



Historic Royal Palaces is
the charity that looks after:

Tower of London
Hampton Court Palace
Banqueting House
Kensington Palace
Kew Palace
Hillsborough Castle

We help everyone explore
the story of how monarchs
and people have shaped
society, in some of the
greatest palaces ever built.

We raise all our own funds
and depend on the
support of our visitors,
members, donors,
sponsors and volunteers.

FINANCIAL STATEMENTS

AS AT 31 MARCH 2018



Trustees' Report

Trustees

Rupert Gavin (Chairman)
Zeinab Badawi
Professor Sir David Cannadine
Bruce Carnegie-Brown
Ajay Chowdhury
Liz Cleaver (until 26 May 2017)
Baron Houghton of Richmond in the County of North Yorkshire
Jane Kennedy
Tim Knox FSA (from 5 March 2018)
Sir Jonathan Marsden KCVO (until 21 December 2017)
Carole Souter CBE
Sir Michael Stevens KCVO
Sue Wilkinson MBE (from 1 August 2017)
M Louise Wilson FRSA

Executive Board

John Barnes (*Chief Executive and Accounting Officer*) since 1 July 2017
Michael Day CVO (*Chief Executive and Accounting Officer*) until 30 June 2017
Gina George (*Retail and Catering Director*)
Paul Gray (*Palaces Group Director*) until 28 May 2018
Sue Hall (*Finance Director*)
Richard Harrold OBE (*Tower Group Director*)
Graham Josephs (*Human Resources Director*)
Tom O'Leary (*Public Engagement Director*) from 6 September 2017
Adrian Phillips (*Palaces and Collections Director*) from 1 July 2017
Dan Wolfe (*Communications and Development Director*)

Registered Office

Hampton Court Palace
Surrey KT8 9AU

Auditors of the Group

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

Bankers

Barclays Bank plc
1 Churchill Place
Canary Wharf
London E14 5HP

Solicitors

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

Historic Royal Palaces: Registered Charity number 1068852

Historic Royal Palaces Enterprises Ltd: Company limited by share capital, registered number 03418583

Trustees' Report (continued)

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

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

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

Further information and a copy of the Annual Review and Summary Accounts can be obtained from www.hrp.org.uk.

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

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

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

Our Cause

To help everyone explore the story of how monarchs and people have shaped society, in some of the greatest palaces ever built.

Our work is guided by four principles:

Guardianship

We exist for tomorrow, not just for yesterday. Our job is to give these palaces a future as valuable as their past. We know how precious they and their contents are, and we aim to conserve them to the standard they deserve: the best.

Discovery

We explain the bigger picture, and then encourage people to make their own discoveries, in particular, to find links with their own lives and with the world today.

Showmanship

We do everything with panache. Palaces have always been places of spectacle, beauty, majesty and pageantry, and we are proud to continue that tradition.

Independence

We have a unique task, and our own point of view. We challenge ourselves to find new ways to do our work. We are a financially independent charity and welcome everyone who can support our Cause.

Trustees' Report (continued)

Five major strategic aims to face the challenges of the future

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

1. Give the palaces the care they deserve

We are guardians of six of the nation's most important historic sites. One is a World Heritage Site and another is part of a World Heritage Site, four are Scheduled Ancient Monuments, and five are Grade I listed buildings. Our responsibility covers the fabric of the buildings, interiors and contents, estates and landscapes, and the stories and traditions associated with these famous sites. We are also responsible for developing the specialist skills of our staff. The idea of 'Guardianship' for us means to care for, look after and keep secure, and also to nurture, develop and reach potential. Conserving in the state we have inherited them is not enough; we aim to hand them on to future generations in a better state. The scale of the future challenge is set out in the State of the Estate and the State of the Interiors reports, and the Gardens Conservation Management Plans.

2. Transform the way visitors explore their story

The central idea of visitors exploring their story derives from our Cause. HRP believes history, beauty and art have the power to inspire, and that everyone wants to understand more of the world they live in. People make their own meanings and we can support this by helping our visitors make connections to our stories. In the total experience that people have, from planning a visit to the memories they take away, our aim is to inspire learning for everyone. Delighting our customers is also critical to our future financial prosperity; we depend on this income stream for the majority of our revenue. We are engaged in an extensive programme of change and development - in the way we present the palaces, help people explore stories, provide services and engage people's senses.

3. Have wider impact in the world

Our Cause defines an ambition to 'help everyone explore the story of how monarchs and people have shaped society...' Our priority is to broaden our reach, build awareness, support and influence for HRP as widely as possible in all our communication and public-facing activities. We have an ambitious Learning and Engagement Strategy that delivers programmes on and off site to hundreds of thousands of learners. We have invested significantly in HRP's digital capability to expand our reach further in the future.

4. Build one organisation united behind our Cause

We continue to drive culture change and performance improvement in line with our Cause and performance framework: Putting the customer first; Knowing our stuff; Doing it well, and Working together. We continue to give particular attention to increasing the ethnic diversity of our workforce, promoting further efficiency, managing poor performance & attendance and improving leadership capability.

5. Generate the money to make it all possible

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 modest level to allow the maximum resource spend for our charitable objectives, and to designate any annual surpluses for projects. Our main income streams are from visitors, retail, catering, functions & events, and fundraising. As a self-supporting charity, we charge admission fees to visitors to our palaces and for our education service. These are reviewed annually and benchmarked to ensure they remain affordable to the general public. We have concessionary prices for children, family groups, those over 60 and full time students (16 and over), to widen our appeal to as many audiences as possible. HRP membership provides a significant discount for regular visitors who wish to support our work in that way. We provide special free programmes for local communities around our palaces and free content through our website and other media channels for people who do not visit the palaces in person.

Trustees' Report (continued)

Achievements and Performance

1. Give the palaces the care they deserve

- We have continued our programme of major conservation projects in buildings, interiors and contents, estates and landscapes at a reduced level.
- In the second phase of our long-term project to repair, conserve and re-present Banqueting House, we are focusing on the interior. This spring, the Banqueting House, closed to visitors for just under three months, to allow specialist conservators the opportunity to carry out some close inspections and conservation investigations of the Rubens ceiling paintings and their framing in the Main Hall.
- At the Tower, preparatory and enabling work continues on the internal conservation of 4&5 Tower Green. In the Flamsteed turret of the White Tower, the Surveyor of the Fabric team have been working with consultant architects, engineers and contractors to design a new timber 'over-stair' for Flamsteed's stone staircase, which will improve public safety and reduce maintenance.
- In December, the Magic Garden won the Landscape Institute Award in the category of Design for a Small Scale Development.
- We have completed the first of five stages of a major mains electrical installation project at HCP costing nearly £1m.
- The Orangery at Kensington Palace, built for Queen Anne, is now closed to prepare for conservation repair works both inside and out and the conservation of the new building in the Orangery Yard.
- At Hillsborough Castle we laid the foundations and began to build our new visitor facilities and car park. We completed a new, purpose-built conservation store in the grounds, housing everything needed to care for the art and collections on site. Meanwhile, the representation of the State Rooms has occupied a small army of skilled craftspeople, from Master Marblers to silk weavers, working furiously to transform the stunning Throne Room and Drawing Room.
- The major project to restore the Great Pagoda at Kew is on track for opening in June 2018.
- Total spend of £27.052m in the Statement of Financial Activities (SOFA on page 22) represents an increase of 18% from the previous year.

2. Transform the way visitors explore their story

- The return of the Music at the Tower festival in July once again brought local children into the fortress, and put the Tower at the heart of the community. The festival saw the reprise of our collaboration with Water City Music and renowned violinist Michael Bochmand for seven memorable days of song and music performed by bands, orchestras and choirs of young people. This year's stories from the Tower were closely woven into the performances, including a musical adaption of Sir Walter Raleigh's last poem written at the Tower the night before his execution.
- There was more music enjoyed at Kensington Palace. Our evening concert 'From baroque to rock', was a first. HRP worked in partnership with the Orchestra of the Age of Enlightenment's Night Shift programme to create a concert linked to the Enlightened Princesses exhibition, with the aim of creating a wider audience for baroque music. Despite the rain, over 300 people came to enjoy works by Handel and songs by Björk, Beyoncé and Radiohead, arranged for the baroque musicians by composer Benjamin Tassie.
- In May 2017, we launched 'Design a Dragon' competition at Kew in partnership with BBC's *Blue Peter*. The winning design was announced in July and is being scaled up and fixed to the roof of the Great Pagoda at Kew, in pride of place among the other 79 new dragons. Five runners-up had their dragons recreated by Wild in Art, and these will form a trail through the Gardens from Kew Palace to the Pagoda.
- At Hampton Court Palace, The Easter Lindt Gold Bunny Hunt saw around 20,000 adults and children exploring the palace and gardens together, with the added bonus of chocolate rewards!
- The 2017 May Bank holiday weekend saw the return of the Family Festival at the Tower of London. This time we launched 'Go Medieval', achieving a record attendance with over 8,000 people enjoying medieval-themed activities in the moat.

Trustees' Report (continued)

- The 'Who Can We Be' youth photographic project at Hillsborough Castle engaged 30 young people in a six-week programme to learn new photographic skills, build confidence and establish a strong connection with the site. Participants worked with costume and make-up artists to style themselves, then captured striking self-portraits with the help of youth arts charity Wheelworks. The finished images were displayed in the Downshire Gallery.
- This year also saw some very successful digital storytelling. We worked in partnership with online production company Rusty Quill to create a historic fiction podcast series *Outliers*, a selection of relatively unknown Tower stories, retold by award-winning contemporary writers.
- We have had another busy and productive year in the Research & Development (R&D) Studio, including work to develop LGBT+ themed content (*Long Live Queen James* at Banqueting House and out-of-hours tours at Hampton Court and the Tower), created to commemorate the anniversary of the partial decriminalisation of male homosexuality in 2017.
- Just before Easter 2018, we were delighted to unveil an exciting new permanent display at Kensington Palace. A stunning selection of royal jewellery went on public show on Good Friday, and attracted vast amounts of media coverage, which picked upon the strong theme of royal marriage and romance in the 2018!
- The Fife Tiara was accepted by HRP in lieu of inheritance tax from the Duke and Duchess of Fife. It belonged to Princess Louise, grand-daughter of Queen Victoria, and was given to her by her husband to be, the Marquis. The Romanoff 'fringe' diamond tiara, which can also be worn as a necklace, was given to Princess Louise by her parents Edward VII and Queen Alexandra, when they were Prince and Princess of Wales. Perhaps most romantic of all is a diamond and emerald tiara of Queen Victoria's, designed by Prince Albert who presented it to his beloved wife in 1845. It was made to complement Victoria's emerald and diamond parure (a matching set comprising necklace, brooch and earrings) given to her in 1843.

3. Have wider impact in the world

- This year saw the launch of the HRP Access Fund, one of our initiatives in the ongoing challenge to remove barriers to entry to our palaces and to broaden our reach. We offered children from state-funded London schools the chance to visit the Tower or Hampton Court free of charge, on basis of need.
- We have also been working, through our Sensory Palace sessions, to make our palaces more accessible to people living with dementia and their carers. In 2016 we set up the Dementia Friendly Heritage Group, working with the Alzheimer's Society to bring together other heritage organisations working towards becoming more dementia friendly.
- The three year 'Curious Stories' literacy project run by the Schools team at Kensington Palace, in collaboration with Coventry University, drew to a close, yielding some startlingly positive results. The project was the first robust qualitative research into the impact of cultural learning on literacy attainment in primary schools, and involved working with local schoolchildren, their teachers and parents. Research findings demonstrated significant improvements to children's vocabulary, story-building skills and confidence in communicating, and there are plans to build on this exciting work for the future.
- In June we were delighted to co-host final of the BBC Radio 2 '500 Words' competition live from the Tower of London. The show aired as part of the Chris Evans' Breakfast Show, which attracts 10m listeners from all over the country. HRH The Duchess of Cornwall was a special guest and gave an inspiring speech drawing on the history of the Tower.
A question that heritage professionals constantly ask – are we doing enough to stay relevant? – was the central theme of this year's 'Relevance' conference in October. The event was hosted by HRP in partnership with the International Committee of Museums (ICOM), the International Committee for Historic House Museums (DEHMIST) and the Committee for Education and Cultural Action (CECA). We were delighted to host nearly 200 international delegates to the Tower of London and Hampton Court Palace for the event.
- New HRP publications this year included *Terrible Tales from the Tower* published in partnership with Walker Books in July. We worked with Yale to produce the beautifully-illustrated *Tudor Fashion*, written by HRP dress collection curator Eleri Lyn and drawing on her new research findings about this fascinating period.

Trustees' Report (continued)

- It was another splendid year of broadcast coverage of the Palaces. A new documentary on the history of Evensong, devised by Lucy Worsley and Canon Anthony Howe, at Hampton Court Palace, aired on BBC4 and featured wonderful performances from the Chapel Royal Choir. A second series of Tracy Borman's 'The Private Lives of Monarchs', filmed at Kensington among other palaces, aired on the Yesterday channel in October, while in July, 'Diana: Her Fashion Story' exhibition and the White Garden at Kensington featured in a documentary for ITV. We worked with Royal Collection Trust on a programme that explored the coronation ceremony, with our media team facilitating extensive filming of the Crown Jewels at the Tower. 'Coronation' aired on BBC 1 in January 2018 featured HM The Queen.
- We enjoyed record numbers of visitors at Kensington Palace through the year, drawn to see our exhibition 'Diana, Her Fashion Story', marking 20 years since the death of Diana, Princess of Wales. The exhibition, which opened in early spring 2017, attracted huge crowds, received worldwide coverage and was the subject of a BBC 2 documentary, which reached an audience of 1.3 million.
- Princesses from an earlier era were also the subject of a summer exhibition at Kensington. 'Enlightened Princesses: Caroline, Augusta, Charlotte and the Making of the Modern World', was the culmination of a fruitful four-year academic partnership with the Yale Center for British Art. The exhibition opened in June at the palace, after a successful run in New Haven, USA and following the publication of an accompanying book, co-published with Yale in 2017. The launch generated a raft of national press coverage, with the exhibition being described in the *Telegraph* as 'a fascinating portrait of the modern princess'.

4. Build one organisation united behind our Cause

- We had 15 apprentices working across a range of disciplines.
- In addition, another very successful year for our volunteer programme in 2017/18 with 40,361 volunteer hours contributed, an increase of 3% (2016/17: 39,203). Our volunteer numbers have stayed fairly steady with 367 volunteers providing support across our six palaces during the year (2017/18: 351)
- The highlight of the year came from a team of 8 volunteers who worked under the guidance of our Conservation and Collections Care team on the project mentioned below to transfer 400 of the files from our collection to The National Archives.
- The invaluable work of our volunteers was recognised once again at the London Volunteers in Museums Awards, including two Highly Commended Awards, one for Lydia Calma for her work on the Visitor Research team and one for Buddleia Maslen for her work in researching the LGBT+ tours at the Tower of London. We also had three Runners Up Awards.
- The Information Management team have successfully deposited 900 public records, 200 plans and drawings and 3,500 photographs to The National Archives in Kew. These records, previously stored across HRP sites and transferred from the Property Services Agency in 1987 will now be available to the public and to researchers to tell the stories of the development of the HRP sites up to the point when we became a charity in 1998.

5. Generate the money to make it all possible - Financial Review

- We have experienced our highest ever numbers of visitors that spent a day out at one of our palaces - 4.733m visits for 2017/18.
- Admissions income was £63.9m - 65% of total income.
- Income from other trading activities (retail, functions & events, licences & rents and sponsorship) and from catering & other concessions totalled £28.3m, an increase of 4% from £27.2m in 2016/17.
- This year marked the conclusion of our fundraising campaign: 'The Next Chapter in Our Story'. Five years ago, we appealed to our donors, sponsors, members and visitors to help us raise £30 million by March 2018. The support we received since then has been magnificent, exceeding our original goal.
- Our donors and sponsors have helped us to achieve so much more than would have been possible with visitor and earned income alone. The conservation of the Chapel Royal of St Peter ad Vincula, the creation of the Magic Garden, the transformation of Hillsborough Castle and the restoration of the Great Pagoda at Kew have all been made possible by their support.

Trustees' Report (continued)

- Over the last four years Historic Royal Palaces INC, the American affiliate of HRP, has developed a rich engagement programme in key cities across North America, in order to raise the profile of the charity, promote the palaces, create engagement with our American supporters closer to home and encourage philanthropy and donations.

The Secretary of State measures our performance by submission of the Operating Plan and by this report.

Future Plans

Our Operating Plan for the next three years demonstrates how we will sustain and increase visit numbers to the palaces, fund our biggest ever capital projects programme, enable increased investment into conserving and maintaining the estate, deal with raised security needs, and bring on-stream Hillsborough Castle and the Pagoda at Kew.

We are aiming for growth, with significant investment in staff resources, stretching income targets and a drive to control rising costs.

Nothing will be more important than giving a fabulous experience to 4.7m visitors at our palaces through the HRP people who deliver the front-line service.

Funds and reserves

The Trustees recognise the need to establish a level of general 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 thus 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. Designated funds have been created to protect long-term commitments to major projects.

The target level for free reserves is £5 million and this has been maintained throughout the year.

The charity has various funds available to finance its activities. These are as follows:

Restricted funds (£6.4m)

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

Unrestricted funds (£43.2m)

These are funds that are expendable at the discretion of the Trustees in furtherance of the charity's objects. **Free reserves** (£5m) are that part of the unrestricted fund that are not held as fixed assets or designated for other purposes:

- **Fixed asset fund** (£15.3m)

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.

- **Designated funds** (£27.8m)

We have designated funds out of general funds for long-term commitments to major projects. In addition to £12m of existing designations carried forward from prior years, £6.5m has been designated to complete projects in 2018/19 that were under way in 2017/18. £5.1m has been designated towards the longer term works on the Orangery Building at Kensington Palace, £1.7m for longer term development work at the Tower of London, £1.0m towards Henry VIII Private Apartments at Hampton Court Palace, £1m towards Banqueting House interiors re-representation and £0.5m to support our plans to develop Hillsborough Castle.

Trustees' Report (continued)

- **Pension plan** (£4.9m deficit)

This liability does not result in any immediate requirement to pay this amount to the pension scheme, and ongoing cash contributions into the scheme are met through budgeted income, so there is no requirement to ring fence an amount equal to the full deficit from other reserves to cover this liability.

The pension liability recorded in the Consolidated and Charity Balance Sheet is calculated annually for accounting purposes under FRS102. As at 31 March 2018, it is £4.9m (March 2017: £7.9m). Details of the retirement benefit scheme are disclosed in Note 8 to the accounts.

The defined benefit pension scheme is also valued for funding purposes by an actuary in a more detailed assessment, every three years. The last triennial valuation was done as at 31 March 2015 and the ongoing employer contribution to the scheme for future service accrual increased from 27.5% to 31.8% of pensionable earnings from 1 April 2016 as a result. The next triennial valuation, as at 31 March 2018, is under way.

HRP also meets the expenses of the scheme and levies to the Pension Protection Fund.

Equal opportunities policies

HRP is committed to a policy of equality of opportunity in all areas of employment, including recruitment, training, performance management and promotion. To encourage diversity in the workplace, formal policies on equal opportunities, disability and harassment have been developed and communicated to all staff. General training on these policy areas is provided to staff and specific training is provided in areas such as recruitment and performance appraisals. Equality policies and practices are regularly monitored and action plans developed, if appropriate, to deal with any specific issues. In addition, we have published a Diversity Strategy and Action Plan and are making progress in increasing the diversity of our workforce.

Consultation with, and provision of information to, employees

The Trustees and Directors encourage widespread consultation and exchange of information at all levels of the organisation using a range of different communication mechanisms. To facilitate information flows and discussion between the organisation and Trade Union representatives, partnership meetings are regularly held both centrally and at each palace. In addition, staff are kept up-to-date on the organisation's progress through a cascade briefing *News from the Executive Board*, the intranet, notice boards, team briefings and a staff newsletter, *Our Story*.

Investment policy

HRP's investment policy is as follows:

1. Capital preservation is the priority.
2. Surplus funds are invested on the money market in the UK.
3. Except for deposits with the Bank of England, no more than 50% is invested in any one institution
4. Up to £10m may be invested in a fixed income portfolio with an average maturity date of no more than 4 years.
5. Up to £5m may be invested in a global multi asset portfolio, with an acceptable ethical policy.
6. Any investments that might create adverse public profile by association for Historic Royal Palaces will be considered carefully and might be refused.

Suppliers' payment policy

HRP observes the principles of the CBI Better Payment Practice code. The code requires bills to be paid in accordance with contractual obligations, or where no such conditions exist, within 30 days of the receipt of the goods or services, or the presentation of a valid invoice, whichever is the later. It is the policy of HRP to pay all invoices not in dispute in accordance with contractual terms.

Payments are made fortnightly and include all invoices received in Finance and due for payment by the time of the next payment run.

During 2017/18, 69% of supplier invoices were paid within 30 days of date of invoice (68% in 2016/17) and 80% within 40 days (78% in 2016/17). This payment performance has not been adjusted for invoices which have been delayed for payment due to a query with the supplier. Overall performance has improved slightly year-on-year and is primarily below target due to the number of queries.

Trustees' Report (continued)

Related parties

Details of material dealings with any related parties are set out in Note 20.

Whistleblowing policy

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

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

- Internally, individuals can disclose their concerns to appropriate internal specialists, a specific email address managed by the Whistleblowing Officer and the Head of Audit and Risk or directly to the HR Director (The Whistleblowing Officer) and The Chief Executive, Chair of the Audit and Risk Committee or the Chair of Trustees
- Externally, people can report issues to external bodies such as legal advisers, Minister of the Crown or statutory regulators.

Fundraising Regulator

- We recognise the Fundraising Regulator as our regulator and are not aware of any failure to comply with the scheme.
- We did not engage any professional fundraisers to fundraise from individuals during the year. Two groups of volunteers solicit personal donations on behalf of HRP: our Campaign Board and the Organising Committee for the Statue to Commemorate Diana, Princess of Wales at Kensington Palace.
- The activities of the Campaign Board were monitored through three board meetings during the year. Three Trustees sit on the Campaign Board, which ensures the Trustees have a high degree of awareness of what the Board does and the activities of its individual members. Membership of the Organising Committee for the Statue to Commemorate Diana Princess of Wales includes the Chief Executive of Historic Royal Palaces. The committee meets regularly to discuss its activities.
- Historic Royal Palaces also employed during the year a corporate sponsorship consultant to secure introductions to companies interested in sponsoring the charity. Her activities were governed by a contract and monitored through frequent telephone and email communication. Her work involved no solicitation of individuals.
- We received no complaints about our fundraising practices during the year
- We avoided practices that risk being unreasonably intrusive or persistent. We did not use professional third party fundraisers, and did not use telephone or direct marketing techniques (post or email), except for advertising in our members magazine, *Inside Story*. Individuals solicited for gifts were either introduced to the charity by existing supporters, or made contact with us in the first instance.

Environmental Sustainability

Energy management in historic buildings and estates is always challenging, but HRP continue to carry out a number of energy saving initiatives across our sites last year resulting in a decrease in the amount of Greenhouse Gas produced. The overall carbon footprint using the data available is lower than the year before, reducing from 5,687 tonnes of CO₂e to **4,989** tonnes of CO₂e.

As HRP's activities grow it is not surprising that we consume a lot of energy; in 2017/18, our total energy consumption was **15.7 million kWh**, a reduction of 1.4 million kWh on 2016/17. The carbon emissions associated with our energy use (known as Scope 1 and 2 emissions) represent one of HRP's biggest areas of environmental impact, in particular those arising from our electricity use.

HRP has continued its project of LED replacement lights as well as the programme of upgrading boilers with more efficient models. At Hillsborough Castle, last year's project to reinstate an old

Trustees' Report (continued)

hydroelectric scheme has shown results already and has produced revenue generated from the sale of Renewable Obligation Certificates (ROCS). In the following year, this scheme will have increased benefit when combined with a gas heat pump system.

HRP is committed to continue the progress that has been made over the years with water consumption; this year saw a 3% decrease in water consumption at HRP. All sites contributed to the improvement, and this is now supported by regular environmental audit and impact assessments for all HRP sites.

HRP continue to focus on waste management with our suppliers and waste management contractors, increase reuse and recycling of plastics. As part of our five-year strategy, we are looking at options to reduce unnecessary single-use plastic across our estate.

HRP remains committed to the aim of biodiversity conservation to ensure that all life forms prosper through sympathetic, sustainable management. Biodiversity is a key area of the HRP Sustainability Strategy that recognises the need to consider the conservation of biological diversity in all that we do within the gardens, estates, and the built environment.

A wide variety of strategic biodiversity work has been carried out at HRP, including Environmental Impact Assessments; tree Surveys and Ecological Survey Reports. This allows us where possible, to create new habitats or enhance existing ones to encourage local wildlife to flourish.

HRP continue to focus on waste management with our waste management contractors, Total Support Services (TSS) and Mitie Ltd. HRP have a zero-to-landfill approach and through our Materials Recycling Facilities our waste is either recyclable material sent to re-processors for reuse or refuse derived fuel, which is converted into energy at a waste plant.

The current HRP environmental policy has been reviewed this year and has a section on sustainable procurement adopted by all departments. In addition to this, the sustainability strategy has identified a Procurement Sustainability Policy and a supplier code of conduct in the HRP Supplier Manual, which will cover all of our functions. This is to be implemented in 2018/19.

Report of the Remuneration Committee

Membership

The membership of the Remuneration Committee in 2017/18 consisted of four trustees. Lord Houghton and Louise Wilson served on the committee throughout the year. Sue Wilkinson was appointed to the committee in November 2017 replacing Liz Cleaver who completed her term of office as Trustee and member of the Committee in May 2017. Sir Jonathan Marsden completed his term of office as Trustee and member of the Remuneration Committee in December 2017.

Policy statement

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

Members of the Board of Trustees receive no remuneration. However, they are entitled to claim expenses and to make charges if instructed by the Charity to apply their specialist skills or knowledge. Details are set out in Note 6 to the accounts.

Review of activity during the year

At the Annual Salary Review in August 2017, most Directors received a 2% increase to their basic salaries. This level of increase was in line with the median settlements in the external market and with the settlement awarded to other HRP staff. Two Directors, who had been promoted just prior to the Annual Salary Review, did not receive a further increase as their salary on promotion took into account the forthcoming Annual Review.

Trustees' Report (continued)

In addition, the Directors received a performance-related bonus for the 2016/17 period. These bonuses were awarded consistently with the Directors' performance-related bonus scheme and reflected a good year for HRP and its Directors. Actual bonus payments were calculated on the basis of the overall performance of the organisation and Directors' individual performance against agreed objectives. Performance-related bonuses for the 2017/18 period have been accrued and will be paid in accordance with the agreed scheme.

During the year, the Committee reviewed and approved the Directors' Succession plans, which were subsequently discussed and approved by the main Trustee Board.

Details of the emoluments of the Chief Executive are set out in Note 7 to the accounts, together with information on the number of employees whose remuneration (excluding pension contributions) exceeds £60,000.

Rupert Gavin
Chair of the Board of Trustees
13 July 2018

Hampton Court Palace
Surrey
KT8 9AU

Governance Statement

The Governance framework

Details of the Trustees are given on page 1. The Board consists of a Chairman and eleven Trustees, chosen for their skills and experience. All are non-executive and unpaid.

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

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

Trustees are recruited through advertisement, by using existing contacts and by further research. New Trustees are supported through an induction process tailored to their needs and experience. This includes meetings, visits and a substantial amount of written material on their responsibilities as a Trustee of both a charity and a public body, and about the organisation.

The Chief Executive is granted a general delegation to act on behalf of the Trustees, except for matters reserved by the Trustees for decision by the Board or its committees. Such matters include approval of strategic plans, annual budgets and major projects, remuneration of the Directors and variation to governing documents.

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

- supports the achievement of HRP's Cause and Strategy, whilst;
- safeguarding the public funds and assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned in *Managing Public Money*; and
- ensuring compliance with HRP's Management Statement and Financial Memorandum.

There are four sub-committees of the Board:

1. The Audit & Risk Committee formally reports annually to the Board on the adequacy of HRP's arrangements for risk management and internal control. During the year the following Trustees served on the committee: Sir Michael Stevens (Chair), Carole Souter and Ajay Chowdhury. Marcus Boyle is a co-opted member.

2. Oversight of investment activities is provided by the Investment Committee, whose remit includes reviewing the balance of risk/return, and the impact of external factors. During the year, the committee comprised the following Trustees: Rupert Gavin (Chair), Bruce Carnegie-Brown, Sir Michael Stevens and two members of the Executive Board: John Barnes and Sue Hall. William Fall is a co-opted member of the committee.

3. Remuneration policy for the Chief Executive and Directors of HRP is agreed by the Remuneration Committee. Lord Houghton chaired the committee. Other Trustees who served on the committee were Liz Cleaver (until 26 May 2017), Sir Jonathan Marsden (until 21 December 2017), Louise Wilson and Sue Wilkinson (from 1 August 2017.)

4. The Nominations Committee reviews Trustee succession and makes recommendations to the Board to ensure the appropriate balance of competencies, skills, experience and diversity on the Trustee Board. During the year the following Trustees served on the committee; Rupert Gavin (Chair), Sir Michael Stevens, Lord Houghton, Sir David Cannadine and Zeinab Badawi.

The Board agrees the terms of reference for each committee.

Governance Statement (continued)

The work of the Board is further supported by one outside Committee, the Campaign Board, which brings special expertise on fundraising to HRP. Bruce Carnegie-Brown chairs this Board. Rupert Gavin and Louise Wilson also served on it. Other Campaign Board members are external people with expertise in this area.

Further Trustee input to HRP's work comes through advisory groups where Trustees bring their expertise and work with members of the Executive Team to advice on particular areas such as major projects.

Attendance at Board and Committee meetings is monitored and discussed with each Trustee as part of the annual Board Effectiveness Review meetings. Attendance at Trustee Board meetings over the year was 80% (2017: 94%), Audit & Risk Committee 92% (2017: 100%), Investment Committee 100% (2017: 83%), Remuneration Committee 80% (2017: 88%) and Nominations Committee 100% (2017: 100%).

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

	Board	Audit and Risk Committee	Investment Committee	Remuneration Committee	Nominations Committee
Rupert Gavin	7/7		3/3	2/2	1/1
Zeinab Badawi	4/7				1/1
Sir David Cannadine	6/7				0/1*
Bruce Carnegie-Brown	5/7		3/3		
Liz Cleaver (until 26/5/2017)	1/1			1/1	
Lord Houghton	5/7			2/2	1/1
Ajay Chowdhury	5/7	3/4			
Jane Kennedy	6/7				
Sir Jonathan Marsden (until 21/ 12 2017)	4/5			2/2	
Carole Souter	7/7	4/4			
Sir Michael Stevens	5/7	4/4	3/3		1/1
Louise Wilson	6/7			0/2	
Sue Wilkinson (from 1/8/2017)	4/4			1/1	
Tim Knox (from 5/3/2018)	0/1				

*The subject matter discussed by the Committee was the re-appointment of Sir David Cannadine, so he did not participate.

Governance Statement (continued)

The Board's performance

The effectiveness of the Trustee Board and its Committees is formally reviewed each year, and the Chairman holds a discussion with each Trustee.

The meetings between the Chairman and each Trustee also cover the performance of those individual Trustees and feedback on the Chairman's own performance is sought.

The Executive Board is invited to comment on the Board's views, including the way the Trustee Board functions and its working relationship with the Executive.

Each year the Chairman produces a report covering all aspects of Board effectiveness, based on the process outlined above, updating the position on actions agreed the previous year and identifying actions to take forward in the current year. This report and its findings are discussed annually and actions agreed at a Board meeting. A full review and discussion with each Trustee was carried out in March 2017.

The Chairman concluded that effectiveness remained at a high level. Some recommendations for further improvement were made and agreed at the Board meeting on 17 May 2017.

Highlights of board committee reports

The Trustee Board meets seven times a year.

Minutes of Trustees meetings are published on our website once approved by the Board.

At the start of each annual strategic planning process, Trustees hold a separate meeting, attended by the Executive Board, to discuss strategy and to inform the planning process. This meeting is not formally minuted and therefore the output is not published.

The financial performance of the organisation is reviewed at each Trustee meeting through a summary management information pack that reports key aspects of financial performance but also key non-financial organisational performance indicators, and is supported by commentary explaining variances and highlighting issues requiring attention or action. Updates on major projects are also provided at each meeting.

The work of committees of the Board is reviewed by Trustees through either the minutes or a verbal report by the chair of each committee.

The scheme for delegating authority reserves a number of matters for decision by Trustees. These matters are considered at Board meetings and include approval of expenditure above a certain limit. Variations to budgeted approved expenditure of more than 10% on any project are also referred to the Board for further approval. The threshold for approval of projects and contracts at the Board is £750,000 excluding VAT, although projects that may be perceived as novel or contentious below this limit, and anything out of line with the agreed budget, will still be brought to Trustees' attention.

The Board monitored and considered the progress of the organisation through strategic updates on, conservation and education, retail and catering operations, functions and events activity, the digital programme and marketing plans. The Board also supported the development of a new Public Engagement department, bringing together the previous teams of Learning & Engagement and Creative Programming & Interpretation.

The Board reviewed HRP's security arrangements and agreed to further investment in this area. Over the year, the Board also agreed to various acquisitions to enhance HRP's collection of royal dress and other objects.

Governance Statement (continued)

Audit & Risk Committee agendas are similarly structured, considering matters of risk management, the external audit and internal audit plans and progress. Progress with all major projects is reported at each meeting using red/amber/green indicators to highlight the status of each project. The committee met four times in the year to March 2018.

The Investment Committee met three times in the year. One of which was to appoint an additional multi asset fund manager. The committee reviewed HRP's investments at each meeting. The committee also gave its view to the Pension Scheme Trustees on scheme investment strategy.

HRP's second major fundraising campaign ending March 2018 exceeded the objective of raising £30m of income over five years. The Campaign Board supported the achievement of this goal.

Corporate governance

The five London palaces in HRP's care are owned by HM The Queen "in right of Crown" and the Government is responsible for their management. HRP was established by Royal Charter in 1998 and the Royal Charter Body obtained registration as a charity and entered into a contract with the Secretary of State for Digital, Culture, Media and Sport to manage the palaces on his behalf. HRP was reclassified as a Public Corporation on 1st April 2005.

In February 2014, the Privy Council approved a revision to the Royal Charter to permit HRP to take on any other palace or property considered by the Trustees to be of Royal association and historic and/or architectural importance and from 1 April 2014 HRP was also contracted by the Secretary of State for Northern Ireland to manage Hillsborough Castle in Northern Ireland. The Castle is owned by the Government. From 1 April 2015, HRP took on management responsibility for the Great Pagoda at Kew from the Royal Botanic Gardens.

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

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

HRP is only obliged to comply with relevant aspects of the UK Corporate Governance Code and we comply with the elements that are relevant to us as a Public Corporation and a Charity. HRP is also subject to the Freedom of Information Act.

Quality of the data

The structured approach to board meetings ensures that all aspects of HRP's performance are reviewed regularly and to an appropriate level.

Board agendas are drafted in discussion between the Chairman and the Chief Executive. The Head of Governance also prepares minutes, and matters arising are reviewed at each subsequent meeting.

Risk assessment

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve HRP's Cause and Strategy; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in HRP for the year ended 31 March 2018 and up to the date of approval of the Annual Review and Accounts, and accords with HM Treasury guidance.

Governance Statement (continued)

Audit & Risk is responsible for the on-going examination of and the reporting on the adequacy and effectiveness of HRP's risk management process. The Head of Audit & Risk provides an annual report to the Chief Executive Officer (CEO)/Accounting Officer and the Audit & Risk Committee on the adequacy and effectiveness of the risk management process, internal control and corporate governance in the year. His opinion for the year to March 2018 was that HRP has a good framework of governance, risk management and control that is sufficiently well embedded in most areas to support the achievement of HRP's objectives.

HRP's management of risk is embedded in policymaking, planning and delivery in the following ways:

- Internal Audit takes a risk-based approach to audits and operates in compliance with Public Sector Internal Audit Standards (except where this is impractical for this small department);
- Progress in implementing internal audit recommendations is monitored by the Executive Board and the Audit & Risk Committee;
- The organisation has a project assessment and approval process which requires risk assessments to be done on all major projects;
- A fraud risk profile is updated annually by Directors and reviewed by the Audit & Risk Committee;
- New activities and changes to existing processes are routinely reviewed to ensure that adequate controls are in place;
- The Security Adviser provides regular security reports to the Executive Board, and an annual report and opinion on security to the Audit & Risk Committee, with an executive summary reported to the Trustee Board;
- Regular reviews are made of health, safety & environmental risks, and of fire risks, emergency planning, and the implementation of related policies and procedures. Reports are provided to the Executive Board and annual reports and opinions are provided to the Audit & Risk Committee by the Advisers for these areas, with an executive summary reported to the Trustee Board;
- The Finance Director has been appointed Senior Information Risk Owner, and takes responsibility for the management of information risk, supported by Information Asset Owners;
- HRP has an agreement with the Communication Electronic Security Group that where possible we will comply with industry best practices and the spirit of the Security Policy Framework. HRP is a self-assessed Payment Card Industry Data Security Standard Level C organisation that is able to attest to V2 compliance and is now working towards successful attestation of the new V3 PCI standard. Appointed Departmental Information Asset Owners track their department's repositories of sensitive data (up to OFFICIAL- SENSITIVE);
- All staff are made aware of the Data Protection Act and the changes aligned to GDPR from 25 May 2018 when they join the organisation. In addition, staff receive specific training on areas relevant to their roles and are regularly reminded of the need for vigilance in the handling of all forms of data, particularly personal and financial information.

Strategic leadership of the risk management process comes from the Executive Board, and the Trustees and Accounting Officer oversee the process. The CEO reports annually to the Board of Trustees on the effectiveness of the internal control system established to ensure that the aims, objectives and key performance targets of HRP are achieved in the most economic and effective manner.

The Executive Board:

- assesses risks and opportunities annually as part of the Annual Operating Plan process (looking forward);
- provides assurance to the CEO/Accounting Officer about the effectiveness of risk management in their annual letters of representation (looking back);
- develops HRP's risk management policy and is responsible for communicating it to staff; maintains the risk register, monitors change in the corporate risk profile and reports significant changes to the Trustees (on-going).

Directors, managers and staff are responsible for identifying, assessing and managing the corporate operational risks in their areas.

Governance Statement (continued)

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

At 31 March 2018, HRP had one 'red' status risk on the risk register:

- A major unpredictable event that shifts visitor/trading activity significantly or has significant cost implications. This risk has on-going 'red' status due to the potential scale of impact and the continuing possibility of an event (e.g. terrorist activity) that would have such impact. The organisation has a Major Incident Plan and an operational/financial contingency plan that covers the response in the event of such an incident.

These risks were considered to remain 'amber' at the year-end:

- **Conserve Our Sites** - This risk relates to the 10 year Goals in the 2025 Statement of Intent of the need to balance consideration of the short term - internal state of the estate and gardens currently being good; and the long term - we have fewer major projects focusing on conservation in our current 5-year project plan. The focus will return to 'conserve' once these projects/programmes are complete in the second half of ten-year plan.
- **Staff** - This risk relates to a failure to attract, retain, engage and develop our staff in a way to achieve our plans and priorities. Although our management and development processes and practices are in good shape we are currently in negotiations on closing the defined benefit pension scheme, the labour market is very tight and enablement scores in the recent staff survey show clear need for improvement
- **The impact of Brexit** - There remains uncertainty around long term impacts on the economy, staff morale, particularly EU staff, NI border controls and progress of negotiations with NIO.

Risks for the delivery of the 2018/19 operating budget include the ever present terrorism threat which would impact our visitor numbers, increased international political uncertainty, impact of Brexit, continuing low interest rates and our own demanding and ambitious development programme. Financial contingency plans are in place to mitigate the impact of these risks, should they crystallise, such as the requirement to deliver a surplus to act as a contingency in the budget for the year.

Some of the improvements to the management of risk during the year include:

- HRP's Operating Plan has been updated for the three years to March 2021. This also involved identifying key strategic risks and opportunities for each department;
- The Statement of Intent, setting out demanding organisational ambitions, was updated to 2025, with associated goals to track delivery;
- The corporate and departmental risk management process is embedded throughout HRP based on the three lines of defence model and giving more robust risk information that flows from the front line right up the Board;
- External Advisors and co-sourced internal auditors were used for five audits requiring particular specialist knowledge;
- The fire and emergency planning adviser was able to conclude at the year-end that HRP achieves a good standard of compliance with fire safety legislation and the protection of historic buildings and collections from fire;
- The health, safety and environment adviser was able to conclude that the management of health and safety and environmental legislation in HRP has improved to a good standard of compliance.
- Health, safety and environment training modules, compliance management and policies have continued to be reviewed and recommendations for improvement made.
- The security adviser concluded that the general standard of security at HRP is good. Risk management mechanisms are in place to identify shortcomings and implement improvements to identified risks and threats;
- Due to the introduction of the GDPR from May 2018 the Information Asset Owner processes and training have been reviewed and new HRP wide GDPR learning has been provided as an online training module;
- There have been no significant or reportable incidents of data loss in the year.

Governance Statement (continued)

Review of Effectiveness

The Trustees and Accounting Officer have responsibility for reviewing the effectiveness of the system of internal control. The review is informed by the work of the internal auditors and the Executive Board who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The Trustees and Accounting Officer have carried out this review through the mechanisms set out in the previous section. A plan to address any weaknesses and ensure continuous improvement of the system is in place.

Significant internal control issues

No significant internal control issues have arisen during the course of 2017/18.

Rupert Gavin
Chair of the Board of Trustees
13 July 2018

John Barnes
Chief Executive and Accounting Officer

Statement of Responsibility

Statement of Trustees' responsibilities

Law applicable to incorporated charities in England and Wales requires the Trustees of HRP to prepare (or have prepared) financial statements for each financial year that give a true and fair view of the state of affairs of the Charity and the Group and of their financial activities during the year. In preparing those financial statements, the Trustees are required to:

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

The Trustees are required to follow the Accounts Direction issued by the Secretary of State for Digital, Culture, Media and Sport, and are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Charity and which enable them to ensure that the financial statements comply with the Charities regulations and relevant Generally Accepted Accounting Practice. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Rupert Gavin
Chairman of the Board of Trustees
13 July 2018

Accounting Officer's responsibilities

The Accounting Officer for the Department for Digital, Culture, Media and Sport has designated the Chief Executive as the Accounting Officer for the Charity. His responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in *Managing Public Money* published by HM Treasury. He is also required to follow the Accounts Direction issued by the Secretary of State for Digital, Culture, Media and Sport.

The Accounting Officer confirms that so far as he is aware, there is no relevant audit information of which HRP's auditors are unaware and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that HRP's auditors are aware of that information.

The Accounting Officer confirms that the annual report and accounts are fair, balanced and understandable

John Barnes
Chief Executive and Accounting Officer
13 July 2018

Independent Auditor's Report to the Trustees of Historic Royal Palaces

Opinion on financial statements

I have audited the financial statements of Historic Royal Palaces for the year ended 31 March 2018. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheet, the Consolidated Cash Flow Statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of Historic Royal Palaces' affairs as at 31 March 2018 and of the group's net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 2011 and Secretary of State directions issued with the approval of HM Treasury.

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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of Historic Royal Palaces and the group in accordance with the ethical requirements that are relevant to my audit and 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.

Responsibilities of the Board of Trustees and Accounting Officer

As explained more fully in the Statement of Responsibility, the Trustees and the Chief Executive, as Accounting Officer, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 applicable law and International Standards on Auditing (ISAs) (UK).

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and Historic Royal Palaces' internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and Historic Royal Palaces' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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.

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

Other Information

The Trustees and the Chief Executive, as Accounting Officer, are responsible for the other information. The other information comprises information included in the Trustees' Report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, 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:

- in the light of the knowledge and understanding of the group and Historic Royal Palaces and its environment obtained in the course of the audit, I have not identified any material misstatements in the Trustees' Report; and
- the information given in the Trustees' Report which I provide a positive consistency opinion on for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London, SW1W 9SP

Date: 17 July 2018

Consolidated Statement of Financial Activities for the year ended 31 March 2018

	Note	Unrestricted funds £000	Restricted funds £000	Total 2018 £000	Total 2017 £000
INCOME					
Donations and legacies	9				
Grants		-	2,179	2,179	2,775
Donations		3,204	12	3,216	2,479
Gifts in Kind		-	25	25	1,411
		3,204	2,216	5,420	6,665
Income from other trading activities					
Retail income		14,817	-	14,817	13,725
Functions and events		6,283	-	6,283	6,519
Licences and rents		3,994	-	3,994	3,905
Sponsorship		681	-	681	586
		25,775	-	25,775	24,735
Investments		475	-	475	424
Income from charitable activities:	9				
Admissions		63,949	-	63,949	57,176
Concessions		2,567	-	2,567	2,497
Total income	5	95,970	2,216	98,186	91,497
EXPENDITURE					
Costs of raising funds:					
Fundraising		717	-	717	705
Retail activities		11,857	-	11,857	11,131
Other commercial activities		4,539	-	4,539	3,277
Investment management costs		26	-	26	23
		17,139	-	17,139	15,136
Expenditure on charitable activities:					
Give the palaces the care they deserve		24,822	2,230	27,052	22,947
Transform the way visitors explore their story:					
Public access		28,375	1,941	30,316	27,349
Interpretation and learning		14,088	457	14,545	14,843
Have a wider impact in the world		5,834	-	5,834	5,463
	9	73,119	4,628	77,747	70,602
Other					
Defined Pension scheme net interest cost	8	217	-	217	116
Total Expenditure	3	90,475	4,628	95,103	85,854
Net Income / (Expenditure)		5,495	(2,412)	3,083	5,643
Actuarial (loss)/gain on pension plan	8	3,572	-	3,572	(4,628)
Net (losses)/gains on investments	12	(63)	-	(63)	(17)
Net movement in funds		9,004	(2,412)	6,592	998
Fund balances brought forward at 1 April	5	34,203	8,808	43,011	42,013
Fund balances carried forward at 31 March	5	43,207	6,396	49,603	43,011

The amounts shown above derive from continuing activities. There were no recognised gains or losses other than those disclosed above. The notes on pages 25 to 47 form an integral part of these accounts.

Consolidated and Charity Balance Sheets as at 31 March 2018

		Group 2018	Charity 2018	Group 2017	Charity 2017
	Note	£000	£000	£000	£000
<i>Fixed assets:</i>					
Intangible assets		444	444	29	29
Tangible assets	10	10,797	10,797	9,119	9,119
Heritage assets	11	8,155	8,155	8,010	8,010
Investments	12	13,693	13,693	9,641	9,641
		33,089	33,089	26,799	26,799
<i>Current assets:</i>					
Stocks - goods for resale		2,322	-	1,793	-
Debtors	13	5,468	6,684	4,375	5,103
Short-term cash deposits		23,000	23,000	15,000	15,000
Cash at bank and in-hand		6,761	5,937	19,004	17,839
		37,551	35,621	40,172	37,942
<i>Creditors: Amounts falling due within one year</i>	14	16,040	14,110	15,954	13,724
Net current assets		21,511	21,511	24,218	24,218
Total assets less current liabilities		54,600	54,560	51,017	51,017
<i>Creditors: Amounts falling due after more than one year</i>		104	104	-	-
<i>Provision for liabilities and charges</i>		28	28	62	62
Net assets excluding Pension Plan liability		54,468	54,468	50,955	50,955
<i>Pension Plan liability</i>	8	4,865	4,865	7,944	7,944
Net assets including Pension Plan liability		49,603	49,603	43,011	43,011
Unrestricted funds		43,208	43,208	34,203	34,203
Restricted funds		6,395	6,395	8,808	8,808
Total funds	5	49,603	49,603	43,011	43,011

These financial statements were approved by the Trustees and the Accounting Officer on 18 June 2018 and were signed on their behalf by:

Rupert Gavin
Chairman of the Board of Trustees
13 July 2018

John Barnes
Chief Executive and
Accounting Officer

The notes on pages 25 to 47 form an integral part of these accounts.

Consolidated Cash Flow Statement for the year ended 31 March 2018

	2018 £000	2017 £000
Cash flows from operating activities		
Net cash provided by operating activities (<i>Note A below</i>)	3,110	6,397
Cash flows from investing activities:		
Purchase of tangible assets	(3,174)	(726)
Purchase of intangible assets	(114)	(18)
Purchase of heritage assets	(159)	(148)
Proceeds from sale of fixed assets	-	-
Purchase of investments	(6,351)	(2,400)
Redemption of investments	1,970	1,835
Interest received	475	424
Cash flows from financing activities:		
Net (purchase)/sale of short-term deposits	(8,000)	-
Increase/(Decrease) in cash	(12,243)	5,364

<i>Note A : Reconciliation of net incoming resources to net cash inflow from operating activities</i>	2018 £000	2017 £000
Net incoming /(outgoing) resources from charitable and trading activities	3,083	5,643
Interest receivable	(475)	(424)
Pension scheme: non-cash movements**	493	25
Donated heritage assets	(25)	(1,411)
Depreciation	1,183	1,265
Loss on disposal of fixed assets	50	26
Decrease in fixed asset investments	265	254
(Increase)/Decrease in stocks	(529)	158
(Increase)/Decrease in debtors	(1,093)	(351)
Increase/(Decrease) in creditors: current liabilities	86	1,164
Increase/(Decrease) in long term creditors	104	(7)
Increase/(Decrease) in provisions for liabilities and charges	(34)	50
Other non-cash movements	2	5
Net cash inflow from operating activities	3,110	6,397

<i>Analysis of net funds</i>	2018 £000	2017 £000	Change in year £000
Cash at bank and in hand	6,761	19,004	(12,243)

* Liquid resources include term deposits of up to a year

** Non cash movements for pensions have been consolidated

The notes on pages 25 to 47 form an integral part of these accounts.

Notes to the Consolidated Accounts for the year ended 31 March 2018

1 Accounting Policies

The following accounting policies have been 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 established by Royal Charter.

b) Basis of preparation

The financial statements have been prepared in accordance with the *Statement of Recommended Practice (SORP): Accounting and Reporting by Charities* (effective 1 January 2015), applicable United Kingdom accounting standards (FRS 102) and the Charities Act 2011. The financial statements have been prepared on a going concern basis under the historical cost convention. They have been prepared in accordance with the Accounts Direction, a copy of which can be obtained from the Head of Governance. There are no material uncertainties over the application of the going concern assumption.

Historic Royal Palaces meets the definition of a public benefit entity under FRS 102.

c) Basis of consolidation

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

d) Funds

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

Unrestricted fund – the unrestricted fund includes income from admissions, donations and other income received without restriction including retained profits of HRPE. 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 SOFA when the Group is entitled to the income, it is probable that the income will be received and the amount can be quantified with reliable accuracy. The following specific policies apply to categories of income:

- Grants – where 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 income is received, the income is accrued.
- Donations and major gifts - recognised when received or on a receivable basis where receipt is probable and there is entitlement to the income.
- Gifts in Kind – where donated to the Group, are included at market value at the time of receipt.
- Admissions – income recognised upon visitor entry.
- Retail and Catering – income recognised upon sale of the goods.
- Functions and Events – income is accounted for in the month that the event is due to take place.
- Licences and Rents – income is accounted for on a pro-rata basis over the period to which the rent relates.
- Sponsorship – income is accounted for evenly over the period of sponsorship.

Notes to the Consolidated Accounts for the year ended 31 March 2018

1 Accounting Policies (continued)

f) Resources expended

All expenditure is accounted for on an accruals basis and has been 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 Human Resources, 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 note 4 to the accounts.

g) Tangible fixed assets

From 1 April 2006 tangible fixed assets costing more than £5,000 are capitalised and included at cost. Prior to 1 April 2006 assets costing more than £2,000 were capitalised and included at cost. Assets are capitalised at a value net of VAT. 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. New buildings constructed by the Charity are depreciated over a period of 20 years. Assets purchased by or gifted to the Charity's predecessors prior to September 1989 have not been capitalised.

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

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

h) Heritage Assets

SORP 2015 defines heritage assets as assets of historical and artistic importance that are held to advance preservation, conservation and the educational objectives of the Charity. Those heritage assets acquired since September 1989 are reported in the balance sheet at cost or, in the case of donated assets, at an approximate valuation estimated by HRP's curators to be an appropriate market value at the time of acquisition. Such assets are not depreciated as they are deemed to have indeterminate lives and a high residual value. Regular impairment reviews of heritage assets are undertaken.

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

Further information about HRP's total collection of heritage assets is set out in Note 11.

Notes to the Consolidated Accounts for the year ended 31 March 2018

1 Accounting Policies (continued)

i) Investments and cash at hand and 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 in order to provide an investment return. Dividend and interest income is recognised on a receivable basis.

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

Funds placed on money market deposit are short-term cash deposits of up to a year and are defined as liquid resources. All liquid resources are held in commercial banks with appropriate credit ratings.

Fixed income investments are short-dated high credit rated bonds with fixed and determinable coupons. The bonds are retained with the intention and ability to be held to maturity. The bond portfolio is measured at fair value upon purchase and then subsequently at market value. The investments in multi-asset funds are measured at market value each year.

j) Investment in subsidiary

In the Charity's accounts, the investment in its subsidiary undertaking, HRPE, 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.

Paul Cummins Ceramics Blood Swept Lands and Seas of Red Community Interest Company (CIC) was incorporated on 25 July 2014, with shares limited by guarantee owned by Paul Cummins Ceramics Limited and Historic Royal Palaces. Its purpose was to sell the ceramic poppies made for the installation in the moat in 2014 at the Tower of London and to gift the net profits to its six stated beneficiaries: Combat Stress, The Confederation of Service Charities (COBSEO), Haig Housing Trust (Coming Home), Help for Heroes, The Royal British Legion and The Soldiers, Sailors, Airmen and Families Association (SSAFA). The CIC was asset-locked for the sole benefit of these six organisations. Following completion of its purpose, it was liquidated in October 2017.

k) Stocks

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.

l) Financial instruments

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

m) Leases

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

n) Pensions

The Charity operates a funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of HRP. From October 2002, the scheme was closed to new members. The Charity has implemented the full reporting requirements of FRS 102: Employee Benefits in relation to the defined benefit scheme. The resulting deficit is treated as an unrestricted fund.

Notes to the Consolidated Accounts for the year ended 31 March 2018

1. Accounting Policies (continued)

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

o) Taxation

As a charity, the Charity is exempt from corporation tax under section 505 ICTA 1988. HRPE distributes its profits before tax by Gift Aid to the Charity to leave reserves at or close to nil.

Admissions to the palaces administered by HRP are exempt from VAT under Schedule 9 of the VAT Act 1994. Due to this exemption, approximately 68.7% of VAT incurred by HRP is irrecoverable.

2. Historic Royal Palaces Enterprises Ltd

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

	2018	2017
	£000	£000
Profit and loss account		
Turnover (other trading activities)	23,385	22,293
Cost of sales (costs of raising funds)	(5,091)	(4,848)
Gross profit	18,294	17,445
Administrative expenses	(12,674)	(11,847)
Interest receivable	2	1
Profit on ordinary activities before taxation	5,622	5,599
Taxation	(12)	(7)
Total profit for the financial year	5,610	5,592
Amount distributable under Gift Aid to HRP	(5,610)	(5,592)
Retained in subsidiary	-	-
Balance Sheet as at 31 March 2018	2018	2017
	£000	£000
Stocks - goods for resale	2,322	1,793
Debtors	716	648
Cash	824	1,164
Current liabilities	(3,862)	(3,605)
Net assets	-	-
Share capital and reserves	-	-

Notes to the Consolidated Accounts for the year ended 31 March 2018

3. Total expenditure

	Total direct costs £000	Allocation of support costs £000	Total 2018 £000	Total 2017 £000
Costs of raising funds				
Generating the money to make it possible:				
Fundraising	632	85	717	705
Retail activities	10,141	1,716	11,857	11,131
Other commercial activities	4,013	526	4,539	3,277
Investment management costs	26	-	26	23
	14,812	2,327	17,139	15,136
Expenditure on charitable activities				
Give the palaces the care they deserve	24,166	2,886	27,052	22,947
Transform the way visitors explore their story:				
Public access	25,000	5,316	30,316	27,349
Interpretation and learning	12,673	1,872	14,545	14,843
Have a wider impact in the world	5,284	550	5,834	5,463
	67,123	10,624	77,747	70,602
Pension finance (income)/costs	217	-	217	116
Total	82,152	12,951	95,103	85,854

Resources expended include charges for:

	Total 2018 £000	Total 2017 £000
Auditors' remuneration:		
Audit		
- HRP	40	40
- HRPE	18	18
The auditors did not provide any non-audit services		
Operating lease charges	677	692
Stock recognised as an expense	5,058	4,800
Impairment of stock (included in cost of sales)	136	139
Depreciation written off owned fixed assets:		
Tangible	1,129	1,251
Intangible	54	14
Corporation tax	12	7

Notes to the Consolidated Accounts for the year ended 31 March 2018

4. Support costs

	Human Resources £000	Information Systems £000	Finance Department £000	Pension Department £000	Management Costs £000	Governance Costs £000	Total 2018 £000	Total 2017 £000
Costs of raising funds								
Fundraising	9	38	25	2	8	3	85	87
Retail activities	193	781	472	31	176	63	1,716	1,636
Other commercial activities	54	221	173	9	51	18	526	428
Charitable expenditure								
Give the palaces the care they deserve	273	1,110	1,119	44	250	90	2,886	2,630
Transform the way visitors explore their story:								
Public access	715	2,898	700	116	652	235	5,316	4,856
Interpretation and learning	231	936	382	37	210	76	1,872	1,901
Have a wider impact in the world	47	189	249	8	42	15	550	526
Total	1,522	6,173	3,120	247	1,389	500	12,951	12,064

The basis of apportionment for support costs is staff headcount (see note 7), with the exception of Finance Department which is based upon expenditure excluding payroll.

Governance Costs	2018 £000	2017 £000
Internal and external audit	263	226
Trustee expenses and costs	8	17
Trustee and chairman recruitment costs	-	8
Production of annual report	3	4
Management costs	226	205
	500	460

Notes to the Consolidated Accounts for the year ended 31 March 2018

5. Total funds

	Funds as at 1 April 2017	Incoming resources 2017/18	Resources expended 2017/18	Revaluations 2017/18	Transfers between funds 2017/18	Funds as at 31 March 2018
	£000	£000	£000	£000	£000	£000
Unrestricted funds						
General (Free) reserves	5,000	94,368	(88,380)	(63)	(5,925)	5,000
Designated funds	24,101	-	-	-	3,712	27,813
Fixed assets	13,046	-	-	-	2,213	15,259
Pension plan	(7,944)	1,602	(2,095)	3,572	-	(4,865)
Total	34,203	95,970	(90,475)	3,509	-	43,207
Restricted funds						
Donated assets	4,112	25	-	-	-	4,137
Hillsborough Castle	4,615	1,885	(4,400)	-	-	2,100
Gardens projects at Hampton Court Palace	29	12	(35)	-	-	6
Tower of London projects	18	50	(15)	-	-	53
Home Park Meadows project at Hampton Court Palace	12	-	-	-	-	12
Great Pagoda, Kew	-	92	(92)	-	-	-
Other projects	22	152	(86)	-	-	88
Total	8,808	2,216	(4,628)	-	-	6,396
Total funds	43,011	98,186	(95,103)	3,509	-	49,603

Designated funds

New funds have been designated out of general reserves for expenditure on long-term commitments to major projects (total carried forward for each fund shown in bracket), including:

- £6.5m to complete projects in 2018/19 that were underway in 2017/18
- £5.1m (£8.4m) towards the longer term works on the Orangery Building at Kensington Palace.
- £1.7m (£3.5m) for longer-term development work at the Tower of London
- £1.0m (£1.0m) to contribute to Henry VIII Private Apartments at Hampton Court Palace
- £1.0m (£3.0m) towards Banqueting House interiors re-presentation
- £0.5m (£4.7m) to support our plans to develop Hillsborough Castle
- £0.6m for other projects.

Transfers between funds

As set out in our Reserves policy on page 7, 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 and the target free reserves of £5m are designated at Trustees' discretion. £10.8m of last year's designation was spent, £1.3m undesignated, and new designations of £14.9m created.

Notes to the Consolidated Accounts for the year ended 31 March 2018

5. Total funds (continued)

Analysis of net assets between funds

Fund balances of the Group and Charity at 31 March 2018 are represented by:

	Unrestricted funds £000	Restricted funds £000	2018 £000	2017 £000
Intangible assets	444	-	444	29
Tangible assets	10,797	-	10,797	9,119
Heritage assets	4,018	4,137	8,155	8,010
Investments	13,693	-	13,693	9,641
Net current assets	19,253	2,258	21,511	24,218
Creditors > one year	(104)	-	(104)	-
Provisions	(28)	-	(28)	(62)
Pension plan liability	(4,865)	-	(4,865)	(7,944)
Total net assets	43,208	6,395	49,603	43,011

6. Remuneration of Trustees

None of the Trustees received any remuneration during the year in connection with services to the Charity or its subsidiary. Reimbursement of travel and subsistence expenses incurred by the Trustees whilst carrying out their responsibilities for the Charity totalled £1,114 (2017: £5,776) for the year ending 31 March 2018. Expenses were reimbursed for one Trustee (2017: 12). HRP provides liability insurance for Trustees.

7. Staff numbers and costs (Group & Charity)

The average number of full-time equivalent staff (including senior management) employed during the year was as follows:

	2018 FTE	2017 FTE
Fundraising	5	6
Retail activities	112	110
Other commercial activities	32	30
Give the palaces the care they deserve	160	161
Transform the way visitors explore their story:		
Public access	417	400
Interpretation and learning	135	137
Have a wider impact in the world	27	25
Support functions	116	116
Total	1,004	985

Notes to the Consolidated Accounts for the year ended 31 March 2018

7. Staff numbers and costs (continued)

The aggregate payroll costs of these staff were as follows:

	2018 £000	2017 £000
Wages and salaries	33,712	32,563
Loss of office	28	37
Ex gratia payments	20	6
Social security costs	3,337	3,223
Pension costs	3,894	3,530
Total	40,991	39,359
Agency staff	655	658
Total	41,646	40,017

The ex gratia payments were additional payments to the loss of office settlements and are in line with HRP policies.

The number of employees, excluding the Chief Executive, whose total remuneration and staff benefits (excluding pension contributions) was:

	2018 No. of staff	2017 No. of staff
£60,001 to £70,000	16	22
£70,001 to £80,000	22	14
£80,001 to £90,000	3	1
£90,001 to £100,000	0	1
£100,001 to £110,000	0	1
£110,001 to £120,000	1	-
£120,001 to £130,000	2	4
£130,001 to £140,000	2	1
£140,001 to £150,000	1	1

Excluding the Chief Executive, there were 47 staff including directors during the year earning in excess of £60,000 (2017: 44), 12 were in a defined benefit scheme (2017: 14) where the employer contributions were £322,140 (2017: £330,697), and 35 were in a defined contribution scheme (2017: 30) where the employer contributions were £211,130 (2017: £172,241).

The aggregate emoluments of key management personnel were as follows:

	Remuneration	Pension contributions made to Group Personal Pension Plan	Pension contributions made to HRP Pension Scheme	Staff Benefits
Michael Day CVO	£64,701	£nil	£nil	£505
John Barnes	£91,715	£693	£28,544	£561

The remuneration of the Chief Executive in 2016/17 was £166,080, with pension contributions of £nil and staff benefits of £1,473.

Excluding the Chief Executive, the total remuneration to the Executive Board was £921,471 (2017: £897,898) with pension contributions of £126,247 (2017: £117,168) and staff benefits of £5,082 (2017: £5,224).

Notes to the Consolidated Accounts for the year ended 31 March 2018

8. Retirement benefits (Group & Charity)

a) Historic Royal Palaces Pension Scheme

HRP operates a defined benefit scheme in the UK. The scheme is closed to new entrants. Therefore, the current service cost calculated under the projected unit method can be expected to increase over time, as the average age of the membership increases. This is a separate trustee administered fund holding the pension scheme assets to meet long-term pension liabilities.

A full actuarial valuation was carried out at 31 March 2015. The next full triennial actuarial valuation as at 31 March 2018 is being done with outcome known later in 2018.

A qualified actuary, independent of the scheme's sponsoring employer updated the annual accounting valuation to 31 March 2018. The major assumptions used by the actuary are shown below.

This most recent triennial actuarial valuation showed a deficit of £1,101k. The employer has agreed with the trustees that it will pay no contributions in respect of the deficit from 1 April 2016 because the investment outperformance assumed in the recovery plan was expected to eliminate the deficit by 30 June 2016. In accordance with the actuarial valuation, the employer has agreed with the trustees that from 1 April 2016 it will pay 31.8% of pensionable earnings in respect of the cost of accruing benefits and will meet expenses of the scheme and levies to the Pension Protection Fund. Member contributions are payable in addition at the rate of 1.5% of pensionable earnings.

The basis apportionment for pension expense costs is payroll costs.

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

	31/03/2018	31/03/2017	31/03/2016
	£'000	£'000	£'000
Fair value of plan assets	86,428	83,982	70,940
Present value of defined benefit obligation	91,293	91,926	74,231
(Deficit) in plan	(4,865)	(7,944)	(3,291)
Defined benefit (liability) to be recognised	(4,865)	(7,944)	(3,291)

Reconciliation of opening and closing balances of the defined benefit obligation

	Period Ending 31/03/2018	Period Ending 31/03/2017
	£'000	£'000
Defined benefit obligation at start of period	91,926	74,231
Current service cost	1,982	1,621
Expenses	113	118
Interest expense	2,473	2,672
Contributions by plan participants	74	79
Actuarial losses (gains)	(2,505)	15,020
Benefits paid and death in service premiums	(2,770)	(1,815)
Defined benefit obligation at end of period	91,293	91,926

Notes to the Consolidated Accounts for the year ended 31 March 2018

8. Retirement benefits (continued)

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

	Period Ending 31/03/2018 £'000	Period Ending 31/03/2017 £'000
Fair value of scheme assets at start of period	83,982	70,940
Interest income	2,256	2,556
Actuarial gains (losses)	1,067	10,392
Contributions by the employer	1,819	1,830
Contributions by plan participants	74	79
Benefits paid and death in service premiums	(2,770)	(1,815)
Fair value of plain assets at end of period	86,428	83,982

The actual return on the plan assets over the period ended 31 March 2018 was £3,328,000.

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

	Period Ending 31/03/2018 £'000	Period Ending 31/03/2017 £'000
Current service cost	1,982	1,621
Expenses	113	118
Net Interest cost	217	116
Total expense recognised in SOFA	2,312	1,855

Defined benefit costs recognised in other comprehensive income

	Period Ending 31/03/2018 £'000	Period Ending 31/03/2017 £'000
Return on plan assets (excluding amounts included in net interest cost) - gain/(loss)	1,067	10,392
Experience gains and losses arising on the plan liabilities - gain (loss)	236	982
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - gain (loss)	2,269	(16,002)
Total amount recognised in other comprehensive income - gain (loss)	3,572	(4,628)

Notes to the Consolidated Accounts for the year ended 31 March 2018

8. Retirement benefits (continued)

Assets

	31/03/2018	31/03/2017	31/03/2016
	£'000	£'000	£'000
Equities	37,565	36,529	29,475
Corporate Bonds	-	-	16,143
Government bonds	6,000	5,795	-
Index Linked bonds	31,706	31,358	-
Fixed interest Bonds	-	-	15,877
Property	10,875	9,983	9,355
Cash	282	317	90
Total assets	86,428	83,982	70,940

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

Assumptions

	31/03/2018	31/03/2017	31/03/2016
	% per annum	% per annum	% per annum
Discount Rate	2.60%	2.70%	3.60%
Inflation (RPI)	3.35%	3.50%	3.30%
Inflation (CPI)	2.35%	2.50%	2.30%
Salary growth	2.80%	2.95%	2.75%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.35%	2.50%	2.30%
Allowance for revaluation of deferred pensions of CPI or 2.5% p.a. if less	2.35%	2.50%	2.30%
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.20%	3.30%	3.20%
Allowance for pension in payment increases of RPI or 3% p.a. if less	2.45%	2.50%	3.00%
Allowance for pension in payment increases of RPI	3.35%	3.50%	3.30%
Allowance for commutation of pension for cash at retirement	No allowance	No allowance	No allowance

The mortality assumptions adopted at 31 March 2018 imply the following life expectancies:

	Life expectancy at age 60 (Years)
Male retiring in 2018	26.3
Female retiring in 2018	28.3
Male retiring in 2038	27.5
Female retiring in 2038	29.6

The best estimate of contributions to be paid by the employer to the scheme for the period commencing 1 April 2018 is £401,000.

Notes to the Consolidated Accounts for the year ended 31 March 2018

8. Retirement benefits (continued)

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 1 year with effect from October 2002. The cost for the year was £1,764,951 (2017: £1,655,589), 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 £22,724 (2017: £19,254), with no outstanding contributions at the balance sheet date.

9. SOFA Comparatives

Income from donations and legacies for the current year was £5.4m (2017: £6.7m) of which £2.2m was restricted (2017: £4.2m was restricted comprising Grants £2.8m; Donations £15k; Gifts in Kind £1.4m)

Income from charitable activities for the current year was £66.5m (2017: £59.7m) of which £nil was restricted (2017: £nil)

Expenditure on charitable activities for the current year was £77.7m (2017: £70.6m) of which £4.6m was restricted (2017: £1.8m was restricted comprising: Give the Palaces the care they deserve £0.7m; Public Access £0.9m; Interpretation and Learning £0.3m; Have a wider impact in the world £2k).

Notes to the Consolidated Accounts for the year ended 31 March 2018

10. Tangible fixed assets (Group & Charity)

	Buildings & refurbishments	Fixtures & fittings	Furniture, equipment & exhibitions	Computers	Plant, machinery & vehicles	Assets in course of construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
Balance as at 1 April 2017	13,896	5,052	3,901	833	5,660	274	29,616
Additions	-	-	-	80	118	2,976	3,174
Disposals	-	(24)	(6)	(41)	(17)	-	(88)
Transfers within tangible assets	-	-	-	-	6	(360)	(354)
Balance as at 31 March 2018	13,896	5,028	3,895	872	5,767	2,890	32,348
Accumulated depreciation							
Balance as at 1 April 2017	9,005	3,421	3,216	711	4,144	-	20,497
Charge for the year	364	268	161	63	273	-	1,129
Disposals	-	(17)	(6)	(41)	(11)	-	(75)
Balance as at 31 March 2018	9,369	3,672	3,371	733	4,406	-	21,551
Net book value as at 31 March 2018	4,527	1,356	524	139	1,361	2,890	10,797
As at 31 March 2017	4,891	1,631	685	122	1,516	274	9,119
The net book value as at 31 March 2018 represents fixed assets used for:							
Retail activities	64	487	-	12	50	-	613
Other commercial activities	-	11	2	3	12	19	47
Charitable expenditure:							
Give the palaces the care they deserve	1,737	252	-	17	824	2,871	5,701
Transform the way visitors explore their story:							
Public access	2,103	220	428	92	425	-	3,268
Interpretation and learning	623	386	86	12	-	-	1,107
Have a wider impact in the world	-	-	8	3	50	-	61
	4,527	1,356	524	139	1,361	2,890	10,797

Notes to the Consolidated Accounts for the year ended 31 March 2018

11. Heritage assets (Group & Charity)

	Artefacts 2018 £000	No.	Artefacts 2017 £000	No.	Artefacts 2016 £000	No.	Artefacts 2015 £000	Artefacts 2014 £000
Cost and net book value								
Balance as at 1 April	8,010	477	6,459	469	5,796	465	5,528	5,473
Additions, at cost	159	7	148	7	20	2	214	44
Transfers from assets in the course of construction	-		-		-		-	-
Disposals	(39)	(8)	(4)	(1)	-	-	(19)	-
Donated works, at deemed value	25	2	1,407	2	643	2	73	11
Balance as at 31 March	8,155	478	8,010	477	6,459	465	5,796	5,528

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

Charitable expenditure

Transform the way visitors explore their story:

Interpretation and learning	8,155	8,010	6,459	5,796	5,528
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11a) Further information on HRP's collections of heritage assets

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

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

- The Royal Ceremonial Dress Collection (c8,700 accessioned items), an important collection of largely British royal and court ceremonial dress, established at Kensington Palace in 1984;
- The general collection (c7,500 accessioned items), consisting of paintings, drawings, prints, furniture, sculpture, furnishing textiles, decorative arts and social history objects, chiefly displayed as part of the historic furnished interiors at the palaces;
- Architectural drawings archive (c22,000 accessioned items), containing both modern and historic drawings and copies.
- Architectural and archaeological materials salvaged or excavated from the palaces. These are primarily used as a research archive. (c6,800 accessioned items).
- Three tiaras accepted in lieu of inheritance tax by HM Government in 2016/17 (see page 6)

In addition, HRP owns unaccessioned assets as follows:

- c8,000 architectural drawings.

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 Queen on behalf of the nation and administered by the Royal Collection Trust (c8,000 items);
- The displays of arms, armour and related material at the Tower of London belong to the Royal Armouries (c 900 items).
- The artwork collection and other items on display at Hillsborough Castle.

Notes to the Consolidated Accounts for the year ended 31 March 2018

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

The priority for acquisition or long term loan of heritage assets is to enhance and explain the historic buildings of the palaces with relevant objects. Acquisitions are made by purchase or donation, taking six criteria into consideration. Significant acquisitions require Trustee approval. The highest priority is given to items deriving from the existing buildings of the palaces. Additional criteria apply to the Royal Ceremonial Dress Collection.

Exceptionally, the Trustees will approve the disposal of objects for curatorial reasons but not disposal motivated by financial reasons. The principle of retaining disposed items in public ownership is preferred. Any proceeds of sale are applied for the benefit of the collections.

The de-accession of a marble plinth took place in the year, following a request by the Royal Collection Trust to transfer ownership of the plinth to the Royal Collection. The plinth has probable earlier provenance to Windsor Castle which is where it is now located.

11b) Heritage assets of particular importance

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

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

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

11c) 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 Director of Palaces & Collections.

The long-term conservation requirements of the collections are identified and prioritised by HRP's conservators through a programme of condition audits.

12. Investments

<u>Bond Portfolio</u>	Group 2018 £000	Charity 2018 £000
Balance as at 1 April	8,818	8,818
Effective interest earned	172	172
Interest coupons received	(464)	(464)
Bonds purchased	2,191	2,191
Bonds redeemed	(1,970)	(1,970)
Income received	26	26
Balance as at 31 March	8,773	8,773

These consist of short dated, investment grade, sterling, fixed income securities. The bond portfolio is accounted for at fair value.

Notes to the Consolidated Accounts for the year ended 31 March 2018

<u>Multi-Asset Investment Funds</u>	Group 2018 £000	Charity 2018 £000
Balance as at 1 April	823	823
Units Purchased	1,660	1,660
(Loss) on revaluation	(6)	(6)
Balance as at 31 March	2,477	2,477

<u>Ethical Investment Funds</u>	Group 2018 £000	Charity 2018 £000
Balance as at 1 April	-	-
Units Purchased	2,500	2,500
(Loss) on revaluation	(57)	(57)
Balance as at 31 March	2,443	2,443

Total Investment Balance as at 31 March	13,693	13,693
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13. Debtors

	Group 2018 £000	Charity 2018 £000	Group 2017 £000	Charity 2017 £000
Trade debtors	2,510	2,003	2,280	1,773
Amounts due from subsidiary	-	1,878	-	1,374
Other debtors	141	141	121	121
Prepayments and accrued income	2,817	2,663	1,974	1,835
	5,468	6,685	4,375	5,103

Within debtors, no accrued income is due after more than one year (2017: £nil).

14. Creditors: amounts falling due within one year

	Group 2018 £000	Charity 2018 £000	Group 2017 £000	Charity 2017 £000
Trade creditors	2,276	1,949	2,138	1,764
Taxation and social security	958	946	1,137	910
Other creditors	392	444	315	313
Accruals	9,142	8,479	8,647	7,950
Deferred income	3,272	2,292	3,717	2,787
	16,040	14,110	15,954	13,724

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

Notes to the Consolidated Accounts for the year ended 31 March 2018

15. Financial commitments under operating leases

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

	Group 2018 £000	Charity 2018 £000	Group 2017 £000	Charity 2017 £000
Operating Lease payments due:				
Not later than one year	671	515	695	532
Later than one year and not later than five years	2,560	1,934	2,655	2,014
Later than five years	32,460	32,147	33,910	33,431
Total payable	35,691	34,596	37,260	35,977

16. Operating lease income

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

	Group 2018 £000	Charity 2018 £000	Group 2017 £000	Charity 2017 £000
Operating Lease payments due:				
Not later than one year	298	196	240	138
Later than one year and not later than five years	825	504	852	498
Later than five years	372	197	555	313
Total receivable	1,495	897	1,647	949

17. Capital commitments

	Group 2018 £000	Charity 2018 £000	Group 2017 £000	Charity 2017 £000
Contracted capital commitments as at 31 March 2018, for which no provision has been made in the accounts:	15,300	15,300	10,741	10,741

Commitments include £4.47m (2017: £3.15m) relating to projects that are being funded by donations from third parties.

18. Contingent liabilities

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

HRP is in ongoing negotiations over final agreements relating to our capital projects. Any final amounts above or below those amounts provided in the financial statements will be recognised in future financial statements.

Notes to the Consolidated Accounts for the year ended 31 March 2018

19. The summary financial performance of the charity alone

	Unrestricted funds	Restricted funds	Total 2018	Total 2017
	£000	£000	£000	£000
INCOME				
Donations and legacies				
Grants	-	2,179	2,179	2,775
Donations	3,204	12	3,216	2,479
Gifts in Kind	-	25	25	1,411
	3,204	2,216	5,420	6,665
Income from other trading activities				
Retail income	-	-	-	-
Functions and events	199	-	199	405
Licences and rents	2,182	-	2,182	2,049
Sponsorship	-	-	-	(14)
	2,381	-	2,381	2,440
Investments	474	-	474	423
Income from charitable activities:				
Admissions	63,948	-	63,948	57,176
Concessions	2,567	-	2,567	2,497
Other Income				
Service Charge to and Gift Aid distributed from HRPE	15,531	-	15,531	14,994
Total income	88,105	2,216	90,321	84,195
EXPENDITURE				
Costs of raising funds:				
Fundraising	591	-	591	705
Retail activities	5,573	-	5,573	5,315
Other commercial activities	3,139	-	3,139	1,837
Investment management costs	26	-	26	23
	9,329	-	9,329	7,880
Expenditure on charitable activities:				
Give the palaces the care they deserve	24,804	2,230	27,034	22,934
Transform the way visitors explore their story:				
Public access	28,351	1,941	30,292	27,329
Interpretation and learning	14,079	457	14,536	14,834
Have a wider impact in the world	5,830	0	5,830	5,459
	73,064	4,628	77,692	70,556
Other				
Defined Pension scheme net interest cost	217	-	217	116
Total Expenditure	82,610	4,628	87,238	78,552
Net Income / (Expenditure)	5,495	(2,412)	3,083	5,643
Actuarial (loss)/gain on pension plan	3,572	-	3,572	(4,628)
Net (losses)/gains on investments	(63)	-	(63)	(17)
Net movement in funds	9,004	(2,412)	6,592	998
Fund balances brought forward at 1 April	34,203	8,808	43,011	42,013
Fund balances carried forward at 31 March	43,207	6,396	49,603	43,011

Notes to the Consolidated Accounts for the year ended 31 March 2018

20. Related party transactions

This note lists material transactions with other entities in which either Trustees or senior employees of HRP or their close family members hold positions of authority. It also details all transactions with Trustees, with the exception of remuneration of Trustees which is covered in Note 6 and donations made by them - none in year (2016/17: £2,200).

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

The Secretary of State for Digital, Culture, Media and Sport to manage the palaces on his behalf contract Historic Royal Palaces (HRP).

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

Related party	Connected party	2018 £000	2017 £000	Detail of transaction
The Chartered Management Institute (CMI)	Bruce Carnegie-Brown (Trustee of HRP) is president of CMI	8 (nil)	3 (nil)	Charges made by HRPE for an event held at The Banqueting House
The Choral Foundation, Chapel Royal, Hampton Court Palace	Sue Hall (Director of HRP) is a trustee of The Choral Foundation	18 (nil)	12 (nil)	Charges made by the Choral Foundation to HRP for choral services and lunchtime recitals at Hampton Court Palace
The Foundation of the Chapels Royal of HM Tower of London	The Foundation, and Richard Harrold (Director of HRP) is a trustee	8 (nil)	16 (nil)	Charges made by the Foundation to HRP for choral services at HM Tower of London
The Founders Forum	Rupert Gavin (Chairman of HRP) is on the advisory board of the Founders Forum	20 (nil)	7 (nil)	Charges made by HRPE for an event at Kensington Palace
The Grocers' Charity, which is administered by The Grocers' Trust Company Ltd	Rupert Gavin (Chairman of HRP) is a director of The Grocers' Trust Company Ltd	- (nil)	5 (nil)	Grant received by HRP from The Grocers' Charity for an historical research project at HM Tower of London
		- (nil)	1 (nil)	Charges made by HRP for an event at Hampton Court Palace
Historic Royal Palaces Inc. (HRP Inc.)	John Barnes (Chief Executive of HRP from July 2017)/ Michael Day (Chief Executive of HRP to June 2017) is President of HRP Inc., Dan Wolfe and Sue Hall (Directors of HRP) are directors of HRP Inc.	147 (nil)	732 (nil)	Grants received by HRP from HRP Inc. for Hillsborough Castle development project
		36 (nil)	211 (nil)	Grants received by HRP from HRP Inc. for various projects

Notes to the Consolidated Accounts for the year ended 31 March 2018

20. Related party transactions (continued)

Related party	Connected party	2018 £000	2017 £000	Detail of transaction
Incidental Colman Ltd	Rupert Gavin (Chairman of HRP) is Chairman and owner of Incidental Colman Ltd	4 (nil)	1 (nil)	Charges made by HRPE for an event at Hampton Court Palace
Royal Armouries (RA)	Lord Houghton (Trustee of HRP since 1 August 2016) is a trustee of RA	392 (94)	571 (78)	Charges made by RA to HRP for goods and services provided at HM Tower of London
		14 (7)	19 (7)	Recovery of costs from RA for maintenance, goods and services provided by HRP and HRPE at HM Tower of London
		1 (nil)	-	Charges made by RA to HRPE for Royalties for merchandising
Jardine Lloyd Thompson Group (JLT)	Bruce Carnegie-Brown (Trustee of HRP) was a non-executive director of JLT (May 2016 to June 2017)	8 (8)	7 (7)	Charges made by JLT to HRP for actuarial services
		1 (nil)	4 (nil)	Charge made by HRPE for an event at Tower of London
National Trust	Michael Day (Chief Executive of HRP) is a trustee of National Trust	- (nil)	5 (nil)	Charges made by HRPE for an event at Hampton Court Palace
Purcell UK (trading name of Purcell Miller Tritton LLP)	Jane Kennedy (Trustee of HRP) is a partner in Purcell UK	134 (nil)	105 (6)	Charges made by Purcell to HRP for architectural services at Kensington Palace and Hampton Court Palace
Royal Collection Trust (RCT), and Royal Collection Enterprises Limited (RCEL), which is a wholly owned subsidiary of RCT	Sir Jonathan Marsden (Trustee of HRP until 21 December 2017) is a director of RCT and RCEL.	129 (nil)	55 (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.
	Sir Michael Stevens (Trustee of HRP) is Keeper of the Privy Purse and a Trustee of The Royal Collection Trust	40 (10)	41 (10)	Recovery by RCT from HRP of a proportion of the costs of maintaining and recording Royal Collection and other items displayed in the palaces.
	Tim Knox (Trustee of HRP from 5 March 2018)			

Notes to the Consolidated Accounts for the year ended 31 March 2018

20. Related party transactions (continued)

Related party	Connected party	2018 £000	2017 £000	Detail of transaction
Royal Household (RH)	Sir Michael Stevens (Trustee of HRP) is Keeper of the Privy Purse and a Trustee of The Royal Collection Trust	131 (nil)	54 (24)	Charges made by RH to HRP for rent and services provided at Kensington Palace
		23 (20)	22 (19)	Charges made by HRP to RH for share of staff costs and grazing licence
The Royal Tennis Court	Michael Day (Ex-Chief Executive of HRP) is a director of The Royal Tennis Court	72 (nil)	81 (17)	Charges made by HRP to The Royal Tennis Court for licences and miscellaneous costs
		17 (nil)	-	Charges from HRPE to The Royal Tennis Court for tickets sold for RTT
		5 (nil)	-	Charges made by The Royal Tennis Court to HRPE for venue hire
Wolfson Foundation	Sir David Cannadine (Trustee of HRP) is a trustee of Wolfson Foundation	200 (200)	220 (200)	Grants received by HRP from Wolfson Foundation, primarily for the Hillsborough Castle development project
Wyevale Garden Centres	Rupert Gavin (Chairman of HRP) is a non-executive director of Wyevale Garden Centres	- (nil)	29 (nil)	Partnership fee and cost recovery paid by Wyevale to HRP and HRPE
Oxford University	Lord Houghton (Trustee of HRP) is a fellow of St Peters College Oxford	17 (nil)	-	Charges made by HRPE to Oxford University for an event at Tower of London

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.

21. 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.

Since most income is generated from visitors to the palaces, most of HRP's income is received as cash. Surplus funds are held on short-term fixed interest rate deposit with institutions with low credit risk ratings. Risks relating to interest rates are managed by budgeting conservatively for investment income. HRP has no borrowings and no finance leases.

Notes to the Consolidated Accounts for the year ended 31 March 2018

22. Financial instruments (continued)

HRP is exposed to a credit risk of £2.5m trade debtors (2017: £2.3m). The risk is not considered significant since major customers are known to HRP or are required to pay for services in advance and provisions against bad debts are minimal.

HRP is subject to market risk in that the defined benefit pension fund holds investments. Plans are in place to fund the past service deficit, as detailed in Note 8.

HRP is subject to credit and market risk in its investment portfolio (note 12). 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.

23. Post balance sheet events

The financial statements were approved by the Accounting Officer and Trustees on 18 June 2018 and authorised for issue on 17 July 2018.