

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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HISTORIC ROYAL PALACES

Trustees' Report
and
Financial Statements

for the Year Ended
31 March 2024

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Trustees' Report

Trustees

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Tim Knox FSA
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Nicola Andrews (Palaces Group Director)
Jane Crowther (Director of Corporate Services)
Anupam Ganguli (Finance Director)
Andrew Jackson CBE (Tower of London Director)
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Tom O'Leary (Public Engagement Director)
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Bankers

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Solicitors

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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.

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- 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

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- 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.

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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

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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

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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,

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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.

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.

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:

Trustees' Report

- **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.

Trustees' Report

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).

Trustees' Report

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*;

Trustees' Report

- 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.

Trustees' Report

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 <small>(Note 1)</small>		4/4			

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

Trustees' Report

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

Trustees' Report

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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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

	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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

	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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
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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
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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
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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 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 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 £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 <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 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 ~~for~~ 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
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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
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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

for the year ended 31 March 2024

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
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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.

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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

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- £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).

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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.

Notes to the Consolidated Accounts

for the year ended 31 March 2024

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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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.

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for the year ended 31 March 2024

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

Notes to the Consolidated Accounts

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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

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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.

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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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for the year ended 31 March 2024

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

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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.

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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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