are set out in Managing Public Money published by HM Treasury.



Carole Souter CBE
Trustee



John Barnes
Chief Executive and Accounting Officer

16th November 2023

The Audit Report of the Controller and Auditor General to the Board of Trustees and the Houses of Parliament

Opinion on financial statements

I have audited the financial statements of Historic Royal Palaces and its group for the year ended 31 March 2023.

The financial statements comprise:

- the Consolidated and Charity Balance Sheets as at 31 March 2023;
- the Consolidated Statement of Financial Activities and Consolidated Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom accounting standards including Financial Reporting Standards (FRS) 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion, the financial statements:

- give a true and fair view of the state of the Historic Royal Palaces' and its Group's affairs as at 31 March 2023 and its net income for the year then ended;
- have been properly prepared in accordance with the Charities Act 2011 and the Secretary of State directions issued, with the consent of HM Treasury, under the Royal Charter.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom* (2022). My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of Historic Royal Palaces and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The Audit Report of the Controller and Auditor General to the Board of Trustees and the Houses of Parliament

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Historic Royal Palaces and its group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Historic Royal Palaces and its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Trustees and Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises information included in the Trustees' Report but does not include the financial statements nor my auditor's report. The Trustees and Accounting Officer are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- those parts of the Trustees' Report subject to audit have been properly prepared in accordance with Secretary of State directions issued, with the consent of HM Treasury, under the Royal Charter, and
- the information given in the Trustee's Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of Historic Royal Palaces and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Trustees' Report.

The Audit Report of the Controller and Auditor General to the Board of Trustees and the Houses of Parliament

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by Historic Royal Palaces and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Trustees' Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by the Charities Act 2011 have not been made; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Trustees and Accounting Officer for the financial statements

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the Trustees and the Accounting Officer are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Trustees and the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing Historic Royal Palaces' and its group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees and the Accounting Officer either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial Statements

My responsibility is to audit and express an opinion on the financial statements in accordance with the Charities Act 2011.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The Audit Report of the Controller and Auditor General to the Board of Trustees and the Houses of Parliament

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud:

- considered the nature of the sector, control environment and operational performance including the design of Historic Royal Palaces and its Group's accounting policies and its key performance indicators.
- inquired of management, Historic Royal Palaces' head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Historic Royal Palaces and its Group's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Historic Royal Palaces and its Group's controls relating to their compliance with the Royal Charter, Charities Act 2011 and Managing Public Money;
- inquired of management, Historic Royal Palaces' head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team including significant component audit teams and the relevant internal and external specialists, including IT and pensions experts, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within Historic Royal Palaces and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I obtained an understanding of Historic Royal Palaces and its Group's framework of authority and other legal and regulatory frameworks in which Historic Royal Palaces and its Group operates. I focused on those laws and regulations that had a direct effect on material

The Audit Report of the Controller and Auditor General to the Board of Trustees and the Houses of Parliament

amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Historic Royal Palaces and its Group. The key laws and regulations I considered in this context included the Royal Charter, the Charities Act 2011, Managing Public Money, employment law, pensions legislation and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board of Trustees and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of fraud through revenue recognition, evaluating the design and implementation of controls; testing income to corroborating evidence; assessing the completeness of revenue streams; and testing the appropriateness of significant estimates made at year-end.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

The Audit Report of the Controller and Auditor General to the Board of Trustees and the Houses of Parliament

Gareth Davies

Date 15th November 2023

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria, London, SW1W 9SP

Consolidated Statement of Financial Activities

for the year ended 31 March 2023

	Note	Unrestricted funds £000	Restricted funds £000	Total 2023 £000	Total 2022 £000
INCOME					
Donations and legacies:					
Grants	3	4	1,424	1,428	7,994
CJRS grant	4	-	-	-	2,377
Donations		987	905	1,892	939
Gifts in Kind		-	46	46	83
Total		991	2,375	3,366	11,393
Income from other trading activities					
Retail income		14,984	-	14,984	5,908
Functions and events		6,414	-	6,414	3,382
Licenses, rent & Recharges	5	5,463	-	5,463	4,932
Sponsorship		886	-	886	384
Total		27,747	-	27,747	14,606
Income from investments		1,275	-	1,275	224
Income from charitable activities:					
Admissions	6	63,269	-	63,269	24,302
Membership		4,600	-	4,600	3,244
Concessions		2,219	-	2,219	676
Total		70,088	-	70,088	28,222
Total income	7	100,101	2,375	102,476	54,445
EXPENDITURE					
Costs of raising funds:					
Fundraising		687	40	727	366
Retail activities		9,855	-	9,855	5,690
Investment management costs		8	-	8	23
Other commercial activities		3,302	-	3,302	2,372
	8	13,852	40	13,892	8,451
Expenditure on charitable activities:					
Palaces		22,370	91	22,461	20,021
Experiences:					
Public Access		23,237	431	23,668	17,798
Interpretation and learning		14,351	2,082	16,433	10,218
Money - Organisational Growth		4,767	-	4,767	3,786
Culture		1,167	2	1,169	1,005
	8	65,892	2,606	68,498	52,828

Consolidated Statement of Financial Activities

for the year ended 31 March 2023

Defined Pension scheme net interest cost/(income)	12	(260)	-	(260)	18
Total Expenditure	8	79,484	2,646	82,130	61,297
Net (losses)/gains on investments	15	(175)	-	(175)	(138)
Net Income / (Expenditure)		20,442	(271)	20,171	(6,990)
Actuarial (loss) / gain on pension plan	12	(2,427)	-	(2,427)	10,246
Net movement in funds		18,015	(271)	17,744	3,256
Fund balances brought forward at 1 April	7	37,020	7,103	44,123	40,867
Fund balances carried forward at 31 March	7	55,035	6,832	61,867	44,123

Note: The amounts shown above derive from continuing activities. There were no recognised gains or losses other than those disclosed above. The notes on pages 41 to 76 form an integral part of these accounts.

Consolidated and Charity Balance Sheet

for the year ended 31 March 2023

Note	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000

Fixed assets:

Intangible assets		94	94	256	256
Tangible assets	13	25,064	25,064	23,489	23,489
Heritage assets	14	9,806	9,806	9,601	9,601
Investments	15	3,135	3,135	4,795	4,795
		38,099	38,099	38,141	38,141

Current assets:

Stocks - goods for resale		2,473	-	1,521	-
Debtors	16	7,860	10,889	7,243	10,927
Short-term cash deposits		59,000	59,000	27,000	27,000
Cash at bank and in-hand		12,616	9,930	17,948	13,169
		81,949	79,819	53,712	51,096

Creditors:

Amounts falling due within one year	17	20,631	18,556	15,784	13,324
Net current assets		61,318	61,263	37,928	37,772
Total assets less current Liabilities excluding Pension Plan asset/liability		99,417	99,362	76,069	75,913
Creditors: Amounts falling due after more than one year	18	41,694	41,694	40,864	40,864
Provision for liabilities and charges	19	3,132	3,132	519	418
Net assets excl Pension Plan asset/liability		54,591	54,536	34,686	34,631
Pension Plan asset/(liability)	12	7,276	7,276	9,437	9,437
Net assets including Pension Plan liability		61,867	61,812	44,123	44,068

Funds:

Unrestricted funds		55,035	54,980	37,020	36,965
Restricted funds		6,832	6,832	7,103	7,103
Total funds	7	61,867	61,812	44,123	44,068

These financial statements were approved by the Trustees and the Accounting Officer on 24th October 2023 and were signed on their behalf by



Carole Souter CBE
Trustee
16th November 2023



John Barnes
Chief Executive and
Accounting Officer

The notes on pages 41 to 76 form an integral part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Net cash inflow/(outflow) from operating activities (<i>Note A below</i>)		27,527	(715)
Cash flows from investing activities:			
Purchase of tangible assets	13	(3,399)	(1,932)
Purchase of heritage assets	14	(159)	(42)
Redemption of investments	15	1,425	3,413
Interest received		1,275	224
Cash flows from financing activities:			
Net (purchase)/sale of short-term deposits		(32,000)	(7,000)
Interest paid on overdraft		(1)	(12)
Increase/(Decrease) in cash		(5,332)	(6,064)

Note A: Reconciliation of net income/expenditure to net cash inflow from operating activities:

Net Income/(Expenditure) from charitable and trading activities		20,171	(6,990)
Net (Gains)/Losses on Investments	15	175	138
Interest receivable		(1,275)	(224)
Interest paid		1	12
Pension scheme: non-cash movements	12	(266)	(20)
Gifts in kind	14	(46)	(83)
Depreciation & amortisation	8	1,934	2,211
(Profit)/Loss on disposal of fixed assets	13	50	53
Other decrease in fixed asset investments	15	61	79
(Increase)/Decrease in stocks	2	(952)	736
(Increase)/Decrease in debtors	16	(617)	(4,519)
Increase/(Decrease) in creditors: current liabilities	17	5,281	7,188
Increase/(Decrease) in long term creditors	18	830	671
Increase/(Decrease) in provisions for liabilities & charges	19	2,179	32
Other non-cash movements		1	1
Net cash inflow/(outflow) from operating activities		27,527	(715)

Consolidated Cash Flow Statement

for the year ended 31 March 2023

Analysis of cash and cash equivalents:

	2023 £000	2022 £000	Change in year £000	2022 £000	2021 £000	Change in year £000
Cash at bank and in hand	12,616	17,948	(5,332)	17,948	24,012	(6,064)

Analysis of changes in net debt:

	As at 1 April 2022 £000	Cash flows £000	Other non- cash changes £000	As at 31 March 2023 £000

Cash and cash equivalents

Cash	17,948	(5,332)	-	12,616
	17,948	(5,332)	-	12,616

Borrowing

Debt due within one year	-	-	-	-
Debt due after one year	(40,859)	-	(825)	(41,684)
	(40,859)	-	(825)	(41,684)

	As at 1 April 2021 £000	Cash flows £000	Other non- cash changes £000	As at 31 March 2022 £000

Cash and cash equivalents

Cash	24,012	(6,064)	-	17,948
	24,012	(6,064)	-	17,948

Borrowing

Debt due within one year	-	-	-	-
Debt due after one year	(40,050)	-	(809)	(40,859)
	(40,050)	-	(809)	(40,859)

The notes on pages 41 to 76 form an integral part of these accounts.

Notes to the Consolidated Accounts

for the year ended 31 March 2023

1 Accounting Policies

The following accounting policies are applied consistently in dealing with items which are considered material in relation to the financial statements of the Charity, Historic Royal Palaces (HRP), and its trading subsidiary, Historic Royal Palaces Enterprises Ltd (HRPE), together 'the Group'.

a) Status of charity

HRP is a registered charity (No: 1068852) established by Royal Charter.

b) Basis of preparation

The financial statements are prepared in accordance with the *Statement of Recommended Practice (SORP): Accounting and Reporting by Charities* (effective 1 January 2019), applicable United Kingdom accounting standards (FRS 102) and the Charities Act 2011. The financial statements are prepared on a going concern basis under the historical cost convention (see also note 1 q). They are prepared in accordance with the Accounts Direction a copy of which can be obtained from the Finance Director or Head of Financial Accounting issued by the Secretary of State in accordance with HRP's Royal Charter.

HRP meets the definition of a public benefit entity under FRS 102.

c) Basis of consolidation

The Group accounts consolidate HRP and its subsidiary, HRPE Ltd, which has a co-terminus year-end. Consolidation is carried out on a line-by-line basis.

d) Funds

Incoming resources and resources expended are allocated to particular funds according to their purpose.

Unrestricted funds – the unrestricted funds include income from admissions, donations and other income received without restriction including retained profits of HRPE Ltd. Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity. Trustees may earmark unrestricted funds for a particular project or use, without restricting or committing the funds legally. Such amounts are known as designated funds.

Restricted funds - restricted funds include those receipts, which are subject to specific restrictions imposed by donors, including grants towards specific conservation and improvement projects undertaken at the palaces.

e) Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Group is entitled to the income, receipt is probable, and the amount can be quantified with reliable accuracy. The following specific policies apply to categories of income:

- **Coronavirus Job Retention Scheme (CJRS) grant** - The CJRS grant was a temporary scheme launched by Government to support organisations whose operations were severely affected by COVID-19. CJRS income is recognised in restricted grants and accrued to match the period staff were furloughed for. No CJRS income was received during 2022/23 (£2.4m in 2021/22).
- **Grants** – include operating and project grants and contributions. Grants

Notes to the Consolidated Accounts

for the year ended 31 March 2023

related to performance and specific deliverables, are accounted for as the

Group earns the right to consideration by its performance. Where income is received in advance of performance, its recognition is deferred and included in creditors. Where entitlement occurs before receipt, the income is accrued.

- **Donations** - include major gifts and appeals. Donations are recognised when received or on a receivable basis where receipt is probable and there is entitlement to the income.
- **Gifts in Kind** – where donated to the Group, are included at market value at the time of receipt.
- **Retail income** – relates to sales of goods, souvenirs and guidebooks. Income is recognised upon sale of the goods.
- **Functions and Events** – includes income from corporate and private events, weddings and events. It is accounted for in the month that the event is due to take place.
- **Licences, Rents & Recharges** – income is accounted for on a pro-rata basis over the period to which the rent relates.
- **Sponsorship** – relate primarily to corporate sponsorship of exhibitions and education programmes. Income is accounted for evenly over the period of sponsorship.
- **Investments** - investment income is recorded in the period it is earned.
- **Admissions** – income is recognised upon visitor entry.
- **Membership** - income that is attributable to visits that members make to HRP sites is deferred and released to the SOFA equally over the period to which the membership relates. The portion of life membership subscriptions deemed to be of the nature of a gift is recognised in full in the year in which it is received, with the remainder deferred and released to income in equal instalments over the average period over which the life membership is expected to be used. Gift Aid income resulting from membership is recognised at the point when the membership is sold.
- **Concessions** – concessions includes income from our cafés and restaurants and is accounted for in the period it relates.

f) Resources expended

All expenditure is accounted for on an accruals basis and is classified under the principal categories of 'Costs of raising funds' and 'Charitable activities'. The expenditure classifications comprise direct expenditure, including staff costs, attributable to the activity. Support costs, which include functions such as Accounting, Payroll, Procurement, Information Systems and Governance Costs are allocated across the categories of costs of raising funds and expenditure on charitable activities. The basis of the cost allocation is explained in the Notes to the accounts.

g) Tangible fixed assets

Tangible fixed assets costing more than £5,000 are capitalised at a value net of VAT and included at cost and are not revalued. All expenditure on repairing and maintaining the original fabric of the buildings and on non-revenue generating improvements is written off in the year incurred. All improvements to the fabric of the buildings, with the aim of raising or increasing revenue, are capitalised. Assets purchased by or gifted to the Charity's predecessors prior to September 1989 have not been capitalised.

Notes to the Consolidated Accounts

for the year ended 31 March 2023

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their useful economic lives. The guidance on useful economic lives are as follows:

New buildings	20 - 50 years
Building refurbishments	10 - 20 years
Fixtures and fittings	3 - 10 years
Plant and machinery	5 - 20 years
Furniture and equipment	3 - 10 years
Exhibitions	3 - 10 years
Vehicles	3 - 5 years
Computer hardware	3 - 5 years

Decisions on appropriate useful economic life are made at the point of capitalisation to ensure that the depreciation charge for each asset is appropriately reflected in the accounts.

h) Heritage Assets

SORP 2019 defines heritage assets as assets of historical and artistic importance that are held to advance preservation, conservation and the educational objectives of the Charity. Those heritage assets acquired since September 1989 are reported in the balance sheet at cost or, in the case of donated assets, at an approximate valuation estimated by HRP's curators to be an appropriate market value at the time of acquisition. Such assets are not depreciated as they are deemed to have indeterminate lives and a high residual value. Regular impairment reviews of heritage assets are undertaken.

Those items that were purchased by or gifted to the Charity's predecessors prior to September 1989 have not been capitalised. These comprise the majority of the collection but Trustees do not consider that relevant cost or valuation information can be obtained at a cost commensurate with the benefit to readers of the financial statements. This is because of the diverse nature of the assets held, the volume, and the lack of comparable market values.

Further information about HRP's collection of heritage assets is set out in the Notes to the Accounts.

i) Investments, Short-term cash deposits and cash at hand & in bank

Investment income comprises interest receivable from cash at bank and liquid resources as well as income from investments held in a fixed income bond portfolio and multi-assets funds. All investments are held to provide investment returns. Dividend income is recognised on a receivable basis.

Fixed income investments are short-dated high credit rated bonds with fixed and determinable coupons. The bonds are retained with the intention and ability to be held to maturity. The bond portfolio is measured at fair value.

The investments in multi-asset funds are measured at market value each year. The funds yield a dividend income at set times in the year.

Funds placed on money market deposits are short-term cash deposits of up to 18 months and are defined as liquid resources. All liquid resources are held in

Notes to the Consolidated Accounts

for the year ended 31 March 2023

commercial banks with appropriate credit ratings, in line with HRP's investment policy at the time of contracting.

Funds held in cash or in current/premium accounts are defined as cash at bank and in hand. They represent the deposits and cash used to finance HRP on a day-to-day basis.

j) Investment in subsidiary

In the Charity's accounts, the investment in its subsidiary undertaking, HRPE Ltd, is stated at cost.

Historic Royal Palaces Inc. is a US-based private non-operating foundation. This is not consolidated into the Group accounts, as it is not controlled by the Charity.

k) Current assets & liabilities

Stock consists of purchased goods for resale. Stock is stated at the lower of cost and net realisable value. Cost of sales is determined on a weighted average cost basis and includes all costs of purchase such as associated transportation charges. Debtors are measured at their recoverable amounts and creditors at their settlement amounts when these can be measured or estimated reliably.

l) Financial instruments

HRP primarily carries financial instruments in the form of a concessionary loan from the Culture Recovery Fund initially recognised at the amount received, with the carrying amount adjusted in subsequent years to reflect repayments and any accrued interest and adjusted if necessary for any impairment.

HRP also has basic financial instruments in the form of cash, debtors and creditors at fair value, other than where a provision for specific doubtful debts has been made. Since almost all of these are expected to be realised within one year, there is no material difference between fair value and historical cost. Fixed income investments are measured at fair value.

m) Leases

The Group has no finance leases. Costs relating to operating leases are charged in the Statement of Financial Activities over the life of the lease. Income from operating leases is recognised over the life of the lease.

n) Pensions

The Charity operates a funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of HRP. From October 2002, the scheme was closed to new members and from April 2019, the scheme was closed to future accruals. The Charity has implemented the full reporting requirements of FRS 102: Employee Benefits in relation to the defined benefit scheme.

The present value of HRP's liability for its obligations and the fair value of the scheme assets are calculated by an independent actuary. The net asset or liability is recognised in the Balance Sheet and is treated as an unrestricted fund.

Changes in the net asset or liability during the period that result from employee service or interest on the net liability are recognised in the appropriate heading in the Consolidated Statement of Financial Activities in that period. Changes as a result of actuarial gains or losses are recognised in 'Other recognised gains or losses.

Notes to the Consolidated Accounts

for the year ended 31 March 2023

A group personal pension scheme based on defined contributions was established for new members of established staff and staff on contracts exceeding 1 year with effect from October 2002. An additional group personal pension scheme based on defined contributions was set up for casual staff and staff on contracts of less than 1 year with effect from October 2013. The cost to HRP of both defined contribution schemes is the contributions paid during the year.

o) Taxation

As a charity, HRP is exempt from corporation tax under section 505 ICTA 1988. HRPE normally distributes its profits before tax by Gift Aid to the Charity to leave reserves at or close to nil. The amount gift aided in 2022/23 was £7,653,777 (£2,554,580 in 2021/22 due to the impact of the pandemic and uncertainty in HRPE Ltd's future trading).

Admissions to the Palaces administered by HRP are exempt from VAT under Schedule 9 of the VAT Act 1994. Due to this exemption, approximately 67.0% of VAT incurred by HRP is irrecoverable in 2022/23 (64.4% in 2021/22).

p) Provisions

Provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

q) Key judgements and estimates

The Group makes estimates and assumptions concerning the future which will impact the accounting estimates. The significant judgements and estimates made in preparing these accounts are disclosed throughout the document, and briefly outlined below:

- the useful economic lives of tangible and intangible assets are assessed regularly and amended when necessary, impacting the annual depreciation and amortisation charge for assets.
- the valuation of heritage assets is reviewed annually for indicators of impairment.
- the retail stock valuation and associated provisioning is assessed throughout the year with consideration for condition and saleability
- valuations for the bond and multi-asset portfolios rely on the estimates provided by the relevant investment managers
- HRP has an obligation to pay pension benefits to the members of its defined benefit pension scheme. The cost of these benefits and the present value of the obligation depend on factors including the discount rate on corporate bonds, salary increases, life expectancy, inflation and asset valuations. Management estimates these factors in determining the net pension obligation in the balance sheet with the support from independent external actuaries. The recognition of any pension surplus or deficit in the accounts is a key judgement.

Notes to the Consolidated Accounts

for the year ended 31 March 2023

- Provisions include amounts for an onerous lease provision and pension scheme closure compensation payments. The onerous lease provision fully provides for the cost of sub-let premises from which HRP currently expects to receive no economic benefits. This figure has been calculated based on rents payable in the lease and has not been discounted.
- when assessing the going concern, several visitor forecast scenarios were used to inform projections for income, expenditure and cash-flows. Other key considerations included the liquidity of unrestricted funds and reserves, overdraft and borrowing facilities and all other forms of financial assistance available to the organisation.

o) Going Concern

The Trustees have considered all factors and risks that may influence the company within the next 12 months. These include continuing global conflicts and the international and domestic economic outlook. They have reviewed the organisation's resilience in the light of these in terms of income projects, measures to improve liquidity and risk mitigation actions.

Global outlook

According to the Organisation for Economic Co-Operation and Development (OECD). Global growth slowed to 3.2% in 2022, well below expectations at the start of the year, held back by the impact of the war in Ukraine, the cost-of-living crisis, and the slowdown in China.

More positive signs have now started to appear, with business and consumer confidence starting to improve, food and energy prices falling back, and the full reopening of China.

Domestic & Sector Outlook

From the Office for Budget Responsibility March 2023 economic & fiscal outlook has brightened since the November 2022 forecast. The near-term economic downturn is set to be shorter and shallower.

CPI inflation peaked at 11.1 per cent in October and according to latest Bank Of England forecasts in Aug 2023 is expected to be around 5% by the end of 2023, and will continue to fall to the targeted 2% in early 2025.

GDP is expected to contract by 0.4 per cent in the first quarter of 2023 to 0.6 per cent below its recent peak in the second quarter of 2022. Output is then expected to flatline in the second quarter and start rising again from the third quarter.

According to UNWTO (World Tourism Organization), international tourism recovered to 63% of pre-pandemic levels in 2022, with Europe and the Middle East in the lead. International tourism saw stronger than expected results in 2022, backed by large pent-up demand and the lifting or relaxation of travel restrictions in a large number of countries.

The March 23 statement from the Association of Leading Visitor Attractions (ALVA) reported a growing consumer confidence on the part of the UK public, greater appetite and optimism to visit and revisit attractions. The recovery in visitor admissions is likely to continue in the coming months, with audiences

Notes to the Consolidated Accounts

for the year ended 31 March 2023

more likely to visit attractions more often than they did during the spring and summer of last year.

Organisation context

Income & Expenditure and cash flow projections for the trading entity are based on assumptions which support the 2023/24 operating budget for the whole charity. The assumptions have been agreed by the relevant managers and directors in charge of the revenue streams for HRP.

Overall assumptions have been reviewed by the Executive in charge of planning and have been approved by trustees at the January 2023 board meeting.

Performance will be scrutinised very closely throughout the year and any significant deviation from our current income assumptions will be offset by imposing stricter controls on expenditure to ensure we are able to generate a surplus.

Visitor assumptions

Visitor assumptions drive HRP's retail income projections. They have been derived in detail by site, by visitor categories (e.g., adult/child/concession/family, gate/internet/group tickets, member/non-member, etc.) and by month.

The key assumptions behind the visitor mix percentages for 2023/24 is an improving performance of both domestic and international audiences.

Measures to improve liquidity

- HRP is forecast to remain cash positive throughout 2023/24. The overdraft facility was cancelled during the financial year as it had remained unused. The facility was secured with a debenture, satisfied in March 2023.

Risks and further actions

The Directors have identified the following mitigations against continuing and emerging risks and have further levers to call upon if needed:

- Additional cost savings include: continuing to hold headcount vacancies; re-introducing payroll saving initiatives; removing discretionary operating expenditure currently phased in the latter part of the year; using periods of closure or working from home to rein in site costs including cleaning, heating, power etc.; deferring project expenditure if visit performance falls behind budget; and, generally, reviewing and restricting operating expenditure by monitoring committed versus non-committed expenditure throughout the year.
- HRPE may approach its parent charity in future for the deferral of the payment of the service charge to ease cashflows.
- HRPE may seek further support from the charity to meet its working capital requirements.

Notes to the Consolidated Accounts

for the year ended 31 March 2023

Summary

The Trustees take comfort from the financial performance in 2022/23, year-to-date results since the beginning of 2023/24 and organisation's future plans. The fact that the company's model has been successful and has historically generated profits also supports this opinion that the organisation will continue as a going concern.

2. Historic Royal Palaces Enterprises Ltd

The Charity has one wholly owned trading subsidiary, Historic Royal Palaces Enterprises Limited (HRPE Ltd), with a paid-up share capital of £2. HRPE Ltd is incorporated in the UK (registration number 03418583). The principal activities of the company are retail, functions, and other events held at the palaces managed by the Charity. A summary of its trading results and its net assets is shown below. Audited accounts are filed with the Registrar of Companies.

<u>Profit and loss account</u>	2023 £000	2022 £000
Turnover (other trading activities)	24,765	12,055
Cost of sales (costs of raising funds)	(4,815)	(1,802)
Gross profit	19,950	10,253
Administrative expenses	(12,327)	(7,698)
Interest receivable	32	1
Profit on ordinary activities before taxation	7,655	2,556
Taxation	(1)	(1)
Total profit for the financial year	7,654	2,555
Amount distributable under Gift Aid to HRP	(7,654)	(2,555)
Retained in subsidiary	-	-

<u>Balance Sheet as at 31 March 2023</u>	2023 £000	2022 £000
Stocks - goods for resale	2,473	1,521
Debtors	467	844
Cash	2,685	4,779
Current liabilities	(5,570)	(7,089)
Creditors due after more than one year	-	-
Net assets	55	55
<u>Share capital and reserves</u>	55	55

Notes to the Consolidated Accounts

for the year ended 31 March 2023

3. Grant Income

Total grant income of £1,428k (2021/22: £7,994k) includes a net outflow of £59k (2021/22: £6,422k) funding from government bodies as follows:

Grantor	Amount	Purpose
Arts & Humanities Research Council Fund	£117k	Henry VIII project
V & A Fund	£20k	Historic artefact acquisitions
Local Councils	£10k	Projects at Hillsborough
DCMS – Public Bodies Infrastructure Fund – repayment	(£206k)	Conservation projects at the Palaces – monies not spent

4. Coronavirus Job Retention Scheme (CJRS) grant income

The CJRS grant was a temporary Scheme launched by Government in 2020 to support organisations whose operations have been severely affected by Covid-19. CJRS income is recognised in income and accrued to match the period staff were furloughed.

It was vital that HRP took advantage of the CJRS scheme in 2020/21 and furloughed the majority of staff from the start. Required staff were brought out of furlough as soon as reopening the sites became a possibility. This continued in 2021/22. However, the scheme ended in September 2021 and no further grants were claimed or paid during this financial year 2022/23 (£2,377k in 2021/22).

The number of furloughed staff in 2022/23 was 0 (499 in 2021/22).

5. Licence, rent & recharges income

Licence & rent income includes a range of activities which can be summarised as follows:

	2023 £000	2022 £000
Licences	2,943	2,612
Recovery of Costs	1,478	1,852
Rents	902	356
Other Income	140	112
Total Licence & rent income	5,463	4,932

Notes to the Consolidated Accounts

for the year ended 31 March 2023

6. Admissions income

Admissions income includes visitor admissions, gift aid on admissions, car park, royal passes, etc. and can be broken down as follows:

	2023 £000	2022 £000
Tower of London	50,723	14,945
Hampton Court Palace	6,588	4,346
Kensington Palace	3,925	3,677
Hillsborough Castle	472	408
Other palaces	147	0
Education	831	321
Other admissions income	583	605
Total admissions income	63,269	24,302

7. Total funds (Group basis)

£13.9m has been transferred from free reserves to designated funds (£12.4m) and fixed assets (£1.6m).

Current Year Total Funds:	Funds as a at 1 April 2022 £000	Incoming resources 2022/23 £000	Resources expended 2022/23 £000	Reval'n 2022/23 £000	Transfers between funds 2022/23 £000	Funds as at 31 March 2023 £000
<u>Unrestricted funds</u>						
General (Free) reserves	(1,243)	99,838	(79,487)	(175)	(13,933)	5,000
Designated funds	-	-	-	-	12,361	12,361
Fixed assets	28,826	-	-	-	1,572	30,398
Pension plan	9,437	263	3	(2,427)	-	7,276
Total	37,020	100,101	(79,484)	(2,602)	-	55,035
<u>Restricted funds</u>						
Donated assets	4,520	46	-	-	-	4,566
Hillsborough Castle & Gardens	369	14	(142)	-	-	241
Hampton Court Palace projects incl. <i>Field of the Cloth of Gold</i>	2	757	(7)	-	-	752
Tower of London projects incl. <i>Tower Entry</i>	1,273	251	(1,248)	-	-	276
Kensington Palace projects incl. <i>Orangery Learning Centre and the Sunken Garden statue</i>	480	703	(1,138)	-	-	45
Banqueting House project	240	510	(89)	-	-	661

Notes to the Consolidated Accounts

for the year ended 31 March 2023

AHRC-funded Research projects	-	-	-	-	-	-
Support for Heritage & re-opening	102	(203)	100	-	-	(1)
CJRS grant	-	-	-	-	-	-
Other projects	117	297	(122)	-	-	292
Total	7,103	2,375	(2,646)	-	-	6,832
Total funds	44,123	102,476	(82,130)	(2,602)	-	61,867

Prior Year Total Funds:	Funds as a at 1 April 2021 £000	Incoming resources 2021/22 £000	Resources expended 2021/22 £000	Reval'n 2021/22 £000	Transfers between funds 2021/22 £000	Funds as at 31 March 2022 £000
<u>Unrestricted funds</u>						
General (Free) reserves	5,163	43,932	(50,490)	(138)	290	(1,243)
Designated funds	-	-	-	-	-	-
Fixed assets	29,116	-	-	-	(290)	28,826
Pension plan	(829)	20	-	10,246	-	9,437
Total	33,450	43,952	(50,490)	10,108	-	37,020
<u>Restricted funds</u>						
Donated assets	4,437	83	-	-	-	4,520
Hillsborough Castle & Gardens	553	1	(185)	-	-	369
Hampton Court Palace projects <i>incl. Field of the Cloth of Gold</i>	10	2	(10)	-	-	2
Tower of London projects <i>incl. Tower Entry</i>	262	1,453	(442)	-	-	1,273
Kensington Palace projects <i>incl. Orangery Learning Centre and the Sunken Garden statue</i>	1,150	124	(794)	-	-	480
Banqueting House project	-	240	-	-	-	240
AHRC-funded Research projects	374	(1)	(373)	-	-	-
Support for Heritage & re- opening	563	6,104	(6,565)	-	-	102
CJRS grant	-	2,377	(2,377)	-	-	-
Other projects	68	110	(61)	-	-	117
Total	7,417	10,493	(10,807)	-	-	7,103
Total funds	40,867	54,445	(61,297)	10,108	-	44,123

Free Reserves

Part of the unrestricted fund that are not held as fixed assets or designated for other purposes. This year's level is a return to the pre-pandemic free reserve levels not held since FY 2018/19.

Notes to the Consolidated Accounts

for the year ended 31 March 2023

Designated funds

This is the first year since the pandemic we have been in a position to designate funds from our general funds towards our 'big moments' and major projects. This consists of £4m for Redevelopments and conservation projects, £4m for Infrastructure projects and £4.4m on other programmes including digital and sustainability.

Transfers between funds

As set out in our Reserves policy in the Funds and Reserves section, a permanent designated fund is matched to fixed assets, as this cannot be quickly utilised to realise cash in the event of a cash requirement. Any excess above this is designated at Trustees' discretion, and this year again are transferred to free reserves.

Donated assets funds

These refer to restricted heritage assets and donated items including work of art and artefacts (see note 14 for more details).

Analysis of net assets between funds

Fund balances of the Group and Charity at 31 March 2023 are represented by:

	Unrestrict ed ed funds	Restricted funds	2023	Unrestricted funds	Restricted funds	2022
	£000	£000	£000	£000	£000	£000
Intangible assets	94	-	94	256	-	256
Tangible assets	25,064	-	25,064	23,489	-	23,489
Heritage assets	5,240	4,566	9,806	5,081	4,520	9,601
Investments	3,135	-	3,135	4,795	-	4,795
Net current assets	59,052	2,266	61,318	35,344	2,583	37,927
Creditors > one year	(41,694)	-	(41,694)	(40,863)	-	(40,863)
Provisions	(3,132)	-	(3,132)	(519)	-	(519)
Pension Asset	7,276	-	7,276	9,437	-	9,437
Total net assets	55,035	6,832	61,867	37,020	7,103	44,123

Notes to the Consolidated Accounts

for the year ended 31 March 2023

8. Total expenditure (Group basis)

	Total direct costs £000	Allocation of support costs £000	Total 2023 £000	Total 2022 £000

Costs of raising funds

Generating the money to make it possible:				
Fundraising	656	71	727	366
Retail activities	8,608	1,247	9,855	5,690
Investment management costs	8	-	8	23
Other commercial activities	2,949	353	3,302	2,372
Total	12,221	1,671	13,892	8,451

Expenditure on charitable objectives:

Palaces	20,235	2,226	22,461	20,021
Experiences:				
Public Access	20,805	2,863	23,668	17,798
Interpretation and learning	15,026	1,407	16,433	10,218
Money – Organisational Growth	4,341	426	4,767	3,786
Culture	1,043	126	1,169	1,005
Total	61,450	7,048	68,498	52,828

Other:

Pension finance(income)/ costs	(260)	-	(260)	18
Pension losses/(gains) on curtailments	-	-	-	-
	(260)	-	(260)	18
Total	73,411	8,719	82,130	61,297

Notes to the Consolidated Accounts

for the year ended 31 March 2023

Resources expended include charges for:	Total 2023 £000	Total 2022 £000
Auditors' remuneration:		
The auditors did not provide any non-audit services		
Audit - HRP	68	65
- HRPE	31	30
Operating lease charges	1,027	1,044
Stock recognised as an expense	4,802	1,780
Impairment of stock (included in cost of sales)	13	20
Depreciation charged on fixed assets:		
Tangible	1,773	2,004
Intangible	161	207
Corporation tax	1	1

Notes to the Consolidated Accounts

for the year ended 31 March 2023

9. Support costs (Group basis)

Information Systems £000	Finance Department £000	Pension Department £000	Management Costs £000	Governance Costs £000	Total 2023 £000	Total 2022 £000

Costs of raising funds:

Fundraising	34	13	2	18	4	71	41
Retail activities	429	516	28	223	51	1,247	908
Other commercial activities	142	111	10	74	17	354	263

Charitable expenditure:

Palaces	719	1,002	47	372	86	2,226	2,134
Experiences: Public access	1,196	826	78	619	143	2,862	2,203
Interpretation and learning	557	459	36	288	67	1,407	1,137
Money – Organisation Growth	115	231	7	59	14	426	375
Culture	62	21	4	32	7	126	111
Total	3,254	3,179	212	1,685	389	8,719	7,172

The basis of apportionment for support costs is staff headcount (see note 11 *Staff numbers and costs (Group & Charity)*), except for the Finance Department which is based upon expenditure excluding payroll.

Governance Costs <i>(included in Support costs) (*)</i>	2023 £000	2022 £000
Internal and external audit	219	145
Trustee expenses and costs	9	4
Trustee and chairman recruitment costs	5	14
Production of annual report	-	-
Management costs	156	115
Total	389	278

(*) Trustees and chairman also attend sub-committees alongside Trustees and staff of HRP. The costs associated with those meetings are included in the support costs above

Notes to the Consolidated Accounts

for the year ended 31 March 2023

10. Remuneration of Trustees

None of the Trustees received any remuneration during the year in connection with services to the Charity or its subsidiary. Reimbursement of travel and subsistence expenses incurred by 2 Trustees (21/22: 2) whilst carrying out their responsibilities for the Charity totalled £577 (2021/22: £1,150) for the year ended 31 March 2023. Liability insurance for Trustees is included as part of HRP's total insurance cost.

11. Staff numbers and costs (Charity only. HRPE Ltd has no employees)

a) Average staff numbers

	2023	2022
	FTE	FTE
Fundraising	7.3	5.0
Retail activities	91.4	87.0
Other Commercial Activities	30.3	23.1
Palaces	153.1	144.6
Experiences: Public Access	254.6	217.5
Interpretation and Learning	118.5	112.0
Money – organisational growth	24.4	21.8
Culture	13.2	12.4
Support functions	53.1	55.3
Total	745.9	678.7

b) Staff costs

	2023	2022
	£000	£000
Wages and salaries	27,303	23,988
Loss of office	64	17
Severance & ex gratia payments	91	41
Social security costs	2,819	2,398
Pension costs	3,510	2,534
Total	33,787	28,978
Agency staff	361	135
Total	34,148	29,113

Employee numbers increased significantly during 2022/23 as the organisation's activities continued to recover from the pandemic in the previous two years. FTE increased by 9.9% year on year.

Notes to the Consolidated Accounts

for the year ended 31 March 2023

c) Pay bands

Excluding the Chief Executive, there were 39 staff during the year earning in excess of £60,000 (2021/22: 28). Six were in a defined benefit scheme closed to accruals since 1 April 2019 (2021/22: 6) where the employer contributions were nil (2021/22: nil), and 37 were in a defined contribution scheme (2021/22: 26) where the employer contributions were £447,995 (2021/22: £214,627).

The number of employees, excluding the Chief Executive, whose total remuneration and staff benefits (excluding pension contributions) was over £60k was as follows:

	2023	2022
	No. of Staff	No. of Staff
£60,001 to £70,000	20	16
£70,001 to £80,000	12	5
£80,001 to £90,000	0	1
£90,001 to £100,000	1	-
£100,001 to £110,000	3	5
£110,001 to £120,000	2	1
£120,001 to £130,000	1	-
Total	39	28

The remuneration of the Chief Executive in 2022/23 was £159,310 (2021/22: £144,329) with pension contributions of £19,223 (2021/22: £8,720) and staff benefits of £947 (2021/22: £923).

Excluding the Chief Executive, the total remuneration to the Executive Board was £803,866 (2021/22: £707,966) with pension contributions of £120,327 (2021/22: £56,885) and staff benefits of £5,625 (2021/22: £5,031).

12. Retirement benefits (Group & Charity)

a) Historic Royal Palaces Pension Scheme

HRP operates a defined benefit scheme in the UK. The scheme is closed to new entrants and was closed to future accrual from 31 March 2019. This is a separate trustee administered fund holding the pension scheme assets to meet long-term pension liabilities.

The most recent full triennial actuarial valuation was carried out at 31 March 2021 and showed a deficit of £4,111k. The employer has agreed with the trustees of the scheme that it will aim to eliminate the deficit over a period of 7 years and 6 months from 1 April 2021 by the payment of contributions as follows:

- £32,888 p.a. payable monthly from 1 April 2021 to 31 March 2022, followed by one payment of £2,823 in April 2022 (in line with the previous recovery plan),
- No deficit contributions between 1 May 2022 and 30 June 2025,
- £250,000 p.a. payable monthly for a period of 3 years and 6 months from 1 July

Notes to the Consolidated Accounts

for the year ended 31 March 2023

2025 to 31 December 2028.

The funding shortfall is expected to be eliminated by December 2028 through the return on existing assets and the new contributions.

In accordance with the actuarial valuation, the employer has agreed with the trustees that it will meet expenses of the scheme and levies to the Pension Protection Fund.

A qualified actuary, independent of the scheme's sponsoring employer, updated to 31 March 2023 the annual accounting valuation required under Section 28 of FRS 102. The major assumptions used by the actuary are shown below.

The basis of apportionment for pension expense costs is payroll costs.

Present values of defined benefit obligation, fair value of assets and defined benefit asset/ (liability):

	31/03/2023	31/03/2022	31/03/2021
	£000	£000	£000
Fair value of plan assets	74,869	100,739	95,998
Present value of defined benefit obligation	67,593	91,302	96,827
Surplus / (Deficit) in plan	7,276	9,437	(829)
Defined benefit asset/(liability) to be recognised	7,276	9,437	(829)

A note on pension valuations

Two valuations are included in the notes to the accounts. They use different assumptions and are at different points in time.

Actuaries acting on behalf of HRP undertake a triennial valuation based on a set of prudent assumptions determining how much future funding the scheme may require. The last valuation was 31 March 2021 and showed a deficit of £4.1m.

Each year, the scheme is valued at fair value under accounting standard FRS102 using 'best estimate' assumptions. As at 31 March 2023, this year's valuation produced a surplus of £7.3m (2021/22: £9.4m). As the charity is entitled under the scheme rules to net refunds at least equivalent to the amount of the asset recognised, it is this figure that is shown in the accounts. This is in line with accounting standard IFRIC14.

Given the significant increase in gilt market-implied RPI price inflation over the past year and evidence from the Government Actuary's Department (September 2021) and the Bank Of England (November 2021), the scheme actuary recommended introducing an inflation risk premium adjustment 0.2% p.a. in 2021/22 to reduce any potential market distortion. This remained in place for 2022/23.

Notes to the Consolidated Accounts

for the year ended 31 March 2023

Reconciliation of opening and closing balances of the defined benefit obligation:

	Period Ending 31/03/2023	Period Ending 31/03/2022
	£000	£000
Defined benefit obligation at start of period	91,302	96,827
Interest expense	2,480	2,058
Benefit payments from plan assets	(2,230)	(2,260)
Actuarial (losses) / gains:		
- Changes in assumptions	(30,478)	(5,196)
- Changes in experience	6,519	(127)
Defined benefit obligation at end of period	67,593	91,302

Reconciliation of opening and closing balances of the fair value of plan assets:

	Period Ending 31/03/2023	Period Ending 31/03/2022
	£000	£000
Fair value of scheme assets at start of period	100,739	95,998
Interest income	2,740	2,040
Actuarial (losses)/ gains	(26,383)	4,923
Contributions by the employer	3	38
Benefits paid	(2,230)	(2,260)
Expenses	-	-
Fair value of plain assets at end of period	74,869	100,739

The actual return on the plan assets over the period ended 31 March 2023 was a loss of £23,643k (£6,963k gain in 2021/22).

Notes to the Consolidated Accounts

for the year ended 31 March 2023

Defined benefit cost recognised in Statement of Financial Activities (SOFA):

	Period Ending 31/03/2023	Period Ending 31/03/2022
	£000	£000
Expenses	-	-
Net Interest cost/(income)	(260)	18
Total expense recognised in SOFA	(260)	18

Defined benefit costs recognised in other comprehensive income:

	Period Ending 31/03/2023	Period Ending 31/03/2022
	£'000	£'000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	(26,383)	4,923
Experience gains and losses arising on the plan liabilities – gain / (loss)	(6,519)	127
Net effects of changes in the demographic and financial assumptions underlying the	30,478	5,196
Total amount recognised in other comprehensive income – gain/(loss)	(2,424)	10,246

Assets	31/03/2023	31/03/2022	31/03/2021
	£000	£000	£000
Equities	27,843	45,751	43,032
Debt instruments	34,684	38,848	39,743
Property	10,846	13,337	12,274
Cash	1,496	2,803	949
Total assets	74,869	100,739	95,998

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Notes to the Consolidated Accounts

for the year ended 31 March 2023

Assumptions	31/03/2023 % per annum	31/03/2022 % per annum	31/03/2021 % per annum
Discount Rate	4.85%	2.75%	2.15%
Inflation (RPI)	3.25%	3.70%	3.50%
Inflation (CPI)	2.65%	3.10%	2.80%
Salary growth	2.65%	3.10%	2.80%
Allowance for:			
Revaluation of deferred pensions of CPI or 5% p.a. if less	2.65%	3.10%	2.80%
Revaluation of deferred pensions of CPI or 2.5% p.a. if less	2.50%	2.50%	2.50%
Pension in payment increases of RPI or 5% p.a. if less	3.00%	3.45%	3.30%
Pension in payment increases of RPI or 3% p.a. if less	2.30%	2.60%	2.50%
Pension in payment increases of RPI	3.35%	3.70%	3.50%
Commutation of pension for cash at retirement	70% of Post A Day	70% of Post A Day	70% of Post A Day

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies at age 60yrs:

	31/03/2023	31/03/2022	31/03/2021
Male retiring in 2023	26.5	26.7	25.8
Female retiring in 2023	28.0	28.7	28.0
Male retiring in 2043	28.5	28.3	27.4
Female retiring in 2043	30.0	30.2	29.6

b) Defined Contribution Schemes

A group personal pension scheme based on defined contributions was set up for new members of established staff and staff on contracts exceeding one year with effect from October 2002. The cost for the year was £3,289,050 (2021/22: £2,269,516 included payroll element sacrificed to pension through the redundancy programme), with no outstanding contributions at the balance sheet date. The cost forms part of staff costs that as stated in note 1(f) are classed as direct expenditure attributable to the activity

Notes to the Consolidated Accounts

for the year ended 31 March 2023

and are all from unrestricted funds.

An additional group personal pension scheme based on defined contributions was set up for casual staff and staff on contracts of less than 1 year with effect from October 2013, to meet pension auto-enrolment requirements. The cost for the year was £37,772 (2021/22: £19,797), with no outstanding contributions at the balance sheet date.

Notes to the Consolidated Accounts

for the year ended 31 March 2023

13. Tangible fixed assets (Group & Charity)

Cost	Buildings & refurbishments £000	Fixtures & fittings £000	Furniture, equipment & exhibitions £000	Computers £000	Plant, machinery & vehicles £000	Assets in course of construction £000	Total £000
At 1 April 2022	27,269	6,251	3,570	882	5,764	5,563	49,299
Additions	-	-	16	76	12	3,295	3,399
Disposals	-	(27)	(90)	(147)	(38)	-	(302)
Transfers to Heritage assets	-	-	-	-	-	-	-
Transfers within Tangible fixed assets	-	-	-	-	-	-	-
At 31 March 2023	27,269	6,224	3,496	811	5,738	8,858	52,396
Accumulated depreciation							
At 1 April 2022	12,829	4,656	2,660	695	4,971	-	25,811
Charge for the year	1,082	294	112	70	215	-	1,773
Disposals	-	(27)	(49)	(144)	(32)	-	(252)
At 31 March 2023	13,911	4,923	2,723	621	5,154	-	27,332
Net book value							
At 31 March 2023	13,358	1,301	773	190	584	8,858	25,064

Notes to the Consolidated Accounts

for the year ended 31 March 2023

At 31 March 2022	14,441	1,595	909	187	794	5,563	23,489
The net book value as at 31 March 2022 represents fixed assets used for:							
Retail activities	501	79	-	15	11	0	606
Other commercial activities	-	3	1	2	-	-	6
Charitable expenditure:							
Palaces	10,725	1,033	726	101	526	8,858	21,969
Experiences							
Public access	1,862	114	26	63	42	-	2,107
Interpretation and learning	270	72	20	7	5	-	374
Money – Grow our impact	-	-	-	1	-	-	1
Culture	-	-	-	1	-	-	1
At 31 March 2023	13,358	1,301	773	190	584	8,858	25,064

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for the year ended 31 March 2023

14. Heritage assets (Group & Charity)

Cost and net book value	Artefacts 2023 £000	No.	Artefacts 2022 £000	No.	Artefacts 2021 £000	Artefacts 2020 £000	Artefacts 2019 £000
Balance as at 1 April	9,601	458	9,173	456	9,156	8,561	8,155
Additions, at cost	159	3	42	0	17	488	290
Transfers from assets in the course of construction	-	-	303	1	-	12	1
Disposals	-	-	-	-	-	-	(8)
Donated works, at deemed value	46	2	83	1	-	95	123
Balance as at 31 March	9,806	463	9,601	458	9,173	9,156	8,561
Made up of: <i>Interpretation and learning</i>	9,806	463	9,601	458	9,173	9,156	8,561

There was one significant addition to Heritage assets in the year.

A Tudor gold ring acquired via the Treasure Act valued at £40,000 with assistance from private donors and the ACE-V&A Purchase Grant Fund. This item has been added to the General Collection

a) Further information on HRP's collections of heritage assets

The Palaces are not owned by HRP, but by HM The King on behalf of the nation. Expenditure on their conservation is recognised in the Statement of Financial Activities when it is incurred.

The main categories of accessioned heritage assets, including those shown on the balance sheet, are:

- The Royal Ceremonial Dress Collection (c11,000 accessioned items), an important collection of largely British royal and court ceremonial dress, established at Kensington Palace in 1984;
- The general collection (c10,000 accessioned items), consisting of paintings, drawings, prints, furniture, sculpture, furnishing textiles, decorative arts and social history objects, chiefly displayed as part of the historic furnished interiors at the palaces;
- Architectural drawings archive (c22,000 accessioned items), containing both modern and historic drawings and copies.
- Architectural and archaeological materials salvaged or excavated from the palaces. These are primarily used as a research archive. (c10,000 accessioned items).

Notes to the Consolidated Accounts

for the year ended 31 March 2023

In addition, HRP curates un-accessioned assets as follows:

- c30,000 architectural drawings is an archive of historic and modern drawings detailing the architectural histories of the palaces in the late 19th and 20th centuries. The drawings are a public record and held as an Architectural Drawings Collection (ADC) under a place of deposit status at the Tower of London.

HRP also displays items on short and long-term loan. In particular:

- The majority of the important works of art displayed “at home” at our palaces and stored form part of the Royal Collection, owned by HM The King on behalf of the nation and administered by The Royal Collection Trust (c8,000 items);
- The displays of arms, armour and related material at the Tower of London belong to the Royal Armouries (c 900 items).
- The artwork collection and other items on display at Hillsborough Castle (c1,500 items).
- Collection of jewellery associated with Queen Victoria from a private owner on display at Kensington Palace

Our collections remain on public display whenever possible. Storage is normally limited to items providing a research resource, unsuitable for display for conservation reasons or archaeological finds. We loan historic objects from our collections to public exhibitions and museum/ gallery displays.

The priority for acquisition or long term loan of heritage assets is to enhance and explain the historic buildings of the palaces with relevant objects. Acquisitions are made by purchase or donation, taking six criteria into consideration.

- Original contents or material deriving from the existing buildings of the six palaces. Collections development
- Original contents or material deriving from parts of the palaces that are no longer extant. These items should be of significant historic or cultural value and suitable either for public display or of unique research value to the work of HRP.
- Original objects with a direct connection to members of the Royal Family or significant historic figures directly associated with the palaces. These items should be illustrative of the activities that associate the figure with an individual palace.
- Works of art, objects and documents that directly inform the re-presentation and interpretation of the palaces for visitors. These may include specially commissioned art, when rights of ownership are transferred to HRP.
- Works of art and historic objects of equivalent historic significance and appearance that can be displayed in lieu of missing or destroyed originals as part of the historic representation of the palaces.
- Replicas of missing, unavailable or destroyed original contents of the palaces where the original’s replacement is considered essential for the effective interpretation and representation of a specific palace area. Significant acquisitions require Trustee approval. The highest priority is given to items deriving from the existing buildings of the palaces. Additional criteria apply to the Royal Ceremonial Dress Collection.

Exceptionally, the Trustees will approve the disposal of objects for curatorial reasons but not disposal motivated by financial reasons. The principle of retaining disposed items in public ownership is preferred. Any proceeds of sale are applied for the benefit of the collections.

b) Heritage assets of particular importance

The most significant heritage asset shown on the balance sheet is the van Dyck portrait of

Notes to the Consolidated Accounts

for the year ended 31 March 2023

Princess Mary, received as a donation from the Museums Libraries and Archives Council in 2008/09 and valued at acquisition at £1.5m.

Of particular significance is the only surviving in-situ ceiling painting by Peter Paul Rubens, at the Banqueting House, installed in 1636.

We display and provide day-to-day care for the Crown Jewels in the Tower of London. Like the Palaces themselves, the Crown Jewels are owned by HM The King in right of Crown.

c) Management and Conservation

HRP maintains a register of heritage assets, which includes records of ownership, conservation status and location. The conservation and curatorial teams manage the collections, including loan items, in accordance with the policies approved by Trustees. These teams report to the Palaces & Collections Director.

The long-term conservation requirements of the collections are identified and prioritised by HRP's conservators through a programme of condition audits.

15. Investments

HRP held £3.1m (2021/22: £4.8m) in Fixed Asset Investments as at 31st March 2023. These investments fall into three main vehicles, the movement on each is shown in the tables below:-

Bond Portfolio	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000
Balance as at 1 April	3,681	3,681	7,353	7,353
Effective interest earned	41	41	80	80
Interest coupons received	(101)	(101)	(160)	(160)
Bonds purchased	-	-	-	-
Bonds redeemed	(1,425)	(1,425)	(3,413)	(3,413)
Gain / (Loss) on valuation	(90)	(90)	(179)	(179)
Balance as at 31 March	2,106	2,106	3,681	3,681

These consist of short dated, investment grade, sterling, fixed income securities. The bond portfolio is intended to be held to maturity.

Ethical Investment Fund	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000

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Balance as at 1 April	423	423	390	390
Units disposed of	-	-	-	-
Gain / (Loss) on revaluation	(21)	(21)	33	33
Balance as at 31 March	402	402	423	423

This is a diversified multi-asset fund with ethical and responsible investment standards. It consists of global and UK equities, with a proportion allocated to infrastructure & operating assets, property and cash.

<u>Multi-Asset Investment Fund</u>	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000
Balance as at 1 April	691	691	683	683
Units disposed of	-	-	-	-
Gain / (Loss) on revaluation	(64)	(64)	8	8
Balance as at 31 March	627	627	691	691

This is a balanced mixed asset fund with a focus on funds that contribute to society or the environment. It includes global and UK growth equity funds, with a proportion allocated to corporate bonds, gilts and cash.

16. Debtors

	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000
Trade debtors	2,482	2,211	2,137	1,501
Amounts due from subsidiary	-	3,495	-	4,528
Other debtors	2,155	2,154	937	937
Prepayments and accrued income	3,223	3,029	4,169	3,961
Total	7,860	10,889	7,243	10,927

All of the above debtors are due within one year.

The service charge calculation for HRPE Ltd was agreed through resolution in March 1999 and had been in use ever since. The historic calculation consists of a payroll recharge (all trading staff payroll) and a facility recharge (depreciation, accommodation, support services) of 20% of turnover.

In 2021/22, HRP Audit & Risk Committee Trustees approved a long-term update in the service charge calculation to better reflect changes in the structure of the organisation.

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for the year ended 31 March 2023

The changes implemented from 2021/22 are as follows:

- The payroll recharge is now broken into two parts: a direct re-charge for dedicated trading. An apportioned charge for the pool of 'mixed' trading/ charity staff, where roles cover both retail and admissions in Palaces Group. The apportionment is based on the respective income generated by Admissions and Retail activity.
- The facility recharge now reflects a simple new mechanism to allocate a 'fair' portion of shared accommodation and support costs to HRPE. It is based on a percentage of turnover scale.

Turnover	Facility charge %
Less than £5m	10%
£5m to £10m	15%
£10m - £20m	18%
£20m +	21%

17. Creditors: amounts falling due within one year

	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000
Trade creditors	1,918	1,799	1,834	1,569
Taxation and social security	789	708	763	628
Other creditors	578	578	382	382
Accruals	8,688	7,867	6,150	5,744
Deferred income	8,658	7,604	6,655	5,001
Total	20,631	18,556	15,784	13,324

Deferred Income

Deferred Income comprises advance visitor bookings, rent, membership income and function and event deposits.

	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000
Balance at the beginning of the year	6,655	5,001	3,161	2,215
Amount released to income in year	(6,534)	(4,890)	(3,040)	(2,104)
Amount deferred in year	8,537	7,493	6,534	4,890
Balance at the end of the year	8,658	7,604	6,655	5,001

Notes to the Consolidated Accounts

for the year ended 31 March 2023

18. Creditors: amounts falling due after more than one year

	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000
Trade creditors	10	10	4	4
Amounts drawn down on the Culture Recovery Fund Loan Facility	41,684	41,684	40,860	40,860
Total	41,694	41,694	40,864	40,864

In 2020/21, HRP was awarded a £40m repayable loan from the Culture Recovery Fund for Heritage jointly managed by the Arts Council England (ACE) and the National Lottery Heritage Fund (NLHF). This was part of the £1.57 billion rescue package announced by the DCMS to safeguard cultural and heritage organisations across the UK from the economic impact of COVID-19. The repayable loan is met by Government guarantee, and therefore does not require any specific HRP assets to be secured against it. The loan attracts a 2% interest rate which accrues from its March 2021 receipt. After a four-year repayment holiday, the loan must be repaid in 21 equal repayment instalments (from March 2025) over a ten- year period and by March 2035.

19. Provision for liabilities and charges

	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000
Balance as at 1 April 2022	519	418	487	434
Amounts used in year	(104)	(3)	(69)	(16)
New provisions in year due within 1 year	435	435	101	-
New provisions in year due after 1 year	2,282	2,282	-	-
Balance as at 31 March 2023	3,132	3,132	519	418

The provision includes amounts for an onerous lease provision and pension scheme closure compensation payments.

The onerous lease provision is based on the estimated known liability for the cost of sub-let premises from which HRP currently expects to receive no economic benefits.

20. Financial commitments under operating leases

The Group and Charity had the following future minimum lease payments under non-cancellable operating leases (with landlord-only break clause) for each of the following periods:

Operating Lease payments due:	Group 2023 £000	Charity 2023 £000	Group (restated) 2022 £000	Charity (restated) 2022 £000
< 1 year	1,027	815	1,038	828
Between 2 -5 years	3,394	3,184	3,607	3,189
> 5 years	668	668	36,519	36,519
Total payable	5,089	4,667	41,164	40,536

Notes to the Consolidated Accounts

for the year ended 31 March 2023

In FY2022/23, the commitment >5 years is reduced as there is an intention by the Leaseholder to break the long lease in 2028. An onerous lease provision has been made in respect of the lease for the period to 2028 (refer to Note 19).

21. Operating lease receipts

The Group and Charity had the following future minimum rental income under non-cancellable operating leases for each of the following periods:

Operating Lease payments due:	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000
< 1 year	100	32	100	32
Between 2 -5 years	142	34	201	25
> 5 years	-	-	-	-
Total receivable	242	66	301	57

22. Capital commitments

	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000
Contracted capital commitments as at 31 March 2022, for which no provision has been made in the accounts:	1,848	1,848	2,730	2,730

Commitments include no amount (2022: nil) relating to projects that are being funded by donations from third parties.

23. Contingent Assets

The contingent asset of £0.8m reported in the 2021/22 report. These funds were received in the 2022/23 financial year.

24. Contingent liabilities

Either HRP or the Secretary of State may give one year's notice of termination of the contract to manage the Palaces. Upon termination, a calculated net asset value would revert to the Secretary of State, being the lower of the value of the net assets transfer of £7.795m on 1 April 1998 (indexed for inflation and as revised for material changes in accounting policy) or the value of the equivalent assets held at the date of termination of the contract.

Notes to the Consolidated Accounts

for the year ended 31 March 2023

25. The summary financial performance of the charity alone

INCOME	Unrestricted funds £000	Restricted funds £000	Total 2023 £000	Total 2022 £000
Donations and legacies:				
Grants	4	1424	1428	7,994
CJRS grants	-	-	-	2,377
Donations	987	905	1892	939
Gifts in Kind	-	46	46	83
Total	990	2,375	3366	11,393
Income from other trading activities				
Functions and events	84	-	84	180
Licences, rent & recharges	2,828	-	2,828	2,606
	2,912	-	2,912	2,786
Investments	1,243	-	1,243	223
Income from charitable activities:				
Admissions	63,269	-	63,269	24,302
Memberships	4,600	-	4,600	3,244
Concessions	2,211	-	2,211	676
	70,080	-	70,080	28,222
Other Income				
Service charge to & Gift aid distributed from HRPE	17,656	-	17,656	8,800
Total income	92,881	2,375	95,256	51,422
EXPENDITURE				
Costs of raising funds:				
Fundraising	661	40	701	367
Retail activities	2,977	-	2,977	2,580
Investment management costs	8	-	8	23
Other commercial activities	2,011	-	2,011	1,492
	5,657	40	5,697	4,462
Expenditure on charitable activities:				
Palaces	22,756	92	22,848	20,342
Experiences:				
Public access	23,553	431	23,984	17,978
Interpretation and learning	14,528	2,081	16,609	10,311

Notes to the Consolidated Accounts

for the year ended 31 March 2023

Money Organisational Growth	– 4,856	-	4,856	3,851
Culture	1,175	2	1,177	1,010
	66,868	2,606	69,474	53,492
Other				
Defined Pension scheme net interest cost	(260)	-	(260)	18
CJRS grant received on behalf of the subsidiary	-	-	-	302
Total Expenditure	72,265	2,646	74,911	58,274
Net (losses)/gains on investments	(175)	-	(175)	(138)
Net Income / (Expenditure)	20,441	(271)	20,170	(6,990)
Actuarial (loss)/gain on pension plan	(2,427)	-	(2,427)	10,246
Net movement in funds	18,014	(271)	17,743	3,256
Fund balances brought forward at 1 April	43,207	6,396	49,603	40,812
Fund balances carried forward at 31 March	61,221	6,125	67,346	44,068

26. Related party transactions

This note lists material transactions with other entities in which either Trustees or senior employees of HRP or their close family members hold positions of authority. It also details all transactions with Trustees, with the exception of remuneration of Trustees which is covered in Note 10 and donations made by them, nil in 2022/23, (2021/22: £75k).

The Palaces and much of their contents are held by HM The King in right of Crown. These contents are the responsibility of The Royal Collection Trust.

HRP is contracted by the Secretary of State to manage the five London palaces on his behalf. This contract has been re-authorised until 31 March 2028.

The contribution to the Charity's funds by its wholly owned subsidiary, Historic Royal Palaces Enterprises Limited is disclosed in Note 2.

Notes to the Consolidated Accounts

for the year ended 31 March 2023

The figures in brackets represent the amounts due at the balance sheet date.

Related party	Connected party (a)	2023 £000	2022 £000	Detail of transaction
Association des Residences Royales Europeennes (ARRE)	John Barnes (Chief Executive of HRP) is a member of ARRE on behalf of HRP	19 (nil)	6 (6)	Charges made to HRP by the Association for HRP's annual membership
The Choral Foundation, Chapel Royal, Hampton Court Palace	Jane Crowther (Director of HRP) and Nigel Walley (a senior manager of HRP) are trustees of The Choral Foundation	2 (nil)	- (nil)	Charges for choral services and recitals made by the Choral Foundation to HRP
Founders Forum LLP	Rupert Gavin (was Chair of the Trustees of HRP until Aug 2022) is on the Advisory Board	- (nil)	12 (nil)	Charges made by HRPE for Event Hire at Kensington Palace
The Foundation of the Chapels Royal of HM Tower of London	General Sir Gordon Messenger (Trustee of HRP from Aug 2022) is Chair & Andrew Jackson (Director of HRP from May 2019) is a trustee of the Foundation	6 (nil)	14 (nil)	Charges made by the Foundation to HRP for choral services at HM Tower of London
Historic Royal Palaces Inc. (HRP Inc.) ^(b)	John Barnes (Chief Executive of HRP is President of HRP Inc.), Antonia Newman (Director of HRP) and Dan Lill (a senior manager of HRP) are respectively director and treasurer of HRP Inc.	49 (nil)	50 (nil)	Grants received by HRP from HRP Inc. for Kensington Palace Projects, Crown to Couture, Orangery & sunken garden conservation
		1 (nil)	365 (nil)	Grants received by HRP from HRP Inc. for Tower of London projects
		109 (nil)	- (nil)	Grants received by HRP from HRP Inc. for general purposes
Purcell UK (trading name of Purcell Miller Tritton LLP)	Jane Kennedy OBE (was Trustee of HRP until May 21) is a senior partner of Purcell UK	- (nil)	80 (nil)	Charges made by Purcell to HRP for architectural services at Kensington Palace Orangery
Royal Armouries (RA)	Lord Houghton (was a Trustee of HRP from August 2016 until July 2022) is a trustee of RA	367 (327)	103 (40)	Charges made by RA to HRP & HRPE for goods and services provided at HM Tower of London
	General Sir Gordon Messenger (Trustee of HRP from Aug 2022) is a trustee of RA	9 (2)	3 (3)	Recovery of costs from RA for goods, services and maintenance provided by HRP at HM Tower of London

Notes to the Consolidated Accounts

for the year ended 31 March 2023

Royal Household (RH)	Sir Michael Stevens KVCO (Trustee of HRP) is Keeper of the Privy Purse and Receiver General of the Duchy of Lancaster	76 (4)	159 (4)	Charges made by RH to HRP for rent and services provided at Kensington Palace & vetting clearance costs
		3 (nil)	51 (48)	Charges made by HRP and HRPE to RH for share of staff costs and grazing licence
Royal Collection Trust (RCT), and Royal Collection Enterprises Limited (RCEL), which is a wholly owned subsidiary of RCT	Sir Michael Stevens KVCO (Trustee of HRP) is Keeper of the Privy Purse and a Trustee of RCT	33 (nil)	49 (nil)	Charges made by RCEL to HRP and HRPE for the right to produce images of Royal Collection items and for the purchase of goods for resale.
	Tim Knox (Trustee of HRP) is a Director of RCEL and Director of the Royal Collection at RCT	26 (nil)	32 (5)	Recovery by RCT from HRP of a proportion of the costs of maintaining and recording Royal Collection and other items displayed in the palaces, and from HRPE for the purchase of goods for resale
Todd Longstaffe-Gowan Ltd	Tim Knox (Trustee of HRP) is a director at Todd Longstaffe-Gowan Ltd	9 (1)	5 (nil)	Charges made by Todd Longstaffe-Gowan Ltd to HRP for garden design

- (a) Copies of the Trustees' register of interests and their biographical details are available from the Head of Governance, Apartment 39, Hampton Court Palace, Surrey KT8 9AU.
- (b) Historic Royal Palaces, Inc. is an entity independent of Historic Royal Palaces. Whilst its object is to support the work of Historic Royal Palaces, how this is expressed is the responsibility of the Board alone. This independence is required to maintain US charity status. Current arrangements, in which Historic Royal Palaces' staff have a seat on the Board (Dan Wolfe) and fill the officer posts of the US charity (John Barnes as President, Dan Lill, Head of Financial Accounting as Treasurer, Lydia Lawrence, Patrons and Philanthropy Officer as Secretary), provide sufficient communication and co-operation with the Board whilst retaining the US charity's independence.

27. Financial instruments

Disclosure is required of the role financial instruments have played during the year in creating or changing the risks HRP faces in undertaking its activities.

Liquidity and Credit Risk

Long-term liquidity was secured by the receipt of a £40m long-term repayable finance loan from the CRF fund in March 2021. Surplus funds are held on short-term fixed interest rate deposits with institutions with low credit risk ratings. Risks relating to interest rates are managed by budgeting conservatively for investment income. HRP has no finance leases.

HRPE Ltd had a bank overdraft facility for £0.5m until 5th September 2022.

Since most income was generated from donations, grants and visitors to the Palaces, most of HRP's income was received as cash.

HRP is exposed to a credit risk of £2.5m trade debtors (2021/22: £2.1m). The risk is not

considered significant since major customers are known to HRP or are required to pay for services in advance and provisions against bad debts are minimal.

Market risk

HRP is subject to market risk in that the defined benefit pension fund holds investments. Plans are in place to fund the past service deficit, as detailed in Note 12.

HRP is subject to credit and market risk in its investment portfolio (note 15). These risks are mitigated by investing only in investment grade bonds and by using a professional investment manager.

HRP is not subject to any significant foreign currency risk.

28. Post balance sheet events

There have been no significant events after 31 March 2023 that require adjustment to, or disclosure in the financial statements.

The financial statements were approved by the Accounting Officer and Trustees and authorised for issue on the date the Comptroller and Auditor General signed the independent auditor's report.

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Accounts

Historic Royal Palaces

**Trustees' Report and Financial Statements
For the year ended 31 March 2022**

Financial Statements
For the year ended 31 March 2022

**Financial Statements presented to Parliament by the Secretary of State for Digital, Culture,
Media and Sport by Command of His Majesty**

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This publication is available on our website at www.hrp.org.uk.

Any enquiries regarding this publication should be sent to us at dan.lill@hrp.org.uk
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HISTORIC ROYAL PALACES

Trustees' Report
and
Financial Statements

for the Year Ended
31 March 2022

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Administrative Details

Trustees

Rupert Gavin (Chair)(until 31 July 22)
Carole Souter CBE (Chair)(from 01 Aug 22)
Zeinab Badawi (until 31 March 22)
Lisa Burger CBE (from 01 Apr 22)
Baron Houghton of Richmond in the County of
North Yorkshire (Lord Houghton) GCB CBE
DL (until 31 July 22)
Camilla Finlay (from 7 June 21)
Sarah Jenkins
Jane Kennedy OBE (until 18 May 21)
Tim Knox FSA
General Sir Gordon Messenger KCB DSO OBE
DL (from 01 Aug 22)
Sir Michael Stevens KCVO (Deputy Chairman)
Robert Swannell CBE
Dr Jo Twist OBE
Sue Wilkinson OBE
Professor Michael Wood OBE

Executive Board

John Barnes (Chief Executive and Accounting Officer)
Nicola Andrews (Palaces Group Director)
Howard Beeston (Interim Finance Director from 12 Jan22 to 31 Oct 22)
Jane Crowther (HR Director until 31 Dec 21, Director of Corporate Resources from 1 Jan 22)
Anupam Ganguli (Finance Director from 31 Oct 22)
Sue Hall (Finance Director until 31 Dec 21)
Andrew Jackson (Tower of London Director)
Tom O’Leary (Public Engagement Director)
Adrian Phillips (Palaces and Collections Director)
Dan Wolfe (Commercial Director)

Registered Office

Hampton Court Palace,
Surrey KT8 9AU

Auditors of the Group

The Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP

Bankers

Barclays Bank plc
1 Churchill Place, London, E14 5HP

Solicitors

Farrer & Co
66 Lincoln’s Inn Fields, London WC2A 3LH

Historic Royal Palaces

Charity registered with the Charity Commission for England and Wales
Registration number: 1068852

Historic Royal Palaces Enterprises Ltd

Company limited by share capital, Companies House: 03418583

Objectives and Activities

The Purpose and Activities of the Organisation

Historic Royal Palaces (HRP) was established in 1998 as a Royal Charter Body with charitable status. It is responsible for the care, conservation and presentation to the public of the unoccupied Royal Palaces: HM Tower of London, Hampton Court Palace, Kensington Palace State Apartments, the Banqueting House at Whitehall and Kew Palace with the Royal Kitchens, Queen Charlotte's Cottage and the Great Pagoda. These palaces are owned by HM The King in right of Crown. HRP is contracted by the Secretary of State for Digital, Culture, Media and Sport to manage the five London palaces on his behalf. The contract is re-authorised until 31 March 2028.

HRP is also contracted by the Secretary of State for Northern Ireland to manage Hillsborough Castle and Gardens in Northern Ireland. The Castle is owned by the Government and is the official residence in Northern Ireland of HM The King.

HRP is a Public Corporation but receives no public funding - all costs are met by self-generated income. HRP is governed by a Board of Trustees, all of whom are non-executive. The Chief Executive is accountable to the Board of Trustees.

Further information can be obtained from www.hrp.org.uk.

The objectives of HRP, as set out in its Royal Charter are, for the benefit of the nation:

- to manage, conserve, renovate, repair, maintain and improve the Palaces to a high standard consistent with their status as buildings of Royal association and historic and/or architectural importance;
- to help everyone to learn about the Palaces, the skills required for their conservation and the wider story of how monarchs and people together have shaped society by providing public access, by exhibition, by events and education programmes, by the preparation of records, by research and by publication and by such other means as are appropriate.

Historic Royal Palaces Enterprises Limited is a company wholly owned by Historic Royal Palaces. It forms the charity's general trading arm, responsible for running the commercial activities such as retail, functions, sponsorship and other events at HRP. It gift aids its taxable profits to the Charity.

Our Cause

We stir every spirit to inspire and provoke change.

Our work is guided by five principles:

- a) **Open** - We believe everyone's in. We create space for people to take part in places and ways they couldn't or didn't think to before.
- b) **Colourful** - We lift everything beyond the ordinary into the wonderful, sharing our love of the Palaces, our expertise and personality with everyone.

Trustees' Report

- c) **Provocative** - We embrace perspectives as diverse as the world itself, challenge preconceptions, set minds racing, and invite others to share their own opinions and stories.
- d) **Personal** - We warmly welcome everyone as individuals, whatever they come for and however they meet us. We want every encounter to go above and beyond.
- e) **Always Evolving** - We innovate and experiment, responding to the ever changing world with fresh thinking and the courage to try new things.

Four major strategic aims to face the challenges of the future

In setting HRP's aims and planning our activities, the Trustees have had regard to the Charity Commission's guidance on public benefit.

i) Palaces – Give the palaces a future as bright as their past

We are guardians of six of the nation's most important historic sites.

One is a World Heritage Site (the Tower of London) and another is situated within a World Heritage Site (Royal Botanic Gardens, Kew); four are Scheduled Ancient Monuments; within these sites are many individual grade 1 listed buildings.

Conserving our palaces is a Royal Charter objective and a continuous strategic priority. Through consistent year-on-year investment, we improve the condition, presentation, curation and records of the palaces. Our planned building conservation programme is supplemented by improvements that we make through our major development projects.

ii) Experiences – Create unique and memorable experiences, onsite, offsite and online

Helping everyone to learn about the Palaces, providing access, enjoyment and engagement with the Palaces (physically and virtually) is also a Royal Charter objective and a continuous strategic priority. Most of our overall investment goes into this area through operations, programming, investment in the visitor offer and, increasingly, in reaching beyond the Palaces with their stories.

iii) Culture - Nurture a culture that unites us behind our cause

Creating an environment where all staff are performing to a high standard, are engaged and consistently demonstrate the Performance Framework qualities is central to this aim. Payroll costs are still the largest single expenditure element of our budget and our staff are the means by which we will succeed.

iv) Money - Generate the money to rebuild our charity

Our reserves have been significantly depleted due to the impact of closures required by the Government in response to the pandemic, and the charity has had to take on Government-backed debt to ensure its viability. The first step in our recovery will be to reach operating breakeven, then to rebuild to pre-pandemic levels of income and create surpluses once again. This strategic aim will require rigour about costs, and creativity to generate income. This is the objective shared by everyone in HRP – staff and trustees alike.

Achievements and Performance

Performance Overview

Our three-year Operating Plan was adapted to reflect the impact of COVID-19 in 2020-21, however the performance targets to measure our success in achieving our objectives remain. We monitor visit numbers, visitor satisfaction and operating surplus.

Measure	Target 2021/22 (*)	Performance
Visit Numbers	Achieve at least 980k visits across all sites	1,486k
Visitor Satisfaction	Achieve the following scores, as measured through the ALVA benchmarking (new scale: 1 to 10): Enjoyment – 8.3 Value for Money – 8.0 Staff Friendliness & Welcome – 8.8	8.8 8.5 9.5
Operating Surplus ^(**)	Keep the operating deficit to no more than (£15.1m)	£2.1m surplus

(*) The target was set in April 2021 based on the latest Government COVID-19 roadmap

(**) this is an internal measure aligned with HRP's management accounts.

Within each of the strategic aims are various three-year priorities to drive value and ensure we deliver our aims, which have been adapted to reflect the effects of COVID-19 on HRP:

Palaces

1. Adopt new approaches to maintaining and conserving our palaces and collections
2. Focus our research outputs on overlooked history
3. Accelerate our environmental sustainability actions, and progress towards net zero greenhouse gas emissions by 2050

Experiences

1. Deliver special moments and new approaches to public programming at scale, that drive recovery
2. Introduce diverse narratives and perspectives into our public content
3. Develop a digital engagement programme and deliver greater reach online and offsite
4. Deliver seamless visitor journeys

Culture

1. Embed the Performance Framework behaviours to align staff with our new operating challenges and ways of working
2. Secure the benefits from the restructure
3. Become a more diverse and inclusive organisation
4. Involve staff in the conversations about HRP through new forums and mechanisms
5. Roll out the external expression of the cause and the new visual identity

Trustees' Report

Money

1. Use the Culture Recovery Fund loan to manage losses and make targeted investments until breakeven is achieved.
2. Optimise the income generated by each Palace
3. Develop offsite and online commercial opportunities to become a major new source of income
4. Increase fundraising revenue by implementing a new development strategy
5. Develop a technology programme and deliver our next technology needs

Performance Analysis

We have designed a series of reports and charts that will show our progress to breakeven and against our deficit. These will be shared across the organisation to enable all staff to track and play their part in our recovery.

We agreed three key objectives, these were shared by all staff across HRP. These are:

- 1) Deliver our cause to stir every spirit
- 2) Achieve break-even during 22/23
- 3) Change our ways of working and behaviours to be:
 - Prudent and realistic with our resources and finances
 - Creative and innovative with the resources and finances we do have
 - Agile and flexible when constantly changing circumstances require it
 - Embrace fresh perspectives and create a culture where everyone feels welcomed and accepted

Departmental data and performance monitoring continue within flash reports, performance reviews, management accounts and KPIs.

1. Palaces - Give the palaces a future as bright as their past

Thanks to two rounds of grants from the Heritage Stimulus Fund and a Public Bodies Infrastructure Grant, a major grant from the DCMS, we were able to continue a programme of conservation across the Palaces whilst also replacing essential services. At Hampton Court Palace, a significant project to conserve the historic ironwork Tijou screens in the Privy Garden is underway. This year, one of the panels was restored by specialist metalworkers and blacksmiths.

Vital chimney conservation and reconstruction projects were completed at Hampton Court Palace by specialist brick makers and conservators. At Kensington Palace, we strengthened the floors of the historic Cupola Room, where Queen Victoria was christened, and undertook some conservation work to care for the original William Kent painted pilasters and panelling. Another major project saw us conserve the masonry of Queen Anne's Orangery at Kensington Palace.

At the Tower of London, conservation work at 4 & 5 Tower Green presented a substantial opportunity for archaeology prior to stabilisation of the structures and essential masonry conservation. Archaeology was also undertaken in the moat in advance of our 'Superbloom' project and one of the moat's revetment walls was conserved as part of our preparations. 'Superbloom' is an installation of millions of

Trustees' Report

flowers to celebrate HM The Queen's Platinum Jubilee in June 2022. The aim is to create a biodiverse landscape in The Tower's moat for people to come together and experience the benefits of nature. It will be linked nationally to schools and to local communities and have a permanent legacy.

Authentic research underpins everything we do, from bringing our palaces and their stories to life by exploring new and diverse perspectives alongside the more familiar histories for which they are known, to tackling conservation threats and the impact of climate change by experimenting with innovative technologies and scientific techniques. This year, research from our Inclusive History curator explored the story of Edward Francis, an enslaved African who lived at the Tower in the 17th century.

His story shed new light on slavery and resistance at the Tower of London and we created a new web resource to explain this important aspect of the Tower's history.

In 2021, HRP's Heritage Science Laboratory gained considerable capability following a £1 million grant from the Arts & Humanities Research Council (AHRC) Capability for Collections Fund. State of the art infrastructure was installed in the laboratory at Hampton Court Palace, which will transform our ability to undertake detailed scientific analysis of heritage assets, as well as providing in-depth information and data on the condition of the Palaces and the remarkable collections they contain.

As the custodians of the Royal Ceremonial Dress Collection, we were pleased to send some items out on loan to external institutions and partners. To mark the tercentenary of the death of Master Craftsman Grinling Gibbons, whose work adorns Hampton Court Palace and Kensington Palace, fragments of our collection were loaned to an exhibition at Compton Verney, staged by the Grinling Gibbons Society. Items from the Royal Ceremonial Dress Collection, including a suit once worn by the Duke of Windsor, were loaned to the V & A Museum for their Fashioning Masculinities exhibition.

2. Experiences - Create unique and memorable experiences, onsite, offsite and online

It was a busy year for exhibitions. We staged three shows we postponed in 2020 and added a new display into our programme.

The Orangery at Kensington Palace was re-purposed as an exhibition space and housed 'Royal Style in the Making', a display exploring the unique relationship between fashion designers and their royal clients. The star item featured was the wedding dress worn by Diana, Princess of Wales, in 1981, on loan from her sons, HRH The Prince of Wales and the Duke of Sussex. The show proved enormously popular, attracting almost 200,000 visitors to Kensington Palace during its seven-month run. In March, it was succeeded by 'Life Through a Royal Lens', an exhibition bringing together some of the most iconic images of the Royal Family ever taken, including contributions from members of the public.

At Hampton Court Palace, we celebrated the 500th anniversary of the legendary meeting between King Henry VIII and his contemporary, Francois I – the Field of Cloth of Gold – a year later than planned. A dazzling array of Tudor treasures went on display in the rooms once occupied by the architect of the occasion – Cardinal Wolsey. A highlight was a never-before-seen 16th century French tapestry featuring a black trumpeter – one of only a handful of surviving visual depictions of people of colour at a 16th century court.

Two centuries on from the death of King George III, conversations about male mental health are changing. At Kew Palace, where George III grew up and spent time at the

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palace convalescing during periods of mental ill health, we staged a display exploring the life of this fascinating and much-misunderstood monarch. Our Communities team partnered with groups local to Kew, to interpret some of the items in the exhibition and explore how George III's experiences speak to men's experiences in 21st century London. We also featured a display of objects submitted by members of the public, to inspire discussion and reflection on how we think and talk about mental health today.

Attracting domestic visitors was a key priority for the year, as inbound tourism continued to recover slowly. At Hillsborough Castle, we staged our inaugural Hillsborough Honey Fair, working with local producers and Food NI. We focused our efforts on seasonal programming and produced two new Halloween offers for visitors at Hampton Court Palace and the Tower of London. Meanwhile, the Wild Raven Walk returned to Hillsborough Castle and attracted record numbers. At Christmas, light trails were staged at Hampton Court Palace and Hillsborough Castle, whilst the Tower was dressed in a festive display celebrating its long history as a menagerie, kindly supported by the 'Let's Do London' campaign.

Offsite and online, we continued to tell the stories of the Palaces to visitors who were not able to visit us in person. Another successful series of Crowdcast talks, hosted by our Chief Curator, Lucy Worsley, explored, amongst other things, the history of Royal Jubilees, and LGBT stories from the Palaces. On television, the fourth series of 'Inside the Tower of London' aired to audiences upwards of 1.5 million on Channel 5 in the Autumn. A further two TV series followed, featuring staff and stories from Hampton Court Palace and Kensington Palace respectively.

3. Culture - Nurture a culture that's united behind our cause

In 2020, we restructured the charity to ensure that we were in the best possible position to recover from the financial challenges presented by the pandemic. We began the 2021-22 financial year still heavily using the Coronavirus Job Retention Scheme, which was a vital lifeline during a period in which our income all but disappeared. In September 2021, the scheme came to an end and all staff returned to work, with some having been on furlough for 18 months.

To help all staff understand the challenges we faced, three shared objectives were set for the whole organisation: to continue to deliver our Cause to 'Stir Every Spirit', to adapt our ways of working to the new environment and to work towards achieving break-even. These clear objectives helped to focus the attention of the organisation on HRP's recovery.

In Summer 2021, we conducted a staff listening exercise, to gather staff feedback and to inform our work to build a more diverse and inclusive organisation. The feedback showed that staff are proud to work for HRP and inspired by their work but are keen to see wider diversity across the charity.

In response to this feedback, in November 2021, we established the Historic Royal Palaces Staff Inclusivity Network. Chaired by a team of three Co-Chairs from across directorates, the network meets regularly to discuss a broad range of topics. The network advises on internal training and language and terminology, and champions inclusive history research internally.

Alongside this piece of work, Sarah Jenkins, Trustee and Chair of our People Committee, conducted a Staff Diversity, Inclusivity and Equality Review, looking at internal culture and some of our HR mechanisms. Her recommendations were presented to Trustees and the Executive Board to inform future strategy.

The gender pay gap has substantially improved since last year. This is largely due to

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the restructure in 2020 – larger reductions in allowances in some more predominantly male teams, compulsory and voluntary redundancy leavers who were males on higher rates of pay or females on lower rates of pay, and most of our casuals (larger proportion are female) were not given any work during the reporting period and were therefore excluded from the pay gap calculations.

Our MA in Heritage Management continues to go from strength to strength, with 35 students enrolling in 2021 from the UK and overseas. Students have received masterclasses from HRP's leading heritage professionals and undertaken integral work placements across all directorates. To date, the 65 alumni of the course have achieved astounding success in securing jobs with leading heritage organisations in the UK and abroad. Several have returned to work with HRP.

4. Money - Generate the money to grow our impact

In 2020, a Commercial department was established within Historic Royal Palaces, to focus on income generation following the financial challenges we faced during the pandemic. In 2021, a new Development Director was appointed, to grow and expand our fundraising operation. Fundraising efforts were focused on 'Superbloom' at the Tower of London and the £2 million target was met thanks to support from generous sponsors and donors, including a lead sponsor, Burberry.

The CRF Loan has been used to manage losses made in 2020/21 and 2021/22 and provide long term financial stability. It will also be used to invest in future projects such as 'Superbloom' and the new orangery learning centre at Kensington Palace as well as new programmes around sustainability, accessibility and accommodation.

Membership

2021/22 was a record year for membership. We recruited 71,360 new members to the base which is the highest number ever acquired in a single year. We opened the year with 77,058 coming out of the pandemic and ended the year with a record base of 119,745 members. The membership scheme generated £3.2m in income, +13% vs. 2020/21.

Retail

Retail sales recovered significantly after a difficult year and were back up to £5.9 million from £1.6 million. The improvement was primarily driven by our on-site shops across the estate, as visitor numbers improved throughout the year.

Functions and Events

Functions, events and other licencing income improved substantially too. Income rose from £281k the previous year, to £3.4 million. A strong performance on this side of the business was driven by the return of some of our large-scale commercial events, corporate events and weddings, once Covid restrictions had been lifted.

It was a strong year for filming, with many large-scale productions still limiting filming within the UK due to Covid restrictions. We hosted two shoots for Bridgerton (Netflix) and two shoots for The Great (Hulu). The second series of Bridgerton, in which Hampton Court Palace featured heavily, was watched for 193 million hours in its opening weekend alone.

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Financial Review

Funds and reserves

The Trustees recognise the need to establish a level of free reserves that enables financial stability, is adequate to meet the requirements of working capital and acts as a cushion against fluctuations in income levels. Reserves enable HRP to make long-term commitments to projects. In determining a realistic level of reserves, several key factors are considered including the level of risk associated with the main income and expenditure streams, the adequacy of the controls in place to mitigate those risks and other contingencies available to call on in emergencies. This is balanced by the general legal duty that Trustees are under to apply income funds on the objects of the charity within a reasonable period of receiving them. In the past, designated funds were created to protect long-term commitments to major projects.

Prior to the pandemic, we had built designated funds of £22.4m for this purpose but, due to the sudden and devastating impact of COVID-19, Trustees agreed at the end of 2019/20 to transfer all designated funds to free reserves to meet operating commitments during 2020/21 and subsequently 2021/22.

At the beginning of 2020/21 we had £27.4m total free reserves available but by the end of 2020/21 the Group was left with free reserves of £5.2m and by the end of 2021/22 with negative free reserves of £1.2m.

	Funds as at 31 March 2022	Funds as at 31 March 2021	Funds as at 1 April 2020
	£000	£000	£000
General (Free) reserves	(1,243)	5,163	27,405
Designated funds	-	-	-
Fixed assets	28,826	29,116	28,448
Pension plan	9,437	(829)	(686)
<u>Unrestricted funds</u>	37,020	33,450	55,167
<u>Restricted funds</u>	7,103	7,417	5,667
Total funds	44,123	40,867	60,834

Restricted funds (£7.1m)

These are funds subject to specific restrictions imposed by donors that are still within the wider objects of the charity.

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Unrestricted funds (£37.0m)

These are funds that are expendable at the discretion of the Trustees in furtherance of the charity's objects. They are made up of:

- **Free reserves** (negative £1.2m)
£6.4m was used in the year, in addition to the £22.2m used in the previous year, to further sustain the group during the COVID-19 crisis. We normally designate funds from our general funds towards our 'big moments' and major projects. In the short-term, these funds will continue to be allocated to meeting the day to day operations of HRP.
- **Fixed asset fund** (£28.8m)
A permanent designated fund is matched to fixed assets, as this cannot be quickly utilised to realise cash in the event this is required. The part of the general fund represented by fixed assets is therefore excluded from free reserves, as generally a charity could not dispose of all or the majority of these assets and continue its operations as a going concern.
- **Pension plan** (£9.4m)
The pension surplus or liability recorded in the Consolidated and Charity Balance Sheet is calculated annually for accounting purposes under FRS102. As at 31 March 2022, the pension surplus has been calculated as £9.4m (March 2021: -£0.8m) and shown in the accounts in accordance with accounting standards. Details of the retirement benefit scheme are disclosed in the Notes to the accounts.

The defined benefit pension scheme is also valued for funding purposes by an actuary in a more detailed assessment, every three years. The last triennial valuation was at 31 March 2021 and showed a deficit of £4.1m.

HRP, as employer, agreed with the trustees of the scheme that no deficit contributions will be required between May 2022 and June 2025. See note 12 for further details on how the actuarial deficit may be eliminated and for more information on the different valuations of the scheme.

The scheme was closed to future accrual on 31 March 2019. HRP will continue to meet the expenses of the scheme and levies to the Pension Protection Fund.

Future free reserves

It appears the worst of the negative impact of closures due to COVID-19 on the Group's financial position may be over but a high level of uncertainty remains around the UK economy. The Trustees intend to replenish free reserves to an appropriate level as soon as practically possible as a safeguard against future fluctuations in income. Additionally, the Trustees plan a return to setting aside designated funds for major projects and programmes when surpluses in future years allow and these funds could also be undesignated by the Trustees to compliment free reserves.

A minimum level of free reserves equivalent to 3 month's operating expenditure will allow sufficient time to implement expenditure reductions in the event of a sudden loss of income. Based on the 2022/23 budget, a minimum level of free reserves would be £16m. In 2022/23 the organisation is budgeting to break-even prior to expenditure on

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major projects so a contribution to free reserves is unlikely. However, despite an uncertain economic outlook, we anticipate surpluses in future years which will restore our free reserves.

The Statement Of Financial Activities

Total visits of 1.5m in 2021/22 were better than originally targeted at the beginning of the year, but when compared to the 2019/20 visits total of 4.8m, it shows the impact of the Covid-19 pandemic continues to affect our activity and performance.

Total income was £54.4m, with visitor facing activities generating £33.6m, and the return of the HCP Flower Show and Music Festival helping achieve Function and Events total income of £3.4m.

Coronavirus Job Retention Scheme (CJRS) grants continued into 2021/22 and totalled £2.4m, and we received project grants of £8.0m, including £6.1m from the DCMS Public Bodies Infrastructure awards, English Heritage & Historic England for the funding of additional programme and project expenditure.

Cost control measures were kept in place all year to help offset the expected income shortfalls, with any recruitment and discretionary spend kept to a minimum.

Despite the cost control put in place and the additional monies received from grants, the loss of traditional income compared to pre-covid years resulted in an operational net deficit of £7.0m for the year (19.5m deficit in 2020/21).

The Balance Sheet

Excluding the pension surplus, overall total funds over the year have decreased by £6.2m. Fixed assets reduced by £3.8m to £38.1m, primarily driven by disinvestments in financial assets. Although none of the multi-asset portfolios were sold in-year, investments in the bonds portfolio continued to be liquidated on maturity.

Debtors have increased by £4.5m and amounts owed falling due within one year has increased by £7.2m in line with increased activity as the organisation recovers from the pandemic. Overall, net current assets decreased by £2.5m year on year.

Long-term creditors increased due to accrued interest on the £40m loan from the Culture Recovery Fund. Repayment of the capital and associated accrued interest is due by March 2035 with repayments commencing from March 2025.

The Group's cash flows returned to a more traditional pattern in 2021/22 with cash inflows being generated by Admissions from June to October. The overall cash outflow from operating activities for the 12 month period was negative £0.7m (£28.3 outflow in 2020/21).

Finance & Investment policy

The Trustees continued to adhere to the investment policy over the period. The receipt of the £40m CRF loan in March 2021, in a global context that is still uncertain, resulted in a re-balancing of investments in both term and risk profile.

In 2021/22, the Finance & Investment Committee continued to release bonds as they matured and not invest in new bonds. The bond portfolio investment returned -2.15% against +3.75% in 2020/21, although this is a negative, it is still favourable to the

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benchmark return. Since inception in January 2014, the portfolio has returned an annualised +1.2% (+1.68% in 2020/21), compared to the benchmark return of +1.28%. The multi-asset portfolios performed in line with the market and their respective benchmarks, with a combined annualised return of 1.36% interest/dividend income return (1.74% 2020/21) and a capital revaluation of +3.78% at 31 March 2022 (+21.65% as at 31 March 2021).

HRP's investment policy is currently as follows:

Investment objectives

- Capital preservation is the priority.
- In order to balance immediate cash requirements, medium-term future capital and commercial investment plans (3-year operating plans), HRP investments need to achieve regular annual income returns and long-term income growth.

Risk mitigation

- Achieve flexibility through the breadth of assets types, maturity dates and institutions we contract with.
- Except for deposits with the Bank of England, no more than 33% of total cash and investments balance should be with a single counterparty.
- Cash balances should be deposited with institutions with a credit rating of at least equal to the upper tier of the lower medium grade.

Amount invested and time horizon

- Up to £10m may be invested in a fixed income portfolio with an average maturity date of no more than 4 years.
- Investment in global multi asset portfolios is no more than 5% of the total projected cash & investments balance.
- Funds are primarily invested on the money market in the UK on 3 to 24 month fixed term deposits (with the majority in 12 months or less maturity) to allow a balanced spread of maturity in a 2 year horizon to ensure maximum return but retaining instant access.

Ethical Investment

- HRP's assets should be invested with regard to its charitable aims and reviewed on a regular basis. The Trustees do not wish to adopt an exclusionary policy but elect to exclude and reject individual investments if they are perceived to conflict with the charity's purpose and values.

Going Concern and Future Plans (see note 1 q)

The 2022-23 operating budget has been set in line with the Culture Recovery Fund (CRF) requirements. Income targets have been updated to reflect our latest visit number projections, with expenditure being limited to what we can afford once all essential expenditure has been allowed for.

We remain in a period of uncertainty, and the volatile operating context makes it difficult to forecast. However, the strong visitor performances we have seen at the Palaces to date in 2022 gives us confidence that we will achieve our proposed targets for 2022/23. In addition, we are well placed to hold back expenditure to reduce costs in order to create further financial headroom should circumstances require.

Performance will be scrutinised very closely throughout the year and any significant deviation from our current income assumptions will be mitigated by imposing stricter

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controls on expenditure to ensure we achieve at least breakeven in 2022/23.

The Board of trustees is content to adopt the going concern basis for preparing these financial statements.

Further details are provided in Note 1 (q).

Report of the People Committee

Membership

The membership of the Remuneration Committee in 2021/22 consisted of four trustees. Sarah Jenkins (Chair), Tim Knox, Sue Wilkinson served on the committee throughout the year. Rupert Gavin was in attendance at all meetings.

Policy statement

The remit of the People Committee is governed by the legal framework of HRP as set out in the Royal Charter. In establishing the level of remuneration for each Director, the People Committee considers the guidelines laid down by the Combined Code and HM Treasury and has a remuneration policy similar to comparable and competing organisations. This policy aims to ensure that remuneration packages are in line with the general market practice and consistent with recruiting and retaining Directors of the highest calibre.

Members of the Board of Trustees receive no remuneration. However, they are entitled to claim expenses and to make charges if instructed by the Charity to apply their specialist skills or knowledge. Details are set out in Note 10 to the accounts.

Review of activity during the year

The People Committee only met once in April 2021 due to COVID-19. The Committee approved the Terms of Reference for the newly renamed sub-committee previously known as the Remuneration Committee. Sarah Jenkins took on the role of Chair of the People Committee. The Committee also approved the Terms of Reference for the 'Review of how the culture of HRP can fully reflect our commitment to equality and diversity'. Other approvals by the People Committee included the CEO and Directors' objectives for 2021/22, the Report for the annual report and accounts and the HRP-wide performance management process.

No further meetings/actions were carried out by the People Committee in 2021/22.

Details of the emoluments of the Chief Executive are set out in Note 11 to the accounts, together with information on the number of employees whose remuneration (excluding pension contributions) exceeds £60,000.

Trade Union relationships

We continue to work in partnership with the Trade Unions and their local representatives. To facilitate information flows and discussion between the organisation and Trade Union representatives, partnership meetings are regularly held.


Carole Souter CBE
Chair of the Board of Trustees
5 December 2022

Hampton Court Palace
Surrey
KT8 9AU

Governance Statement

Structure and Governance Framework

HRP's governance reflects its constitution and contractual responsibilities. We are directly accountable to the Charity Commission through the Chairman and Trustees but also accountable to Government through the Chief Executive (as Accounting Officer). The contract with Government includes a management statement and a financial memorandum with which we comply.

Memoranda of Understanding are in place with key partner bodies, such as the Royal Household and the Royal Armouries; governing operations in areas of common interest.

HRP considers the UK Corporate Governance Code as a source of good practice as relevant to us as a Public Corporation and a Charity. The Charity's governance is broadly aligned with the Charity Governance Code endorsed by the Charity Commission. HRP is also subject to the Freedom of Information Act and Environmental Information Regulations.

Details of the Trustees are given in the Administrative Details section. The Board consists of a Chair and eleven Trustees, chosen for their skills and experience. All are non-executive and unpaid.

The Chair is appointed by the Sovereign on the advice of the Secretary of State. Four Trustees are appointed by the Sovereign, of whom three are ex-officio appointments: the Director of the Royal Collection; the Keeper of the Privy Purse and the Lord Chamberlain (unless he/she chooses not to take up the appointment, in which case the Sovereign may appoint someone to take his/her place, as currently). The remaining seven Trustees are appointed by the Secretary of State, two of whom are ex-officio; the Constable of the Tower of London and the Chairman of the Campaign Board.

The appointments are initially for three years. With the exception of ex-officio appointments, Trustees may be appointed for a further two periods of up to three years, subject to review at the end of each period. Third period appointments are only made exceptionally.

Trustees are recruited through advertisement, by using existing contacts and by further research. New Trustees are supported through an induction process tailored to their needs and experience. This includes meetings, visits and a substantial amount of written material on their responsibilities, and about the organisation.

The Chief Executive is granted a general delegation to act on behalf of the Trustees, except for matters reserved by the Trustees for decision by themselves. Such matters include approval of strategic plans, annual budgets and major projects, remuneration of the Directors, acceptance of donations over a set amount and variations to governing documents.

The Trustees and Chief Executive (as Accounting Officer) are jointly responsible for maintaining a sound system of internal control that:

- supports the achievement of HRP's Cause and Strategy, whilst;
- safeguarding the public funds and assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned in

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Managing Public Money;

- and ensuring compliance with the Management Statement and Financial Memorandum.

There are four sub-committees of the Board:

The Audit & Risk Committee formally reports annually to the Board on the adequacy of HRP's arrangements for governance, risk management and internal control. During the year the following Trustees served on the committee: Sir Michael Stevens (Chair), Carole Souter and Robert Swannell. Ian Starkey is a co-opted member.

Oversight of financial and investment activities is provided by the Finance & Investment Committee, whose remit includes reviewing the balance of risk/return, the impact of external factors, and HRP's use of the long-term borrowing facility. During the year, the committee comprised the following Trustees: Rupert Gavin (Chair), Sir Michael Stevens, Robert Swannell. William Fall is a co-opted member of the committee. The Chief Executive and the Finance Director attend by invitation.

Remuneration policy for the Chief Executive and Directors of HRP is agreed by the People Committee which oversee and advise on issues concerning HRP's human resources. Sarah Jenkins served as Chair. Other Trustees who served on the committee during the year were Tim Knox and Sue Wilkinson, with Rupert Gavin in attendance. The Chief Executive and the Corporate Services Director attend by invitation.

The Nominations & Governance Committee reviews and advises on Trustee appointments and succession planning and makes recommendations to the Board to ensure the appropriate balance of competencies, skills, experience and diversity on the Trustee Board. During the year the following Trustees served on the committee: Rupert Gavin (Chair), Sir Michael Stevens, Lord Houghton and Zeinab Badawi.

The Board agrees the terms of reference for each committee.

The work of the Board is further supported by the Campaign Board, which brings specialist expertise on fundraising to HRP. Robert Swannell chairs this Board. As Chair of Trustees, Rupert Gavin was invited to attend the Board during the year, joining external Campaign Board members with expertise in this area.

Further Trustee input to HRP's work comes through advisory/working groups, set up as and when required, where Trustees work with members of the Executive Team to advise on particular areas such as major projects. An Inclusivity Working Group maintains oversight and ensures the sustained development of HRP's actions and ambitions in this area. Other working groups include the Research Strategy Board, Superbloom Working Group, and the Digital & Technology Working Group.

The Trustees' and Directors' register of interests and their biographical details are available for inspection on application to the Head of Governance, Risk & Assurance Apartment 39, Hampton Court Palace, Surrey KT8 9AU. Day to day management of HRP is carried out by an Executive Board. The Executive Board is chaired by the Chief Executive and comprises Directors of Palaces & Collections, Finance, Palaces Group, Tower, Commercial, Public Engagement and Corporate Services.

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Governance Effectiveness

The effectiveness of the Board of Trustees and its Committees is usually reviewed by the Chairman in consultation with Trustees each year, with periodic external reviews. The Chairman undertook a Board effectiveness review in Spring 2022.

The most recent external review of Board effectiveness was undertaken in 2018. This concluded that the governance of HRP is sound, with a high degree of unanimity and positivity within the Trustees and the Executive Board about the Board's performance. As with internal reviews of Board performance, the report and findings were discussed by the Board, and actions agreed.

Attendance at Board and Committee meetings is monitored and discussed with each Trustee as part of each Board Effectiveness Review. Attendance at the full Trustee Board meetings over the year was 94% (20/21: 94%), Audit & Risk Committee 92% (20/21: 100%), Finance & Investment Committee 100% (20/21: 100%), People Committee 100% (20/21: 100%) and Nominations & Governance Committee 100% (20/21: 100%).

The attendance record of individual Trustees is summarised in the table below:

Trustee	Board	Audit & Risk Committee	Finance & Investment Committee	People Committee	Nominations & Governance Committee
Rupert Gavin	4/4		4/4	1/1	3/3
Zeinab Badawi	3/4				3/3
Lord Houghton	4/4				3/3
Camilla Finlay	3/3				
Sarah Jenkins	4/4			1/1	
Jane Kennedy	4/4				
Tim Knox	4/4			1/1	
Carole Souter	4/4	3/3			
Sir Michael Stevens	4/4	3/3	4/4		3/3
Robert Swannell	4/4	3/3			
Jo Twist	4/4				
Sue Wilkinson	4/4			1/1	
Michael Wood	2/4				

William Fall (note 1)			4/4		
Ian Starkey (note 2)		2/3			
Francis Runacres (note 3)			1/1		

Note 1: William Fall is a co-opted member of the Finance & Investment Committee

Note 2: Ian Starkey a co-opted member of the Audit & Risk Committee.

Note 3: Francis Runacres is an observer from the Arts Council, England

Highlights of Board Committee Reports

The Trustee Board meet regularly throughout the year. Minutes of Trustees meetings are published on our website once approved by the Board.

The financial performance of the organisation is reviewed at each Trustee meeting through summary management information that reports key aspects of financial performance and key non-financial organisational performance indicators. Updates on major projects are also provided at each meeting.

The work of committees of the Board is reviewed by Trustees through either circulation of the minutes or a verbal report from each committee.

The scheme for delegating authority reserves a number of matters for decision by Trustees. These matters are considered at Board meetings and include approval of expenditure above a certain limit. Variations to budgeted approved expenditure of more than the lower of 10% or £750,000 on any project are also referred to the Board for further approval. The threshold for approval of projects and contracts at the Board is £750,000 excluding VAT, although projects not agreed in budgets, will still be brought to Trustees' attention.

During the year, the Board monitored and considered the progress of the organisation through strategic updates on the palaces, experiences, culture and money. The Board also reviewed HRP's governance arrangements and approved various amendments.

Audit & Risk Committee agendas are similarly structured, considering matters of risk management, the external audit and internal audit plans and progress. Progress with all major projects is reported at each meeting using red/amber/green indicators to highlight the status of each project. The committee met three times in the year to March 2022.

The Finance and Investment Committee met four times in the year. The committee reviewed HRP's current and projected cash balances, the allocation between investment asset types and term deposits, the spread of counterparties, the rates of return and the retention levels for instant access. As a result of the financial pressures brought about by the COVID-19 pandemic, the committee also discussed how best to deploy existing reserves, and how to utilise borrowing facilities including the government's Culture Recovery Fund.

The Nominations and Governance committee provides guidance on Trustee appointment requirements, and other governance arrangements. This year the committee met three times to consider Trustee vacancies, and the recruitment of a new Chair.

The newly renamed People Committee met once in the year with Sarah Jenkins assuming the role of Chair, replacing Lord Houghton. The Committee approved the Terms of Reference for the People Committee for review by the Board of Trustees. They also approved the Terms of Reference for the "Review of how the culture of HRP can fully reflect our commitment to equality and diversity" (Equality and Inclusivity Review). Due to the terms of the CRF loan no bonuses were approved for the Executive Board in 2021/22 (£0 in 2020/21).

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Risk Management Statement

The Trustees of HRP have considered the major risks to which HRP is exposed and satisfied themselves that systems or procedures are established to manage those risks.

The responsibility for the management and control of HRP rests with the Board of Trustees and therefore they are involved in the key aspects of risk management, particularly in setting the parameters of the process and reviewing and considering the results. The Trustees do not undertake each aspect of the process themselves; they delegate elements of the risk management process to staff and professional advisers. The Trustees review and consider the key aspects of the process and results. The level of involvement is such that the Trustees can make this risk management statement with reasonable confidence.

The Audit & Risk Committee (ARC) is a sub-committee of the Board. The purpose of the Committee is to support the Board and the Chief Executive Officer (CEO)/ Accounting Officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, control, and the integrity of the financial statements and annual report.

The ARC is responsible for reviewing management's mechanisms for the assessment and management of risk, the planned activity of external and internal audit and the results of their work, the adequacy of management's responses to issues identified by audit activity and the adequacy of assurances relating to corporate governance. In line with best practice, the Committee publishes an annual report on its work for the Board.

Strategic leadership of the risk management process comes from the Executive Board, and the Trustees and CEO/ Accounting Officer oversee the process. The Audit & Risk Committee reports annually to the Board on the effectiveness of the internal control system established to ensure that the aims, objectives and key performance targets of HRP are achieved in the most economic and effective manner. Directors, managers and staff are responsible for identifying, assessing and managing the corporate and operational risks in their areas. The Audit & Risk Department is responsible for providing advice and assurance on the adequacy and effectiveness of HRP's risk management process.

HRP's system of governance, risk and control (GRC) is based on the three lines of defence model as per HM Treasury and Institute of Internal Auditor's guidance. There is an escalation process to ensure key and emerging risks are reviewed at the correct level as they arise.

- Risk and control monitoring at the first line of defence (front line operations) occurs throughout HRP and is recorded via risk registers and detailed management information. The project management framework and project governance structure include detailed guidance to ensure that risk is a fundamental part of each project from start to finish.
- The second line of defence is formed of a corporate risk register which is reviewed at least quarterly by the Executive Board and ARC, and annually by the Board of Trustees. The Executive Board approves HRP's risk management policy.

The Executive Board is responsible for: communicating HRP'S risk management policy to staff, maintaining the risk registers, monitoring changes in the corporate risk profile and reporting significant changes

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to the Trustees. The Executive Board also assesses future risks and opportunities annually as part of the Operating Plan process.

- Internal Audit provides independent assurance to the Executive Board and the Board of Trustees. Internal Audit takes a risk-based approach to audits therefore providing a reasonable rather than absolute level of assurance and operates in compliance with Public Sector Internal Audit Standards as far as practical for this small department. The Head of Governance, Risk & Assurance provides an annual report to the CEO, the ARC and the Board. Her opinion for the year to March 2022 is that of 'moderate assurance'. In her opinion, the framework of governance, risk management and control is generally adequate and effective, but some improvements are required to enhance this.
- Internal Audit work in 2021/22 included reviews of:

Cookie Compliance: Following an audit, a cookie tool was rolled out (OneTrust); a Cookies Policy included within the Privacy Policy, and one website was removed from service due to non-compliance. All issued actions completed.

Information Commissioner's Office (ICO) Accountability Framework: Over 10 key areas, HRP's ability to meet the ICO's expectations were assessed; 60% of the time, HRP meet, or partially meet expectations. With a new Data Protection Officer (DPO) in place, and work underway, a review of this will take place in 2022-3.

Security Audit Framework: An internal audit framework has been developed and tested; it audits the services provided by HRP's Security staff including training, exercising, technical equipment, and procedures. This tool will be rolled out in 2022-23.

Cyber Essentials: A report was produced for the Executive Board and the ARC in Summer 2021 outlining compliance against Cyber Essentials. We are currently working towards Cyber Essentials certification. Ongoing assurance reporting in this field will include updates on our compliance against this standard.

Lessons Learned from the Pandemic: As the pandemic continued, this report was not completed. The scope of this audit has been defined as identifying key learnings and to inform a business continuity strategy which will make HRP more resilient and inform colleagues of the future on how to manage major impacts on the organisation. This report will be completed in 2022-23.

Website Accessibility: The Government Digital Service reviewed the HRP website for compliance against the Web Content Accessibility Guidelines (WCAG) 2.1AA Standard, and we were found to be partially compliant. 10 actions were issued; these were completed within the timeframe allocated. As the new website is built, accessibility will be part of the design.

- Other assurance reports are reviewed by Trustees and Directors for key risk areas, and have been reviewed by the Head of Governance, Risk and Assurance:
 - annual people report;
 - annual reviews of key stakeholders/ partnerships and third parties;
 - annual fraud risk profile - updated by Directors and reviewed by the ARC. Reported levels of dishonest behaviour within HRP have been consistently low and a good system of internal control is in place. A confidential email address

Trustees' Report

(concerns@hrp.org.uk) goes direct to the Whistleblowing Officer mailboxes. No alerts were received in the current year;

- regular reports on security, fire, health, safety, environment, and sustainability risks, emergency planning, and the implementation of related policies and procedures to the Executive Board and annual reports and opinions are provided to the ARC by the Advisors for these areas, with an executive summary provided to the Board of Trustees;
- major projects report summarising project specific risks, along with the likely impact and mitigating actions; reviewed by Directors monthly and the ARC quarterly.

The combined approaches provide assurance that the operational levels of HRP are run following sound GRC methods and where issues are identified, they are acted upon. The system of internal control is designed to manage risk to an appropriate level rather than to eliminate all risk of failure to achieve HRP's cause and strategy.

HRP's risk appetite is a balance between managing risk, enhancing innovation and creativity, whilst carefully weighing up risks with all rewards and our charitable objectives. HRP considers risk and its management in a structured way to ensure that the identification, assessment and management of risk is linked to the achievement of HRP's objectives and that all areas of risk are covered - for example, financial, governance, operational and reputational. The corporate risk register at HRP focuses on high impact and/ or likelihood risks aligned with our strategy. Major risks are those risks that have a major impact and a probable or highly probable likelihood of occurring and would have a major impact across any area of HRP.

Following on from last year, the operational and strategic risk registers operated as live documents for all Executive and Senior Leaders. The table below shows the type and volume and the review date of the register. Actions required to mitigate the risk were also monitored via this tool, ensuring timely completion.

The Board has gained assurance that the data quality of the information it receives is sound through a mix of audit work on data held and challenges of the data presented.

	July 2021	December 2021	April 2022
Red	4 Operational 3 Strategic	1 Operational 1 Strategic	7 Operational 0 Strategic
Amber	19 Operational 2 Strategic	22 Operational 1 Strategic	13 Operational 3 Strategic
Green	15 Operational 0 Strategic	21 Operational 3 Strategic	9 Operational 2 Strategic
Closed Risks	22	6	9

An amalgamation of the most significant risks rated as red at Year End are:-

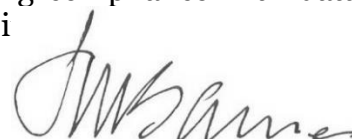
Trustees' Report

Area	Risk	Mitigation
Phishing	A risk of scammers being able to gain access to HRP information resulting in the erroneous transfer of data, etc.	A Security Steering Group has been established and is working on recommendations for minimum security standards to be met. Regular communications and training to staff, reminding them to remain vigilant, and of the key indicators of phishing emails. Maintenance of multiple layers of filtering to prevent messages accessing HRP systems.
Website outage	The risk that there is an outage or fault on either the corporate website, or the ticket selling site, resulting in HRP being unable to sell tickets or memberships online with no out-of-hours tech support.	An automated alert system is in place, with a rota to update banner notifications for customers (if needed) overnight/at weekends. A project team is in place to review and update the ticketing system.
Unpredicted security incidents	A risk that an incident either on or off HRP property could lead to a massive impact on HRP operations and finances; horizon scanning of potential new legislation on the 'Duty to Protect', following the bombing at the Manchester Arena, has prompted a review of the ways in which HRP deal with evacuation and invacuations, with consultation from the Crown Fire Inspectorate, Counter Terrorism Police, and other subject matter experts across Fire, Health & Safety, and Security in the management of such events, should there be a change in the duties placed on HRP	Plans are in place, and threat levels are monitored (and have been reduced in this year) but police and government reports suggest ongoing caution is required. Audits have been introduced to provide assurance on operational response and competence. A focus on completion of key security training has been in place for 21/22, and continues.

General Data Protection Regulations (GDPR) effective since May 2018 set out clear requirements for management and control of personal data. Over the last financial year, HRP has taken effective measures to demonstrate our ongoing compliance with data protection legislation. In 2021/22, there were no personal data i



Carole Souter CBE
Chair of the Board of Trustees



John Barnes
Chief Executive and Accounting Officer

5 December 2022

Statement of Responsibilities

Our Environment

In 2021/22 as we emerged from the pandemic, we took the opportunity to update our sustainability plan. Historic Royal Palaces is committed to working towards net zero greenhouse emissions by 2050, but our changed financial circumstances and rising energy costs require us to be increasingly focused in our approach.

In September 2021 Trustees approved our revised plan, which is in 3 parts. Firstly, we will measure our carbon footprint across all emission categories and establish science-based reduction targets; secondly, we will reduce our emissions through wide-ranging decarbonisation activity; and thirdly we will offset our residual emissions. Our focus for the first 3 years is on parts 1 and 2 of our plan, and within that we are prioritising the measurement and reduction of scope 1 and 2 emissions.

In 2021/22 we made good progress in improving the quality of our data and the insight derived from it, focusing in the first instance on energy and water use. This will better enable us to manage demand and also help us identify where we might best invest to reduce use.

We also focused on reducing energy and water use. The majority of our Palaces and office spaces remained closed until at least June 2021 which meant overall use was significantly lower in the first quarter of the year than in pre-pandemic times. Thereafter we concentrated on reducing demand and on increasing efficiency, achieved through actions such as switching things off, rationalising use of space across our sites, and by replacing boilers which were at the end of their life cycles with more efficient models. It was also a warm winter which kept usage lower.

Overall, our energy use, and thereby scope 1 and 2 emissions, remained significantly below pre-pandemic levels:

Greenhouse Gas Emissions (*)	2021/22	2020/21	2019	2018	2017
Emissions Scope 1 (tonnes CO ₂ e)	1,519	1,075	2,367	1,981	1,716
Emissions Scope 2 (tonnes CO ₂ e)	1,010	839	1,631	1,932	2,552
Sub total GHG emissions (tonnes CO ₂ e)	2,529	1,914	3,998	3,913	4,268
Emissions Scope 3 (tonnes CO ₂ e)	36	79	608	755	721
Total GHG emissions (tonnes CO ₂ e)	2,565	1,993	4,606	4,668	4,989

Statement of Responsibilities

(*) From 2020/21 we have moved from calendar to financial year reporting.

Scope 3 emissions are not yet covered in full. Included in the calculation at present are business travel and water supply.

Our intensity measure for SECR (streamlined energy and carbon reporting) is 'per visitor'. Based on 1,486,340 physical visitors to our sites in 2021/22, we emitted 1.73kg of CO₂e per visitor.

Whistleblowing Disclosure

Whistleblowing policy

HRP is committed to maintaining high ethical standards and takes all concerns seriously. We have a policy in place to support HRP's values/ethics and ensure compliance with the Public Interest Disclosure Act 1998 (PIDA) and subsequent amendments under the Enterprise and Regulatory Reform Bill 2013 and the Bribery Act 2010.

There are a number of different routes suggested for reporting concerns in addition to the direct management and HR routes:

- Internally, individuals can disclose their concerns to appropriate internal specialists, a specific email address managed by the Whistleblowing Officer and the Head of Audit and Risk or directly to the HR Director (The Whistleblowing Officer) and The Chief Executive, Chair of the Audit and Risk Committee or the Chair of Trustees.
- Externally, people can report issues to external bodies such as legal advisers, Minister of the Crown or statutory regulators.
- There were two whistleblowing incidents reported in the year (nil in 2020/21).

Suppliers' payment policy

HRP observes the principles of the CBI Better Payment Practice code. The code requires bills to be paid in accordance with contractual obligations, or where no such conditions exist, within 30 days of the receipt of the goods or services, or the presentation of a valid invoice, whichever is the latter. It is the policy of HRP to pay all invoices not in dispute in accordance with contractual terms. Payments are made fortnightly and include all invoices received in Finance and due for payment by the time of the next payment run.

During 2021/22, 69% of supplier invoices were paid within 30 days of date of invoice (55% in 2020/21). This payment performance is not adjusted for invoices delayed for payment due to a query with the supplier. These figures reflect the challenging trading environment during the pandemic.

Related parties

Details of material dealings with any related parties are set out in Note 25.

Statement of Responsibilities

Fundraising Regulator

- We recognise the Fundraising Regulator as our regulator and are not aware of any failure to comply with the scheme.
- We did not engage any professional fundraisers to fundraise from individuals during the year. Three groups of volunteers solicited personal donations on behalf of HRP: our Campaign Board, the Organising Committee for the Statue to Commemorate Diana, Princess of Wales at Kensington Palace and our Hillsborough Castle Board.
- The activities of the Campaign Board were monitored through three board meetings during the year. Two Trustees sit on the Campaign Board, which ensures the Trustees have a high degree of awareness of what the Board does and the activities of its individual members. Membership of the Organising Committee for the Statue to Commemorate Diana Princess of Wales included the Chief Executive of Historic Royal Palaces. The committee met regularly to discuss its activities. The Hillsborough Castle Board was formed at the end of 2021 and met once in the 2021/22 financial year. Membership includes one Trustee of HRP. The Chief Executive of HRP also attends all meetings.
- We received no complaints about our fundraising practices during the year.
- Direct marketing was limited to advertising in our members magazine, Inside Story, and tailored approaches for high value grants from companies, charitable trusts and philanthropists. In each case new approaches, and reports on existing funding, were shared in compliance with relevant data privacy regulations. Individuals solicited for gifts were either introduced to the charity by existing supporters or made contact with us in the first instance. We avoided practices that risk being unreasonably intrusive or persistent.

Statement of Responsibilities

Statement of Trustees' and Accounting Officer's responsibilities

Law applicable to incorporated charities in England and Wales requires the Trustees of Historic Royal Palaces to prepare financial statements for each financial year. The Secretary of State (with the consent of HM Treasury) has also directed the Trustees to prepare a statement of accounts in the form, and on the basis, set out in the Accounts Direction. The Secretary of State also requires the Accounting Officer to prepare for each financial year a statement of accounts.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs, the net expenditure and cash flows of the Historic Royal Palaces and its group during the year. In preparing those financial statements, the Trustees and Accounting Officer are required to comply with the requirements of FRS 102: UK GAAP and the Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102). In addition, they shall also have regard to the Government Financial Reporting Manual. In particular to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures being disclosed and explained in the financial statements;
- ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to assume that the Charity and the Group will continue in operation.
- confirm that the Trustees' Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Trustees' Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

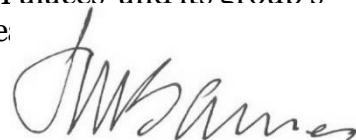
The Trustees and Accounting Officer have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that Historic Royal Palaces' auditors are aware of that information. As far as we are aware there is no relevant audit information of which the auditors are unaware.

The Trustees are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of Historic Royal Palaces and its group and which enable them to ensure that the financial statements comply with the applicable law. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of Historic Royal Palaces and its group and to prevent and detect fraud and other non-compliance with laws and regulations.

The Principal Accounting Officer for the Department for Digital, Culture, Media and Sport has designated the Chief Executive as the Accounting Officer for Historic Royal Palaces and its group. His responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records and for the safeguarding of the Historic Royal Palaces' and its group's assets, are set out in Managing Public Money published by HM Tre



Carole Souter CBE
Chair of the Board of Trustees
5 December 2022



John Barnes
Chief Executive and Accounting Officer

Independent Auditor's Report to the Trustees of Historic Royal Palaces and the Houses of Parliament

Opinion on financial statements

I have audited the financial statements of Historic Royal Palaces and its group for the year ended 31 March 2022.

The financial statements comprise the:

- Consolidated and Charity Balance Sheets as at 31 March 2022;
- the Consolidated Statement of Financial Activities and Consolidated Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom accounting standards including Financial Reporting Standards (FRS) 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion, the financial statements:

- give a true and fair view of the state of the Historic Royal Palaces' and its group's affairs as at 31 March 2022 and its net expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Charities Act 2011 and the Secretary of State directions issued, with the consent of HM Treasury, under the Royal Charter.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of Historic Royal Palaces and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a

Independent Auditor's Report to the Trustees of Historic Royal Palaces and the Houses of Parliament

basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Historic Royal Palaces' and its group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Historic Royal Palaces' and its group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Trustees and Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises information included in the Trustees' Report but does not include the financial statements nor my auditor's report. The Trustees and Accounting Officer are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of Historic Royal Palaces and its group and its environment obtained in the course of the audit, I have not identified material misstatements in the Trustees' Report.

Independent Auditor's Report to the Trustees of Historic Royal Palaces and the Houses of Parliament

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Historic Royal Palaces or its group or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by the Charities Act 2011 have not been made; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Trustees and Accounting Officer for the financial statements

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the Trustees and the Accounting Officer are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Trustees and the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing Historic Royal Palaces' and its group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees and the Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

Independent Auditor's Report to the Trustees of Historic Royal Palaces and the Houses of Parliament

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of Historic Royal Palaces' and its group's accounting policies, and its key performance indicators.
- Inquiring of management, Historic Royal Palace's Head of Governance, Risk and Assurance and those charged with governance, including obtaining and reviewing supporting documentation relating to Historic Royal Palaces' and its group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Historic Royal Palaces' and its group's controls relating to its compliance with the Royal Charter, the Charities Act 2011 and Managing Public Money;
- discussing among the engagement team including significant component audit teams and involving relevant internal and external specialists, including IT audit and pensions expertise regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist Historic Royal Palaces and its group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and the Coronavirus Job Retention Scheme. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of Historic Royal Palace's and its group's framework of authority as well as other legal and regulatory frameworks in which it operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Historic Royal Palaces and its group. The key laws and regulations I considered in this context included the Royal Charter, The Charities Act 2011, Managing Public Money, employment law, pensions legislation, tax legislation and the Coronavirus Act 2020.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

Independent Auditor's Report to the Trustees of Historic Royal Palaces and the Houses of Parliament

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board of Trustees and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- in addressing the risk of fraud through revenue recognition, evaluating the design and implementation of controls; testing income to corroborating evidence; assessing the completeness of revenue streams; and testing the appropriateness of significant estimates made at year-end; and
- in addressing the risk of fraud in the Coronavirus Job Retention Scheme undertaking procedures to test that claims to HM Revenue and Customs were in line with the scheme rules.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date 12 December 2022

Consolidated Statement of Financial Activities

for the year ended 31 March 2022

	Note	Unrestricted funds £000	Restricted funds £000	Total 2022 £000	Total 2021 £000
INCOME					
Donations and legacies:					
Grants	3	104	7,890	7,994	6,339
CJRS grant	4	-	2,377	2,377	14,220
Donations		796	143	939	509
Gifts in Kind		-	83	83	4
Income from other trading activities		900	10,493	11,393	21,072
Retail income		5,908	-	5,908	1,613
Functions and events		3,382	-	3,382	281
Licenses, rent & Recharges	5	4,932	-	4,932	2,130
Sponsorship		384	-	384	260
Total		14,606	-	14,606	4,284
Investments		224	-	224	330
Income from charitable activities:					
Admissions	6	24,302	-	24,302	4,065
Membership		3,244	-	3,244	2,865
Concessions		676	-	676	79
Total		28,222	-	28,222	7,009
Total income	7	43,952	10,493	54,445	32,695
EXPENDITURE					
Costs of raising funds:					
Fundraising		302	64	366	462
Retail activities		5,425	265	5,690	5,301
Investment management costs		23	-	23	51
Other commercial activities		2,305	67	2,372	1,649
	8	8,055	396	8,451	7,463
Expenditure on charitable activities:					
Palaces		12,435	7,586	20,021	16,638
Experiences:					
Public Access		16,654	1,144	17,798	17,692
Interpretation and learning		8,654	1,564	10,218	8,507
Money - Organisational Growth		3,703	83	3,786	2,099
Culture		971	34	1,005	1,493
	8	42,417	10,411	52,828	46,429
Other					
Defined Pension scheme net interest cost	12	18	-	18	12
Losses (gains) on curtailments	12	-	-	-	(352)

Consolidated Statement of Financial Activities

for the year ended 31 March 2022

Total Expenditure	8	50,490	10,807	61,297	53,552
Net (losses)/gains on investments	15	(138)	-	(138)	1,393
Net Income / (Expenditure)		(6,676)	(314)	(6,990)	(19,464)
Actuarial (loss) / gain on pension plan	12	10,246	-	10,246	(503)
Net movement in funds		3,570	(314)	3,256	(19,967)
Fund balances brought forward at 1 April	7	33,450	7,417	40,867	60,834
Fund balances carried forward at 31 March	7	37,020	7,103	44,123	40,867

Note: The amounts shown above derive from continuing activities. There were no recognised gains or losses other than those disclosed above. The notes on pages 37 to 72 form an integral part of these accounts.

Consolidated and Charity Balance Sheet

for the year ended 31 March 2022

Note	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000

Fixed assets:

Intangible assets		256	256	463	463
Tangible assets	13	23,489	23,489	23,917	23,917
Heritage assets	14	9,601	9,601	9,173	9,173
Investments	15	4,795	4,795	8,426	8,426
		38,141	38,141	41,979	41,979

Current assets:

Stocks - goods for resale		1,521	-	2,257	-
Debtors	16	7,243	10,927	2,724	4,122
Short-term cash deposits		27,000	27,000	20,000	20,000
Cash at bank and in-hand		17,948	13,169	24,012	23,668
		53,712	51,096	48,993	47,790

Creditors:

Amounts falling due within one year	17	15,784	13,324	8,596	7,501
Net current assets		37,928	37,772	40,397	40,289
Total assets less current Liabilities excluding Pension Plan asset/liability		76,069	75,913	82,376	82,268
Creditors: Amounts falling due after more than one year	18	40,864	40,864	40,193	40,193
Provision for liabilities and charges	19	519	418	487	434
Net assets excl Pension Plan asset/liability		34,686	34,631	41,696	41,641
Pension Plan asset/(liability)	12	9,437	9,437	(829)	(829)
Net assets including Pension Plan liability		44,123	44,068	40,867	40,812

Funds:

Unrestricted funds		37,020	36,965	33,450	33,395
Restricted funds		7,103	7,103	7,417	7,417
Total funds	7	44,123	44,068	40,867	40,812

These financial statements were approved by the Trustees and the Accounting Officer on 5 December 2022 and were signed on their behalf by



Carole Souter CBE
Chair of the Board of Trustees
5 December 2022



John Barnes
Chief Executive and
Accounting Officer

The notes on pages 37 to 72 form an integral part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 March 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Net cash outflow from operating activities (<i>Note A below</i>)		(715)	(28,308)
Cash flows from investing activities:			
Purchase of tangible assets	13	(1,932)	(2,786)
Purchase of heritage assets	14	(42)	-
Redemption of investments	15	3,413	6,502
Interest received		224	330
Cash flows from financing activities:			
Net (purchase)/sale of short-term deposits		(7,000)	5,006
Cash inflows from new borrowing		-	40,050
Interest paid on overdraft		(12)	(24)
Increase/(Decrease) in cash		(6,064)	20,770

Note A: Reconciliation of net incoming/outgoing resources to net cash inflow from operating activities:

Net incoming /(outgoing) resources from charitable and trading activities		(6,990)	(19,464)
Net (Gains)/Losses on Investments	15	138	(1,393)
Interest receivable		(224)	(330)
Interest paid		12	24
Pension scheme: non-cash movements	12	(20)	(360)
Donated heritage assets	14	(83)	-
Depreciation & amortisation	13	2,211	2,074
(Profit)/Loss on disposal of fixed assets	13	53	-
Other decrease in fixed asset investments	15	79	83
(Increase)/Decrease in stocks	2	736	132
(Increase)/Decrease in debtors	16	(4,519)	2,080
Increase/(Decrease) in creditors: current liabilities	17	7,188	(10,763)
Increase/(Decrease) in long term creditors	18	671	8
Increase/(Decrease) in provisions for liabilities & charges	19	32	(440)
Other non-cash movements		1	41
Net cash outflow from operating activities		(715)	(28,308)

Consolidated Cash Flow Statement

for the year ended 31 March 2022

Analysis of cash and cash equivalents:

	2022 £000	2021 £000	Change in year £000
Cash at bank and in hand	17,948	24,012	(6,064)

Analysis of changes in net debt:

	As at 1 April 2021 £000	Cash flows £000	Other non- cash changes £000	As at 31 March 2022 £000

Cash and cash equivalents

Cash	24,012	(6,064)	-	17,948
	24,012	(6,064)	-	17,948

Borrowing

Debt due within one year	-	-	-	-
Debt due after one year	(40,050)	-	(809)	(40,859)
	(40,050)	-	(809)	(40,859)

The notes on pages 37 to 72 form an integral part of these accounts.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

1 Accounting Policies

The following accounting policies are applied consistently in dealing with items which are considered material in relation to the financial statements of the Charity, Historic Royal Palaces (HRP), and its trading subsidiary, Historic Royal Palaces Enterprises Ltd (HRPE), together 'the Group'.

a) Status of charity

HRP is a registered charity (No: 1068852) established by Royal Charter.

b) Basis of preparation

The financial statements are prepared in accordance with the *Statement of Recommended Practice (SORP): Accounting and Reporting by Charities* (effective 1 January 2019), applicable United Kingdom accounting standards (FRS 102) and the Charities Act 2011. The financial statements are prepared on a going concern basis under the historical cost convention (see also note 1 q). They are prepared in accordance with the Accounts Direction (a copy of which can be obtained from the Head of Audit, Risk and Assurance) issued by the Secretary of State in accordance with HRP's Royal Charter.

HRP meets the definition of a public benefit entity under FRS 102.

c) Basis of consolidation

The Group accounts consolidate HRP and its subsidiary, HRPE Ltd, which has a co-terminus year-end. Consolidation is carried out on a line-by-line basis.

d) Funds

Incoming resources and resources expended are allocated to particular funds according to their purpose.

Unrestricted funds – the unrestricted funds include income from admissions, donations and other income received without restriction including retained profits of HRPE Ltd. Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity. Trustees may earmark unrestricted funds for a particular project or use, without restricting or committing the funds legally. Such amounts are known as designated funds.

Restricted funds - restricted funds include those receipts, which are subject to specific restrictions imposed by donors, including grants towards specific conservation and improvement projects undertaken at the palaces.

e) Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Group is entitled to the income, receipt is probable and the amount can be quantified with reliable accuracy. The following specific policies apply to categories of income:

- **Coronavirus Job Retention Scheme (CJRS) grant** - The CJRS grant is a temporary scheme launched by Government to support organisations whose operations were severely affected by COVID-19. CJRS income is recognised in restricted grants and accrued to match the period staff were furloughed for.
- **Grants** – include operating and project grants and contributions. Grants related to performance and specific deliverables, are accounted for as the

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Group earns the right to consideration by its performance. Where income is received in advance of performance, its recognition is deferred and included in creditors. Where entitlement occurs before receipt, the income is accrued.

- **Donations** - include major gifts and appeals. Donations are recognised when received or on a receivable basis where receipt is probable and there is entitlement to the income.
- **Gifts in Kind** – where donated to the Group, are included at market value at the time of receipt.
- **Retail income** – relates to sales of goods, souvenirs and guidebooks. Income is recognised upon sale of the goods.
- **Functions and Events** – includes income from corporate and private events, weddings and events. It is accounted for in the month that the event is due to take place.
- **Licences, Rents & Recharges** – income is accounted for on a pro-rata basis over the period to which the rent relates.
- **Sponsorship** – relate primarily to corporate sponsorship of exhibitions and education programmes. Income is accounted for evenly over the period of sponsorship.
- **Investments** - Investment income is recorded in the period it is earned.
- **Admissions** – income recognised upon visitor entry.
- **Membership** - Income that is attributable to visits that members make to HRP sites is deferred and released to the SOFA equally over the period to which the membership relates. The portion of life membership subscriptions deemed to be of the nature of a gift is recognised in full in the year in which it is received, with the remainder deferred and released to income in equal instalments over the average period over which the life membership is expected to be used. Gift Aid income resulting from membership is recognised at the point when the membership is sold.
- **Concessions** – Concessions includes income from our cafés and restaurants and is accounted for in the period it relates.

f) Resources expended

All expenditure is accounted for on an accruals basis and is classified under the principal categories of 'Costs of raising funds' and 'Charitable activities'. The expenditure classifications comprise direct expenditure, including staff costs, attributable to the activity.

Support costs, which include functions such as Accounting, Payroll, Procurement, Information Systems and Governance Costs are allocated across the categories of costs of raising funds and expenditure on charitable activities. The basis of the cost allocation is explained in the Notes to the accounts.

g) Tangible fixed assets

Tangible fixed assets costing more than £5,000 are capitalised at a value net of VAT and included at cost and are not revalued. All expenditure on repairing and maintaining the original fabric of the buildings and on non-revenue generating improvements is written off in the year incurred. All improvements to the fabric of the buildings, with the aim of raising or increasing revenue, are capitalised. Assets purchased by or gifted to the Charity's predecessors prior to September 1989 have not been capitalised.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their useful economic lives. The fixed asset policy was reviewed during the year resulting in setting new guidance of useful economic lives as follows:

New buildings	20 - 50 years
Building refurbishments	10 - 20 years
Fixtures and fittings	3 - 10 years
Plant and machinery	5 - 20 years
Furniture and equipment	3 - 10 years
Exhibitions	3 - 10 years
Vehicles	3 - 5 years
Computer hardware	3 - 5 years

Decision on appropriate useful economic life will be reviewed by management at the point of capitalisation to ensure that the depreciation charge for each asset is appropriately reflected in the accounts. The new guidance resulted in no material impact in this financial year.

h) Heritage Assets

SORP 2019 defines heritage assets as assets of historical and artistic importance that are held to advance preservation, conservation and the educational objectives of the Charity. Those heritage assets acquired since September 1989 are reported in the balance sheet at cost or, in the case of donated assets, at an approximate valuation estimated by HRP's curators to be an appropriate market value at the time of acquisition. Such assets are not depreciated as they are deemed to have indeterminate lives and a high residual value. Regular impairment reviews of heritage assets are undertaken.

Those items that were purchased by or gifted to the Charity's predecessors prior to September 1989 have not been capitalised. These comprise the majority of the collection but Trustees do not consider that relevant cost or valuation information can be obtained at a cost commensurate with the benefit to readers of the financial statements. This is because of the diverse nature of the assets held, the volume, and the lack of comparable market values.

Further information about HRP's collection of heritage assets is set out in the Notes to the Accounts.

i) Investments, Short-term cash deposits and cash at hand & in bank

Investment income comprises interest receivable from cash at bank and liquid resources as well as income from investments held in a fixed income bond portfolio and multi-assets funds. All investments are held to provide investment returns. Dividend and interest income are recognised on a receivable basis.

Fixed income investments are short-dated high credit rated bonds with fixed and determinable coupons. The bonds are retained with the intention and ability to be held to maturity. The bond portfolio is measured at fair value upon purchase and amortised cost using the effective interest method. The carrying value is reduced if there is any impairment.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

The investments in multi-asset funds are measured at market value each year. They yield dividends income at set times in the year.

Funds placed on money market deposits are short-term cash deposits of up to 18 months and are defined as liquid resources. All liquid resources are held in commercial banks with appropriate credit ratings, in line with HRP's investment policy at the time of contracting.

Funds held in cash or in current/premium accounts are defined as cash at bank and in hand. They represent the deposits and cash used to finance Historic Royal Palaces on a day-to-day basis.

j) Investment in subsidiary

In the Charity's accounts, the investment in its subsidiary undertaking, HRPE Ltd, is stated at cost.

Historic Royal Palaces Inc. is a US-based private non-operating foundation. This is not consolidated into the Group accounts, as it is not controlled by the Charity.

k) Current assets & liabilities

Stock consists of purchased goods for resale. Stock is stated at the lower of cost and net realisable value. Cost of sales is determined on a weighted average cost basis and includes all costs of purchase such as associated transportation charges. Debtors are measured at their recoverable amounts and creditors at their settlement amounts when these can be measured or estimated reliably.

l) Financial instruments

HRP primarily carries financial instruments in the form of a concessionary loan from the CRF fund initially recognised at the amount received, with the carrying amount adjusted in subsequent years to reflect repayments and any accrued interest and adjusted if necessary for any impairment.

HRP also has basic financial instruments in the form of cash, debtors and creditors at fair value, other than where a provision for specific doubtful debts has been made. Since almost all of these are expected to be realised within one year, there is no material difference between fair value, amortised cost and historical cost. Fixed income investments are measured at amortised cost.

m) Leases

The Group has no finance leases. Costs relating to operating leases are charged in the Statement of Financial Activities over the life of the lease. Income from operating leases is recognised over the life of the lease.

n) Pensions

The Charity operates a funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of HRP. From October 2002, the scheme was closed to new members and from April 2019, the scheme was closed to future accruals. The Charity has implemented the full reporting requirements of FRS 102: Employee Benefits in relation to the defined benefit scheme.

The present value of the HRP's liability for its obligations and the fair value of the scheme assets are calculated by an independent actuary. The net asset or liability, is recognised in the Balance Sheet and is treated as an unrestricted fund.

Changes in the net asset or liability during the period that result from employee

Notes to the Consolidated Accounts

for the year ended 31 March 2022

service or interest on the net liability are recognised in the appropriate heading in the Consolidated Statement of Financial Activities in that period. Changes as a result of actuarial gains or losses are recognised in 'Other recognised gains or losses'.

A group personal pension scheme based on defined contributions was established for new members of established staff and staff on contracts exceeding 1 year with effect from October 2002. An additional group personal pension scheme based on defined contributions was set up for casual staff and staff on contracts of less than 1 year with effect from October 2013. The cost to HRP of both defined contribution schemes is the contributions paid during the year.

o) Taxation

As a charity, the Charity is exempt from corporation tax under section 505 ICTA 1988. HRPE normally distributes its profits before tax by Gift Aid to the Charity to leave reserves at or close to nil. The amount gift aided in 2021/22 was £2,554,580 (£nil in 2020/21 due to the impact of the pandemic and uncertainty in HRPE Ltd's future trading).

Admissions to the Palaces administered by HRP are exempt from VAT under Schedule 9 of the VAT Act 1994. Due to this exemption, approximately 64.4% of VAT incurred by HRP is irrecoverable in 2021/22 (59.6% in 2020/21).

p) Key judgements and estimates

The Group makes estimates and assumptions concerning the future which will impact the accounting estimates. The significant judgements and estimates made in preparing these accounts are disclosed throughout the document, and briefly outlined below:

- the useful economic lives of tangible and intangible assets are assessed regularly and amended when necessary, impacting the annual depreciation and amortisation charge for assets.
- the valuation of heritage assets is reviewed annually for indicators of impairment.
- the retail stock valuation and associated provisioning is assessed throughout the year with consideration for condition and saleability
- valuations for the bond and multi-asset portfolios rely on the estimates provided by the relevant investment managers
- HRP has an obligation to pay pension benefits to the members of its defined benefit pension scheme. The cost of these benefits and the present value of the obligation depend on factors including the discount rate on corporate bonds, salary increases, life expectancy, inflation and asset valuations. Management estimates these factors in determining the net pension obligation in the balance sheet with the support from independent external actuaries. The recognition of any pension surplus or deficit in the accounts is a key judgement.
- when assessing the going concern, several visitor forecast scenarios were used to inform projections for income, expenditure and cash-flows. Other key considerations included the availability of liquidity from unrestricted funds and reserves, overdraft and borrowing facilities and all other forms of financial assistance available to the organisation.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

q) Going Concern

The Trustees have considered all factors and risks that may influence the company within the next 12 months, most importantly the recovery from Covid-19 pandemic, the new risk of the war in Ukraine and the organisation's resilience.

The factors considered are a combination of the economic outlook, the domestic context, the strength of income projections, mitigating actions against potential risks and the measures to improve liquidity.

Global outlook

According to the OECD March interim report on the global economic outlook, economic prospects were starting to return to normality in 2022-23 following the COVID-19 pandemic. However, the outbreak of the war in Ukraine in late February 2022 is placing more uncertainty on the economic impact of the conflict and the rate of recovery. Amid the uncertainty, the OECD estimates global economic growth could be 3.5%, so circa 1% point lower this year than was projected before the conflict.

Domestic & Sector Outlook

From the Office for Budget Responsibility March 2022 economic & fiscal outlook, the Russian invasion of Ukraine is likely to have major repercussions for the global economy.

Higher inflation is projected to erode real incomes and consumption, cutting domestic GDP growth. With inflation outpacing growth in nominal earnings and net taxes rising in April, real living standards are not expected to start recovering to their pre-pandemic level until 2024-25. Some mitigating actions from Government will help cushion the impact on household income in this financial year.

Tourism was hit particularly hard by the pandemic, as lockdowns restricted people to travelling around their homes and neighbourhoods rather than around the world. But there are strong signs that tourist numbers are starting to recover as limitations on movement are removed. The travel outlook for Europe as a whole remains positive in the first quarter of 2022

Organisation context

The 2022-23 operating budget has been set in line with the Culture Recovery Fund (CRF) requirement that we achieve a breakeven position in 2022-23. Income targets have been updated to reflect our latest visit number projections, with expenditure being limited to what we can afford once all essential expenditure has been allowed for.

We remain in a period of uncertainty, and the volatile operating context makes it difficult to forecast with accuracy. However, the strong visitor performances we have seen at the Palaces to date in 2022 gives us confidence that we will achieve our proposed objectives for 2022/23.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Income projections rely on:

- Cautious growth in visitor numbers, to just 50% of pre-pandemic levels.
- The key assumptions behind visitor numbers are an improving performance of the domestic audience, underpinned by the increasing numbers of the population being double vaccinated and boosted, no periods of enforced closures, and partial recovery in the North American and European markets.
- Retail income is aligned to visit numbers and the upside from additional outlets opening in conjunction with Superbloom at the Tower.
- Functions, Events & Licences income growth includes the Flower Show, Music Festival, ice rink and Concours of Elegance, which have all been successful in 2021 along with significant increases in the number of other functions and weddings. We assume no return to an elongated period of government restrictions and limitations to crowds and events.
- Corporate Sponsorship is a cautious projection, assuming partial return to normal trading.

Total expenditure is based upon ensuring that all areas of essential expenditure are covered. Any excess monies are being prioritised for activities to generate income, whilst ensuring breakeven for the year is achieved.

Risks and further actions

The Trustees acknowledge that some risks remain (e.g. new variants of and lower efficacy of the vaccine) or are emerging (e.g. war in Ukraine).

However, the Trustees have already identified the following mitigations against those risks and have further levers to call upon if needed including

Additional cost savings include: continuing to hold headcount vacancies, re-introducing payroll saving initiatives, removing elective operating expenditure currently phased in the latter part of the year, using periods of closure or working from home to rein in site costs, including cleaning, heating, power etc, deferring project expenditure if visit performance falls behind budget, generally, reviewing and restricting operating expenditure by monitoring committed versus non-committed expenditure throughout the year.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Summary

The Trustees take comfort in the overall economic outlook, recovery trends experienced so far in 2022 and the organisation's exciting plans. The fact that the organisation's model has been successful and has historically generated surpluses also support this opinion.

The Trustees recognise the emerging external risks associated with the war in Ukraine and it's potential impact on tourism and visitor numbers but trust the entity's ability to continue as a going concern is soundly based on the factors outlined above.

2. Historic Royal Palaces Enterprises Ltd

The Charity has one wholly owned trading subsidiary, Historic Royal Palaces Enterprises Limited (HRPE), with a paid-up share capital of £2. HRPE is incorporated in the UK (registration number 03418583). The principal activities of the company are retailing, functions, and other events held at the palaces managed by the Charity. A summary of its trading results and its net assets is shown below. Audited accounts are filed with the Registrar of Companies.

<u>Profit and loss account</u>	2022 £000	2021 £000
Turnover (other trading activities)	12,055	4,617
Cost of sales (costs of raising funds)	(1,802)	(473)
Gross profit	10,253	4,144
Administrative expenses	(7,698)	(4,075)
Interest receivable	1	-
Profit on ordinary activities before taxation	2,556	69
Taxation	(1)	(14)
Total profit for the financial year	2,555	55
Amount distributable under Gift Aid to HRP	(2,555)	-
Retained in subsidiary	-	55

<u>Balance Sheet as at 31 March 2021</u>	2022 £000	2021 £000
Stocks - goods for resale	1,521	2,257
Debtors	844	640
Cash	4,779	343
Current liabilities	(7,089)	(3,185)
Creditors due after more than one year	-	-
Net assets	55	55
<u>Share capital and reserves</u>	55	55

Notes to the Consolidated Accounts

for the year ended 31 March 2022

3. Grant Income

Total grant income of £7,994k (2020/21: £6,339k) includes £6,422k (2020/21: £5,262k) funding from government bodies as follows:

Grantor	Amount	Purpose
DCMS – Public Bodies Infrastructure Fund	£3,151k	Conservation projects at the Palaces
English Heritage	£2,148k	Heritage Stimulus Fund
Historic England	£769k	Heritage Stimulus Fund
Local Councils	£315k	Superbloom, Christmas at the Tower
Memorials Grant Scheme	£39k	Diana Princess of Wales statue, Kensington

4. Coronavirus Job Retention Scheme (CJRS) grant income

The CJRS grant was a temporary Scheme launched by Government to support organisations whose operations have been severely affected by Covid-19. CJRS income is recognised in income and accrued to match the period staff were furloughed.

It was vital that HRP took advantage of the CJRS scheme in 2020/21 and furloughed the majority of staff from the start. Required staff were brought out of furlough as soon as reopening the sites became a possibility. This continued in 2021/22, HRP claimed support from the CJRS grant every month from April 2021 to September 2021 inclusive, when the nationwide scheme ended. A total of £2,377k was claimed in the financial year (£14,220k in 20/21).

The number of furloughed staff varied month-on-month between 58%-86% (75%-90% in 20/21) depending on operational requirements. There was a noticeably significant decline in the amount of furlough being claimed as Covid restrictions eased and more and more of our staff returned to work on a higher proportion of, or their full hours from the summer period until the end of the CJRS in September 2021. On average throughout the April to September period, 499 (around 70%) of staff were on flexi- or full-furlough (847 in 20/21).

Notes to the Consolidated Accounts

for the year ended 31 March 2022

5. Licence, rent & recharges income

Licence & rent income includes a range of activities which can be summarised as follows:

	2022 £000	2021 £000
Licences	2,612	757
Recovery of Costs	1,852	855
Rents	356	352
Other Income	112	166
Total Licence & rent income	4,932	2,130

6. Admissions income

Admissions income includes visitor admissions, gift aid on admissions, car park, royalpasses, etc and can be broken down as follows:

	2022 £000	2021 £000
Tower of London	14,945	2,023
Hampton Court Palace	4,346	1,359
Kensington Palace	3,677	132
Hillsborough Castle	408	241
Other palaces	0	0
Education	321	3
Other admissions income	605	307
Total admissions income	24,302	4,065

Notes to the Consolidated Accounts

for the year ended 31 March 2022

7. Total funds (Group basis)

Current Year Total Funds:	Funds as at 1 April 2021 £000	Incoming resources 2021/22 £000	Resources expended 2021/22 £000	Revaluations 2021/22 £000	Transfers between funds 2021/22 £000	Funds as at 31 March 2022 £000
<u>Unrestricted funds</u>						
General (Free) reserves	5,163	43,932	(50,490)	(138)	290	(1,243)
Designated funds	-	-	-	-	-	-
Fixed assets	29,116	-	-	-	(290)	28,826
Pension plan	(829)	20	-	10,246	-	9,437
Total	33,450	43,952	(50,490)	10,108	-	37,020
<u>Restricted funds</u>						
Donated assets	4,437	83	-	-	-	4,520
Hillsborough Castle & Gardens	553	1	(185)	-	-	369
Hampton Court Palace projects incl. <i>Field of the Cloth of Gold</i>	10	2	(10)	-	-	2
Tower of London projects incl. <i>Tower Entry</i>	262	1,453	(442)	-	-	1,273
Kensington Palace projects incl. <i>Orangery Learning Centre and the Sunken Garden statue</i>	1,150	124	(794)	-	-	480
Banqueting House project	-	240	-	-	-	240
AHRC-funded Research projects	374	(1)	(373)	-	-	-
Support for Heritage & re-opening	563	6,104	(6,565)	-	-	102
CJRS grant	-	2,377	(2,377)	-	-	-
Other projects	68	110	(61)	-	-	117
Total	7,417	10,493	(10,807)	-	-	7,103
Total funds	40,867	54,445	(61,297)	10,108	-	44,123

Prior Year Total Funds:	Funds as at 1 April 2020 £000	Incoming resources 2020/21 £000	Resources expended 2020/21 £000	Revaluations 2020/21 £000	Transfers between funds 2020/21 £000	Funds as at 31 March 2021 £000

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Unrestricted funds						
General (Free) reserves	27,405	12,196	(35,163)	1,393	(668)	5,163
Designated Funds	-	-	-	-	-	-
Fixed assets	28,448	-	-	-	668	29,116
Pension plan	(686)	20	340	(503)	-	(829)
Total	55,167	12,216	(34,823)	890	-	33,450

Restricted funds						
Donated assets	4,433	4	-	-	-	4,437
Hillsborough Castle & Gardens	537	215	(199)	-	-	553
Hampton Court Palace projects incl. Field of the Cloth of Gold	20	4	(14)	-	-	10
Tower of London projects incl. Tower Entry	195	98	(31)	-	-	262
Kensington Palace projects incl. Orangery Learning Centre and the Sunken Garden statue	407	798	(55)	-	-	1,150
AHRC-funded Research projects	7	985	(618)	-	-	374
Support for Heritage & re-opening	-	4,154	(3,591)	-	-	563
CJRS grant	-	14,220	(14,220)	-	-	-
Other projects	68	1	(1)	-	-	68
Total	5,667	20,479	(18,729)	-	-	7,417
Total funds	60,834	32,695	(53,552)	890	-	40,867

8. Total expenditure (Group basis)

Total direct costs £000	Allocation of support costs £000	Total 2022 £000	Total 2021 £000

Costs of raising funds

Generating the money to make it possible:				
Fundraising	325	41	366	462
Retail activities	4,782	908	5,690	5,301
Investment management costs	23	-	23	51
Other commercial activities	2,110	262	2,372	1,649
Total	7,240	1,211	8,451	7,463

Expenditure on charitable objectives:

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Palaces	17,887	2,134	20,021	16,638
Experiences:				
Public Access	15,594	2,204	17,798	17,692
Interpretation and learning	9,081	1,137	10,218	8,507
Money – Organisational Growth	3,411	375	3,786	2,099
Culture	894	111	1,005	1,493
Total	46,867	5,961	52,828	46,429

Other:

Pension finance(income)/ costs	18	-	18	12
Pension losses/(gains) on curtailments	-	-	-	(352)
	18	-	18	(340)
Total	54,125	7,172	61,297	53,552

Resources expended include charges for:	Total 2022 £000	Total 2021 £000
Auditors' remuneration:		
The auditors did not provide any non-audit services		
Audit - HRP	65	53
- HRPE	30	25
Operating lease charges	1,044	1,096
Stock recognised as an expense	1,780	426
Impairment of stock (included in cost of sales)	20	47
Depreciation charged on fixed assets:		
Tangible	2,004	1,867
Intangible	207	207
Corporation tax	1	14

Notes to the Consolidated Accounts

for the year ended 31 March 2022

9. Support costs (Group basis)

Information Systems £000	Finance Department £000	Pension Department £000	Management Costs £000	Governance Costs £000	Total 2022 £000	Total 2021 £000

Costs of raising funds:

Fundraising	20	5	2	12	2	41	99
Retail activities	343	294	29	203	39	908	1,316
Other commercial activities	91	100	8	54	10	263	406

Charitable expenditure:

Palaces	570	1,115	49	336	64	2,134	3,524
Experiences: Public access	857	670	73	506	97	2,203	4,643
Interpretation and learning	441	348	38	260	50	1,137	1,857
Money – Organisation Growth	86	222	7	50	10	375	412
Culture	49	23	4	29	6	111	316
Total	2,457	2,777	210	1,450	278	7,172	12,573

The basis of apportionment for support costs is staff headcount (see note 11 *Staff numbers and costs (Group & Charity)*), except for the Finance Department which is based upon expenditure excluding payroll.

Governance Costs <i>(included in Support costs) (*)</i>	2022 £000	2021 £000
Internal and external audit	145	209
Trustee expenses and costs	4	-
Trustee and chairman recruitment costs	14	6
Production of annual report	-	-
Management costs	115	150
Total	278	365

(*) Trustees and chairman also attend sub-committees alongside Trustees and staff of HRP. The costs associated with those meetings are included in the support costs above

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Free Reserves

Due to the sudden and devastating impact of COVID-19, Trustees agreed at the end of 2019/20 to transfer all designated funds to free reserves to meet operating commitments over 2020/21. As uncertainties remain over the coming months, the same approach has been adopted for this financial year. Target levels of reserves will be reviewed by Trustees in 2022/23.

Designated funds

There was no movement on designated funds in year.

Transfers between funds

As set out in our Reserves policy in the Funds and Reserves section, a permanent designated fund is matched to fixed assets, as this cannot be quickly utilised to realise cash in the event of a cash requirement. Any excess above this is designated at Trustees' discretion, and this year again are transferred to free reserves.

Donated assets funds

These refer to restricted heritage assets and donated items including work of art and artefacts (see note 14 for more details).

Analysis of net assets between funds

Fund balances of the Group and Charity at 31 March 2022 are represented by:

	Unrestrict ed funds	Restricted funds	2022	Unrestricted funds	Restricted funds	2021
	£000	£000	£000	£000	£000	£000
Intangible assets	256	-	256	463	-	463
Tangible assets	23,489	-	23,489	23,917	-	23,917
Heritage assets	5,081	4,520	9,601	4,736	4,437	9,173
Investments	4,795	-	4,795	8,426	-	8,426
Net current assets	35,344	2,583	37,927	37,417	2,980	40,397
Creditors > one year	(40,863)	-	(40,863)	(40,193)	-	(40,193)
Provisions	(519)	-	(519)	(487)	-	(487)
Pension Plan Asset/ (Liability)	9,437	-	9,437	(829)	-	(829)
Total net assets	37,020	7,103	44,123	33,450	7,417	40,867

Notes to the Consolidated Accounts

for the year ended 31 March 2022

10. Remuneration of Trustees

None of the Trustees received any remuneration during the year in connection with services to the Charity or its subsidiary. Reimbursement of travel and subsistence expenses incurred by 2 Trustees (20/21: 1) whilst carrying out their responsibilities for the Charity totalled £1,150 (2020/21: £321) for the year ended 31 March 2022. Liability insurance for Trustees is included as part of HRP's total insurance cost.

11. Staff numbers and costs (Charity only. HRPE Ltd has no employees)

a) Average staff numbers

	2022	2021
	FTE	FTE
Fundraising	5.0	6.5
Retail activities	87.0	80.1
Other Commercial Activities	23.1	28.3
Palaces	144.6	192.4
Experiences: Public Access	217.5	292.5
Interpretation and Learning	112.0	126.0
Money – organisational growth	21.8	25.9
Culture	12.4	20.3
Support functions	55.3	67.4
Total	678.7	839.4

b) Staff costs

	2022	2021
	£000	£000
Wages and salaries	23,988	28,484
Loss of office	17	352
Severance & ex gratia payments	41	4,885
Social security costs	2,398	2,849
Pension costs	2,534	2,810
Total	28,978	39,380
Agency staff	135	22
Total	29,113	39,402

Employee numbers reduced significantly during the second half of 2020/21 following the restructuring programme and reduced seasonal employees, and headcount was maintained at the lower level reached in March 2021. This explains the 19% year-on-year reduction in average staff numbers.

Following on from last year's COVID-19 related redundancy programmes the Loss of office, severance and ex gratia payments were minimal in this financial year. These expenses are recognised when incurred or when there is a legal or constructive obligation to make the payment.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

c) Pay bands

Excluding the Chief Executive, there were 28 staff during the year earning in excess of £60,000 (2020/21: 32). Six were in a defined benefit scheme closed to accruals since 1 April 2019 (2020/21: 4) where the employer contributions were nil (2020/21: nil), and 26 were in a defined contribution scheme (2020/21: 32) where the employer contributions were £214,627 (2020/21: £241,990).

The number of employees, excluding the Chief Executive, whose total remuneration and staff benefits (excluding pension contributions) was over £60k was as follows:

	2022	2021
	No. of Staff	No. of Staff
£60,001 to £70,000	16	21
£70,001 to £80,000	5	3
£80,001 to £90,000	1	1
£90,001 to £100,000	-	5
£100,001 to £110,000	5	2
£110,001 to £120,000	1	-
£120,001 to £130,000	-	-
£130,001 to £140,000	-	-
£140,001 to £150,000	-	-
Total	28	32

The remuneration of the Chief Executive in 2021/22 was £144,329 (2020/21: £134,798) with pension contributions of £8,720 (2020/21: £8,145) and staff benefits of £923 (2020/21: £923).

Excluding the Chief Executive, the total remuneration to the Executive Board was £707,966 (2020/21: £782,282) with pension contributions of £56,885 (2020/21: £105,803) and staff benefits of £5,031 (2020/21: £5,725).

12. Retirement benefits (Group & Charity)

a) Historic Royal Palaces Pension Scheme

HRP operates a defined benefit scheme in the UK. The scheme is closed to new entrants and was closed to future accrual from 31 March 2019. This is a separate trustee administered fund holding the pension scheme assets to meet long-term pension liabilities.

The most recent full triennial actuarial valuation was carried out at 31 March 2021 and showed a deficit of £4,111k. The employer has agreed with the trustees of the scheme that it will aim to eliminate the deficit over a period of 7 years and 6 months from 1 April 2021 by the payment of contributions as follows:

- £32,888 p.a. payable monthly from 1 April 2021 to 31 March 2022, followed by one payment of £2,823 in April 2022 (in line with the previous recovery plan),
- No deficit contributions between 1 May 2022 and 30 June 2025,
- £250,000 p.a. payable monthly for a period of 3 years and 6 months from 1 July

Notes to the Consolidated Accounts

for the year ended 31 March 2022

2025 to 31 December 2028.

The funding shortfall is expected to be eliminated by December 2028 through the return on existing assets and the new contributions.

In accordance with the actuarial valuation, the employer has agreed with the trustees that it will meet expenses of the scheme and levies to the Pension Protection Fund.

A qualified actuary, independent of the scheme's sponsoring employer, updated to 31 March 2022 the annual accounting valuation required under Section 28 of FRS 102. The major assumptions used by the actuary are shown below.

The basis of apportionment for pension expense costs is payroll costs.

Present values of defined benefit obligation, fair value of assets and defined benefit asset/ (liability):

	31/03/2022	31/03/2021	31/03/2020
	£000	£000	£000
Fair value of plan assets	100,739	95,998	85,775
Present value of defined benefit obligation	91,302	96,827	86,461
Surplus / (Deficit) in plan	9,437	(829)	(686)
Defined benefit asset/(liability) to be recognised	9,437	(829)	(686)

A note on pension valuations

Two valuations are included in the notes to the accounts. They use different assumptions and are at different points in time.

Actuaries acting on behalf of HRP undertake a triennial valuation based on a set of prudent assumptions determining how much future funding the scheme may require. The last valuation was 31 March 2021 and showed a deficit of £4.1m.

Each year, the scheme is valued at fair value under accounting standard FRS102 using 'best estimate' assumptions. As at 31 March 2022, this year's valuation produced a surplus of £9.4m (2020/21: -£0.8m). As the charity is entitled under the scheme rules to net refunds at least equivalent to the amount of the asset recognised, it is this figure that is shown in the accounts. This is in line with accounting standard IFRIC14.

Given the significant increase in gilt market-implied RPI price inflation over the past year and evidence from the Government Actuary's Department (September 2021) and the Bank Of England (November 2021), the scheme actuary recommended introducing an inflation risk premium adjustment 0.2% p.a. in 2021/22 to reduce any potential market distortion. The impact of removing the inflation risk premium of 0.2% would be to increase the Defined Benefit Obligation at 31 March 2022 from £91,302k to £93,941k.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Reconciliation of opening and closing balances of the defined benefit obligation:

	Period Ending 31/03/2022	Period Ending 31/03/2021
	£000	£000
Defined benefit obligation at start of period	96,827	86,461
Interest expense	2,058	1,995
Benefit payments from plan assets	(2,260)	(2,797)
Actuarial losses / (gains):		
- Changes in assumptions	(5,196)	12,900
- Changes in experience	(127)	(1,380)
Losses / (gains) on curtailments	-	(352)
Defined benefit obligation at end of period	91,302	96,827

Reconciliation of opening and closing balances of the fair value of plan assets:

	Period Ending 31/03/2022	Period Ending 31/03/2021
	£000	£000
Fair value of scheme assets at start of period	95,998	85,775
Interest income	2,040	1,983
Actuarial gains/(losses)	4,923	11,017
Contributions by the employer	38	32
Benefits paid	(2,260)	(2,797)
Expenses	-	(12)
Fair value of plain assets at end of period	100,739	95,998

The actual return on the plan assets over the period ended 31 March 2022 was a gain of £6,963k (£13,000k gain in 2020/21).

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Defined benefit cost recognised in Statement of Financial Activities (SOFA):

	Period Ending 31/03/2022	Period Ending 31/03/2021
	£000	£000
Expenses	-	12
Net Interest cost	18	12
Losses / (gains) on curtailments	-	(352)
Total expense recognised in SOFA	18	(328)

Defined benefit costs recognised in other comprehensive income:

	Period Ending 31/03/2022	Period Ending 31/03/2021
	£'000	£'000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	4,923	11,017
Experience gains and losses arising on the plan liabilities – gain / (loss)	127	1,380
Net effects of changes in the demographic and financial assumptions underlying the	5,196	(12,900)
Total amount recognised in other comprehensive income – gain/(loss)	10,246	(503)

Assets	31/03/2022	31/03/2021	31/03/2020
	£000	£000	£000
Equities	45,751	43,032	33,532
Debt instruments	38,848	39,743	38,495
Property	13,337	12,274	12,010
Cash	2,803	949	1,738
Total assets	100,739	95,998	85,775

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Assumptions	31/03/2022 % per annum	31/03/2021 % per annum	31/03/2020 % per annum
Discount Rate	2.75%	2.15%	2.35%
Inflation (RPI)	3.70%	3.50%	2.85%
Inflation (CPI)	3.10%	2.80%	2.05%
Salary growth	3.10%	2.80%	2.50%
Allowance for:			
Revaluation of deferred pensions of CPI or 5% p.a. if less	3.10%	2.80%	2.05%
Revaluation of deferred pensions of CPI or 2.5% p.a. if less	2.50%	2.50%	2.05%
Pension in payment increases of RPI or 5% p.a. if less	3.45%	3.30%	2.80%
Pension in payment increases of RPI or 3% p.a. if less	2.60%	2.50%	2.25%
Pension in payment increases of RPI	3.70%	3.50%	2.85%
Commutation of pension for cash at retirement	70% of Post A Day	70% of Post A Day	70% of Post A Day

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies at age 60yrs:

	31/03/2022	31/03/2021
Male retiring in 2022	26.7	25.8
Female retiring in 2022	28.7	28.0
Male retiring in 2042	28.3	27.4
Female retiring in 2042	30.2	29.6

b) Defined Contribution Schemes

A group personal pension scheme based on defined contributions was set up for new members of established staff and staff on contracts exceeding one year with effect from October 2002. The cost for the year was £2,269,516 (2020/21: £3,629,051 included payroll element sacrificed to pension through the redundancy programme), with no outstanding contributions at the balance sheet date. The cost forms part of staff costs that as stated in note 1(f) are classed as direct expenditure attributable to the activity

Notes to the Consolidated Accounts

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and are all from unrestricted funds.

An additional group personal pension scheme based on defined contributions was set up for casual staff and staff on contracts of less than 1 year with effect from October 2013, to meet pension auto-enrolment requirements. The cost for the year was £19,797 (2020/21: £12,460), with no outstanding contributions at the balance sheet date.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

13. Tangible fixed assets (Group & Charity)

Cost	Buildings & refurbishments	Fixtures & fittings	Furniture, equipment & exhibitions	Computers	Plant, machinery & vehicles	Assets in course of construction	Total
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2021	27,269	6,040	2,915	959	6,186	5,231	48,600
Additions	-	340	134	166	-	1,292	1,932
Disposals	-	(171)	(94)	(243)	(421)	-	(929)
Transfers to Heritage assets	-	-	-	-	-	(303)	(303)
Transfers within Tangible fixed assets	-	43	614	-	-	(657)	-
At 31 March 2022	27,269	6,252	3,569	882	5,765	5,563	49,300
Accumulated depreciation							
At 1 April 2021	11,704	4,469	2,609	861	5,040	-	24,683
Charge for the year	1,124	359	145	77	299	-	2,004
Disposals	-	(171)	(94)	(243)	(368)	-	(876)
At 31 March 2022	12,828	4,657	2,660	695	4,971	-	25,811
Net book value							
At 31 March	14,441	1,595	909	187	794	5,563	23,489

Notes to the Consolidated Accounts

for the year ended 31 March 2022

2022							
At 31 March 2021	15,565	1,571	306	98	1,146	5,231	23,917
The net book value as at 31 March 2022 represents fixed assets used for:							
Retail activities	570	130	-	25	14	0	739
Other commercial activities	-	4	2	2	2	0	10
Charitable expenditure:							
Palaces	11,402	1,202	859	130	712	5,563	19,868
Experiences							
Public access	2,130	158	21	20	56	-	2,385
Interpretation and learning	339	101	27	7	10	-	484
Money – Grow our impact	-	-	-	2	-	-	2
Culture	-	-	-	1	-	-	1
At 31 March 2022	14,441	1,595	909	187	794	5,563	23,489

Notes to the Consolidated Accounts

for the year ended 31 March 2022

14. Heritage assets (Group & Charity)

Cost and net book value	Artefacts 2022 £000	No.	Artefacts 2021 £000	No.	Artefacts 2020 £000	Artefacts 2019 £000	Artefacts 2018 £000
Balance as at 1 April	9,173	456	9,156	452	8,561	8,155	8,010
Additions, at cost	42	0	17	4	488	290	159
Transfers from assets in the course of construction	303	1	-	-	12	1	-
Disposals	-	-	-	-	-	(8)	(39)
Donated works, at deemed value	83	1	--		95	124	25
Balance as at 31 March	9,601	458	9,173	456	9,156	8,561	8,155
Made up of: <i>Interpretation and learning</i>	9,601	458	9,173	456	9,156	8,561	8,155

There were two significant additions to Heritage assets in the year:

A statue of Diana, Princess of Wales, valued at £345,000, this item has been added at cost to the General Collection. A collection of 51 miniatures related to the Hill family, valued at £83,160 by Ellison Fine Art in January 2019. These miniatures were gifted to Historic Royal Palaces by the trustees of the Sandys Trust (Registered Charity Number 1168357). These items have been added to the General Collection for Hillsborough Castle and Gardens

a) Further information on HRP's collections of heritage assets

The Palaces are not owned by HRP, but by HM The King on behalf of the nation. Expenditure on their conservation is recognised in the Statement of Financial Activities when it is incurred.

The main categories of accessioned heritage assets, including those shown on the balance sheet, are:

- The Royal Ceremonial Dress Collection (c10,000 accessioned items), an important collection of largely British royal and court ceremonial dress, established at Kensington Palace in 1984;
- The general collection (c9,000 accessioned items), consisting of paintings, drawings, prints, furniture, sculpture, furnishing textiles, decorative arts and social history objects, chiefly displayed as part of the historic furnished interiors at the palaces;
- Architectural drawings archive (c22,000 accessioned items), containing both modern and historic drawings and copies.
- Architectural and archaeological materials salvaged or excavated from the palaces. These are primarily used as a research archive. (c10,000 accessioned items).

Notes to the Consolidated Accounts

for the year ended 31 March 2022

In addition, HRP curates un-accessioned assets as follows:

- c30,000 architectural drawings is an archive of historic and modern drawings detailing the architectural histories of the palaces in the late 19th and 20th centuries. The drawings are a public record and held as an Architectural Drawings Collection (ADC) under a place of deposit status at the Tower Of London.

HRP also displays items on short and long-term loan. In particular:

- The majority of the important works of art displayed “at home” at our palaces and stored form part of the Royal Collection, owned by HM The King on behalf of the nation and administered by The Royal Collection Trust (c8,000 items);
- The displays of arms, armour and related material at the Tower of London belong to the Royal Armouries (c 900 items).
- The artwork collection and other items on display at Hillsborough Castle (c1,500 items).
- Collection of jewellery associated with Queen Victoria from a private owner on display at Kensington Palace

Our collections remain on public display whenever possible. Storage is normally limited to items providing a research resource, unsuitable for display for conservation reasons or archaeological finds. We loan historic objects from our collections to public exhibitions and museum/ gallery displays.

The priority for acquisition or long term loan of heritage assets is to enhance and explain the historic buildings of the palaces with relevant objects. Acquisitions are made by purchase or donation, taking six criteria into consideration. Significant acquisitions require Trustee approval. The highest priority is given to items deriving from the existing buildings of the palaces. Additional criteria apply to the Royal Ceremonial Dress Collection.

Exceptionally, the Trustees will approve the disposal of objects for curatorial reasons but not disposal motivated by financial reasons. The principle of retaining disposed items in public ownership is preferred. Any proceeds of sale are applied for the benefit of the collections.

b) Heritage assets of particular importance

The most significant heritage asset shown on the balance sheet is the van Dyck portrait of Princess Mary, received as a donation from the Museums Libraries and Archives Council in 2008/09 and valued at acquisition at £1.5m.

Of particular significance is the only surviving in-situ ceiling painting by Peter Paul Rubens, at the Banqueting House, installed in 1636.

We display and provide day-to-day care for the Crown Jewels in the Tower of London. Like the Palaces themselves, the Crown Jewels are owned by HM The King in right of Crown.

c) Management and Conservation

HRP maintains a register of heritage assets, which includes records of ownership, conservation status and location. The conservation and curatorial teams manage the collections, including loan items, in accordance with the policies approved by Trustees. These teams report to the Palaces & Collections Director.

The long-term conservation requirements of the collections are identified and prioritised by HRP’s conservators through a programme of condition audits.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

15. Investments

HRP held £4.8m (2020/21: £8.4m) in Fixed Asset Investments as at 31st March 2022. These investments fall into three main vehicles, the movement on each is shown in the tables below:-

<u>Bond Portfolio</u>	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Balance as at 1 April	7,353	7,353	8,304	8,304
Effective interest earned	80	80	127	127
Interest coupons received	(160)	(160)	(210)	(210)
Bonds purchased	-	-	-	-
Bonds redeemed	(3,413)	(3,413)	(1,110)	(1,110)
Gain / (Loss) on valuation	(179)	(179)	242	242
Balance as at 31 March	3,681	3,681	7,353	7,353

These consist of short dated, investment grade, sterling, fixed income securities. The bond portfolio is accounted for using the effective interest method as the bonds are intended to be held to maturity.

<u>Ethical Investment Fund</u>	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Balance as at 1 April	390	390	2,602	2,602
Units disposed of	-	-	(2,642)	(2,642)
Gain / (Loss) on revaluation	33	33	430	430
Balance as at 31 March	423	423	390	390

This is a diversified multi-asset fund with ethical and responsible investment standards. It consists of global and UK equities, with a proportion allocated to infrastructure & operating assets, property and cash.

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<u>Multi-Asset Investment Fund</u>	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Balance as at 1 April	683	683	2,713	2,713
Units disposed of	-	-	(2,750)	(2,750)
Gain / (Loss) on revaluation	8	8	720	720
Balance as at 31 March	691	691	683	683

This is a balanced mixed asset fund with a focus on funds that contribute to society or the environment. It includes global and UK growth equity funds, with a proportion allocated to corporate bonds, gilts and cash.

16. Debtors

	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Trade debtors	2,137	1,501	395	128
Amounts due from subsidiary	-	4,528	-	1,892
Other debtors	937	937	122	45
Prepayments and accrued income	4,169	3,961	2,207	2,057
Total	7,243	10,927	2,724	4,122

All of the above debtors are due within one year.

The service charge calculation for HRPE Ltd was agreed through resolution in March 1999 and had been in use ever since. The historic calculation consists of a payroll recharge (all trading staff payroll) and a facility recharge (depreciation, accommodation, support services) of 20% of turnover.

In 2021/22, HRP Audit & Risk Committee Trustees approved a long-term update in the service charge calculation to better reflect changes in the structure of the organisation. This follows a temporary reduction in 2020/21 to keep HRPE Ltd solvent and maximise the outcome for the Group formed by HRP the charity and HRPE Ltd its trading subsidiary.

The changes implemented from 2021/22 are as follows:

- The payroll recharge is now broken into two parts: a direct re-charge for dedicated trading. An apportioned charge for the pool of 'mixed' trading/ charity staff, where roles cover both retail and admissions in Palaces Group. The apportionment is based on the respective income generated by Admissions and Retail activity.
- The facility recharge now reflects a simple new mechanism to allocate a 'fair' portion of shared accommodation and support costs to HRPE. It is based on a percentage of turnover scale.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Turnover	Facility charge %
Less than £5m	10%
£5m to £10m	15%
£10m - £20m	18%
£20m +	21%

17. Creditors: amounts falling due within one year

	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Trade creditors	1,834	1,569	465	509
Taxation and social security	763	628	618	618
Other creditors	382	382	138	257
Accruals	6,150	5,744	4,214	3,902
Deferred income	6,655	5,001	3,161	2,215
Total	15,784	13,324	8,596	7,501

Deferred Income

Deferred Income comprises advance visitor bookings, rent, membership income and function and event deposits.

	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Balance at the beginning of the year	3,161	2,215	3,564	2,408
Amount released to income in year	(3,040)	(2,104)	(3,250)	(2,330)
Amount deferred in year	6,534	4,890	2,847	2,137
Balance at the end of the year	6,655	5,001	3,161	2,215

18. Creditors: amounts falling due after more than one year

	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Trade creditors	4	4	143	143
Amounts drawn down on the Culture Recovery Fund Loan Facility	40,860	40,860	40,050	40,050
Total	40,864	40,864	40,193	40,193

Notes to the Consolidated Accounts

for the year ended 31 March 2022

In 2020/21, HRP was awarded a £40m repayable loan from the Culture Recovery Fund for Heritage jointly managed by the Arts Council England (ACE) and the National Lottery Heritage Fund (NLHF). This was part of the £1.57 billion rescue package announced by the Department for Digital, Culture, Media and Sport to safeguard cultural and heritage organisations across the UK from the economic impact of COVID-19. The repayable loan is met by Government guarantee, with no specific requirements and no specific security. The loan attracts a 2% interest rate which accrues from its March 2021 receipt. After a four-year repayment holiday, the loan must be repaid in 21 equal repayment instalments over a ten-year period and by March 2035.

19. Provision for liabilities and charges

	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Balance as at 1 April 2021	487	434	927	927
Amounts used in year	(69)	(16)	(493)	(493)
New provisions in year	101	-	53	-
Balance as at 31 March 2022	519	418	487	434

The provision includes amounts for pension scheme closure compensation payments and rent reviews.

20. Financial commitments under operating leases

The Group and Charity had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Operating Lease payments due:	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
< 1 year	1,038	828	1,096	886
Between 2 -5 years	3,607	3,189	3,865	3,239
> 5 years	52,420	52,420	53,346	53,346
Total payable	57,065	56,437	58,307	57,471

21. Operating lease receipts

The Group and Charity had the following future minimum rental income under non-cancellable operating leases for each of the following periods:

Operating Lease payments due:	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
< 1 year	100	32	209	142
Between 2 -5 years	201	25	597	353
> 5 years	-	-	-	-
Total receivable	301	57	806	495

Notes to the Consolidated Accounts

for the year ended 31 March 2022

22. Capital commitments

	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Contracted capital commitments as at 31 March 2022, for which no provision has been made in the accounts:	2,730	2,730	394	394

Commitments include no amount (2021: nil) relating to projects that are being funded by donations from third parties.

23. Contingent Assets

HRP has received notification it will benefit from a residue legacy. As at 31st March 2022 it is thought the funds will be received in the financial year ending 31st March 2023 and will be in the region of £0.8m

24. Contingent liabilities

Either HRP or the Secretary of State for Digital, Culture, Media and Sport may give one year's notice of termination of the contract to manage the Palaces. Upon termination, a calculated net asset value would revert to the Secretary of State, being the lower of the value of the net assets transfer of £7.795m on 1 April 1998 (indexed for inflation and as revised for material changes in accounting policy) or the value of the equivalent assets held at the date of termination of the contract.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

25. The summary financial performance of the charity alone

INCOME	Unrestricted funds	Restricted funds	Total 2022	Total 2021
	£000	£000	£000	£000
Donations and legacies:				
Grants	104	7,890	7,994	6,339
CJRS grants	-	2,377	2,377	14,220
Donations	794	143	937	509
Gifts in Kind	-	83	83	4
Total	898	10,493	11,391	21,072
Income from other trading activities				
Retail income	-	-	-	-
Functions and events	180	-	180	3
Licences, rent & recharges	2,606	-	2,606	1,656
Sponsorship	-	-	-	-
	2,786	-	2,786	1,659
Investments	223	-	223	330
Income from charitable activities:				
Admissions	24,302	-	24,302	4,065
Memberships	3,244	-	3,244	2,865
Concessions	676	-	676	79
	28,222	-	28,222	7,009
Other Income				
Service charge to & Gift aid distributed from HRPE	8,800	-	8,800	3,434
Total income	40,929	10,493	51,422	33,504
EXPENDITURE				
Costs of raising funds:				
Fundraising	302	65	367	455
Retail activities	2,332	248	2,580	4,704
Investment management costs	23	-	23	51
Other commercial activities	1,432	60	1,492	1,763
	4,089	373	4,462	6,973
Expenditure on charitable activities:				
Palaces	12,745	7,597	20,342	16,428
Experiences:				
Public access	16,828	1,150	17,978	17,383
Interpretation and learning	8,743	1,568	10,311	8,375

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Money Organisational Growth	– 3,765	86	3,851	2,072
Culture	977	33	1,010	1,472
	43,058	10,434	53,492	45,730
Other				
Defined Pension scheme net interest cost	18	-	18	12
Losses (gains) on curtailments	-	-	-	(352)
Losses (gains) due to benefit changes	-	-	-	-
CJRS grant received on behalf of the subsidiary	302	-	302	2,052
Total Expenditure	47,467	10,807	58,274	54,415
Net (losses)/gains on investments	(138)	-	(138)	1,393
Net Income / (Expenditure)	(6,676)	(314)	(6,990)	(19,518)
Actuarial (loss)/gain on pension plan	10,246	-	10,246	(503)
Net movement in funds	3,570	(314)	3,256	(20,021)
Fund balances brought forward at 1 April	33,395	7,417	40,812	60,834
Fund balances carried forward at 31 March	36,965	7,103	44,068	40,812

26. Related party transactions

This note lists material transactions with other entities in which either Trustees or senior employees of HRP or their close family members hold positions of authority. It also details all transactions with Trustees, with the exception of remuneration of Trustees which is covered in Note 10 and donations made by them, £75k in year, (2020/21: £250).

The Palaces and much of their contents are held by HM The King in right of Crown. These contents are the responsibility of The Royal Collection Trust.

HRP is contracted by the Secretary of State for Digital, Culture, Media and Sport to manage the five London palaces on his behalf. This contract has been re-authorised until 31 March 2028.

The contribution to the Charity's funds by its wholly owned subsidiary, Historic Royal Palaces Enterprises Limited is disclosed in Note 2.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

The figures in brackets represent the amounts due at the balance sheet date.

Related party	Connected party (a)	2022 £000	2021 £000	Detail of transaction
Association des Residences Royales Europeennes (ARRE)	John Barnes (Chief Executive of HRP) is a member of ARRE on behalf of HRP	6 (6)	8 (nil)	Charges made to HRP by the Association for HRP's annual membership
BBC	Zeinab Badawi (Trustee of HRP) is a broadcaster at the BBC	4 (nil)	15 (nil)	Charges made by HRPE for filming at our palaces
The Choral Foundation, Chapel Royal, Hampton Court Palace	Sue Hall (Director of HRP) was a trustee of The Choral Foundation and was replaced by Nigel Walley (a Senior Manager at HRP) Jane Crowther (Director of HRP) is a trustee of The Choral Foundation	- (nil) 0 (nil)	7 (nil) - (nil)	Charges for choral services and recitals made by the Choral Foundation to HRP Function hosted for the Choral Foundation - cost borne by HRP
Founders Forum LLP	Rupert Gavin (Chair of the Trustees of HRP) is on the Advisory Board	12 (nil)	- (nil)	Charges made by HRPE for Event Hire at Kensington Palace
The Foundation of the Chapels Royal of HM Tower of London	Andrew Jackson (Director of HRP from 27 May 2019) is a trustee of the Foundation	14 (nil)	8 (nil)	Charges made by the Foundation to HRP for choral services at HM Tower of London
Historic Royal Palaces Inc. (HRP Inc.) ^(b)	John Barnes (Chief Executive of HRP is President of HRP Inc.), Dan Wolfe and Sue Hall (Trustees of HRP) are respectively director and secretary & treasurer of HRP Inc.	50 (nil) 365 (nil) - (0)	759 (nil) 80 (nil) 19 (0)	Grants received by HRP from HRP Inc. for Kensington Palace Projects, Orangery & Sunken garden conservation Grants received by HRP from HRP Inc. for Tower of London projects Grants received by HRP from HRP Inc. for re-opening the palaces
Purcell UK (trading name of Purcell Miller Tritton LLP)	Jane Kennedy OBE (Trustee of HRP) is a senior partner of Purcell UK	80 (nil)	18 (1)	Charges made by Purcell to HRP for architectural services at Kensington Palace Orangery
Royal Armouries (RA)	Lord Houghton (Trustee of HRP since 1 August 2016) is a trustee of RA	103 (40) 3 (3)	12 (12) - (nil)	Charges made by RA to HRP for goods and services provided at HM Tower of London Recovery of costs from RA for goods, services and maintenance provided by HRP at HM Tower of London

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Royal Household (RH)	Sir Michael Stevens KVCO (Trustee of HRP) is Keeper of the Privy Purse and Receiver General of the Duchy of Lancaster	159 (4)	131 (9)	Charges made by RH to HRP for rent and services provided at Kensington Palace & vetting clearance costs
		51 (48)	26 (23)	Charges made by HRP and HRPE to RH for share of staff costs and grazing licence
Royal Collection Trust (RCT), and Royal Collection Enterprises Limited (RCEL), which is a wholly owned subsidiary of RCT	Sir Michael Stevens KVCO (Trustee of HRP) is Keeper of the Privy Purse and a Trustee of RCT	49 (nil)	- (nil)	Charges made by RCEL to HRP and HRPE for the right to produce images of Royal Collection items and for the purchase of goods for resale.
	Tim Knox (Trustee of HRP) is a Director of RCEL and Director of the Royal Collection at RCT	32 (5)	30 (15)	Recovery by RCT from HRP of a proportion of the costs of maintaining and recording Royal Collection and other items displayed in the palaces, and from HRPE for the purchase of goods for resale
Saatchi & Saatchi	Sarah Jenkins (HRP Trustee since 2 September 2019) is a managing director of M&C Saatchi	- (nil)	(19) (nil)	Refunds of charges made by HRP to M & C Saatchi for cancelled function at the Tower
Todd Longstaffe-Gowan Ltd	Tim Knox (Trustee of HRP) is a director at Todd Longstaffe-Gowan Ltd	5 (nil)	8 (nil)	Charges made by Todd Longstaffe-Gowan Ltd to HRP for garden design

- (a) Copies of the Trustees' register of interests and their biographical details are available from the Head of Governance, Apartment 39, Hampton Court Palace, Surrey KT8 9AU.
- (b) Historic Royal Palaces, Inc. is an entity independent of Historic Royal Palaces. Whilst its object is to support the work of Historic Royal Palaces, how this is expressed is the responsibility of the Board alone. This independence is required to maintain US charity status. Current arrangements, in which Historic Royal Palaces' staff have a seat on the Board (Dan Wolfe) and fill the officer posts of the US charity (John Barnes as President, Dan Lill as Treasurer, Lydia Lawrence as Secretary), provide sufficient communication and co-operation with the Board to protect our interests whilst retaining the US charity's independence.

27. Financial instruments

Disclosure is required of the role financial instruments have played during the year in creating or changing the risks HRP faces in undertaking its activities.

Liquidity and Credit Risk

Long-term liquidity was secured by the receipt of a £40m long-term repayable finance loan from the CRF fund in March 2021. Surplus funds are held on short-term fixed interest rate deposits with institutions with low credit risk ratings. Risks relating to interest rates are managed by budgeting conservatively for investment income. HRP has no finance leases.

HRPE Ltd had a bank overdraft facility for £0.5m until 5th September 2022

Since most income was generated from donations, grants and visitors to the Palaces, most of HRP's income was received as cash.

HRP is exposed to a credit risk of £2.1m trade debtors (2020/21: £0.4m). The risk is not

Notes to the Consolidated Accounts

for the year ended 31 March 2022

considered significant since major customers are known to HRP or are required to pay for services in advance and provisions against bad debts are minimal.

Market risk

HRP is subject to market risk in that the defined benefit pension fund holds investments. Plans are in place to fund the past service deficit, as detailed in Note 12.

HRP is subject to credit and market risk in its investment portfolio (note 15). These risks are mitigated by investing only in investment grade bonds and by using a professional investment manager.

HRP is not subject to any significant foreign currency risk.

28. Post balance sheet events

There have been no significant events after 31 March 2022 that require adjustment to, or disclosure in the financial statements.

The financial statements were approved by the Accounting Officer and Trustees on 5 December 2022 and authorised for issue on the date the Comptroller and Auditor General signed the independent auditor's report.

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Accounts



HISTORIC ROYAL PALACES

Trustees' Report

and

Financial Statements

As at 31 March 2021

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Administrative Details

Trustees

Rupert Gavin (Chairman)
Zeinab Badawi
Baron Houghton of Richmond in the County of North Yorkshire (Lord Houghton)
Sarah Jenkins
Jane Kennedy OBE
Tim Knox FSA
Carole Souter CBE
Sir Michael Stevens KCVO (Deputy Chairman from 20 May 2020)
Robert Swannell CBE
Dr Jo Twist OBE
Sue Wilkinson OBE
Professor Michael Wood OBE

Executive Board

John Barnes (Chief Executive and Accounting Officer)
Nicola Andrews (Palaces Group Director)
Jane Crowther (Human Resources Director)
Gina George (Retail and Catering Director until 3 November 2020)
Sue Hall (Finance Director)
Andrew Jackson (Tower of London Director)
Tom O’Leary (Public Engagement Director)
Adrian Phillips (Palaces and Collections Director)
Dan Wolfe (Communications and Development Director until 3 November 2020.
Commercial Director from 4 November 2020)

Registered Office

Hampton Court Palace
Surrey KT8 9AU

Auditors of the Group

The Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP

Bankers

Barclays Bank plc
1 Churchill Place, Canary Wharf
London E14 5HP

Solicitors

Farrer & Co
66 Lincoln’s Inn Fields
London WC2A 3LH

Historic Royal Palaces

Charity registered with the Charity Commission for England and Wales
Registration number: 1068852

Historic Royal Palaces Enterprises Ltd

Company limited by share capital, registered with Companies House
Registration number: 03418583

Objectives and Activities

The Purpose and Activities of the Organisation

Historic Royal Palaces (HRP) was established in 1998 as a Royal Charter Body with charitable status. It is responsible for the care, conservation and presentation to the public of the unoccupied royal palaces: HM Tower of London, Hampton Court Palace, Kensington Palace State Apartments, the Banqueting House at Whitehall and Kew Palace with the Royal Kitchens, Queen Charlotte's Cottage and the Great Pagoda. These palaces are owned by HM The Queen in right of Crown. HRP is contracted by the Secretary of State for Digital, Culture, Media and Sport to manage the five London palaces on his behalf. The contract is re-authorised until 31 March 2028.

HRP is also contracted by the Secretary of State for Northern Ireland to manage Hillsborough Castle and Gardens in Northern Ireland. The Castle is owned by the Government and is the official residence of HM The Queen.

HRP is a Public Corporation but receives no public funding - all costs are met by self-generated income. HRP is governed by a Board of Trustees, all of whom are non-executive. The Chief Executive is accountable to the Board of Trustees.

Further information can be obtained from www.hrp.org.uk.

The objectives of HRP, as set out in its Royal Charter are, for the benefit of the nation:

- to manage, conserve, renovate, repair, maintain and improve the Palaces to a high standard consistent with their status as buildings of Royal association and historic and/or architectural importance;
- to help everyone to learn about the Palaces, the skills required for their conservation and the wider story of how monarchs and people together have shaped society by providing public access, by exhibition, by events and education programmes, by the preparation of records, by research and by publication and by such other means as are appropriate.

Historic Royal Palaces Enterprises Limited is a company wholly owned by Historic Royal Palaces. It forms the charity's general trading arm, responsible for running the commercial activities such as retail, functions, sponsorship and other events at HRP. It gift aids its taxable profits to the Charity.

Our Cause

We stir every spirit to inspire and provoke change.

Our work is guided by five principles:

- a) **Open** - We believe everyone's in. We create space for people to take part in places and ways they couldn't or didn't think to before.

- b) **Colourful** - We lift everything beyond the ordinary into the wonderful, sharing our love of the palaces, our expertise and personality with everyone.
- c) **Provocative** - We embrace perspectives as diverse as the world itself, challenge preconceptions, set minds racing, and invite others to share their own opinions and stories.
- d) **Personal** - We warmly welcome everyone as individuals, whatever they come for and however they meet us. We want every encounter to go above and beyond.
- e) **Always Evolving** - We innovate and experiment, responding to the everchanging world with fresh thinking and the courage to try new things.

Four major strategic aims to face the challenges of the future

In setting HRP's aims and planning our activities, the Trustees have had regard to the Charity Commission's guidance on public benefit.

i) Palaces – Give the palaces a future as bright as their past

We are guardians of six of the nation's most important historic sites.

One is a World Heritage Site (the Tower of London) and another is situated within a World Heritage Site (Royal Botanic Gardens, Kew); four are Scheduled Ancient Monuments; within these sites are many individual grade 1 listed buildings.

Conserving our palaces is a Royal Charter objective and a continuous strategic priority. Through consistent year-on-year investment, we improve the condition, presentation, curation and records of the palaces. Our planned building conservation programme is supplemented by improvements that we make through our major development projects.

ii) Experiences – Create unique and memorable experiences, onsite, offsite and online

Helping everyone to learn about the Palaces, providing access, enjoyment and engagement with the palaces (physically and virtually) is also a Royal Charter objective and a continuous strategic priority. Most of our overall investment goes into this area through operations, programming, investment in the visitor offer and, increasingly, in reaching beyond the palaces with their stories.

iii) Culture - Nurture a culture that unites us behind our cause

Creating an environment where all staff are performing to a high standard, are engaged and consistently demonstrate the Performance Framework qualities is central to this Aim. Payroll costs are still the largest single expenditure element of our budget and our staff are the means by which we will succeed.

iv) Money - Generate the money to rebuild our charity

Our reserves have been significantly depleted due to the impact of closures required by the Government in response to the pandemic, and the charity has had to take on Government-backed debt to ensure its viability. The first step in our recovery will be to reach operating breakeven, then to rebuild to pre-pandemic levels of income and create surpluses once again. This Strategic Aim will require rigour about costs, and creativity to generate income. This is the objective shared by everyone in HRP – staff and trustees alike.

Achievements and Performance

The last twelve months have been the most challenging that Historic Royal Palaces has faced since its creation as a charitable body in 1998. COVID-19 put almost all plans on hold as the palaces remained closed with no trading for much of the year, resulting in the postponement of several large-scale exhibitions. Events much-loved by the public were affected due to Government restrictions put in place.

Lack of funds through repeated closures throughout 2020-21 and the damaging reduction in international visitors for the foreseeable future meant HRP was left with no choice but to take drastic actions to ensure survival. Our cash balances were used to fund immediate losses, and the Government's CJRS (Coronavirus Job Retention Scheme) was utilised with the majority of Historic Royal Palaces' staff furloughed during this time.

We began the financial year 2020/21 with £28.6m in free reserves and restricted funds (excluding donated assets). However, as our opportunity to earn income from regular trading activities diminished, income for the year dropped to £12.1m, a reduction of 89% against budget. This necessitated urgent action to reduce the size of the charity, resulting in 284 staff redundancies and to put a stop to all but essential expenditure. As a result, total expenditure reduced to £53.6m, 47% down on the previous year. Much-needed financial support came from CJRS funding of £14.2m and other emergency grants, including from the Culture Recovery Fund (CRF), of £6.3m.

Overall, after these actions, our operating losses were £20.9m and our total deficit for the year was £20m - after taking into account net gains on investments and on the defined benefit pension plan actuarial valuation. We were left with £8.1m in free reserves and restricted funds (excluding donated assets).

The extended closures put extraordinary pressure on our liquidity, with cash balances reduced to £4.0m by the beginning of March. Thankfully later in that month, we were supported by a £40m repayable finance loan from the CRF to stabilise our finances and ensure our continued viability. This was added to our cash balances to fund our anticipated losses for 21/22 and into 22/23 as well.

The term of the CRF loan was that it had to be drawn down in one complete transaction, it is for 14 years and repayments will begin in 2025. Interest is accrued at 2% from the date of drawdown. HRP aims to reach operating break-even during 2022-23, with eventual recovery by 2025, although there remain external risks associated with the Covid-19 pandemic which create uncertainty about these dates and the speed of recovery.

Performance Overview

Our three-year Operating Plan was adapted to reflect the impact of 2020-21, however the performance targets to measure our success in achieving our objectives remain. We monitor visit numbers, visitor satisfaction and operating surplus.

Trustees' Report

Measure	Target 2020/21	Performance
Visit Numbers	Achieve at least 591k (*) visits across all sites	334k
Visitor Satisfaction	Achieve the following scores, as measured through the ALVA benchmarking (new scale: 1 to 10): Enjoyment – 8.3 Value for Money – 8.0 Staff Friendliness & Welcome – 8.8	8.7 8.4 9.2
Operating Surplus (**)	Keep the operating deficit to no more than (£24.8m)	(£17.1m) deficit

(*) based on sustained reopening from summer 2020, onwards

(**) this is an internal measure aligned with HRP's management accounts.

Within each of the strategic aims are various three-year priorities to drive value and ensure we deliver our aims, which have been adapted to reflect the effects of COVID-19 on HRP:

Palaces

1. Adopt new approaches to maintaining and conserving our palaces and collections
2. Focus our research outputs on overlooked history
3. Accelerate our environmental sustainability actions, and progress towards net zero greenhouse gas emissions by 2050

Experiences

1. Deliver special moments and new approaches to public programming at scale, that drive recovery
2. Introduce diverse narratives and perspectives into our public content
3. Develop a digital engagement programme and deliver greater reach online and offsite
4. Deliver seamless visitor journeys

Culture

1. Embed the Performance Framework behaviours to align staff with our new operating challenges and ways of working
2. Secure the benefits from the restructure
3. Become a more diverse and inclusive organisation
4. Involve staff in the conversations about HRP through new forums and mechanisms
5. Roll out the external expression of the cause and the new visual identity

Money

1. Use the Culture Recovery Fund loan to manage losses and make targeted investments until breakeven in 2022
2. Optimise the income generated by each Palace
3. Develop offsite and online commercial opportunities to become a major new source of income
4. Increase fundraising revenue by implementing a new development strategy
5. Develop a technology programme and deliver our next technology needs

Performance Analysis

During 2020/21 we have been focused on sustaining the organisation and performance has largely been measured against our emergency budgets. There has been little activity whilst the palaces were closed.

We have designed a series of reports and charts that will show our progress to breakeven and against our deficit. These will be shared across the organisation to enable all staff to track and play their part in our recovery.

We have agreed three key objectives for 2021/22, which are shared by all staff across HRP. These are:

- 1) Deliver our cause to stir every spirit
- 2) Achieve break-even during 22/23
- 3) Change our ways of working and behaviours to be:
 - Prudent and realistic with our resources and finances
 - Creative and innovative with what we do have
 - Agile and flexible when constantly changing circumstances require it
 - Embrace fresh perspectives and create a culture where everyone feels welcomed and accepted

Departmental data and performance monitoring continue within flash reports, performance reviews, management accounts and KPIs.

1. Palaces - Give the palaces a future as bright as their past

All but essential conservation projects ceased in year, however a welcome grant from the Heritage Stimulus meant a number of conservation works could begin/resume.

Chimney restoration began at Hampton Court Palace following high winds that rendered these unsafe.

Conservation work began on the Tijou screens at Hampton Court Palace, and work was carried out on the Wakefield Tower Walkway at the Tower of London before the site reopened in summer. Extensive conservation repair works both inside and externally on The Orangery at Kensington Palace stopped during the first lockdown – the grant has enabled essential work to resume and the Grinling Gibbons carvings were reinstalled in February – in Kensington Palace's 300th anniversary year.

The total spend of £16.6m on this aim in 2020/21 Statement of Financial Activities (SOFA) represents a decrease of 47% from the previous year.

The Tower of London became the oldest UK building to install a Changing Places facility, increasing accessibility and opening up the venue as a potential destination for thousands more visitors. The new facility includes a height-adjustable adult-sized changing bench and wash basin, ceiling hoist, non-slip floor and peninsular toilet with drop-down handles.

2020 marked the 500th anniversary of the Tower of London's Chapel Royal of St Peter ad Vincula. 500 years after its dedication and in the care of resident Chaplain the Reverend Canon Roger Hall MBE, the Chapel continues its role as the spiritual heart of the Tower of London: a lasting legacy of 1,200 years of Christian worship in the City of London.

2. Experiences - Create unique and memorable experiences, onsite, offsite and online

Almost all planned onsite experiences were postponed, including exhibitions such as Court to Couture (from 2021 to 2023) and Life Through a Royal Lens (from 2020 to 2022) at Kensington Palace, and Gold and Glory (from 2020 to 2021) at Hampton Court Palace. The RHS Hampton, our Palace Garden Festival, was cancelled in 2020, as was the Hampton Court Palace Music Festival. The Hampton Court Palace Ice Rink opened as planned in November 2020 and proved more popular than ever, however was forced to close after a short period of time due to a tier change as COVID-19 cases began to increase in the local area.

As reopening began following each lockdown, an impressive outdoor offering was developed at Hampton Court Palace and Hillsborough Castle & Gardens, proving popular with local visitors. Christmas trails took place at both sites until coronavirus restrictions resulted in early closures.

In late 2019, HRP acquired the midnight blue velvet gown worn by Princess Diana at the White House in 1985 when famously she danced with John Travolta. Kensington Palace reopened in July 2020 with this famous piece of fashion history on display, generating much public interest. In addition to the White House dinner hosted by President Reagan, the dress was worn by the Princess for official visits to Austria in 1986 and Germany in 1987, to attend the London premiere of the film Wall Street in 1988, and to sit for an official portrait by the artist Israel Zohar.

Despite restrictions, a number of live programming events were able to take place by adapting to the current climate. The Historic Kitchens team modified their offering to undertake cooking demonstrations outdoors in the warmer weather, and a Tudor Summer School featured at Hampton Court Palace with three performances taking place outdoors each day during August, taking children through a whistle-stop journey of Tudor history.

Colleagues at the Tower of London and Curators at Historic Royal Palaces excelled in their social media offerings during the periods of closure. In April, Joint Chief Curator Lucy Worsley participated in several live Q&A sessions through Facebook, giving members of the public the opportunity to ask those burning history questions. In May, Yeoman Warder Scott Kelly conducted a virtual tour of the Tower, creating HRP's most successful Facebook event ever with more than 10,000 views. Lucy, with assistance from other Curators and colleagues and hosted by Historic Royal Palaces, also conducted regular live history talks throughout 2020-21, with between 2,000 and 3,000 friends and supporters online for these presentations.

Leading digital education platform FutureLearn compiled a list of top 10 courses for 2020 and awarded the number one spot to Historic Royal Palaces, in partnership with University of Glasgow, for our 'A History of Royal Fashion' course (MOOC). The five-week course provides an insight into the wardrobes of British kings and queens spanning five royal dynasties and has so far received 592 reviews with an audience rating of 4.9 out of 5 stars and more than 55,000 learners enrolled. Due to its success, this course has run five times already since its launch.

The interiors of the palaces were closed during Black History Month in October, but HRP's social media offering was extensive with website articles from Luke Pepera (writer, broadcaster, historian and anthropologist) on the story of an African king and a European king during the 16th century, and Michael Ohajuru (art historian), on the Black presence at the Tudor court. An interview with Zeinab Badawi (journalist and

Trustees' Report

HRP Trustee) featured on HRP's Twitter, discussing uncovering obscured Black British history. HRP's website also included a podcast with Miranda Kaufmann (historian) and Michael Ohajuru discussing Black Tudors in England during the 16th century. October also included the launch of a page within HRP's website on John Blanke, a black musician at the Tudor court.

HRP's television presence continued during 2020-21, with series 3 of 'Inside the Tower' airing on Channel 5 in October and November. Filmed during the pandemic when the Tower of London was closed, this series focused on the work of the Yeoman Body and the daily tasks and ceremonies undertaken to maintain the Tower's culture and history. This provided viewers with the opportunity to enjoy the site when it wasn't possible to do so in person, and generated interest for those who haven't yet visited or wish to return upon reopening – much needed as HRP's interim focus will be domestic visitors. The series also captured the moment visitors returned in the Summer following the UK's first lockdown.

Channel 5 also aired a one-off 'Christmas at Hampton Court' special, with Joint Chief Curator Tracy Borman exploring royal Christmas gifts of the past and how Hampton Court Palace still celebrates today. 1.7million viewers tuned in to enjoy this festive programme featuring a number of HRP colleagues and outlining the extensive work involved in preparing the palace for the Christmas displays enjoyed by so many visitors each year.

Lucy Worsley took BBC Four viewers behind closed doors at Kensington Palace, the Tower of London and Hampton Court Palace to share how each building has shaped a monarchy and a nation, uncovering the dramatic events that changed the course of British history. 'Royal Secret Palaces' aired in January 2021 and is regularly repeated on BBC Four, and is also streaming on iTunes and Amazon through PBS Living.

The total spend of £26.2m on this aim in 2020/21 Statement of Financial Activities (SOFA) represents a decrease of 39% from the previous year.

3. Culture - Nurture a culture that's united behind our cause

As a result of the losses, changes to allowances and working practises in response to the pandemic, HRP needed to restructure and adapt to being a smaller organisation. The Retail & Catering and Communications & Development departments merged to become a Commercial department, and many areas, both front of house and support staff, were streamlined as HRP adapted to the impact of the pandemic. This has been a challenging and emotional year for all staff within HRP, and it will take some time to adjust to new ways of working as colleagues slowly return from furlough.

To support our new Cause, we launched a new Performance Framework guiding our staff through the behaviours/performance required to 'live the Cause'.

4. Money - Generate the money to grow our impact

Fundraising

Fundraising performed strongly during the year. We are grateful to members, patrons, donors and corporate supporters who continued or increased their support for our Cause, and to those individuals and trusts that responded to our appeals.

Trustees' Report

Major grants to support ongoing care of the palaces and reopening costs were received from the National Lottery Fund Heritage Emergency programme for Kensington Palace and Hillsborough Castle and Gardens, and the from the Heritage Recovery Fund Northern Ireland for Hillsborough.

The Clore Duffield Foundation generously awarded a grant of £200k to support the costs of making our Clore Learning Centres at Hampton Court, Kensington and Hillsborough COVID Safe and creating new digital resources for teachers and students. A grant of £3million from the Heritage Stimulus Fund enabled the restarting of delayed works across our estate. This was most crucial at the Kensington Palace Orangery, and the grant ensured works were complete in time for us to install a new exhibition, opening in May.

In December, we were awarded repayable finance of £40million from the Culture Recovery Fund, administered by Arts Council England. This loan is crucial to our ongoing survival and provides confidence about our ability to operate successfully next year.

During the lockdowns, online fundraising events took the stories and drama of the palaces to our international audiences and raised new funds for the charity.

Co-Chief Curator Lucy Worsley hosted a series of online talks with expert colleagues and outside experts on topics ranging from prisoners in the Tower to Royal fashion. In December, we were pleased to collaborate with HM Chapels Royal at the Tower and Hampton Court to produce a digital Nine Lessons and Carols, with donations split between the three causes. This reached more than 29,000 people over the Christmas period.

Retail

December 2020 saw the best ever Christmas for the eCommerce team, with performance up 36% on the year before.

A new product was also developed and launched: a Hillsborough Castle Edition Shortcross Gin, featuring rose petals from the Queen's Granville Rose Garden and apples and pears from the Walled Garden at Hillsborough Castle. The launch was a success and the product sold out within just a few weeks.

Functions and Events

The Functions and Events area of Historic Royal Palaces was drastically affected by the pandemic, resulting in many weddings and events being cancelled or postponed. Socially distanced weddings did take place during the summer, and many bookings have rescheduled for 2021-22.

The first ever entirely virtual event for a corporate client took place in January – a trend that may continue.

Financial Review

Funds and reserves

The Trustees recognise the need to establish a level of free reserves that enables financial stability, is adequate to meet the requirements of working capital and acts as a cushion against fluctuations in income levels. Reserves enable HRP to make long-term commitments to projects. In determining a realistic level of reserves, several key factors are considered including the level of risk associated with the main income and expenditure streams, the adequacy of the controls in place to mitigate those risks and other contingencies available to call on in emergencies. This is balanced by the general legal duty that Trustees are under to apply income funds on the objects of the charity within a reasonable period of receiving them. In the past, designated funds were created to protect long-term commitments to major projects.

Prior to the pandemic, we had built designated funds of £22.4m for this purpose but, due to the sudden and devastating impact of COVID-19, Trustees agreed at the end of 2019/20 to transfer all designated funds to free reserves to meet operating commitments during 2020/21. As uncertainties remain over the coming months, the same approach has been adopted for 2021/22.

At the beginning of 2020/21, we had £27.4m total free reserves available, but after an unprecedented year, the Group was left with only £5.2m in general free reserves.

	Funds as at 31 March 2021 £000	Funds as at 1 April 2020 £000
General (Free) reserves	5,163	27,405
Designated funds	-	-
Fixed assets	29,116	28,448
Pension plan	<u>(829)</u>	<u>(686)</u>
<u>Unrestricted funds</u>	33,450	55,167
<u>Restricted funds</u>	<u>7,417</u>	<u>5,667</u>
Total funds	40,867	60,834

Restricted funds (£7.4m)

These are funds subject to specific restrictions imposed by donors that are still within the wider objects of the charity.

Unrestricted funds (£33.5)

These are funds that are expendable at the discretion of the Trustees in furtherance of the charity's objects. They are made up of:

- **Free reserves (£5.2m)**
£22.2m was used in year to sustain the group whilst COVID-19 unfolded and to support its recovery. We normally designate funds from our general funds

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towards our 'big moments' and major projects. In the short-term, these funds will continue to be allocated to meeting the day to day operations of HRP.

- **Fixed asset fund (£29.1m)**

A permanent designated fund is matched to fixed assets, as this cannot be quickly utilised to realise cash in the event this is required. The part of the general fund represented by fixed assets is therefore excluded from free reserves, as generally a charity could not dispose of all or the majority of these assets and continue its operations as a going concern.

- **Pension plan (£0.8m deficit)**

This liability does not result in any immediate requirement to pay this amount to the pension scheme, and ongoing cash contributions into the scheme are met through budgeted income, so there is no requirement to ring fence an amount equal to the full deficit from other reserves to cover this liability.

The pension liability recorded in the Consolidated and Charity Balance Sheet is calculated annually for accounting purposes under FRS102. As at 31 March 2021, it is £0.8m (March 2019: £0.7m). Details of the retirement benefit scheme are disclosed in the Notes to the accounts.

The defined benefit pension scheme is also valued for funding purposes by an actuary in a more detailed assessment, every three years. The last triennial valuation was done as at 31 March 2018 and showed a deficit of £1,903k. An updated triennial valuation is underway and will be available in Autumn 2021.

HRP, as employer, agreed with the trustees of the scheme that it will pay, from 1 April 2019, annual contributions of £31k over a period of three years and one month, increasing at 3% per annum. The additional contributions were agreed in the expectation that the funding deficit would be eliminated by April 2022 through return on existing assets and new contributions.

The scheme was closed to future accrual on 31 March 2019. HRP will continue to meet the expenses of the scheme and levies to the Pension Protection Fund.

The Statement Of Financial Activities

The Covid-19 pandemic has had a significant impact on our activity and performance in 2020/21. Total visits to our palaces were 334k, a 93% reduction from 2019/20, all driven by extensive closures of palaces, gardens, shops, and functions spaces during the three national lockdowns and social distancing measures reducing our ability to open at full capacity.

The most significant declines to our income were visitor-facing activities, admissions to our sites (-94%), shop sales (-88%), functions & events (-96%) and catering concessions (-97%), but this also impacted income from other sources such as licences, rents and investments.

Income losses were partially offset by external support from Government, with £14.2m from the CJRS grant and £5.3m in various grants from other Governmental bodies. As a result, overall turnover shrunk by £69.1m (-68%) down to £32.7m.

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Cost reduction measures helped reduced total expenditure by £48.0m year-on-year (-47%). These included immediate actions to control costs across the estate, halting projects and discretionary spend. As the largest expenditure area for the group is payroll, we also offered a voluntary redundancy programme in the summer followed by a compulsory programme at a cost of £5.2m, once we had redesigned the organisation to reflect the changes in our activities going forward.

Despite the significant cost saving measures put in place, the loss of 89% of our traditional income compared to budget resulted in a net deficit of £20.0m for the year.

The Balance Sheet

Overall total funds over the year have decreased by £20m.

Fixed assets reduced by £5m to £42m, primarily driven by disinvestments in financial assets. Several tranches of the multi-asset portfolios were sold in-year and bonds from the portfolio were released at maturity to support HRP throughout the pandemic.

The £40m increase in long-term creditors is explained by the receipt of the £40m repayable loan from the Culture Recovery Fund in early March 2021. Whilst interest accrues from receipt of the loan, repayment of the capital and associated accrued interest will need to be completed within 10 years from March 2025.

Net current assets increased by £24m year on year. This was primarily fuelled by the cash injection from the loan and a reduction in creditor balances from lower activity.

The Group's cash flows were atypical in 2020/21 as they did not follow the traditional pattern of strong cash inflows in the spring and summer months and greater outflows in the winter (when this cash is directed to conservation projects).

Instead the organisation experienced continuous monthly net operating cash outflow with peak cash deficit in lockdown periods and when redundancy payments were paid.

Finance & Investment policy

The Trustees continued to adhere to the investment policy over the period. However, COVID-19 and subsequent palaces' closures have severely impacted HRP's cashflows. Consequently, the sale of investments became necessary over the year. The receipt of the CRF loan in March 2021, in a global context still uncertain, resulted in a re-balancing of investments (term and risk).

In 2020/21, the Finance & Investment Committee agreed to release bonds as they mature and no longer invest in new bonds. The bond portfolio investment returned +3.75% against -0.28% in 2019/20 (restated for error found in prior year calculation), which is higher than its benchmark return. Since inception in January 2014, the portfolio has returned an annualised +1.68% (+1.34% in 2019/20), lower than its benchmark of +1.82%.

Despite the COVID-19 crisis, financial markets bounced back quickly following its collapse in the first half of 2020. The multi-asset portfolios performed well in comparison to the market and their respective benchmarks, with a combined annualised return of 1.74% interest/dividend income return (1.67% restated in 2019/20) and a combined revaluation of 21.65% at 31 March 2021 (-1.90% as at 31

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March 2020). Nevertheless, to provide liquidity and reduce risk in HRP's overall investments portfolio, it was necessary to disinvest some of the assets over the period. This was done in four tranches over a phased period to spread risk.

HRP's investment policy is currently as follows:

Investment objectives

- Capital preservation is the priority.
- In order to balance immediate cash requirements, medium-term future capital and commercial investment plans (3-year operating plans), HRP investments need to achieve regular annual income returns and long-term income growth.

Risk mitigation

- Achieve flexibility through the breadth of assets types, maturity dates and institutions contracted with.
- Except for deposits with the Bank of England, no more than 33% of our total cash & investments balance should be with a single counterparty.
- Cash balances should be deposited with institutions with a credit rating of at least equal to the upper tier of the lower medium grade.

Amount invested and time horizon

- Up to £10m may be invested in a fixed income portfolio with an average maturity date of no more than 4 years.
- Investment in global multi asset portfolios is no more than 5% of the total projected cash & investments balance.
- Funds are primarily invested on the money market in the UK on 3 to 24mth fixed term deposits (with the majority in 12 months or less maturity) to allow a balanced spread of maturity in a 2yr horizon to ensure we get maximum return but retaining instant, ready access.

Ethical Investment

- HRP's assets should be invested with regard to its charitable aims and reviewed on a regular basis. The Trustees do not wish to adopt an exclusionary policy but elect to exclude and reject individual investments if they are perceived to conflict with the charity's purpose and values.

Going Concern and Future Plans (see note 1 q)

Like many other organisations since March 2020, HRP faced unprecedented uncertainty about its future due to the unfolding of COVID-19.

Short and long-term measures were taken during the year to face the financial consequences of extended lockdown periods when our palaces were closed and almost no income was generated. The organisation implemented significant reductions in payroll through pay cuts and redundancies. We also welcomed the support provided by trusts & foundations, Government bodies, local authorities and members of the public.

Trustees recognise the ongoing external risks and uncertainty associated with Covid-19, in particular over the impact of further restrictions and the return of foreign visitors.

However, the Board of trustees take comfort in the Government's 're-opening roadmap', the economic outlook & recovery trends and a successful vaccination rollout.

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The various funding streams (grants and £40m CRF repayable finance loan) from Government bodies together with the ongoing generosity of our members and supporters provide another layer of certainty to cement our recovery for the foreseeable future.

The Board of trustees is content to adopt the going concern basis for preparing these financial statements.

For HRPE Ltd, the directors acknowledge that there remains a material uncertainty that may cast significant doubt on that entity's ability to continue as a going concern. Further details are provided in Note 1 (q).

Report of the People (formally Remuneration) Committee

Membership

The Board resolved on 13 January 2021 to rename the Remuneration committee as the People Committee, broadening its remit to include other issues involving HRP's people.

The membership in 2020/21 consisted of four Trustees. General the Lord Houghton of Richmond GCB CBE (Chairman of the Committee), Rupert Gavin, Sue Wilkinson and Tim Knox served on the committee throughout the year.

Policy statement

The remit of the Remuneration Committee (People Committee) is governed by the legal framework of HRP as set out in the Royal Charter. In establishing the level of remuneration for each Director, the Remuneration Committee (People Committee) considers the guidelines laid down by the Combined Code and HM Treasury and has a remuneration policy similar to comparable and competing organisations. This policy aims to ensure that remuneration packages are in line with the general market practice and consistent with recruiting and retaining Directors of the highest calibre.

Members of the Board of Trustees receive no remuneration. However, they are entitled to claim expenses and to make charges if instructed by the Charity to apply their specialist skills or knowledge. Details are set out in Note 6 to the accounts.

Review of activity during the year

The Remuneration Committee (People Committee) only met once in May 2020 due to the Covid pandemic. It was agreed that the Executive Board would only have one common objective: *"To take such measures as will ensure the survival of HRP and put it on a secure footing so that it can continue to meet its charitable obligations."*

Note that the bonus for 2019-20 was not paid even though the organisational and individual targets were met in full. The Committee agreed that under normal circumstances the bonus would have been paid.

No further meetings/actions were carried out by the Remuneration Committee (People Committee) in 2020/2021.

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Details of the emoluments of the Chief Executive are set out in the Notes to the accounts, together with information on the number of employees whose remuneration (excluding pension contributions) exceeds £60,000.

Equal opportunities policies

HRP is committed to a policy of equality of opportunity in all areas of employment, including recruitment, training, performance management and promotion. To encourage diversity in the workplace, formal policies on equal opportunities, disability and harassment have been developed and communicated to all staff.

To support HRP to become a more diverse and inclusive organisation and to create an environment for staff where everyone feels included, valued and respected, a staff listening exercise will be undertaken to:

- Understand the current challenges and barriers to achieving this.
- Develop an action plan to ensure momentum and so that progress can be measured.
- The review will take place between April – August 2021, with the action plan agreed and implemented from September 2021.

Consultation with, and provision of information to, employees

The Trustees and Directors encourage widespread consultation and exchange of information at all levels of the organisation using a range of different communication mechanisms.

A large proportion of our staff have worked from home since March 2020 and have had to adapt to new technology and ways of working. We set up a regular rhythm of internal communication to ensure that staff were aware of what was going on. During 2020-21 we also set up employee representatives and ran a collective consultation as part of our restructuring.

Trade Union relationships

We continue to work in partnership with the Trade Unions and their local representatives. To facilitate information flows and discussion between the organisation and Trade Union representatives, partnership meetings are regularly held.

Exit Packages

A total of 235 people exited via a Voluntary Redundancy scheme at the cost of £5,005,397 and 49 staff exited via Compulsory Redundancy at a cost of £143,801. Outside of the redundancy programme, four other exit packages (£50,487) were agreed during the year to March 2021. The total costs of payments made were £5,199,685.

Rupert Gavin
Chairman of the Board of Trustees
27 October 2021

Hampton Court Palace
Surrey
KT8 9AU

Governance Statement

HRP's response to COVID-19 pandemic

Throughout 2020/21, HRP has responded quickly to Government advice and regulations affecting our sites and staff and has ensured that we take full advantage of the various support measures offered by the Government.

With the palaces and gardens being closed for long stretches of the year, the majority of staff have remained on either full or partial-furlough, enabling HRP to continue receiving much-needed income from the Coronavirus Job Retention Scheme. As restrictions were implemented and lifted multiple times during the year, HRP have aimed to use furlough as effectively as possible, keeping essential staff at work and bringing back further staff as required, to continue delivering upon our aims both on and offsite to the extent that the situation has allowed. Essential staff have been enabled to work from home wherever possible, and processes have been set up to record and control staff access to sites.

Our financial modelling in Spring/Summer 2020 made clear that HRP could not continue at the same size as prior to the pandemic. The Executive, with support from Trustees, created a plan for restructure of the charity's activities and staff which would reflect our expected financial situation while still allowing for future ambitions to be realised. Staff were consulted on this restructure through an Employee Forum programme from September to November 2020. This forum brought together staff representatives from all teams, Union representatives, and the Executive to ensure that opinions were discussed, concerns were heard, and all avenues to improve outcomes for staff were fully explored. The restructure was completed by Spring 2021.

HRP was successful in both of its applications to the Government's Culture Recovery Fund. Our receipt of a £3m grant for conservation projects has enabled us to continue through the year with our vital work in caring for the palaces. The subsequent confirmation of a £40m loan from the Government's Culture Recovery Fund has enabled us to be confident in moving forward in planning for the future with the restructured organisation.

Trustees have continued to meet virtually throughout the pandemic, on a more frequent monthly schedule for much of the year in order to enable timely guidance and decision-making. Trustees also attended regular sub-committees, as well as the various sub-groups formed as a result of the COVID-19 pandemic. In January 2021, Trustees approved a series of amendments to HRP Governance arrangements designed to reflect both industry best practice, and the changing requirements of a smaller, and restructured organisation.

Structure and Governance Framework

HRP's governance reflects its constitution and contractual responsibilities. We are directly accountable to the Charity Commission through the Chairman and Trustees but also accountable to Government through the Chief Executive (as Accounting Officer). The contract with Government includes a management statement and a financial memorandum with which we comply.

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Memoranda of Understanding are in place with key partner bodies, such as the Royal Household and the Royal Armouries; governing operations in areas of common interest.

HRP complies with aspects of the UK Corporate Governance Code that are relevant to us as a Public Corporation and a Charity. The Charity's governance is broadly aligned with the Charity Governance Code endorsed by the Charity Commission. HRP is also subject to the Freedom of Information Act and Environmental Information Regulations.

Details of the Trustees are given on the Administrative Details section. The Board consists of a Chairman and eleven Trustees, chosen for their skills and experience. All are non-executive and unpaid.

The Chairman is appointed by HM The Queen on the advice of the Secretary of State. Four Trustees are appointed by HM The Queen, of whom three are ex-officio appointments: the Director of the Royal Collection; the Keeper of the Privy Purse and the Lord Chamberlain (unless he chooses not to take up the appointment, in which case HM The Queen may appoint someone to take his place, as currently). The remaining seven Trustees are appointed by the Secretary of State, two of whom are ex-officio; the Constable of the Tower of London and the Chairman of the Campaign Board.

The appointments are initially for three years. With the exception of ex-officio appointments, Trustees may be appointed for a further two periods of up to three years, subject to review at the end of each period. Third appointments are only made exceptionally.

Trustees are recruited through advertisement, by using existing contacts and by further research. New Trustees are supported through an induction process tailored to their needs and experience. This includes meetings, visits and a substantial amount of written material on their responsibilities, and about the organisation.

The Chief Executive is granted a general delegation to act on behalf of the Trustees, except for matters reserved by the Trustees for decision by themselves. Such matters include approval of strategic plans, annual budgets and major projects, remuneration of the Directors, acceptance of donations over a set amount and variation to governing documents.

The Trustees and Chief Executive (as Accounting Officer) are jointly responsible for maintaining a sound system of internal control that:

- supports the achievement of HRP's Cause and Strategy, whilst;
- safeguarding the public funds and assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned in *Managing Public Money*;
- and ensuring compliance with the Management Statement and Financial Memorandum.

In January 2021, the Board approved a number of changes to HRP governance arrangements to improve board effectiveness and reflect the smaller scale of the organisation. This included reducing the number of Trustees meetings to better reflect industry standards and renaming and expanding remits for some sub-committees to reduce administrative burden on the Executive. The Board also approved an extension to the normal length of Trustee terms, from three years to four years, which will require an

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amendment to HRP's Royal Charter before coming into effect, approval for which will be sought in the coming year.

There are four sub-committees of the Board:

The Audit & Risk Committee formally reports annually to the Board on the adequacy of HRP's arrangements for governance, risk management and internal control. During the year the following Trustees served on the committee: Sir Michael Stevens (Chairman), Carole Souter and Robert Swannell. Ian Starkey is a co-opted member.

Oversight of financial and investment activities is provided by the Investment Committee, (going forward to be called the Finance & Investment Committee), whose remit includes reviewing the balance of risk/return, the impact of external factors, and HRP's use of the long-term borrowing facility. During the year, the committee comprised the following Trustees: Rupert Gavin (Chairman), Sir Michael Stevens and two members of the Executive Board: John Barnes and Sue Hall. William Fall is a co-opted member of the committee.

Remuneration policy for the Chief Executive and Directors of HRP is agreed by the Remuneration Committee, (going forward to be called the People Committee), which in the future will also oversee and advise on issues concerning HRP's human resource. Lord Houghton chaired the committee until the end of the 2020/21 financial year; Sarah Jenkins took over as Chair. Other Trustees who served on the committee during the year were Rupert Gavin, Tim Knox and Sue Wilkinson. The Chief Executive and the HR Director attend by invitation.

The Nominations & Governance Committee reviews and advises on Trustee appointments and succession planning and makes recommendations to the Board to ensure the appropriate balance of competencies, skills, experience and diversity on the Trustee Board. During the year the following Trustees served on the committee: Rupert Gavin (Chairman), Sir Michael Stevens, Lord Houghton and Zeinab Badawi.

The Board agrees the terms of reference for each committee.

The work of the Board is further supported by the Campaign Board, which brings specialist expertise on fundraising to HRP. Robert Swannell chairs this Board as Chairman of the Trustees, Rupert Gavin was invited to attend the Board during the year, joining external Campaign Board members with expertise in this area.

Further Trustee input to HRP's work comes through advisory/working groups, set up as and when required, where Trustees work with members of the Executive Team to advise on particular areas such as major projects. An Inclusivity Working Group was set up in January 2021, to maintain oversight and ensure a sustained development of HRP's actions and ambitions in this area. Other working groups include the Research Strategy Board, and the Technology & Digital Working Group.

The Trustees' and Directors' register of interests and their biographical details are available for inspection on application to the Head of Governance, Risk & Assurance Apartment 39, Hampton Court Palace, Surrey KT8 9AU. Day to day management of HRP is carried out by an Executive Board. The Executive Board is Chaired by the Chief Executive and comprises Directors of Palaces & Collections, Finance, Palaces Group, Tower, Commercial, Public Engagement and HR.

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Governance Effectiveness

The effectiveness of the Board of Trustees and its Committees is usually reviewed by the Chairman in consultation with Trustees each year, with periodic external reviews. The Chairman undertook a Board effectiveness review in Spring 2021, the results of which fed into the changes in governance arrangements which took effect at the start of the 21/22 financial year.

The most recent external review of Board effectiveness was undertaken in 2018. This concluded that the governance of HRP is sound, with a high degree of unanimity and positivity within the Trustees and the Executive Board about the Board's performance. As with internal reviews of Board performance, the report and findings were discussed by the Board, and actions agreed.

Attendance at Board and Committee meetings is monitored and discussed with each Trustee as part of each Board Effectiveness Review. Attendance at the full Trustee Board meetings over the year was 94% (19/20: 87%), Audit & Risk Committee 100% (19/20: 92%), Investment Committee 100% (19/20: 100%), Remuneration Committee 100% (2020: 92%) and Nominations & Governance Committee 100% (19/20: 88%).

The attendance record of individual Trustees is summarised in the table below:

	Board	Audit & Risk Committee	Finance & Investment Committee	Remuneration Committee	Nominations & Governance Committee
Rupert Gavin	9/9		3/3	1/1	2/2
Zeinab Badawi	9/9				2/2
General Sir Nicholas Houghton	8/9			1/1	2/2
Sarah Jenkins	7/9				
Jane Kennedy	9/9				
Tim Knox	9/9			1/1	
Carole Souter	9/9	5/5			
Sir Michael Stevens	9/9	5/5	3/3		2/2
Robert Swannell	9/9	5/5			
Jo Twist	8/9				
Sue Wilkinson	8/9			1/1	
Michael Wood	7/9				

William Fall (note 1)			3/3		
Ian Starkey (note 2)		5/5			

Note 1: William Fall is a co-opted member of the Finance & Investment Committee

Note 2: Ian Starkey a co-opted member of the Audit & Risk Committee.

Highlights of Board Committee Reports

The Trustee Board historically meet seven times a year. This year, the Board met nine times, including regular meetings throughout the summer due to the need for timely guidance and decision-making at this time.

Minutes of Trustees meetings are published on our website once approved by the Board.

At the start of each annual strategic planning process, Trustees hold a separate meeting, attended by the Executive Board, to discuss strategy and to inform the planning process. This meeting is not formally minuted and therefore the output is not published.

The financial performance of the organisation is reviewed at each Trustee meeting through summary management information that reports key aspects of financial performance and key non-financial organisational performance indicators. Updates on major projects are also provided at each meeting.

The work of committees of the Board is reviewed by Trustees through either circulation of the minutes or a verbal report from each committee.

The scheme for delegating authority reserves a number of matters for decision by Trustees. These matters are considered at Board meetings and include approval of expenditure above a certain limit. Variations to budgeted approved expenditure of more than the lower of 10% or £750,000 on any project are also referred to the Board for further approval. The threshold for approval of projects and contracts at the Board is £750,000 excluding VAT, although projects that may be perceived as novel or contentious below this limit, and anything out of line with the agreed budget, will still be brought to Trustees' attention.

During the year, the Board monitored and considered the progress of the organisation through strategic updates on the palaces (including conservation progress and major projects), experiences (including reopening the palaces to visitors when permitted, and future Public Engagement plans), culture (including the restructuring process) and money (including fundraising and applications to the government's Culture Recovery Fund). The Board also reviewed HRP's governance arrangements and approved various amendments.

Audit & Risk Committee agendas are similarly structured, considering matters of risk management, the external audit and internal audit plans and progress. Progress with all major projects is reported at each meeting using red/amber/green indicators to highlight the status of each project. The committee met five times in the year to end of March 2021.

The Finance and Investment Committee met three times in the year. The committee reviewed HRP's current and projected cash balances, the allocation between asset types and term deposits, the spread of counterparties, the rates of return and the retention levels for instant access. As a result of the financial pressures brought about by COVID-19 pandemic, the committee also discussed how best to deploy existing reserves, and how to utilise potential borrowing facilities including the government's Culture Recovery Fund.

The Nominations and Governance committee provides guidance on Trustee appointment requirements, and other governance arrangements. This year the committee met twice -

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once to consider an upcoming Trustee vacancy (due in May 2021), and once to consider amendments to HRP governance arrangements put forward by the Chairman. The Remuneration Committee met once during the year, to discuss staff and Executive Board bonus arrangements for the previous financial year, and to set bonus targets for the following year. It was agreed that no bonus for the 19/20 financial year would be paid. No bonuses have been approved for 20/21.

Risk Management Statement

The Trustees of HRP have considered the major risks to which HRP is exposed and satisfied themselves that systems or procedures are established to manage those risks.

The responsibility for the management and control of HRP rests with the Board of Trustees and therefore they are involved in the key aspects of risk management, particularly in setting the parameters of the process and reviewing and considering the results. The Trustees do not undertake each aspect of the process themselves; they delegate elements of the risk management process to staff and professional advisers. The Trustees review and consider the key aspects of the process and results. The level of involvement is such that the Trustees can make this risk management statement with reasonable confidence.

The Audit & Risk Committee (ARC) is a sub-committee of the Board. The purpose of the Committee is to support the Board and the Chief Executive Officer (CEO)/ Accounting Officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, control, and the integrity of the financial statements and annual report.

The ARC is responsible for reviewing management's mechanisms for the assessment and management of risk, the planned activity of external and internal audit and the results of their work, the adequacy of management's responses to issues identified by audit activity and the adequacy of assurances relating to corporate governance. In line with best practice, the Committee publishes an annual report on its work for the Board.

Strategic leadership of the risk management process comes from the Executive Board, and the Trustees and CEO/ Accounting Officer oversee the process. The CEO reports annually to the Board on the effectiveness of the internal control system established to ensure that the aims, objectives and key performance targets of HRP are achieved in the most economic and effective manner. Directors, managers and staff are responsible for identifying, assessing and managing the corporate and operational risks in their areas. The Audit & Risk Department is responsible for providing advice and assurance on the adequacy and effectiveness of HRP's risk management process. Resources in the team were much reduced in 2020/21.

HRP's system of governance, risk and control (GRC) is based on the three lines of defence model as per HM Treasury and Institute of Internal Auditor's guidance. There is an escalation process to ensure key and emerging risks are reviewed at the correct level as they arise.

- Risk and control monitoring at the first line of defence (front line operations) occurs throughout HRP and is recorded via risk registers and detailed management

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information. The project management framework and project governance structure include detailed guidance to ensure that risk is a fundamental part of each project from start to finish.

- The second line of defence is formed of a corporate risk register which is reviewed at least quarterly by the Executive Board and ARC, and annually by the Board of Trustees. The Executive Board approves HRP's risk management policy.

The Executive Board is responsible for communicating it to staff; maintains the risk registers, monitors change in the corporate risk profile and reports significant changes to the Trustees (ongoing). The Executive Board assesses risks and opportunities annually as part of the Operating Plan process (looking forward).

- Internal Audit provides independent assurance to the Executive Board and the Board of Trustees. Internal Audit takes a risk-based approach to audits therefore providing a reasonable rather than absolute level of assurance and operates in compliance with Public Sector Internal Audit Standards as far as practical for this small department. The Head of Governance, Risk & Assurance provides an annual report to the CEO, the ARC and the Board. Her opinion for the year to March 2021 is that of 'moderate assurance'. In her opinion, the framework of governance, risk management and control is generally adequate and effective, but some improvements are required to enhance this.
- Internal Audit work in 2020/21 included reviews of:

Financial Controls: The removal of procurement cards, and authorisation of spending being limited to the Executive Board meant that financial controls were far stronger in 2020. The rolling audit plan to review aspects of their controls was deemed not appropriate considering the extraordinary additional work taken on by the Finance Directorate in response to the pandemic.

Leavers Process: With many leavers, a process was implemented and reviewed to minimise the risk of loss of property and knowledge.

Vetting Review: With the changes in staffing, and changes in the Governments Security Framework, vetting was identified as an area for review. Several recommendations were made, including a review of the vetting levels of all roles, which is being undertaken by the Chief Security Officer. It also identified the need for a clear, published policy on vetting, including the basis for the processing of sensitive personal data.

- Other assurance reports are reviewed by Trustees and Directors for key risk areas, and have been reviewed by the Head of Governance, Risk and Assurance:
 - annual people report;
 - annual reviews of key stakeholders/ partnerships and third parties;
 - annual fraud risk profile - updated by Directors and reviewed by the ARC. Reported levels of dishonest behaviour within HRP have been consistently low and a good system of internal control is in place. A confidential email address (concerns@hrp.org.uk) goes direct to the Whistleblowing Officer mailboxes. No alerts were received in the current year;

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- regular reports on security, fire, health, safety, environment, and sustainability risks, emergency planning, and the implementation of related policies and procedures to the Executive Board and annual reports and opinions are provided to the ARC by the Advisors for these areas, with an executive summary reported to the Board of Trustees;
- major projects report summarising project specific risks, along with the likely impact and mitigating actions; reviewed by Directors monthly and ARC quarterly.

The combined approaches provide assurance that the operational levels of HRP are run following sound GRC methods and where issues are identified, they are acted upon. The system of internal control is designed to manage risk to an appropriate level rather than to eliminate all risk of failure to achieve HRP's cause and strategy.

HRP's risk appetite is a balance between managing risk, enhancing innovation and creativity, whilst carefully weighing up risks with all rewards and our charitable objectives. HRP considers risk and its management in a structured way to ensure that the identification, assessment and management of risk is linked to the achievement of HRP's objectives and that all areas of risk are covered - for example, financial, governance, operational and reputational. The corporate risk register at HRP focuses on high impact and/ or likelihood risks aligned with our strategy. Major risks are those risks that have a major impact and a probable or highly probable likelihood of occurring and would have a major impact across any area of HRP.

Since February 2020, the focus of the organisation has been upon safe operation within a pandemic and surviving through a time of extended closure. The Executive Board, Audit & Risk Committee, and Board of Trustees have been kept abreast of the alterations to the framework of governance, risk management and control throughout this process. Some of the key achievements in providing assurance in our Covid-Safe operations are;

- HRP successfully kept up to date and implemented all legislation (and its changes) relating to COVID-19 in England and Northern Ireland. Due to the robust control measures in place, any incidents or near misses reported have been swiftly responded to, and as a result we have had no outbreaks at any of our sites.
- Work on achieving and maintaining a Covid-19 Secure accreditation was carried out throughout the year. This was made more challenging by the regular changes in regulations and guidelines, however it was secured. No complaints were received through the H&S Hotline implemented for staff and visitors. The Internal Audit and Operations teams successfully worked together to understand the standards and determine how to audit against them. Repeated assurance visits by the team highlighted no issues.
- HRP successfully implemented a series of emergency control measures to maintain provision and coverage of critical fire systems and maintained a resilient incident response throughout the pandemic. The reduced levels of operation at our sites was reflected in a commensurate reduction in risk activities.
- To facilitate re-opening the palaces in the summer, the Fire and Emergency Planning Adviser reviewed the COVID-19 secure capacities of the visitor routes, then reassessed staffing requirements to allow for a reduced complement, while ensuring adequate invigilation. The Health & Safety Team have worked closely

Trustees' Report

with operations teams to review new operating procedures, and to assist with staff training and reassurance.

- A 'lockdown' contingency plan was produced to ensure control room cover, that alarm systems were monitored, that patrols of the palaces took place, and that Duty Manager cover was maintained throughout. This plan was successfully implemented.
- Monthly on-site training for Salvage Teams was suspended to avoid cross-team contamination. Virtual training sessions have taken place with great success. Weekly salvage Team Leader meetings are held to identify areas of concern, with weekly on-site checks by conservators. Monitoring detected 8 incidents of significant water ingress requiring response by conservators. There was one out-of-hours salvage incident at HCP when a picture fell in the Communications Gallery outside business hours.
- The exceptional performance of our security teams who remained on the "front line" during the COVID-19 pandemic and discharged their duties without significant incident despite there being high rates of transmission locally. The heightened level of site patrols also enabled HRP to maintain critical controls of all essential non-security services such as building management systems and fabric and collection issues that were at higher risk due to the reduction of on-site personnel.

April 2020 saw the introduction of a new risk register, designed to provide the additional assurance needed during the initial lockdown, and then through a period of instability as we opened and closed sites according to local restrictions.

Rather than only being updated quarterly, the register was available as a live document to all risk owners and was used as a key tool to ensure the increased likelihood and / or impact of certain risks due to palace closure were monitored closely.

Actions required to mitigate the risk were also monitored via this tool, ensuring timely completion.

	April	August	December
Red	4	3 (2 upgraded from Amber; 1 remained Red from April)	3 (1 upgraded from Amber, 2 new risks)
Amber	25	15 (1 new risk, 1 downgraded from Red, 1 upgraded from Green)	15 (8 new risks; 1 upgraded from Green, 3 downgraded from Red)
Green	28	44 (1 new risk, 12 risks downgraded from Amber, 1 downgraded from Red)	30 (7 downgraded from Amber)
Closed Risks	N/A	6	15

Trustees' Report

The risks that are considered the most significant and rated as red at the end of the year are:

Area	Risk	Mitigation
HRP	The charity is unable to recover financially, uses up its borrowing and becomes insolvent, so that it cannot fulfil its responsibilities under its contract with the DCMS, and is no longer a going concern	The forecast for 21/22 is prudent and within our financial affordability with the current CRF Loan. We monitor both cash and I&E against this and have identified further measures we could take to reduce costs if income falls.
Money	HRP is unable to generate sufficient income to invest in its strategic priorities due to a lack of visitors/F&E	Forecasts have been based on essential spend only, are reviewed on a monthly basis and budgets will only be released when there is certainty of income to cover the spend. CRF Loan is in place and monthly monitoring will be undertaken by the Finance and Investment Sub-Committee.
Culture	Failure to rebuild a sense of HRP as one team, resulting in underperformance against our strategic priorities that relate to culture Failure to retain (and in due course, recruit) well-motivated staff of the right quality and experience to drive an improvement in the organisations culture	Reset messages cascaded across HRP supported by common objectives. A new performance management approach is being rolled out with more continuous dialogue and support for employees. New internal communication channels being rolled out e.g. intranet and 'live events' to help engagement. Listening exercise underway to understand the culture and any issues in more detail.

The Board has gained assurance that the data quality of the information it receives is sound through a mix of audit work on data held and challenges of the data presented.

General Data Protection Regulation (GDPR) effective since May 2018 set out clear requirements for management and control of personal data. Over the last financial year, HRP has taken effective measures to demonstrate our ongoing compliance with data protection legislation. In 2020/21, there were no personal data incidents recorded.

Rupert Gavin
Chairman of the Board of Trustees

John Barnes
Chief Executive and Accounting Officer

27 October 2021

Other Reports and Disclosures

Sustainability Report

Sustainability has remained a key strategic priority over the last year; the Sustainability Strategy has been revised and was an important feature of the Annual Operating Budget for the coming year.

A plan to meet the organisations ambition to achieve Net Zero by 2050 is being created and will be implemented in 2021/22. During the period of closure, a Climate Change Risk Assessment was undertaken, covering all sites and activities potentially affected by climate change to the year 2050. This will be further developed in the coming year.

The overall carbon footprint is lower than the year before, reducing from 4,605 tonnes of CO₂e to **1,993** tonnes of CO₂e, primarily driven by extensive sites closure.

Greenhouse Gas Emissions (*)	2020/21	2019	2018	2017
Emissions Scope 1 (tonnes CO₂e)	1,075	2,367	1,981	1,716
Emissions Scope 2 (tonnes CO₂e)	839	1,631	1,932	2,552
Emissions Scope 3 (tonnes CO₂e)	79	608	755	721
Total GHG emissions (tonnes CO₂e)	1,993	4,605	4,668	4,989

(*) From 2020/21 we have moved from calendar to financial year reporting.

The Maintenance and Facilities team have led progress in several areas to reduce water consumption and energy usage; an accommodation strategy will also rationalise offices in use to reduce the number of areas being lit and heated, further reducing consumption.

We continue to work closely with our waste management contractors, and zero waste went to landfill in 2020/21.

By using a wider range of data, we are now able to report our Scope 3 emissions based upon usage of diesel, water consumption, business travel, and how our waste is dealt with.

We have also moved to report on a financial year basis. In the coming years we will further expand our data collation in Scope 3, to ensure more accurate recording of our carbon footprint.

Whistleblowing Disclosure

Whistleblowing policy

HRP is committed to maintaining high ethical standards and takes all concerns seriously. We have a policy in place to support HRP's values/ethics and ensure compliance with the Public Interest Disclosure Act 1998 (PIDA) and subsequent amendments under the Enterprise and Regulatory Reform Bill 2013 and the Bribery Act 2010.

There are a number of different routes suggested for reporting concerns in addition to the direct management and HR routes:

- Internally, individuals can disclose their concerns to appropriate internal specialists, a specific email address managed by the Whistleblowing Officer and the Head of Audit and Risk or directly to the HR Director (The Whistleblowing Officer)

Other Reports and Disclosures

and The Chief Executive, Chairman of the Audit and Risk Committee or the Chairman of Trustees.

- Externally, people can report issues to external bodies such as legal advisers, Minister of the Crown or statutory regulators.
- There were no whistleblowing incidents reported in the year.

Suppliers' payment policy

HRP observes the principles of the CBI Better Payment Practice code. The code requires bills to be paid in accordance with contractual obligations, or where no such conditions exist, within 30 days of the receipt of the goods or services, or the presentation of a valid invoice, whichever is the later. It is the policy of HRP to pay all invoices not in dispute in accordance with contractual terms.

Payments are made fortnightly and include all invoices received in Finance and due for payment by the time of the next payment run.

During 2020/21, 55% of supplier invoices were paid within 30 days of date of invoice (59% in 2019/20) and 59% within 40 days (72% in 2019/20). This payment performance is not adjusted for invoices delayed for payment due to a query with the supplier. It reflects challenging trading performance during the pandemic.

Related parties

Details of material dealings with any related parties are set out in Note 25.

Fundraising Regulator

- We recognise the Fundraising Regulator as our regulator and are not aware of any failure to comply with the scheme.
- We did not engage any professional fundraisers to fundraise from individuals during the year. Two groups of volunteers solicit personal donations on behalf of HRP: our Campaign Board and the Organising Committee for the Statue to Commemorate Diana, Princess of Wales at Kensington Palace.
- The activities of the Campaign Board were monitored through three board meetings during the year. Three Trustees sit on the Campaign Board, which ensures the Trustees have a high degree of awareness of what the Board does and the activities of its individual members. Membership of the Organising Committee for the Statue to Commemorate Diana Princess of Wales includes the Chief Executive of Historic Royal Palaces. The committee meets regularly to discuss its activities.
- HRP entered into a commercial participator arrangement with the travel company Get Your Guide, which offered its customers the opportunity to donate to Historic Royal Palaces when buying admissions tickets through its website.
- We received no complaints about our fundraising practices during the year.
- We avoided practices that risk being unreasonably intrusive or persistent. We did not use professional third-party fundraisers and did not use telephone or direct marketing techniques (post or email), except for advertising in our members magazine, Inside Story. Individuals solicited for gifts were either introduced to the charity by existing supporters or made contact with us in the first instance.

Statement of Responsibilities

The statement of Trustees' responsibilities

Law applicable to incorporated charities in England and Wales requires the Trustees of HRP to prepare (or have prepared) financial statements for each financial year that give a true and fair view of the state of affairs of the Charity and the Group and of their financial activities during the year. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures being disclosed and explained in the financial statements;
- ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to assume that the Charity and the Group will continue in operation.

The Trustees are required to follow the Accounts Direction issued by the Secretary of State for Digital, Culture, Media and Sport, and are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Charity and which enable them to ensure that the financial statements comply with the Charities regulations and relevant Generally Accepted Accounting Practice. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Rupert Gavin, Chairman of the Board of Trustees
27 October 2021

The statement of Accounting Officer's responsibilities

The Accounting Officer for the Department for Digital, Culture, Media and Sport has designated the Chief Executive as the Accounting Officer for the Charity. His responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in *Managing Public Money* published by HM Treasury. He is also required to follow the Accounts Direction issued by the Secretary of State for Digital, Culture, Media and Sport.

The Accounting Officer confirms that so far as he is aware, there is no relevant audit information of which HRP's auditors are unaware and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that HRP's auditors are aware of that information.

The Accounting Officer confirms that the annual report and accounts are fair, balanced and understandable.

John Barnes, Chief Executive and Accounting Officer
27 October 2021

Independent Auditor's Report to the Trustees of Historic Royal Palaces

Opinion on financial statements

I have audited the financial statements of Historic Royal Palaces for the year ended 31 March 2021. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Historic Royal Palaces' affairs as at 31 March 2021 and of net expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities Act 2011 and Secretary of State directions issued under the Royal Charter.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Historic Royal Palaces in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Historic Royal Palaces' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant

Independent Auditor's Report to the Trustees of Historic Royal Palaces

doubt on the Historic Royal Palaces' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. My responsibilities and the responsibilities of the Trustees and Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises information included in the Trustees' report, but does not include the financial statements and my auditor's report thereon. The Trustees and Accounting Officer are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Historic Royal Palaces and its environment obtained in the course of the audit, I have not identified material misstatements in the Trustees' report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Trustees and Accounting Officer

As explained more fully in the Statement of Trustees' Responsibilities and the Statement of Accounting Officer's Responsibilities, the Trustees and the Accounting Officer are responsible for:

Independent Auditor's Report to the Trustees of Historic Royal Palaces

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as Trustees and the Accounting Officer determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the group and the Historic Royal Palaces' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees and the Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Historic Royal Palaces' Head of Governance, Risk and Assurance and those charged with governance, including obtaining and reviewing supporting documentation relating to the Historic Royal Palaces' policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Historic Royal Palaces' controls relating to the Royal Charter, Managing Public Money and the Charities Act 2011
- discussing among the engagement team including significant component audit teams and involving relevant internal and external specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: the posting of unusual journals and the application of the Coronavirus Job Retention Scheme;
- obtaining an understanding of Historic Royal Palaces' framework of authority as well as other legal and regulatory frameworks that the Historic Royal Palaces operate in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Historic Royal Palaces. The key laws and regulations I considered in this context

Independent Auditor's Report to the Trustees of Historic Royal Palaces

included the Royal Charter, Charities Act 2011, Managing Public Money, Employment Law, tax Legislation and the Coronavirus Act 2020.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board of Trustees;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of fraud in the Coronavirus Job Retention Scheme undertaking procedures to test that claims to HM Revenue and Customs were in line with the scheme rules and procedures to test whether employees were working whilst claiming under the scheme.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London, SW1W 9SP

Date: 28 October 2021

Consolidated Statement of Financial Activities

for the year ended 31 March 2021

		Unrestricted funds	Restricted funds	Total 2021	Total 2020
INCOME					
	<i>Note</i>	£000	£000	£000	£000
Donations and legacies					
Grants	9	120	6,219	6,339	728
CJRS grant	10	-	14,220	14,220	-
Donations		473	36	509	2,499
Gifts in Kind		-	4	4	95
		593	20,479	21,072	3,322
Income from other trading activities					
Retail income		1,613	-	1,613	14,023
Functions and events		281	-	281	7,305
Licences, rent & recharges	11	2,130	-	2,130	4,239
Sponsorship		260	-	260	357
		4,284	-	4,284	25,924
Investments		330	-	330	729
Income from charitable activities:					
Admissions	12	4,065	-	4,065	65,693
Membership		2,865	-	2,865	3,608
Concessions		79	-	79	2,538
		7,009	-	7,009	71,839
Total income	5	12,216	20,479	32,695	101,814
EXPENDITURE					
Costs of raising funds:					
Fundraising		354	108	462	736
Retail activities		3,704	1,597	5,301	12,095
Investment management costs		51	-	51	29
Other commercial activities		1,031	618	1,649	4,104
		5,140	2,323	7,463	16,964
Expenditure on charitable activities:					
Palaces		9,868	6,770	16,638	31,547
Experiences:					
Public access		12,089	5,603	17,692	25,522
Interpretation and learning		5,181	3,326	8,507	17,352
Money - Organisational Growth		1,611	488	2,099	6,868
Culture		1,274	219	1,493	3,158
		30,023	16,406	46,429	84,447
Other					
Defined Pension scheme net interest cost	8	12	-	12	181
Losses (gains) on curtailments	8	(352)	-	(352)	-
Losses (gains) due to benefit changes		-	-	-	-
Total Expenditure	3&5	34,823	18,729	53,552	101,592
Net (losses)/gains on investments	15	1,393	-	1,393	(232)
Net Income / (Expenditure)		(21,214)	1,750	(19,464)	(10)
Actuarial (loss)/gain on pension plan	8	(503)	-	(503)	7,337
Net movement in funds		(21,717)	1,750	(19,967)	7,327
Fund balances brought forward at 1 April	5	55,167	5,667	60,834	53,507
Fund balances carried forward at 31 March	5	33,450	7,417	40,867	60,834

Note: The amounts shown above derive from continuing activities. There were no recognised gains or losses other than those disclosed above. The notes on pages 38 to 70 form an integral part of these accounts.

Consolidated and Charity Balance Sheet

for the year ended 31 March 2021

		Group 2021	Charity 2021	Group 2020	Charity 2020
	Note	£000	£000	£000	£000
<i>Fixed assets:</i>					
Intangible assets		463	463	670	670
Tangible assets	13	23,917	23,917	23,055	23,055
Heritage assets	14	9,173	9,173	9,156	9,156
Investments	15	8,426	8,426	13,619	13,619
		41,979	41,979	46,500	46,500
<i>Current assets:</i>					
Stocks - goods for resale		2,257	-	2,389	-
Debtors	16	2,724	4,122	4,804	6,551
Short-term cash deposits		20,000	20,000	25,006	25,006
Cash at bank and in-hand		24,012	23,668	3,242	1,742
		48,993	47,790	35,441	33,299
<i>Creditors: Amounts falling due within one year</i>	17	8,596	7,501	19,359	17,221
Net current assets		40,397	40,289	16,082	16,078
Total assets less current liabilities		82,376	82,268	62,582	62,578
<i>Creditors: Amounts falling due after more than one year</i>	18	40,193	40,193	135	131
<i>Provision for liabilities and charges</i>	19	487	434	927	927
Net assets excluding Pension Plan liability		41,696	41,641	61,520	61,520
<i>Pension Plan liability</i>	8	829	829	686	686
Net assets including Pension Plan liability		40,867	40,812	60,834	60,834
Unrestricted funds		33,450	33,395	55,167	55,167
Restricted funds		7,417	7,417	5,667	5,667
Total funds	5	40,867	40,812	60,834	60,834

These financial statements were approved by the Trustees and the Accounting Officer on 27 October 2021 and were signed on their behalf by:

Rupert Gavin
Chairman of the Board of Trustees
27 October 2021

John Barnes
Chief Executive and
Accounting Officer

The notes on pages 38 to 70 form an integral part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Net cash provided by operating activities (Note A below)		(28,308)	4,999
Cash flows from investing activities:			
Purchase of tangible assets	13	(2,786)	(6,219)
Purchase of intangible assets		-	(4)
Purchase of heritage assets	14	-	(488)
Proceeds from sale of fixed assets	13	-	17
Purchase of investments	15	-	(4,395)
Redemption of investments	15	6,502	4,378
Interest received		330	729
Cash flows from financing activities:			
Net (purchase)/sale of short-term deposits		5,006	(3,474)
Cash inflows from new borrowing		40,050	-
Interest paid on overdraft		(24)	-
Increase/(Decrease) in cash		20,770	(4,457)

Note A: Reconciliation of net incoming/outgoing resources to net cash inflow from operating activities		2021 £000	2020 £000
Net incoming /(outgoing) resources from charitable and trading activities		(19,464)	(10)
Net (Gains)/Losses on Investments	15	(1,393)	232
Interest receivable		(330)	(729)
Interest paid		24	-
Pension scheme: non-cash movements	8	(360)	145
Donated heritage assets	14	-	(95)
Depreciation & amortisation		2,074	2,019
(Profit)/Loss on disposal of fixed assets		-	(9)
Other decrease in fixed asset investments	15	83	128
(Increase)/Decrease in stocks		132	(475)
(Increase)/Decrease in debtors	16	2,080	1,040
Increase/(Decrease) in creditors: current liabilities	17	(10,763)	2,989
Increase/(Decrease) in long term creditors	18	8	10
Increase/(Decrease) in provisions for liabilities & charges	19	(440)	(245)
Other non-cash movements		41	(1)
Net cash inflow from operating activities		(28,308)	4,999

Consolidated Cash Flow Statement for the year ended 31 March 2021

<i>Analysis of cash and cash equivalents:</i>	2021	2020	Change in year
	£000	£000	£000
Cash at bank and in hand	24,012	3,242	20,770

Analysis of changes in net debt

	As at 1 April 2020 £000	Cash flows £000	Other non- cash changes £000	As at 31 March 2021 £000
Cash and cash equivalents				
Cash	3,242	20,770	-	24,012
Overdraft repayable on demand	-	-	-	-
Cash equivalents	-	-	-	-
	3,242	20,770	-	24,012
Borrowing				
Debt due within one year	-	-	-	-
Debt due after one year	-	(40,000)	(50)	(40,050)
	-	(40,000)	(50)	(40,050)

The notes on pages 38 to 70 form an integral part of these accounts.

Notes to the Consolidated Accounts

for the year ended 31 March 2021

1 Accounting Policies

The following accounting policies are applied consistently in dealing with items which are considered material in relation to the financial statements of the Charity, Historic Royal Palaces (HRP), and its trading subsidiary, Historic Royal Palaces Enterprises Ltd (HRPE), together 'the Group'.

a) Status of charity

HRP is a registered charity (No: 1068852) established by Royal Charter.

b) Basis of preparation

The financial statements are prepared in accordance with the *Statement of Recommended Practice (SORP): Accounting and Reporting by Charities* (effective 1 January 2015), applicable United Kingdom accounting standards (FRS 102) and the Charities Act 2011. The financial statements are prepared on a going concern basis under the historical cost convention (see also note 1 q). They are prepared in accordance with the Accounts Direction (a copy of which can be obtained from the Head of Audit, Risk and Assurance) issued by the Secretary of State in accordance with HRP's Royal Charter.

HRP meets the definition of a public benefit entity under FRS 102.

c) Basis of consolidation

The Group accounts consolidate HRP and its subsidiary, HRPE Ltd, which has a co-terminus year-end. Consolidation is carried out on a line-by-line basis.

d) Funds

Incoming resources and resources expended are allocated to particular funds according to their purpose.

Unrestricted fund – the unrestricted fund includes income from admissions, donations and other income received without restriction including retained profits of HRPE Ltd. Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity. Trustees may earmark unrestricted funds for a particular project or use, without restricting or committing the funds legally. Such amounts are known as designated funds.

Restricted funds - restricted funds include those receipts, which are subject to specific restrictions imposed by donors, including grants towards specific conservation and improvement projects undertaken at the palaces.

e) Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Group is entitled to the income, receipt is probable and the amount can be quantified with reliable accuracy. The following specific policies apply to categories of income:

- **Coronavirus Job Retention Scheme (CJRS) grant** - The CJRS grant is a temporary scheme launched by Government to support organisations whose operations were severely affected by COVID-19. CJRS income is recognised in restricted grants and accrued to match the period staff were furloughed for.
- **Grants** – include operating and project grants and contributions. Grants related to performance and specific deliverables, are accounted for as the

Notes to the Consolidated Accounts for the year ended 31 March 2021

Group earns the right to consideration by its performance. Where income is received in advance of performance, its recognition is deferred and included in creditors. Where entitlement occurs before receipt, the income is accrued.

- **Donations** - include major gifts, appeals and legacies. Donations are recognised when received or on a receivable basis where receipt is probable and there is entitlement to the income.
- **Gifts in Kind** – where donated to the Group, are included at market value at the time of receipt.
- **Retail income** – relates to sales of goods, souvenirs and guidebooks. Income is recognised upon sale of the goods.
- **Functions and Events** – includes income from corporate and private events, weddings and events. It is accounted for in the month that the event is due to take place.
- **Licences, Rents & Recharges** – income is accounted for on a pro-rata basis over the period to which the rent relates.
- **Sponsorship** – relate primarily to corporate sponsorship of exhibitions and education programmes. Income is accounted for evenly over the period of sponsorship.
- **Investments** - Investment income is recorded in the period it is earned.
- **Admissions** – income recognised upon visitor entry.
- **Membership** - Income that is attributable to visits that members make to HRP sites is deferred and released to the SOFA equally over the period to which the membership relates. The portion of life membership subscriptions deemed to be of the nature of a gift is recognised in full in the year in which it is received, with the remainder deferred and released to income in equal instalments over the average period over which the life membership is expected to be used. Gift Aid income resulting from membership is recognised at the point when the membership is sold.
- **Concessions** – Concessions includes income from our cafés and restaurants and is accounted for in the period it relates.

f) **Resources expended**

All expenditure is accounted for on an accruals basis and is classified under the principal categories of 'Costs of raising funds' and 'Charitable activities'. The expenditure classifications comprise direct expenditure, including staff costs, attributable to the activity.

Support costs, which include functions such as Accounting, Payroll, Procurement, Information Systems and Governance Costs are allocated across the categories of costs of raising funds and expenditure on charitable activities. The basis of the cost allocation is explained in the Notes to the accounts.

g) **Tangible fixed assets**

Tangible fixed assets costing more than £5,000 are capitalised at a value net of VAT and included at cost. All expenditure on repairing and maintaining the original fabric of the buildings and on non-revenue generating improvements is written off in the year incurred. All improvements to the fabric of the buildings, with the aim of raising or increasing revenue, are capitalised. Assets purchased by or gifted to the Charity's predecessors prior to September 1989 have not been capitalised.

Notes to the Consolidated Accounts for the year ended 31 March 2021

No formal revaluation is undertaken for buildings, plant and machinery. Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their useful economic lives as follows:

New buildings	20 years
Building refurbishments	10 years
Fixtures and fittings	10 years
Plant and machinery	10 years
Furniture and equipment	10 years
Exhibitions	5 years
Vehicles	5 years
Computer hardware	5 years

h) Heritage Assets

SORP 2015 defines heritage assets as assets of historical and artistic importance that are held to advance preservation, conservation and the educational objectives of the Charity. Those heritage assets acquired since September 1989 are reported in the balance sheet at cost or, in the case of donated assets, at an approximate valuation estimated by HRP's curators to be an appropriate market value at the time of acquisition. Such assets are not depreciated as they are deemed to have indeterminate lives and a high residual value. Regular impairment reviews of heritage assets are undertaken.

Those items that were purchased by or gifted to the Charity's predecessors prior to September 1989 have not been capitalised. These comprise the majority of the collection but Trustees do not consider that relevant cost or valuation information can be obtained at a cost commensurate with the benefit to readers of the financial statements. This is because of the diverse nature of the assets held, the volume, and the lack of comparable market values.

Further information about HRP's collection of heritage assets is set out in the Notes to the Accounts.

i) Investments, Short-term cash deposits and cash at hand & in bank

Investment income comprises interest receivable from cash at bank and liquid resources as well as income from investments held in a fixed income bond portfolio and multi-assets funds. All investments are held to provide investment returns. Dividend and interest income are recognised on a receivable basis.

Fixed income investments are short-dated high credit rated bonds with fixed and determinable coupons. The bonds are retained with the intention and ability to be held to maturity. The bond portfolio is measured at fair value upon purchase and amortised cost using the effective interest method. The carrying value is reduced if there is any impairment.

The investments in multi-asset funds are measured at market value each year. They yield dividends income at set times in the year.

Funds placed on money market deposits are short-term cash deposits of up to 18 months and are defined as liquid resources. All liquid resources are held in

Notes to the Consolidated Accounts for the year ended 31 March 2021

commercial banks with appropriate credit ratings, in line with HRP's investment policy at the time of contracting.

Funds held in cash or in current/premium accounts are defined as cash at bank and in hand. They represent the deposits and cash used to finance Historic Royal Palaces on a day-to-day basis.

j) Investment in subsidiary

In the Charity's accounts, the investment in its subsidiary undertaking, HRPE Ltd, is stated at cost.

Historic Royal Palaces Inc. is a US-based private non-operating foundation. This is not consolidated into the Group accounts, as it is not controlled by the Charity.

k) Current assets & liabilities

Stock consists of purchased goods for resale. Stock is stated at the lower of cost and net realisable value. Cost of sales is determined on a weighted average cost basis and includes all costs of purchase such as associated transportation charges. Debtors are measured at their recoverable amounts and creditors at their settlement amounts when these can be measured or estimated reliably.

l) Financial instruments

HRP primarily carries financial instruments in the form of a concessionary loan from the CRF fund initially recognised at the amount received, with the carrying amount adjusted in subsequent years to reflect repayments and any accrued interest and adjusted if necessary for any impairment.

HRP also has basic financial instruments in the form of cash, debtors and creditors at fair value, other than where a provision for specific doubtful debts has been made. Since almost all of these are expected to be realised within one year, there is no material difference between fair value, amortised cost and historical cost. Fixed income investments are measured at amortised cost.

m) Leases

The Group has no finance leases. Costs relating to operating leases are charged in the Statement of Financial Activities over the life of the lease. Income from operating leases is recognised over the life of the lease.

n) Pensions

The Charity operates a funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of HRP. From October 2002, the scheme was closed to new members and from April 2019, the scheme was closed to future accruals. The Charity has implemented the full reporting requirements of FRS 102: Employee Benefits in relation to the defined benefit scheme. The resulting deficit is treated as an unrestricted fund.

A group personal pension scheme based on defined contributions was established for new members of established staff and staff on contracts exceeding 1 year with effect from October 2002. An additional group personal pension scheme based on defined contributions was set up for casual staff and staff on contracts of less than 1 year with effect from October 2013. The cost to HRP of both defined contribution schemes is the contributions paid during the year.

Notes to the Consolidated Accounts for the year ended 31 March 2021

o) Taxation

As a charity, the Charity is exempt from corporation tax under section 505 ICTA 1988. HRPE normally distributes its profits before tax by Gift Aid to the Charity to leave reserves at or close to nil. However, given the extraordinary impact of the pandemic on the organisation, and considering the remaining uncertainty in future trading, HRPE Ltd retained its 2020/21 profits to fund the recovery.

Admissions to the palaces administered by HRP are exempt from VAT under Schedule 9 of the VAT Act 1994. Due to this exemption, approximately 59.6% of VAT incurred by HRP is irrecoverable in 2020/21 (73.3% in 2019/20).

p) Key judgements and estimates

The Group makes estimates and assumptions concerning the future which will impact the accounting estimates. The significant judgements and estimates made in preparing these accounts are disclosed throughout the document, and briefly outlined below:

- the useful economic lives of tangible and intangible assets are assessed regularly and amended when necessary, impacting the annual depreciation and amortisation charge for assets.
- the valuation of heritage assets is reviewed annually
- the retail stock valuation and associated provisioning is assessed throughout the year with consideration for condition and saleability
- valuations for the bond and multi-asset portfolios rely on the estimates provided by the relevant investment managers
- HRP has an obligation to pay pension benefits to the members of its defined benefit pension scheme. The cost of these benefits and the present value of the obligation depend on factors including discount rate on corporate bonds, salary increases, life expectancy, inflation and asset valuations. Management estimates these factors in determining the net pension obligation in the balance sheet with the support from independent external actuaries.
- when assessing the going concern, several visitor forecast scenarios were used to inform projections for income, expenditure and cash-flows. Other key considerations included the availability of liquidity from unrestricted funds and reserves, overdraft and borrowing facilities and all other forms of financial assistance available to the organisation.

q) Going Concern

The Trustees have considered all factors that may influence the organisation within the next 12 months, most importantly the ongoing effect of the COVID-19 pandemic, the rate of re-opening of the country as the vaccination campaign ramps up and the organisation resilience.

The factors considered are a combination of the economic outlook, the domestic context of the pandemic management, the strength of income projection and internal cost control initiatives and the measures to improve liquidity.

Notes to the Consolidated Accounts

for the year ended 31 March 2021

Global outlook

According to OECD 2021 interim report on the global economic outlook, economic prospects have improved in recent months, helped by the deployment of effective vaccines, announcements of additional fiscal support in some countries, and signs that economies are coping better with measures to suppress the virus. Risks remain, in particular the slow speed of vaccine deployment in some countries and the emergence of new virus mutations resistant to existing vaccines, but global GDP growth is projected to be markedly higher in 2021 than in 2022.

Domestic Outlook

From the Office for Budget Responsibility 2021 economic & fiscal outlook, the rapid rollout of effective vaccines offers hope of a swifter and sustained economic recovery, albeit from a more challenging point than we forecast in late 2020.

GDP growth is projected to improve in both 2021 and 2022.

The easing of public health restrictions in line with the Roadmap should permit a rebound in consumption and output through this year, partially supported by the release of extra savings built up by households during the pandemic.

Organisation context

In line with the roadmap announcements on the lifting of lockdown, we have re-opened our Gardens since January 2021, on-site shops, catering units and functions facilities since 12 April and full palaces' interiors since 17 May. The delay in the lifting of all restrictions by four weeks to 19 July will only have a marginal impact on our forecast, especially as the limit on the number of guests at weddings was still lifted on 21 June.

Income projections rely on:

- Visitor numbers for 2021/22. These are forecast to be c0.9m, 2.5 times more than in 2020/21 when the palaces were largely closed but more than 5 times less than a regular year. These forecasts assume that overseas visitors will not come back to the UK until the end of 2021.
- This is driving visitor income forecast of £14.8m, half of the expected income in year.
- We have seen a return of large events, such as the Artisan festival, Summer Food Festivals, Music Festival, the RHS Garden Festival, outdoor cinema and Concours of Elegance at Hampton Court Palace. We are confident about hosting Winter food festival and ice rink too.
- Forward bookings that have been confirmed for 2021/22 and the predicted increase in usage of Banqueting House solely for events. Functions & events assumptions remain prudent as we expect severe cuts in both corporate and private customers' budget in the year ahead, and events will be smaller in size.
- We are actively pursuing further grant applications and opportunities with Trusts & Foundations and Government bodies and are cautiously optimistic about development income prospects in 2021/22.

We have reduced our operating expenditure permanently and exert stricter controls over costs as follows:

Notes to the Consolidated Accounts for the year ended 31 March 2021

- We implemented significant reductions in payroll, pension contributions and a voluntary followed by a compulsory redundancy scheme, thereby reducing the size of the organisation by c40% and maintaining a recruitment freeze into 2021/22.
- We re-structured the group to allow for more efficient use of resources and sharing of duties.
- Depending on the months in the year, we have 'furloughed' c80% of staff under the Government's 'Coronavirus Job Retention Scheme' and are planning to use it until it closes (currently September 2021).
- We have rigorously restricted purchasing processes across all channels and have re-negotiated contracts with suppliers whenever possible.

Measures to improve liquidity

- In April and July 2020 respectively, we put in place an overdraft facility of up to £4m (HRP) and £0.5m (HRPE Ltd) with our main bank, Barclays.
- We have extended the overdraft facilities for another year.
- The HRPE Ltd's extension is secured with a debenture.
- In January 2021, Historic Royal Palaces signed the agreement for a £40m repayable loan from the Culture Recovery Fund with The Secretary of State for the Department for Digital, Culture, Media and Sport (the lender) and the Arts Council of England (the agent), which was receipted in March 2021.

Risks and further actions

The trustees acknowledge that some risks remain from the evolution of the Covid-19 pandemic - the slow speed of vaccine deployment in some countries and the continuing sanitary controls may slow the return of inbound visitors and hamper growth whilst the emergence of new virus mutations resistant to existing vaccines could lead to more periods of lockdowns.

However, the trustees are modelling different scenarios and considering steps to mitigate those risks and have further levers to call upon if needed:

- Implementing additional operating cost savings such as: continue to hold headcount vacancies, keep the sites closed to staff as well as visitors to save power, heating and cleaning costs, remove elective operating expenditure currently phased in the latter part of the year, introduce medium term pay reductions for staff
- Stopping programming and projects in the latter part of the year (for example, the final phase of the Orangery project)
- Making full use of furlough grants and focusing on generating additional grants and donations

Summary

Trustees recognise the ongoing external risks and uncertainty associated with the Covid-19 pandemic. However, the trustees take comfort in the overall economic outlook, the domestic recovery trends and the ongoing success of the vaccination rollout. The increased certainty given by the February 2021 Government roadmap opened a clear path out of lock down. The significant funding provided through Government support measures (CJRS, Business rates, Heritage

Notes to the Consolidated Accounts

for the year ended 31 March 2021

emergency, etc) and through the £40m repayable finance loan comfort this assessment.

The Board of trustees were satisfied that even under the LOW scenario (Full 2021/22 closure) the Group had adequate resources and had taken the necessary steps to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing these financial statements.

HRPE Ltd, the wholly owned trading entity of HRP is experiencing the same impact as HRP from the closure of the palaces and the uncertainty over the evolution of the pandemic. Similar measures have been implemented to cut expenditure, and its directors continue to adopt the going concern basis for preparing its accounts. However, the directors acknowledge that there remains a material uncertainty that may cast significant doubt on that entity's ability to continue as a going concern.

To mitigate those risks, HRPE Ltd has renewed the overdraft facility of £0.5m with its main bank for a period of one year, as the company cannot access its parent's loan and overdraft facility. Other potential actions we may take are the deferral of the payment of service charge to Historic Royal Palaces, until such time as it has returned positive cashflows, and an agreement between HRP and HRPE Ltd allowing the most appropriate way to meet the working capital requirements of HRPE Ltd.

2. Historic Royal Palaces Enterprises Ltd

The Charity has one wholly owned trading subsidiary, Historic Royal Palaces Enterprises Limited (HRPE), with a paid-up share capital of £2. HRPE is incorporated in the UK (registration number 03418583). The principal activities of the company are retailing, functions, and other events held at the palaces managed by the Charity. A summary of its trading results and its net assets is shown below. Audited accounts are filed with the Registrar of Companies.

	2021 £000	2020 £000
<u>Profit and loss account</u>		
Turnover (other trading activities)	4,617	23,326
Cost of sales (costs of raising funds)	(473)	(4,769)
Gross profit	4,144	18,557
Administrative expenses	(4,075)	(13,645)
Interest receivable	-	11
Profit on ordinary activities before taxation	69	4,923
Taxation	(14)	(5)
Total profit for the financial year	55	4,918
Amount distributable under Gift Aid to HRP	-	(4,918)
Retained in subsidiary	55	-

Notes to the Consolidated Accounts for the year ended 31 March 2021

<u>Balance Sheet as at 31 March 2021</u>	2021 £000	2020 £000
Stocks - goods for resale	2,257	2,389
Debtors	640	680
Cash	343	1,499
Current liabilities	(3,185)	(4,565)
Creditors due after more than one year	-	(3)
Net assets	55	-
<u>Share capital and reserves</u>	55	-

3. Total expenditure (Group basis)

	Total direct costs £000	Allocation of support costs £000	Total 2021 £000	Total 2020 £000
Costs of raising funds				
Generating the money to make it possible:				
Fundraising	363	99	462	736
Retail activities	3,985	1,316	5,301	12,095
Investment management costs	51	-	51	29
Other commercial activities	1,243	406	1,649	4,104
	5,642	1,821	7,463	16,964
Expenditure on charitable activities				
Palaces	13,114	3,524	16,638	31,547
Experiences:				
Public access	13,049	4,643	17,692	25,522
Interpretation and learning	6,650	1,857	8,507	17,352
Money – Organisational Growth	1,687	412	2,099	6,868
Culture	1,177	316	1,493	3,158
	35,677	10,752	46,429	84,447
Other				
Pension finance (income)/costs	12	-	12	181
Pension losses/(gains) on curtailments	(352)	-	(352)	-
Pension losses/(gains) due to benefit changes	-	-	-	-
	(340)	-	(340)	181
Total	40,979	12,573	53,552	101,592

Notes to the Consolidated Accounts for the year ended 31 March 2021

Resources expended include charges for:	Total 2021 £000	Total 2020 £000
Auditors' remuneration:		
Audit		
- HRP	53	53
- HRPE	25	24
The auditors did not provide any non-audit services		
Operating lease charges	1,096	735
Stock recognised as an expense	426	4,454
Impairment of stock (included in cost of sales)	47	315
Depreciation written off owned fixed assets:		
Tangible	1,867	1,804
Intangible	207	215
Corporation tax	14	5

Notes to the Consolidated Accounts for the year ended 31 March 2021

4. Support costs (Group basis)

	Information Systems £000	Finance Department £000	Pension Department £000	Management Costs £000	Governance Costs £000	Total 2021 £000	Total 2020 £000
Costs of raising funds							
Fundraising	24	9	2	61	3	99	80
Retail activities	292	217	21	748	38	1,316	1,500
Other commercial activities	103	18	8	264	13	406	448
Charitable expenditure							
Palaces	702	884	51	1,796	91	3,524	3,273
Experiences							
Public access	1,068	630	77	2,730	138	4,643	3,902
Interpretation and learning	460	128	33	1,176	60	1,857	1,817
Money – Organisation Growth	95	57	7	241	12	412	604
Culture	74	38	5	189	10	316	310
Total	2,818	1,981	204	7,205	365	12,573	11,934

The basis of apportionment for support costs is staff headcount (see note 7 *Staff numbers and costs (Group & Charity)*), except for the Finance Department which is based upon expenditure excluding payroll.

Governance Costs (*included in Support costs*)^(*)

	2021 £000	2020 £000
Internal and external audit	209	263
Trustee expenses and costs	-	25
Trustee and chairman recruitment costs (**)	6	23
Production of annual report	-	-
Management costs	150	209
	365	520

(*) Trustees and chairman also attend sub-committees alongside directors and staff of HRP. The costs associated with those meetings are included in the support costs above

(**) There were no chairman recruitment costs in 2019/20 or 2020/21.

Notes to the Consolidated Accounts for the year ended 31 March 2021

5. Total funds (Group basis)

Current Year Total Funds:	Funds as at 1 April 2020	Incoming resources 2020/21	Resources expended 2020/21	Revaluations 2020/21	Transfers between funds 2020/21	Funds as at 31 March 2021
	£000	£000	£000	£000	£000	£000
<u>Unrestricted funds</u>						
General (Free) reserves	27,405	12,196	(35,163)	1,393	(668)	5,163
Designated funds	-	-	-	-	-	-
Fixed assets	28,448	-	-	-	668	29,116
Pension plan	(686)	20	340	(503)	-	(829)
Total	55,167	12,216	(34,823)	890	-	33,450
<u>Restricted funds</u>						
Donated assets	4,433	4	-	-	-	4,437
Hillsborough Castle & Gardens	537	215	(199)	-	-	553
Hampton Court Palace projects <i>incl. Field of the Cloth of Gold</i>	20	4	(14)	-	-	10
Tower of London projects <i>incl. Tower Entry</i>	195	98	(31)	-	-	262
Kensington Palace projects <i>incl. Orangery Learning Centre and the Sunken Garden statue</i>	407	798	(55)	-	-	1,150
AHRC-funded Research projects	7	985	(618)	-	-	374
Support for Heritage & re-opening	-	4,154	(3,591)	-	-	563
CJRS grant	-	14,220	(14,220)	-	-	-
Other projects	68	1	(1)	-	-	68
Total	5,667	20,479	(18,729)	-	-	7,417
Total funds	60,834	32,695	(53,552)	890	-	40,867
 Prior Year Total Funds:	 Funds as at 1 April 2019	 Incoming resources 2019/20	 Resources expended 2019/20	 Revaluations 2019/20	 Transfers between funds 2019/20	 Funds as at 31 March 2020
	£000	£000	£000	£000	£000	£000
<u>Unrestricted funds</u>						
General (Free) reserves	5,000	100,827	(100,601)	(232)	22,411	27,405
Designated funds	27,096	-	-	-	(27,096)	-
Fixed assets	23,763	-	-	-	4,685	28,448
Pension plan	(7,878)	(97)	(48)	7,337	-	(686)
Total	47,981	100,730	(100,649)	7,105	-	55,167

Notes to the Consolidated Accounts for the year ended 31 March 2021

	Funds as at 1 April 2019 £000	Incoming resources 2019/20 £000	Resources expended 2019/20 £000	Revaluations 2019/20 £000	Transfers between funds 2019/20 £000	Funds as at 31 March 2020 £000
Restricted funds						
Donated assets	4,338	95	-	-	-	4,433
Hillsborough Castle & Gardens	797	324	(584)	-	-	537
Hampton Court Palace projects <i>incl.</i> <i>Field of the Cloth of Gold</i>	22	60	(62)	-	-	20
Tower of London projects <i>incl. Tower Entry</i>	91	119	(15)	-	-	195
Kensington Palace projects <i>incl. Orangery Learning Centre and the Sunken Garden statue</i>	231	252	(76)	-	-	407
AHRC-funded Research projects	40	116	(149)	-	-	7
Other projects	7	118	(57)	-	-	68
Total	5,526	1,084	(943)	-	-	5,667
Total funds	53,507	101,814	(101,592)	7,105	-	60,834

Free Reserves

Due to the sudden and devastating impact of COVID-19, Trustees agreed at the end of 2019/20 to transfer all designated funds to free reserves to meet operating commitments over 2020/21. As uncertainties remain over the coming months, the same approach has been adopted for this financial year. Target levels of reserves will be reviewed by Trustees in 2021/22.

Designated funds

There was no movement on designated funds in year.

Transfers between funds

As set out in our Reserves policy in the Funds and Reserves section, a permanent designated fund is matched to fixed assets, as this cannot be quickly utilised to realise cash in the event of a cash requirement. Any excess above this are designated at Trustees' discretion, and this year again are transferred to free reserves.

Donated assets funds

These refer to restricted heritage assets and donated items including work of art and artefacts (see note 14 for more details).

Analysis of net assets between funds

Fund balances of the Group and Charity at 31 March 2021 are represented by:

Notes to the Consolidated Accounts

for the year ended 31 March 2021

	Unrestricted funds	Restricted funds	2021	Unrestricted funds	Restricted funds	2020
	£000	£000	£000	£000	£000	£000
Intangible assets	463	-	463	670	-	670
Tangible assets	23,917	-	23,917	23,055	-	23,055
Heritage assets	4,736	4,437	9,173	4,723	4,433	9,156
Investments	8,426	-	8,426	13,619	-	13,619
Net current assets	37,417	2,980	40,397	14,848	1,234	16,082
Creditors > one year	(40,193)	-	(40,193)	(135)	-	(135)
Provisions	(487)	-	(487)	(927)	-	(927)
Pension plan liability	(829)	-	(829)	(686)	-	(686)
Total net assets	33,450	7,417	40,867	55,167	5,667	60,834

6. Remuneration of Trustees

None of the Trustees received any remuneration during the year in connection with services to the Charity or its subsidiary. Reimbursement of travel and subsistence expenses incurred by the Trustees whilst carrying out their responsibilities for the Charity totalled £321 (2019/20: £5,820) for the year ending 31 March 2021. Expenses were reimbursed for one Trustee (2019/20: 9). HRP provides liability insurance for Trustees.

7. Staff numbers and costs (Group & Charity)

a) Average staff numbers

	2021 FTE	2020 FTE
Fundraising	6.5	7.4
Retail activities	80.1	120.1
Other Commercial Activities	28.3	36.3
Palaces	192.4	244.0
Experiences:		
Public Access	292.5	415.5
Interpretation and Learning	126.0	154.8
Money – organisational growth	25.9	34.4
Culture	20.3	24.6
Support functions	67.4	82.4
Total	839.4	1,119.5

b) Staff costs

	2021 £000	2020 £000
Wages and salaries	28,484	37,890
Loss of office	352	51
Severance & ex gratia payments	4,885	49
Social security costs	2,849	3,699
Pension costs	2,810	4,722
Total	39,380	46,411
Agency staff	22	786
Total	39,402	47,197

Notes to the Consolidated Accounts for the year ended 31 March 2021

Employee numbers reduced significantly during the year following the restructuring programme and reduced seasonal employees.

Loss of office includes payments in lieu of notice for personnel leaving with the redundancy programme (£315k) and temps & seasonals who never started employment (£37k).

The severance and ex gratia payments were additional payments to the loss of office settlements. They primarily reflect the terms of the restructuring programme undertaken during the year (£4,840k) but also include additional exits agreed outside of the redundancy scheme (£50k). The redundancy programme was deemed necessary as the full impact of the pandemic unfolded. The initial voluntary scheme was followed by a compulsory scheme which concluded in January 2021. They include no payment accrued at the year-end (2019/20: nil).

They are recognised as an expense when incurred or when there is a legal or constructive obligation to make the payment.

c) Pay bands

Excluding the Chief Executive, there were 32 staff including directors during the year earning in excess of £60,000 (2019/20: 47). Four were in a defined benefit scheme closed to accruals since 1 April 2019 (2019/20: 8) where the employer contributions were nil (2019/20: nil), and 32 were in a defined contribution scheme (2019/20: 44) where the employer contributions were £241,990 (2019/20: £576,282).

The number of employees, excluding the Chief Executive, whose total remuneration and staff benefits (excluding pension contributions) was over £60k was as follows:

	2021	2020
	No. of Staff	No. of Staff
£60,001 to £70,000	21	29
£70,001 to £80,000	3	8
£80,001 to £90,000	1	3
£90,001 to £100,000	5	0
£100,001 to £110,000	2	1
£110,001 to £120,000	-	3
£120,001 to £130,000	-	2
£130,001 to £140,000	-	1
£140,001 to £150,000	-	0
Total	32	47

The aggregate emoluments of key management personnel were as follows:

	Remuneration	Pension contributions made to Group Personal Pension Plan	Staff Benefits
John Barnes	<u>£134,798</u>	<u>£8,145</u>	<u>£923</u>

Notes to the Consolidated Accounts

for the year ended 31 March 2021

The remuneration of the Chief Executive in 2019/20 was £169,332, with pension contributions of £18,551 and staff benefits of £1,198.

Excluding the Chief Executive, the total remuneration to the Executive Board was £782,282 (2019/20: £945,183) with pension contributions of £105,803 (2019/20: £133,804) and staff benefits of £5,725 (2019/20: £7,117).

8. Retirement benefits (Group & Charity)

a) Historic Royal Palaces Pension Scheme

HRP operates a defined benefit scheme in the UK. The scheme is closed to new entrants and was closed to future accrual from 31 March 2019. This is a separate trustee administered fund holding the pension scheme assets to meet long-term pension liabilities.

The most recent full triennial actuarial valuation was carried out at 31 March 2018 and showed a deficit of £1,903k. The employer has agreed with the trustees of the scheme that it will aim to eliminate the deficit over a period of 3 years and 1 month from 1 April 2019 by the payment of annual contributions of £31k, increasing at 3% per annum. The funding shortfall is expected to be eliminated by April 2022 through the return on existing assets and the new contributions.

In accordance with the actuarial valuation, the employer has agreed with the trustees that it will meet expenses of the scheme and levies to the Pension Protection Fund.

A qualified actuary, independent of the scheme's sponsoring employer, updated to 31 March 2021 the annual accounting valuation required under Section 28 of FRS 102. The major assumptions used by the actuary are shown below.

The basis of apportionment for pension expense costs is payroll costs.

Present values of defined benefit obligation, fair value of assets and defined benefit asset/ (liability):

	31/03/2021	31/03/2020	31/03/2019
	£000	£000	£000
Fair value of plan assets	95,998	85,775	91,386
Present value of defined benefit obligation	96,827	86,461	99,264
(Deficit) in plan	(829)	(686)	(7,878)
Defined benefit/(liability) to be recognised	(829)	(686)	(7,878)

Notes to the Consolidated Accounts for the year ended 31 March 2021

Reconciliation of opening and closing balances of the defined benefit obligation:

	Period Ending 31/03/2021 £000	Period Ending 31/03/2020 £000
Defined benefit obligation at start of period	86,461	99,264
Current service cost	-	-
Expenses	12	48
Interest expense	1,995	2,243
Contributions by plan participants	-	-
Actuarial losses / (gains)	11,520	(11,521)
Benefits paid and death in service premiums	(2,809)	(3,573)
Losses / (gains) on curtailments	(352)	-
Defined benefit obligation at end of period	96,827	86,461

Reconciliation of opening and closing balances of the fair value of plan assets:

	Period Ending 31/03/2021 £000	Period Ending 31/03/2020 £000
Fair value of scheme assets at start of period	85,775	91,386
Interest income	1,983	2,062
Actuarial gains/(losses)	11,017	(4,184)
Contributions by the employer	32	84
Benefits paid & expenses	(2,809)	(3,573)
Fair value of plain assets at end of period	95,998	85,775

The actual return on the plan assets over the period ended 31 March 2021 was a gain of £13,000k (£2,122k loss in 2019/20).

Defined benefit cost recognised in Statement of Financial Activities (SOFA):

	Period Ending 31/03/2021 £000	Period Ending 31/03/2020 £000
Expenses	12	48
Net Interest cost	12	181
Losses / (gains) on curtailments	(352)	-
Sounds good		
Total expense recognised in SOFA	(328)	229

Notes to the Consolidated Accounts

for the year ended 31 March 2021

Defined benefit costs recognised in other comprehensive income:

	Period Ending 31/03/2021 £'000	Period Ending 31/03/2020 £'000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	11,017	(4,184)
Experience gains and losses arising on the plan liabilities – gain / (loss)	1,380	434
Net effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – gain/(loss)	(12,900)	11,087
Total amount recognised in other comprehensive income – gain/(loss)	(503)	7,337
Assets		
	31/03/2021 £000	31/03/2020 £000
Equities	43,032	33,532
Government bonds	4,634	6,010
Index Linked bonds	35,109	32,485
Property	12,274	12,010
Cash	949	1,738
Total assets	95,998	85,775
		31/03/2019 £000
		39,429
		6,202
		33,563
		11,730
		462
		91,386

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Assumptions

	31/03/2021 % per annum	31/03/2020 % per annum	31/03/2019 % per annum
Discount Rate	2.15%	2.35%	2.30%
Inflation (RPI)	3.50%	2.85%	3.50%
Inflation (CPI)	2.80%	2.05%	2.50%
Salary growth	2.80%	2.50%	2.95%
Allowance for:			
Revaluation of deferred pensions of CPI or 5% p.a. if less	2.80%	2.05%	2.50%
Revaluation of deferred pensions of CPI or 2.5% p.a. if less	2.50%	2.05%	2.50%
Pension in payment increases of RPI or 5% p.a. if less	3.30%	2.80%	3.30%
Pension in payment increases of RPI or 3% p.a. if less	2.50%	2.25%	2.50%
Pension in payment increases of RPI	3.50%	2.85%	3.50%
Commutation of pension for cash at retirement	70% of Post A Day	70% of Post A Day	80% of Post A Day

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies at age 60yrs:

	31/03/2021	31/03/2020
Male retiring in 2021	25.8	25.8
Female retiring in 2021	28.0	27.9
Male retiring in 2041	27.4	27.4

Notes to the Consolidated Accounts for the year ended 31 March 2021

Female retiring in 2041

29.6

29.5

b) Defined Contribution Schemes

A group personal pension scheme based on defined contributions was set up for new members of established staff and staff on contracts exceeding one year with effect from October 2002. The cost for the year including payroll element sacrificed to pension through the redundancy programme was £3,629,051 (2020: £4,641,957), with no outstanding contributions at the balance sheet date. The cost forms part of staff costs that as stated in note 1(f) are classed as direct expenditure attributable to the activity and are all from unrestricted funds.

An additional group personal pension scheme based on defined contributions was set up for casual staff and staff on contracts of less than 1 year with effect from October 2013, to meet pension auto-enrolment requirements. The cost for the year was £12,460 (2020: £56,517), with no outstanding contributions at the balance sheet date.

9. Grant income

Total grant income of £6,339k (2019/20: £728k) includes £5,262k (2019/20: £728k) funding from government bodies as follows:

Grantor	Amount	Purpose
Heritage Stimulus Fund	£3,013k	Conservation projects at the palaces
Arts & Humanities Research Council	£985k	Capital investment in research equipment
Heritage Recovery Fund	£569k	Re-opening of Hillsborough Castle & Gardens
National Heritage Lottery Fund	£220k	Re-opening of other palaces
Tourism NI	£130k	New family attraction 'Imaginary Menagerie' at Hillsborough Castle & Gardens
London Local councils	£120k	Various business rates support grants
Heritage England, Northern Ireland Office, Memorials Grant Scheme & Embassy of Ukraine	£225k	Various

10. Coronavirus Job Retention Scheme (CJRS) grant income

The CJRS grant is a temporary Scheme launched by Government to support organisations whose operations have been severely affected by Covid-19. CJRS income is recognised in income and accrued to match the period staff were furloughed for.

With all our sites closed to the public and staff from March 2020, the organisation could no longer generate its primary income. The Board of Trustees and the Executive Board considered all the actions required to safeguard the future of the charity and to protect jobs.

Notes to the Consolidated Accounts for the year ended 31 March 2021

It was vital that HRP took advantage of the CJRS scheme and furloughed the majority of staff from the start. Required staff were brought out of furlough as soon as reopening the sites became a possibility.

In 2020/21, HRP claimed support from the CJRS grant every month from April 2020 to March 2021 inclusive. A total of £14,220k was claimed in the financial year.

The number of furloughed staff varied month-on-month between 75% and 90% depending on operational requirements. On average throughout the year 847 of people were on flexi- or full-furlough.

11. Licence, rent & recharges income

Licence & rent income includes a range of activities which can be summarised as follows:

	2021 £000	2020 £000
Licences	757	2,365
Recovery of Costs	855	1,377
Rents	352	307
Other Income	167	190
Total Licence & rent income	2,130	4,239

12. Admissions income

Admissions income includes visitor admissions, gift aid on admissions, car park, royal passes, etc and can be broken down as follows:

	2021 £000	2020 £000
Tower of London	2,024	49,811
Hampton Court Palace	1,359	6,794
Kensington Palace	132	5,612
Hillsborough Castle	241	805
Other palaces	0	255
Education	3	1,088
Other admissions income	307	1,328
Total admissions income	4,065	65,693

Notes to the Consolidated Accounts for the year ended 31 March 2021

13. Tangible fixed assets (Group & Charity)

Brought forward balances for cost and accumulated depreciation were restated for rounding differences.

	Buildings & refurbishments	Fixtures & fittings	Furniture, equipment & exhibitions	Computers	Plant, machinery & vehicles	Assets in course of construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At 1 April 2020	25,842	6,010	2,978	959	6,126	4,366	46,281
Additions	874	-	-	-	18	1,894	2,786
Disposals	-	(279)	(146)	-	(25)	-	(450)
Transfers to Heritage assets	-	-	-	-	-	(17)	(17)
Transfers to Intangible assets	-	-	-	-	-	-	-
Transfers within Tangible fixed assets	553	309	83	-	67	(1,012)	-
At 31 March 2021	27,269	6,040	2,915	959	6,186	5,231	48,600
Accumulated depreciation							
At 1 April 2020	10,718	4,318	2,646	812	4,733	-	23,227
Charge for the year	986	391	109	49	332	-	1,867
Disposals	-	(240)	(146)	-	(25)	-	(411)
At 31 March 2021	11,704	4,469	2,609	861	5,040	-	24,683
Net book value							
At 31 March 2021	15,565	1,571	306	98	1,146	5,231	23,917
At 31 March 2020	15,124	1,692	332	147	1,394	4,365	23,054
The net book value as at 31 March 2021 represents fixed assets used for:							
Retail activities	654	209	-	35	26	40	964
Other commercial activities	-	5	3	2	9	-	19
Charitable expenditure:							
Palaces	12,786	985	210	14	947	5,191	20,133
Experiences							
Public access	1,716	241	54	35	148	-	2,194
Interpretation and learning	409	131	39	9	16	-	604
Money – Grow our impact	-	-	-	2	-	-	2
Culture	-	-	-	1	-	-	1
At 31 March 2021	15,565	1,571	306	98	1,146	5,231	23,917

Notes to the Consolidated Accounts for the year ended 31 March 2021

14. Heritage assets (Group & Charity)

	Artefacts 2021 £000	No.	Artefacts 2020 £000	No.	Artefacts 2019 £000	Artefacts 2018 £000	Artefacts 2017 £000
Cost and net book value							
Balance as at 1 April	9,156	452	8,561	437	8,155	8,010	6,459
Additions, at cost	17	4	488	10	290	159	148
Transfers from assets in the course of construction	-	-	12	1	-	-	-
Disposals	-	-	-	-	(8)	(39)	(4)
Donated works, at deemed value	-	-	95	4	124	25	1,407
Balance as at 31 March	9,173	456	9,156	452	8,561	8,155	8,010

Made up of:

<i>Interpretation and learning</i>	9,173	9,156	8,561	8,155	8,010

The number of heritage assets at 1 April 2020 was restated to its correct value from 452 to 437. There were no significant additions to Heritage assets in the year.

a) Further information on HRP's collections of heritage assets

The palaces are not owned by HRP, but by HM The Queen on behalf of the nation. Expenditure on their conservation is recognised in the Statement of Financial Activities when it is incurred.

The main categories of accessioned heritage assets, including those shown on the balance sheet, are:

- The Royal Ceremonial Dress Collection (c10,000 accessioned items), an important collection of largely British royal and court ceremonial dress, established at Kensington Palace in 1984;
- The general collection (c9,000 accessioned items), consisting of paintings, drawings, prints, furniture, sculpture, furnishing textiles, decorative arts and social history objects, chiefly displayed as part of the historic furnished interiors at the palaces;
- Architectural drawings archive (c22,000 accessioned items), containing both modern and historic drawings and copies.
- Architectural and archaeological materials salvaged or excavated from the palaces. These are primarily used as a research archive (c10,000 accessioned items).

In addition, HRP owns un-accessioned assets as follows:

- c8,000 architectural drawings.

HRP also displays items on short and long-term loan. In particular:

Notes to the Consolidated Accounts for the year ended 31 March 2021

- The majority of the important works of art displayed “at home” at our palaces and stored form part of the Royal Collection, owned by HM The Queen on behalf of the nation and administered by the Royal Collection Trust (c8,000 items);
- The displays of arms, armour and related material at the Tower of London belong to the Royal Armouries (c 900 items).
- The artwork collection and other items on display at Hillsborough Castle (c1,500 items).
- Collection of jewellery associated with Queen Victoria from a private owner on display at Kensington Palace

Our collections remain on public display whenever possible. Storage is normally limited to items providing a research resource, unsuitable for display for conservation reasons or archaeological finds. We loan historic objects from our collections to public exhibitions and museum/ gallery displays. Assets leased out are included in the figures above.

The priority for acquisition or long-term loan of heritage assets is to enhance and explain the historic buildings of the palaces with relevant objects. Acquisitions are made by purchase or donation, taking six criteria into consideration. Significant acquisitions require Trustee approval. The highest priority is given to items deriving from the existing buildings of the palaces. Additional criteria apply to the Royal Ceremonial Dress Collection.

Exceptionally, the Trustees will approve the disposal of objects for curatorial reasons but not disposal motivated by financial reasons. The principle of retaining disposed items in public ownership is preferred. Any proceeds of sale are applied for the benefit of the collections.

b) Heritage assets of particular importance

The most significant heritage asset shown on the balance sheet is the van Dyck portrait of Princess Mary, received as a donation from the Museums Libraries and Archives Council in 2008/09 and valued at acquisition at £1.5m.

Of particular significance and not shown on the balance sheet is the only surviving in-situ ceiling painting by Peter Paul Rubens, at the Banqueting House, installed in 1636.

We display and provide day-to-day care for the Crown Jewels in the Tower of London. Like the palaces themselves, the Crown Jewels are owned by HM The Queen in right of Crown.

c) Management and Conservation

HRP maintains a register of heritage assets, which includes records of ownership, conservation status and location. The conservation and curatorial teams manage the collections, including loan items, in accordance with the policies approved by Trustees. These teams report to the Palaces & Collections Director.

The long-term conservation requirements of the collections are identified and prioritised by HRP’s conservators through a programme of condition audits.

**Notes to the Consolidated Accounts
for the year ended 31 March 2021**

Notes to the Consolidated Accounts for the year ended 31 March 2021

15. Investments

<u>Bond Portfolio</u>	Group 2021 £000	Charity 2021 £000	Group 2020 £000	Charity 2020 £000
Balance as at 1 April	8,304	8,304	8,544	8,544
Effective interest earned	127	127	133	133
Interest coupons received	(210)	(210)	(261)	(261)
Bonds purchased	-	-	4,395	4,395
Bonds redeemed	(1,110)	(1,110)	(4,378)	(4,378)
Gain / (Loss) on valuation	242	242	(129)	(129)
Balance as at 31 March	7,353	7,353	8,304	8,304

These consist of short dated, investment grade, sterling, fixed income securities. The bond portfolio is accounted for using the effective interest method as the bonds are intended to be held to maturity.

<u>Multi-Asset Investment Fund</u>	Group 2021 £000	Charity 2021 £000	Group 2020 £000	Charity 2020 £000
Balance as at 1 April	2,602	2,602	2,677	2,677
Units disposed of	(2,642)	(2,642)	-	-
Gain / (Loss) on revaluation	430	430	(75)	(75)
Balance as at 31 March	390	390	2,602	2,602

This is a balanced mixed asset fund with a focus on funds that contribute to society or the environment. It includes global and UK growth equity funds, with a proportion allocated to corporate bonds, gilts and cash.

<u>Ethical Investment Fund</u>	Group 2021 £000	Charity 2021 £000	Group 2020 £000	Charity 2020 £000
Balance as at 1 April	2,713	2,713	2,741	2,741
Units disposed of	(2,750)	(2,750)	-	-
Gain / (Loss) on revaluation	720	720	(28)	(28)
Balance as at 31 March	683	683	2,713	2,713

Total Investments Balance as at 31 March	8,426	8,426	13,619	13,619

This is a diversified multi-asset fund with ethical and responsible investment standards. It consists of global and UK equities, with a proportion allocated to infrastructure & operating assets, property and cash.

16. Debtors

	Group 2021 £000	Charity 2021 £000	Group 2020 £000	Charity 2020 £000
Trade debtors	395	128	1,737	1,280
Amounts due from subsidiary	-	1,892	-	2,321
Other debtors	122	45	337	337
Prepayments and accrued income	2,207	2,057	2,730	2,613
	2,724	4,122	4,804	6,551

Notes to the Consolidated Accounts

for the year ended 31 March 2021

All of the above debtors are due within one year.

There was an exceptional change in the way the service charge owed by HRPE Ltd to HRP was derived in 2020/21, leading to a reduction in the amounts due from the subsidiary.

The service charge from HRPE Ltd was originally agreed through resolution in March 1999 and has been in use ever since. The historic calculation consisted of a payroll recharge (all trading staff payroll) and a facility recharge (depreciation, accommodation, support services) of 20% of turnover

HRP Board of Trustees approved a reduction to the 2020/21 service charge calculation payable by HRPE Ltd to the Charity entity HRP in order to keep HRPE Ltd solvent and maximise the outcome for the Group formed by HRP the charity and HRPE Ltd its trading subsidiary.

The decrease is as follows:

- reduction of 40% on the 2020/21 payroll recharge (trading staff) from £4.7m to £2.8m
- reduction of £0.3m in the facility recharge as a result of changes to the historic calculation:
 - o apportionment of accommodation expenditure based on the proportion of trading turnover
 - o notional 1% charge for support services
 - o depreciation of trading fixed assets was recharged in full.

17. Creditors: amounts falling due within one year

	Group 2021 £000	Charity 2021 £000	Group 2020 £000	Charity 2020 £000
Trade creditors	465	509	5,219	4,557
Taxation and social security	618	618	1,057	1,052
Other creditors	138	257	328	443
Accruals	4,214	3,902	9,191	8,761
Deferred income	3,161	2,215	3,564	2,408
	8,596	7,501	19,359	17,221

Deferred Income comprises advance visitor bookings, rent, membership income and function and event deposits.

18. Creditors: amounts falling due after more than one year

	Group 2021 £000	Charity 2021 £000	Group 2020 £000	Charity 2020 £000
Trade creditors	143	143	135	131
Amounts drawn down on the Culture Recovery Fund Loan Facility	40,050	40,050	-	-
	40,193	40,193	135	131

Notes to the Consolidated Accounts

for the year ended 31 March 2021

In 2020/21, HRP was awarded a £40m repayable loan from the Culture Recovery Fund for Heritage jointly managed by the Arts Council England (ACE) and the National Lottery Heritage Fund (NLHF). This was part of the £1.57 billion rescue package announced by the Department for Digital, Culture, Media and Sport to safeguard cultural and heritage organisations across the UK from the economic impact of COVID-19.

The repayable loan is met by Government guarantee, with no specific requirements but no specific security.

The loan attracts a 2% interest rate which accrues from its March 2021 receipt. After a four-year repayment holiday, the loan must be repaid in 21 equal repayment instalments over a ten-year period and by March 2035.

19. Provision for liabilities and charges (Group and Charity)

	Claims £000	Total £000
Balance as at 1 April 2020	927	927
Amounts used in year	(492)	(492)
New provisions in year	52	52
Balance as at 31 March 2021	487	487

The provision primarily includes amounts for pension scheme closure compensation payments.

20. Financial commitments under operating leases

The Group and Charity had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group 2021 £000	Charity 2021 £000	Group 2020 £000	Charity 2020 £000
Operating Lease payments due:				
Not later than one year	1,096	886	733	572
Later than one year and not later than five years	3,865	3,239	2,646	2,006
Later than five years	53,346	53,346	32,260	32,260
Total payable	58,307	57,471	35,639	34,838

21. Operating lease receipts

The Group and Charity had the following future minimum lease income under non-cancellable operating leases for each of the following periods:

Notes to the Consolidated Accounts for the year ended 31 March 2021

	Group 2021 £000	Charity 2021 £000	Group 2020 £000	Charity 2020 £000
Operating Lease payments due:				
Not later than one year	209	142	230	147
Later than one year and not later than five years	597	353	591	325
Later than five years	-	-	55	10
Total receivable	806	495	876	482

22. Capital commitments

	Group 2021 £000	Charity 2021 £000	Group 2020 £000	Charity 2020 £000
Contracted capital commitments as at 31 March 2021, for which no provision has been made in the accounts:	394	394	4,126	4,126

Commitments include no amount (2020: nil) relating to projects that are being funded by donations from third parties.

23. Contingent liabilities

Either HRP or the Secretary of State for Digital, Culture, Media and Sport may give one year's notice of termination of the contract to manage the palaces. Upon termination, a calculated net asset value would revert to the Secretary of State, being the lower of the value of the net assets transfer of £7.795m on 1 April 1998 (indexed for inflation and as revised for material changes in accounting policy) or the value of the equivalent assets held at the date of termination of the contract.

HRP is in ongoing negotiations with one contractor over final agreements relating to a capital project. The amount in query is £0.3m which we have challenged on several occasions with no response received or further action recorded so far. As time passes, the risk reduces. Any final amounts above or below those amounts provided in the financial statements will be recognised in future financial statements.

Notes to the Consolidated Accounts for the year ended 31 March 2021

24. The summary financial performance of the charity alone

INCOME	Unrestricted funds	Restricted funds	Total 2021	Total 2020
	£000	£000	£000	£000
Donations and legacies				
Grants	120	6,219	6,339	728
CJRS grants	-	14,220	14,220	
Donations	473	36	509	2,499
Gifts in Kind	-	4	4	95
	593	20,479	21,072	3,322
Income from other trading activities				
Retail income	-	-	-	-
Functions and events	3	-	3	225
Licences, rent & recharges	1,656	-	1,656	2,157
Sponsorship	-	-	-	-
	1,659	-	1,659	2,382
Investments	330	-	330	718
Income from charitable activities:				
Admissions	4,065	-	4,065	65,693
Memberships	2,865	-	2,865	3,608
Concessions	79	-	79	2,538
	7,009	-	7,009	71,839
Other Income				
Service charge to & Gift aid distributed from HRPE	3,434	-	3,434	15,634
Total income	13,025	20,479	33,504	93,895
EXPENDITURE				
Costs of raising funds:				
Fundraising	347	108	455	727
Retail activities	3,107	1,597	4,704	5,836
Other commercial activities	1,145	618	1,763	2,508
Investment management costs	51	-	51	29
	4,650	2,323	6,973	9,100
Expenditure on charitable activities:				
Palaces	9,658	6,770	16,428	31,527
Experiences:				
Public access	11,781	5,602	17,383	25,503
Interpretation and learning	5,049	3,326	8,375	17,342
Money – Organisational Growth	1,584	488	2,072	6,864
Culture	1,253	219	1,472	3,156
	29,325	16,405	45,730	84,392
Other				
Defined Pension scheme net interest cost	12	-	12	181
Losses (gains) on curtailments	(352)	-	(352)	-
Losses (gains) due to benefit changes	-	-	-	-
CJRS grant received on behalf of the subsidiary	2,052	-	2,052	
Total Expenditure	35,687	18,728	54,415	93,673
Net (losses)/gains on investments	1,393	-	1,393	(232)
Net Income / (Expenditure)	(21,269)	1,751	(19,518)	(10)
Actuarial (loss)/gain on pension plan	(503)	-	(503)	7,337
Net movement in funds	(21,772)	1,751	(20,021)	7,327
Fund balances brought forward at 1 April	55,167	5,667	60,834	53,507
Fund balances carried forward at 31 March	33,395	7,418	40,813	60,834

Notes to the Consolidated Accounts for the year ended 31 March 2021

25. Related party transactions

This note lists material transactions with other entities in which either Trustees or senior employees of HRP or their close family members hold positions of authority. It also details all transactions with Trustees, with the exception of remuneration of Trustees which is covered in Note 6 and donations made by them - £250 in year (2019/20: £100k).

The palaces and much of their contents are held by HM The Queen in right of Crown. These contents are the responsibility of Royal Collection Trust.

HRP is contracted by the Secretary of State for Digital, Culture, Media and Sport to manage the five London palaces on his behalf. This contract has been re-authorised until 31 March 2028.

The contribution to the Charity's funds by its wholly owned subsidiary, Historic Royal Palaces Enterprises Limited is disclosed in Note 2.

The figures in brackets represent the amounts due at the balance sheet date.

Related party	Connected party (a)	2021 £000	2020 £000	Detail of transaction
Association des Residences Royales Europeennes (ARRE)	John Barnes (Chief Executive of HRP) is a member of ARRE on behalf of HRP	8 (nil)	- (nil)	Charges made to HRP by the Association for HRP's annual membership
The Attingham Trust	Tim Knox FSA (Trustee of HRP) is a member of council at the Attingham Trust	- (nil)	8 (8)	Charges made by the Attingham Trust to HRP for educational courses
BBC	Zeinab Badawi (Trustee of HRP) is a broadcaster at the BBC	15 (nil)	4 (nil)	Charges made by HRPE for filming at our palaces
British Academy of Film	Dr Jo Twist OBE (Trustee of HRP since 1 November 2019) is deputy chair, director of British Screen Advisory Council (British Screen Forum)	- (nil)	25 (nil)	Charges made by HRPE for an event at Kensington Palace
The Chartered Management Institute (CMI)	Bruce Carnegie-Brown (Trustee of HRP until 17 September 2019) was president of the CMI	- (nil)	2 (nil)	Charges made by HRPE for an event at Kensington Palace
The Choral Foundation, Chapel Royal, Hampton Court Palace	Sue Hall (Director of HRP) is a trustee of The Choral Foundation	7 (nil)	15 (nil)	Charges for choral services and recitals made by the Choral Foundation to HRP
		- (nil)	5 (nil)	Function hosted for the Choral Foundation - cost borne by HRP
The Foundation of the Chapels Royal of HM Tower of London	Andrew Jackson (Director of HRP from 27 May 2019) is a trustee of the Foundation	8 (nil)	24 (nil)	Charges made by the Foundation to HRP for choral services at HM Tower of London
The Horniman Museum	Carole Souter CBE (Trustee of HRP) is a trustee of the Horniman Museum	- (nil)	4 (nil)	Charges made by the Horniman to HRP for the conservation and retrieval of a Piano for KP

Notes to the Consolidated Accounts

for the year ended 31 March 2021

Related party	Connected party (a)	2021 £000	2020 £000	Detail of transaction
Historic Royal Palaces Inc. (HRP Inc.) ^(b)	John Barnes (Chief Executive of HRP is President of HRP Inc.), Dan Wolfe and Sue Hall (Directors of HRP) are respectively director and secretary & treasurer of HRP Inc.	759 (nil)	- (nil)	Grants received by HRP from HRP Inc. for Kensington Palace Orangery & Sunken garden conservation
		80 (nil)	91 (91)	Grants received by HRP from HRP Inc. for Tower of London projects
		19 (0)	6 (0)	Grants received by HRP from HRP Inc. for re-opening the palaces
Purcell UK (trading name of Purcell Miller Tritton LLP)	Jane Kennedy OBE (Trustee of HRP) is a senior partner of Purcell UK	18 (1)	106 (nil)	Charges made by Purcell to HRP for architectural services at Kensington Palace Orangery
Royal Armouries (RA)	Lord Houghton (Trustee of HRP since 1 August 2016) is a trustee of RA	12 (12)	290 (125)	Charges made by RA to HRP for goods and services provided at HM Tower of London
		- (nil)	13 (nil)	Recovery of costs from RA for goods, services and maintenance provided by HRP at HM Tower of London
Royal Collection Trust (RCT), and Royal Collection Enterprises Limited (RCEL), which is a wholly owned subsidiary of RCT	Sir Michael Stevens KVCO (Trustee of HRP) is Keeper of the Privy Purse and a Trustee of RCT Tim Knox (Trustee of HRP) is a Director of RCEL and Director of the Royal Collection at RCT	- (0)	2 (0)	Charges made by RCEL to HRP and HRPE for the right to produce images of Royal Collection items and for the purchase of goods for resale.
		30 (15)	66 (13)	Recovery by RCT from HRP of a proportion of the costs of maintaining and recording Royal Collection and other items displayed in the palaces, and from HRPE for the purchase of goods for resale
Royal Household (RH)	Sir Michael Stevens KVCO (Trustee of HRP) is Keeper of the Privy Purse and Receiver General of the Duchy of Lancaster	131 (9)	142 (5)	Charges made by RH to HRP for rent and services provided at Kensington Palace
		26 (23)	29 (26)	Charges made by HRP and HRPE to RH for share of staff costs and grazing licence
Royal Opera House	Zeinab Badawi (Trustee of HRP) is Trustee of Royal Opera House	- (nil)	3 (nil)	Charges made by HRP to Royal Opera House for tickets for education visits
RUSI	Lord Houghton (Trustee of HRP) Is a trustee of RUSI	- (nil)	2 (2)	Charges made to HRP by RUSI for venue hire
Santander UK plc.	Bruce Carnegie-Brown is non-executive director of Santander UK plc and was a trustee of HRP until 17 September 2019)	- (nil)	9,519 (nil)	Redemption from HRP of maturing fixed term deposits at commercial rate
		- (nil)	10,507 (nil)	Purchase by HRP of fixed term deposits at commercial rate
		- (nil)	123 (63)	Interest earned on fixed term deposits HRP holds with Santander UK plc.

Notes to the Consolidated Accounts for the year ended 31 March 2021

Related party	Connected party (a)	2021 £000	2020 £000	Detail of transaction
Saatchi & Saatchi	Sarah Jenkins (HRP Trustee since 2 September 2019) is a managing director of M&C Saatchi	(19) (nil)	12 (nil)	Refunds of charges made by HRP to M & C Saatchi for cancelled function at the Tower
Todd Longstaffe-Gowan Ltd	Tim Knox (Trustee of HRP) is a director at Todd Longstaffe-Gowan Ltd	8 (nil)	32 (nil)	Charges made by Todd Longstaffe-Gowan Ltd to HRP for garden design
Yale	Tim Knox (Trustee of HRP) is a trustee of Yale University Press London	- (nil)	1 (nil)	Purchase of images for KP by HRP

(a) Copies of the Trustees' register of interests and their biographical details are available from the Head of Governance, Apartment 39, Hampton Court Palace, Surrey KT8 9AU.

(b) Historic Royal Palaces, Inc. is an entity independent of Historic Royal Palaces. Whilst its object is to support the work of Historic Royal Palaces, how this is expressed is the responsibility of the Board alone. This independence is required to maintain US charity status. Current arrangements, in which Historic Royal Palaces' staff have a seat on the Board (Dan Wolfe) and fill the officer posts of the US charity (John Barnes as President and Sue Hall as Secretary and Treasurer), provide sufficient communication and co-operation with the Board to protect our interests whilst retaining the US charity's independence.

26. Financial instruments

Disclosure is required of the role financial instruments have played during the year in creating or changing the risks HRP faces in undertaking its activities.

Liquidity and Credit Risk

Short-term liquidity was obtained by contracting two overdrafts (£4m for HRP and £0.5m for HRPE). Long-term liquidity was secured by the receipt of a £40m long-term repayable finance loan from the CRF fund. Surplus funds are held on short-term fixed interest rate deposits with institutions with low credit risk ratings. Risks relating to interest rates are managed by budgeting conservatively for investment income. HRP has no finance leases.

Since most income was generated from donations, grants and visitors to the palaces, most of HRP's income was received as cash.

HRP is exposed to a credit risk of £0.4m trade debtors (2019/20: £1.7m). The risk is not considered significant since major customers are known to HRP or are required to pay for services in advance and provisions against bad debts are minimal.

Market risk

HRP is subject to market risk in that the defined benefit pension fund holds investments. Plans are in place to fund the past service deficit, as detailed in Note 8.

HRP is subject to credit and market risk in its investment portfolio (note 15). These risks are mitigated by investing only in investment grade bonds and by using a professional investment manager.

HRP is not subject to any significant foreign currency risk.

Notes to the Consolidated Accounts for the year ended 31 March 2021

27. Post balance sheet events

There have been no significant events after 31 March 2021 that require adjustment to, or disclosure in the financial statements.

The financial statements were approved by the Accounting Officer and Trustees on 27 October 2021 and authorised for issue on the date the Comptroller and Auditor General certified the accounts.