



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.

Trustees' Report

and

Financial Statements

As at 31 March 2020



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Administrative Details

Trustees

Rupert Gavin (Chairman)
Zeinab Badawi
Bruce Carnegie-Brown (until 17 September 2019)
Ajay Chowdhury (until 31 July 2019)
Baron Houghton of Richmond in the County of North Yorkshire (Lord Houghton)
Sarah Jenkins (from 2 September 2019)
Jane Kennedy
Tim Knox FSA
Carole Souter CBE
Sir Michael Stevens KCVO (Deputy Chairman from 20 May 2020)
Robert Swannell CBE (from 18 September 2019)
Dr Jo Twist OBE (from 1 November 2019)
Sue Wilkinson OBE
M Louise Wilson FRSA (until 11 June 2019)
Professor Michael Wood

Executive Board

John Barnes (Chief Executive and Accounting Officer)
Nicola Andrews (Palaces Group Director)
Jane Crowther (Human Resources Director from 6 January 2020)
Gina George (Retail and Catering Director)
Sue Hall (Finance Director)
Richard Harrold OBE (Tower Group Director until 31 May 2019)
Andrew Jackson (Tower of London Director from 27 May 2019)
Graham Josephs (Human Resources Director until 31 December 2019)
Tom O'Leary (Public Engagement Director)
Adrian Phillips (Palaces and Collections Director)
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

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

Historic Royal Palaces Enterprises Ltd

Company limited by share capital, registered with Companies House, registration number: 03418583

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Objectives and Activities

The Purpose and Activities of the Organisation

Historic Royal Palaces (HRP) was established in 1998 as a Royal Charter Body with charitable status. It is responsible for the care, conservation and presentation to the public of the unoccupied royal palaces: HM Tower of London, Hampton Court Palace, Kensington Palace State Apartments, the Banqueting House at Whitehall and Kew Palace with the Royal Kitchens, Queen Charlotte's Cottage and the Great Pagoda. These palaces are owned by HM The Queen in right of Crown. HRP is contracted by the Secretary of State for Digital, Culture, Media and Sport to manage the five London palaces on his behalf. 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 and Gardens in Northern Ireland. The contract ends 20 March 2042. The Castle is owned by the Government and is the official residence of HM The Queen.

HRP is a Public Corporation but receives no public funding - all costs are met by self-generated income. HRP is governed by a Board of Trustees, all of whom are non-executive. The Chief Executive is accountable to the Board of Trustees. Further information can be obtained from www.hrp.org.uk.

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

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

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

Our Cause

We stir every spirit to inspire and provoke change.

Our work is guided by five principles:

Open

We believe everyone's in. We create space for people to take part in places and ways they couldn't or didn't think to before.

Colourful

We lift everything beyond the ordinary into the wonderful, sharing our love of the palaces, our expertise and personality with everyone.

Provocative

We embrace perspectives as diverse as the world itself, challenge preconceptions, set minds racing, and invite others to share their own opinions and stories.

Personal

We warmly welcome everyone as individuals, whatever they come for and however they meet us. We want every encounter to go above and beyond.

Always Evolving

We innovate and experiment, responding to the everchanging world with fresh thinking and the courage to try new things.

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Four major strategic aims to face the challenges of the future

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

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

We are guardians of six of the nation's most important historic sites.

One is a World Heritage Site (the Tower of London) and another is situated within a World Heritage Site (Royal Botanic Gardens, Kew); four are Scheduled Ancient Monuments; within these sites are many individual Grade 1 listed buildings.

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

2. Experiences – Create unique and memorable experiences, onsite, offsite and online

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

3. Culture - Nurture a culture that's united behind our cause

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

4. Money - Generate the money to grow our impact

Increasing financial headroom means upping our financial game to deliver bigger surpluses; using our cash/reserves to invest more in the business; acting with determination to improve financial performance across the board, while exercising restraint on the growing cost base. We will do more to invest in ideas that will give a return.

Achievements and Performance

Statement by the Chief Executive

The 2019/20 year held many things of which we are proud, including the re-opening of our sixth site, Hillsborough Castle and Gardens, two exhibitions at Kensington Palace to celebrate the 200th anniversary of the birth of Queen Victoria, the unveiling of the Bacton Altar Cloth at Hampton Court Palace, the second year of our MA course in Heritage Management and the launch of our new cause - we stir every spirit, to inspire and provoke change.

We select performance targets from each of the strategic aims in our three-year Operating Plan - Palaces, Experiences, Culture and Money - to measure our success. We monitor, especially, visit numbers, visitor satisfaction and operating surplus.

At the end of January 2020, despite exceptionally inclement weather, we were set to exceed our financial targets for the year. However, from mid-February, COVID-19 pandemic was having a significant impact on visitor numbers and the palaces closed altogether on 20th March, by which time admissions income and secondary spend had effectively stopped.

During March, we put in place stringent expenditure savings plans and 'furloughed' the majority of our staff by the year-end. The last Trustees' Board meeting of the year agreed to un-designate our reserves and apply them wholly to the financial survival of the charity. All non-essential expenditure stopped and, effectively, we put the organisation into hibernation. Nonetheless, the sites that we look after have fixed running costs including day to

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day maintenance and security, which are being incurred alongside continuing staff costs. The outlook is reduced visit markets and the need to live within significantly lower income for some years to come.

Performance Overview

Within our three-year Operating Plan we select a number of performance targets to measure the success in achieving our plans. We monitor Visit numbers to our palaces & gardens, Visitor satisfaction and Operating Surplus.

Measure	Target	Performance
Visit Numbers	Achieve at least 4.970 million visits (excluding events) and 5.316m (including events) across all sites	4.752m (excl. events) 5.116m (incl. events)
Visitor Satisfaction	Achieve the following visitor satisfaction scores, as measured through the ALVA benchmarking (new scale: 1-10): Enjoyment – 8.3 Value for Money – 8.0 Staff Friendliness & Welcome – 8.8	 8.8 8.3 9.0
Operating Surplus	Deliver operating surplus of £25.8m	£23.3m

Within each of the strategic aims are three-year priorities to direct resources and become measures of organisational success. The priorities were set before the COVID-19 pandemic and their delivery will need to be re-evaluated when the capacity of the organisation and the new operating context is known.

Palaces

1. Deliver the Field of Cloth of Gold, Court to Couture, Platinum Jubilee Programme
2. Focus investment on infrastructure and accommodation
3. Increase our research outputs, funding and partnerships
4. Accelerate our environmental sustainability actions

Experiences

1. Deliver innovative new approaches to public programming at scale
2. Introduce diverse narratives into our public content
3. Deliver the greater reach programme of work
4. Deliver the seamless and distinctive programme of work

Culture

1. Embed the new Performance Framework, supporting staff to perform in line with the new Qualities
2. Complete the Complexity to Simplicity Blueprint actions (2020/21) and push forward the approach for 2021/22 and beyond
3. Roll out the external expression of the cause and the new visual identity
4. Act on the 2019 staff survey results and measure progress by resurveying in 2020

Money

1. Identify and deliver invest-to-earn opportunities and efficiencies
2. Optimise visitor business
3. Deliver the Hillsborough Castle and Gardens (HCG) business case
4. Implement the new development strategy
5. Develop a technology programme and deliver our next technology needs

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Performance Analysis

In 2019/20, HRP adopted a new strategic framework, built around a new Cause (WHY we do what we do), Principles (HOW we do what we do) and Aims (WHAT we do). After more than 20 years with our former framework, this was the right time for the organisation to evolve and develop something more stretching and meaningful. Defining the new strategic framework relied upon every member of the organisation over the course of many months through workshops, talks, roadshows and an online social learning event. Its concepts have now been extended to the way we plan, target, measure and assess the performance of employees and the organisation alike.

In 2019/20, we also designed and developed a new Corporate Scorecard for HRP: a high-level set of performance indicators that align to the strategic aims. Reporting areas include impact, reach, experiences and palaces. This corporate and cross-functional tool enables the Executive Board to monitor progress of organisational performance and forms part of the strategic framework. It is intended that the data will be updated and reviewed every six months to align with financial half years (April-September and October-March) and the findings reported at Trustee Board Meetings.

Departmental data and performance monitoring continue within performance reviews, flash reports, management accounts and Key Performance Indicators.

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

We have continued our programme of major conservation projects in buildings, interiors and contents, estates and landscapes. Total spend of £31.5m on this aim in 2019/20 Statement of Financial Activities (SOFA) represents an increase of 4% from the previous year.

On 18 April 2019, the Prince of Wales and Duchess of Cornwall officially reopened Hillsborough Castle and Gardens in Northern Ireland after an ambitious five-year makeover. The extensive capital programme included the creation of new multi-functioning spaces with cafés, shops, visitor information, ticketing and meeting spaces for visitors, schools and groups. We also improved the visitor experience and access to the Castle and the Gardens.

In October, the Bacton Altar Cloth went on display at Hampton Court Palace, in *The Lost Dress of Elizabeth I*. In this hugely exciting exhibition, the culmination of three years of research and conservation, finally the beautifully embroidered altar cloth went on display.

In January, Kensington Palace closed its doors to visitors for a short time for a deep clean, during which time the conservation and training team installed an impressive set of chandeliers. These are the result of a four-year project to recreate the lost chandeliers from the King's Drawing Room. All four newly carved and gilded chandeliers now light the room in a spectacular fashion not seen for centuries.

New publications included a new Hillsborough Castle and Gardens guidebook and *Young Victoria* (published in association with Yale). Written by curator Deirdre Murphy before her passing, and completed by Tracy Borman, this book is a fascinating exploration of the Queen's birth and childhood at Kensington Palace. *Tudor Fashion: Dress at Court* by curator Eleri Lynn won the 2019 Historians of British Art Award for best single-authored book with a subject before 1600, while *Pop Up Palace Pets* was named as one of the top 100 Best Children's Non-Fiction books in Tutorful's prestigious list.

Last year our conservators, working with third party specialists, revealed the original 17th-century painting scheme underneath the existing wall paintings at the Banqueting House. By painstakingly uncovering small 'windows', the team was able to glimpse the hidden scheme, which has survived several fires and the Blitz. The knowledge acquired will help inform us of the existing colour schemes and guide us on how best to care for the wall paintings in the future.

The first annual high level clean of the Hillsborough Castle and Gardens State Rooms took place in January 2020 – in front of, and engaging with, our guided tour visitors – profiling our commitment to the ongoing care and conservation of the Castle interiors following the completion of the major project in April 2019.

The Orangery at Kensington Palace, built for Queen Anne, is still undergoing conservation repair works both

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inside and externally, and construction of the new Learning Centre building in the Orangery Yard continues.

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

Total spend of £42.9m on this aim in 2019/20 Statement of Financial Activities (SOFA) is marginally higher than the previous year.

In May, we launched two exhibitions at Kensington Palace to celebrate the 200th anniversary of the birth of Queen Victoria. *Victoria: Woman and Crown* examined how the Queen balanced the roles of wife and mother with being monarch at the head of a rapidly expanding Empire; this temporary exhibition closed in January 2020.

Kensington Palace's ongoing exhibition *Victoria: A Royal Childhood* generated: 5,000 visitor responses in the first six weeks of opening, following a visitor engagement initiative led by the Interpretation & Design team.

The highlight of the Daily Programme at the Tower of London was *Escape from the Tower*, where visitors were placed in the roles of prisoners in the time of Elizabeth I and James I and tried their hands at dressing up in disguises and writing secret messages. Helped by a 'Have you seen this man?' marketing and social media campaign, *Escape from the Tower* was a huge success. 12% of our visitors (40,000) gave it as one of the reasons for visiting, 2% as the reason for their visit, and over half of the visitors had seen the escape during the course of their visit, rating it 9/10 for enjoyment.

Season two of HRP's *Outliers* podcast launched in November: *Outliers – Stories from the edge of history* is an historic fiction podcast about the people hiding in the shadows of real events. The series comprises 13 episodes released weekly. Stories explore themes of change, otherness, gender and the meaning of power. Some stories are warm and comedic, whilst others are dark, poignant and reflective, with powerful messages.

Over six million people enjoyed series one of *Inside the Tower of London*, presented by HRP's Co-Chief Curator Tracy Borman, making it the third most watched programme of 2018 on Channel 5! We were delighted when producers Lion TV commissioned a second series, this time doubling the number of episodes. After 410 hours of filming at the Tower during 2019, the series was broadcast between August and October 2019. As with the first series, the programme explored contemporary life at the Tower alongside the history of the site, but this time the episodes were theme-based rather than following a chronological order. The 'New beginnings' episode was able to capture the first baby ravens to be hatched in captivity at the Tower.

To celebrate LGBT History Month in February, we revealed the lesser known stories from the Tower of London in *Queer Lives at the Tower* – a new immersive promenade tour. This after-hours tour, led by drag artist Mahatma Khandi as 'Drag the Raven', combined creative storytelling with performance to explore the lives, loves and experiences of LGBT+ figures linked with the Tower of London, from the 14th century to the present day. *Queer Lives at the Tower* was based on extensive research and part of HRP's dedicated programme of LGBT+ events in 2020 sharing the intriguing and little-known stories of the royal courts.

3. Culture - Nurture a culture that's united behind our cause

Total spend of £3.2m on this aim in 2019/20 Statement of Financial Activities (SOFA) is £0.8m higher than last year's spend (restated) primarily driven by the extensive work done around renewing our strategic framework, performance framework and new Cause.

In 2019 we launched our new Cause. We will still look after the palaces, the stones, and tell stories to engage. But we are clear about why we are doing it – to stir spirits. To support our new Cause, we launched a new Performance Framework guiding our staff through the behaviours/performance required to 'live the Cause'.

Following its launch in 2018, we completed our first MA course in Heritage Management delivered jointly with Queen Mary University of London. Two modules took place at HRP and were overseen by Professor John Davis. Students spent four, six-week placements across sites at HRP, learning from a variety of specialists.

The Gardens and Estate's team won the Horticulture Week's 'Garden Team of the Year' award, in recognition of the high standards they consistently achieve. They also won a silver medal at the RHA Hampton Court Palace Garden Festival for their 'Exotick Plant' display, which recreated part of Queen Mary II's extensive 17th-century plant collection.

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In February, we celebrated National Apprentice Week. We run recruitment at HRP throughout the year. Programmes range from 12 months to 3 years, with qualifications up to degree level apprenticeship standard in warding, admissions, welcome teams, retail, IT, gardens, procurement and finance working over our three main palaces.

Our scheme consists of a programme of work experience, together with 'off the job' learning, leading to a nationally recognised qualification.

The Research and Development studio trialled *Black Victorians*, inspired by the *Black Chronicles II* photography exhibition which featured rare photographs of Black Britons from the Victorian era. A series of 20-minute public showings giving voice and movement to these striking portraits were held at Hampton Court Palace, exploring what form the project could take in the future.

Our Volunteer programme continues to grow from strength to strength. Our 350 volunteers contributed around 38,310 hours in 19/20, supporting a range of departments, in 26 different volunteer roles, from membership, gardens, visitor welcome and finance. In November, the Gardens team at HCG held its first open day for volunteers since our re-opening in April. We were delighted to be joined by 27 volunteers over the course of the two days. Our volunteers planted a colossal 7,500 bulbs along the Yew Tree Walk and helped us prune the Lime Trees on Moss Walk.

High levels of staff engagement and enablement continue to be sustained and improved through the implementation of action plans developed in response to our last staff survey. One example is the 'From Complexity to Simplicity' programme which looks to simplify processes within the organisation and, in addition, enhance the customer experience.

Following the closure to our palaces and gardens, we started claiming for support from the 'Coronavirus Job Retention Scheme' to help us pay staff wages. Under this scheme, we have 'furloughed' about 80% of our staff and are planning to use it, albeit at a gradually reducing level, until it closes in October. This will help us to safeguard the future of our charity. During this period, 'furloughed' employees do not carry out any work duties but are encouraged to undertake training and personal development to enhance their skills.

Whilst on 'furlough', staff continue to receive news, updates and support from the organisation through access to a vast range of advice, tools and material.

For employees still required to work, we rapidly put in place measures to enable staff to work safely from home and to stay connected with others. Weekly communications are issued to all staff via email to ensure they are kept updated.

4. Money - Generate the money to grow our impact

Total spend of £6.9m on this aim in 2019/20 Statement of Financial Activities (SOFA) is on par with last year.

Total footfall visits to our palaces for the financial year were 5.1m, a decrease of 2% over the previous year's figure on a like-for-like basis. The drop was driven by a combination of events, very inclement weather at the start of 2020, the closure of the Palaces in March in line with Government advice on COVID-19 pandemic and the non-repeat of the Tower of London installation to commemorate the centenary of the end of the First World War in 2018/19. The newly re-opened Hillsborough Castle & Gardens welcomed 118k visitors, 100k better than last year albeit below expectations.

Within charitable activities, admissions income was £65.7m – 65% of total income and a slight decrease of £0.5m. Catering and other concessions totalled £2.5m, on a par with 2018/19 performance, whilst membership income grew by 17% to £3.6m. Membership continued to grow both in size and in the breadth of activities offered to members. At 31 March there were 111,000 members of HRP, an increase of 7% on last year.

Income from other trading activities (retail, functions and events, licences and rents, and sponsorship) dropped by £0.5m to £25.9m.

As an independent charity, the support of patrons, donors and our corporate members and sponsors is essential for our continued success. A highlight of our activities this year was a fundraising concert held jointly with Sentebale at Hampton Court Palace. The evening featured Rita Ora, George the Poet and performers from Lesotho, and we were delighted that HRH The Duke of Sussex and Prince Seeiso, the founding patrons of Sentebale, were able to participate in the evening, which was supported by Audi and American Express.

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With only six weeks' notice, the Banqueting House was transformed over just one weekend to become a fabulous catwalk to show case Victoria Beckham's Autumn/Winter 2020 collection. The famous designer described the setting as 'a dream come true' and the perfect backdrop for this year's collection.

Hobbs launched the 12th clothing collection of their longstanding and successful licensing partnership with HRP, inspired by Queen Victoria's love of nature

It was announced in December 2019 that a new collection of The Royal Mint coins will be launched in 2020. Our first licensed collection, which launched in December 2018, reunited The Royal Mint with the Tower of London, a relationship which first began in 1279. The collection featured the ravens, the Crown Jewels, Yeoman Warders and the Ceremony of the Keys with a special Tower of London mint mark included on each design. The next collection will follow on from this, commemorating the history of the Tower of London and Kew Pagoda.

Financial Review

Funds and reserves

The Trustees recognise the need to establish a level of free reserves that enables financial stability, is adequate to meet the requirements of working capital and acts as a cushion against fluctuations in income levels. Reserves 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 has been £5 million and this has been maintained throughout the year. Target levels of reserves will be reviewed by Trustees in 2020/21, but in the meantime, we have transferred all designated funds to free reserves to meet operating commitments over the next 12 months.

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

Restricted funds (£5.7m)

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

Unrestricted funds (£55.2)

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

- **Free reserves (£27.4m)** are that part of the unrestricted fund that are not held as fixed assets or designated for other purposes.

In addition to £5m free reserves brought forward from 2018/19, £6.4m was generated in 2019/20, £11.1m was used in year and £27.1m of existing designations carried forward from prior years were added. We normally designate funds from our general funds towards our 'big moments' and major projects. However, these prior designations relate to projects that are no longer deliverable in the short term and have therefore now been re-allocated to meeting the financial impact of the COVID-19 pandemic.

- **Fixed asset fund (£28.4m)**

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

- **Pension plan (£0.7m deficit)**

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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 2020, it is £0.7m (March 2019: £7.9m). Details of the retirement benefit scheme are disclosed in the Notes to the accounts.

The defined benefit pension scheme is also valued for funding purposes by an actuary in a more detailed assessment, every three years. The last triennial valuation was done as at 31 March 2018 and showed a deficit of £1,903k. HRP, as employer, has agreed with the trustees of the scheme that it will pay annual contributions of £31k over a period of three years and one month, increasing at 3% per annum, from 1 April 2019. The funding shortfall is expected to be eliminated by April 2022 through the return on existing assets and the new contributions.

The scheme was closed to future accrual on 31 March 2019. HRP will continue to meet the expenses of the scheme and levies to the Pension Protection Fund.

The Balance Sheet

The Group's balance sheet is weighted towards its fixed assets (£46.5m).

Investment in visitor & commercial facilities and plant & equipment is treated as fixed asset (capitalised in our balance sheet). During the year our investment in tangible fixed assets increased from the capitalisation of newly finished buildings and car park in Hillsborough Castle & Gardens, and progress in the Kensington orangery Learning Centre in particular.

Long term investments reduced slightly in value primarily due to the market reaction to COVID-19 pandemic events unfolding. However, it is worth noting both multi-asset portfolios have since then bounced back to levels in excess of 31 March 2019 balance sheet date. The management and performance of these investments is set out below.

The Group's operations are also dependent on current assets (£35.4m), notably its cash invested in short-term deposits and short-term creditors. At the closing date, HRP had £25m invested in 12 to 18 months deposits yielding 1.10% to 1.25% interest rate. Short-term creditors increased to £19.4m from £16.4m due to the impact of COVID-19 pandemic on cash flows in the March period.

Our working capital (net current assets) stood at £16.1m (2019: £20.6m).

The Pension Plan Liability is covered in more details in Note 8 to the accounts.

The Group's cash flows are seasonal in nature, cash inflows being strong in the spring and summer months and outflows greater in the winter (when this cash is directed to conservation projects).

Investment policy

The Trustees continued to invest in line with the investment policy over the period.

In 2019/20, the bond portfolio investment returned (0.28%) against 1.26% in 2018/19, which is below its benchmark return but reflects the wider bonds market. Since inception in January 2014, the portfolio has returned an annualised 1.34% (1.66% in 2018/19).

Despite the Q4 collapse in financial markets due to the COVID-19 crisis, the multi-asset portfolios performed well in comparison to the market and their respective benchmarks, with a combined annualised 1.71%

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interest/dividend income return (2.48% in 2018/19) and a combined devaluation of -1.90% at 31 March 2020 (+10.12% as at 31 March 2019). As previously noted, they have bounced back since.

The pandemic has severely impacted HRP's cashflows because of the palaces' closure. Consequently, the sale of investments will become necessary over the next few months (as outlined in note 12 and 23), and adjustments to the investment policy will be made in due course.

HRP's investment policy is currently as follows:

Investment objectives

- Capital preservation is the priority.
- In order to balance immediate cash requirements (four-week horizon) and future capital and commercial investment plans (5-year operating plans), HRP investments need to achieve regular annual income returns and long-term income growth.

Risk mitigation

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

Amount invested and time horizon

- Up to £10m may be invested in a fixed income portfolio with an average maturity date of no more than 4 years.
- Investment in global multi asset portfolios may be up to the level of free reserves at the time of investing and not more than £10m.
- Surplus funds are invested on the money market in the UK on 6 to 24-month fixed term deposits to allow a balanced spread of maturity in a 2-year horizon to ensure we get maximum return but retaining instant, ready access.

Ethical Investment

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

Going Concern and Future Plans (see note 1 q)

Like many other organisations, HRP is facing unprecedented uncertainty about its future due to the COVID-19 pandemic.

In March 2020, we quickly stopped all elective expenditure, reduced operational, payroll and project costs. Since then, we have not received any income except for membership renewals, gift aid, donations from members of the public and from the Coronavirus Job Retention Scheme, and contributions from other support arrangements such as deferred HMRC payments, cancellation of business rates and business grants available through local authorities.

Since then we have taken further actions, shared plans with employees which will see significant reductions in payroll and associated costs through pay cuts and voluntary redundancies and re-activated our Government-guaranteed overdraft facility of £4m. In June 2020, the Secretary of State also approved HRP's request to enter into an additional borrowing facility of up to £26m for a period of two years from the date it is activated, with an 80% guarantee on the outstanding balance of the finance from DCMS. We are discussing terms with commercial banks to put this facility in place.

Significant reserves built up over the years to fund investments in the sites, together with reduced operating costs, are now being used to meet the shortfall in our income. Based on our current assumptions about the length of the crisis, the impact on leisure businesses and the return of domestic and international visitors, we have modelled a number of scenarios for the next three years. These scenarios assumed that the greatest impact

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on income will be in 2020, after which there is likely to be a year of stabilisation in 2021 at lower income levels, with the potential for some recovery from 2022. Liquidity is projected to be tighter in the first half of 2021.

Over 21 years since its creation, HRP has grown to become an extraordinarily successful business, entirely independent of Government funding. We have been hit by an unforeseen event that we, and other industry experts, predict will significantly depress tourism demand for at least 3 years.

We have taken decisive and unprecedented action to reduce cost, use some of our reserves - built up prudently over years – and contract borrowing facilities to help us through the recovery period.

The Board of trustees is satisfied that even under the LOW scenario, referenced in note 1 q, the Group has adequate resources and has taken the necessary steps to continue to operate for the foreseeable future. For this reason, they are content to adopt the going concern basis for preparing these financial statements.

HRPE Ltd, the wholly owned trading entity of HRP is experiencing the same impact and uncertainty as HRP from the pandemic. Similar measures have been implemented to cut expenditure, and its directors continue to adopt the going concern basis for preparing its accounts. However, the directors acknowledge that there remains a material uncertainty that may cast significant doubt on that entity's ability to continue as a going concern.

To mitigate those risks, HRPE Ltd is negotiating an overdraft facility of £0.5m with its main bank for a period of one year, as the company cannot access its parent's financial facility. Other potential actions we may take are the deferral of the payment of service charge to Historic Royal Palaces, and an agreement between HRP and HRPE Ltd allowing the most appropriate way to meet the working capital requirements of HRPE Ltd.

Report of the Remuneration Committee

Membership

The membership of the Remuneration Committee in 2019/20 consisted of four Trustees. Lord Houghton (Chairman of the Committee), Louise Wilson (part of the year), Sue Wilkinson and Tim Knox served on the committee throughout the year.

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 in the Notes to the accounts.

Review of activity during the year

At the Annual Salary Review in August 2019, Directors received a 2.5% 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.

In addition, the Directors received a performance-related bonus for the 2018/19 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.

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

Trustees' Report

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

It has since been agreed by the Executive Board and Board of Trustees that, in light of the financial implications caused by COVID-19, employee bonuses for the 2019/20 period would only be awarded when the financial situation has stabilised and if it is affordable.

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*.

Trade Union relationships

We continue to work in partnership with the Trade Unions and their local representatives.

Exit Packages

There was a total of five exit packages agreed during the period from April 2019 to March 2020. These were across the directorates of Retail, Finance & IS (x2), Palaces Group and Palaces and Collections.

The total costs of payments made were £48,822.

Rupert Gavin
Chairman of the Board of Trustees
10 July 2020

Hampton Court Palace
Surrey
KT8 9AU

Trustees' Report

Governance Statement

HRP's response to COVID-19 pandemic

Following Government advice, we made the difficult decision to close until further notice all our palaces in England and Northern Ireland from the evening of Friday 20 March and gardens at Hillsborough Castle and Hampton Court Palace the following day.

We took immediate action to enable staff still required to work to do it safely from home, so that only essential employees ensuring the safety and care of our great national treasures were still coming to the sites.

The Executive Board and the managers who remain at work are developing plans for our future, not only for the re-opening and safe operation of our sites, but for our financial recovery. The Trustees are kept regularly informed through regular Trustees meetings and through their participation in specific sub-committees formed since the closure.

The continuation of social distancing and other preventative measures, combined with the potential for further lockdowns and travel restrictions, will have a significant impact on our sector in life after lockdown. We do not expect international visitors, upon whom we usually depend for a significant proportion of our income will be returning in any substantial volumes this year, or in the next financial year.

We have taken steps to ensure our survival in the short term. 80% of our staff have been 'furloughed' under the Government's Coronavirus Job Retention Scheme, a recruitment freeze is in place, we have stopped all but essential spend across the organisation, reduced payroll costs and introduced a voluntary redundancy scheme. As we are not eligible for any of the government's business support loans, the Secretary of State for Digital, Culture, Media and Sport has given us permission to use a commercial borrowing facility. We have also taken advantage of available government schemes.

We have begun awakening the palaces, re-opening our online shop and preparing the measures that will protect our staff and visitors when we open the doors again. In line with the latest Government advice, we have re-opened the gardens at Hampton Court Palace and at Hillsborough Castle in June and some palace interiors, cafes and shops in July.

Structure and Governance Framework

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

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

HRP complies with aspects of the UK Corporate Governance Code that are relevant to us as a Public Corporation and a Charity. HRP is also subject to the Freedom of Information Act and Environmental Information Regulations.

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

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

Trustees' Report

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

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

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

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

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

There are four sub-committees of the Board:

The **Audit & Risk Committee** formally reports annually to the Board on the adequacy of HRP's arrangements for risk management and internal control. During the year the following Trustees served on the committee: Sir Michael Stevens (Chairman), Carole Souter, Ajay Chowdhury (until 31 July 2019) and Robert Swannell (from 18 September 2019). Marcus Boyle (until August 2019) and Ian Starkey (from September 2019) are co-opted members.

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 (Chairman), Bruce Carnegie-Brown (until 17 September 2019), Sir Michael Stevens and two members of the Executive Board: John Barnes and Sue Hall. William Fall is a co-opted member of the committee.

Remuneration policy for the Chief Executive and Directors of HRP is agreed by the **Remuneration Committee**. Lord Houghton chairs the committee. Other Trustees who served on the committee during the year were Tim Knox, Sue Wilkinson and Louise Wilson (until 11 June 2019). The Chairman and Chief Executive attend by invitation.

The **Nominations and Governance Committee** reviews and advises on Trustee appointments and succession planning and makes recommendations to the Board to ensure the appropriate balance of competencies, skills, experience and diversity on the Trustee Board. During the year the following Trustees served on the committee: Rupert Gavin (Chairman), Sir Michael Stevens, Lord Houghton and Zeinab Badawi.

The Board agrees the terms of reference for each committee.

The work of the Board is further supported by the **Campaign Board**, which brings specialist expertise on fundraising to HRP. Bruce Carnegie-Brown chaired this Board until September 2019, after which time Robert Swannell became chairperson. Rupert Gavin and Louise Wilson also served on the Board during the year. Other Campaign Board members are external people with expertise in this area.

Further Trustee input to HRP's work comes through advisory groups, set up as and when required, where Trustees work with members of the Executive Team to advise on particular areas such as major projects.

The Trustees' and Directors' register of interests and their biographical details are available for inspection on application to the Head of Governance, Apartment 39, Hampton Court Palace, Surrey KT8 9AU. Day to day management of HRP is carried out by an Executive Board. The Executive Board is Chaired by the Chief Executive and comprises the Directors and the Head of Governance.

Governance effectiveness

The effectiveness of the Board of Trustees and its Committees is reviewed by the Chairman in consultation with Trustees each year, with periodic external reviews, the last of which was in 2018. In 2019-20, the Chairman's review did not take place due to the COVID-19 pandemic.

Trustees' Report

In late 2018 an external review of Board effectiveness was undertaken. This concluded that the governance of HRP is sound, with a high degree of unanimity and positivity within the Trustees and the Executive Board about the Board's performance. As with internal reviews of Board performance, the report and findings were discussed by the Board, and actions agreed.

Attendance at Board and Committee meetings is monitored and discussed with each Trustee as part of the annual Board Effectiveness Review. Attendance at the full Trustee Board meetings over the year was 87% (2019: 87%), Audit & Risk Committee 92% (2019: 100%), Investment Committee 100% (2019: 89%), Remuneration Committee 92% (2019: 83%) and Nominations Committee 88% (2019: 60%).

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

	Board (Note 1)	Audit & Risk Committee	Investment Committee	Remuneration Committee	Nominations Committee
Rupert Gavin	8/8	1/4 (Observer)	2/2	3/3	2/2
Zeinab Badawi	7/8				1/2
Bruce Carnegie-Brown <i>(until 17 September 2019)</i>	3/4				
General Sir Nicholas Houghton	7/8			3/3	2/2
Ajay Chowdhury <i>(until 31 July 2019)</i>	4/4	2/2			
Jane Kennedy	8/8				
Sarah Jenkins <i>(from 2 September 2019)</i>	4/4				
Tim Knox	7/8			2/3	
Carole Souter	6/8	3/4			
Sir Michael Stevens	7/8	4/4	2/2		2/2
Robert Swannell <i>(from 18 September 2019)</i>	4/4	2/2			
Jo Twist <i>(from 1 November 2019)</i>	3/3				
M Louise Wilson <i>(until 11 June 2019)</i>	1/1				
Sue Wilkinson	6/8	1/4 (Observer)		3/3	
Michael Wood	5/8				
William Fall (note 2)	2/2		2/2		
Ian Starkey (note 2)		0/2			

Note 1: There are usually seven Board meetings each year. There was an additional Board meeting in June 2019, to consider the report and accounts. Note 2: William Fall is a co-opted member of the Investment Committee and Ian Starkey a co-opted member of the Audit & Risk Committee.

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.

Trustees' Report

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

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

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

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

During the year, the Board monitored and considered the progress of the organisation through strategic updates on the palaces (including conservation progress and major projects), experiences (including public engagement and education), culture (including the annual people report) and money (including retail and catering operations, functions and events activity and a new fundraising strategy). The Board also reviewed and agreed various policies, including revised suites of development policies and collections management policies.

The Board also agreed to various acquisitions to enhance HRP's collection of royal dress and other objects.

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 end of March 2020.

In addition to the business of the committee as described in the Risk Management Statement, the Audit & Risk Committee receive a presentation at each meeting from a different area of the business concentrating on risk management. During the year these focused on the organisation's readiness for the changes that GDPR brought, the risks and management of them within our Major Projects, Retail Buying including the uncertainty from Brexit and Procurement.

The Investment Committee met twice in the year. One of which was to review the update and options from the investment managers overseeing HRP's bond portfolio. The committee reviewed HRP's current and projected cash balances, the allocation between asset types and term deposits, the spread of counterparties, the rates of return and the retention levels for instant access.

Risk Management Statement

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

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

Trustees' Report

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

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

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

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

- Risk and control monitoring at the first line of defence (front line operations) occurs throughout HRP and is recorded via departmental risk registers and detailed management information. The project management framework and project governance structure include detailed guidance to ensure that risk is a fundamental part of each project from start to finish.
- The second line of defence is formed of a corporate risk register which is reviewed quarterly by the Executive Board and ARC, and annually by the Board of Trustees. The Executive Board approves HRP's risk management policy.
The Executive Board is responsible for communicating it to staff; maintains the risk registers, monitors change in the corporate risk profile and reports significant changes to the Trustees (ongoing). The Executive Board assesses risks and opportunities annually as part of the Operating Plan process (looking forward).
- Internal Audit provides independent assurance to the Executive Board and the Board of Trustees. Internal Audit takes a risk-based approach to audits therefore providing a reasonable rather than absolute level of assurance and operates in compliance with Public Sector Internal Audit Standards as far as practical for this small department. The Head of Audit & Risk provides an annual report to the CEO, the ARC and the Board. Her opinion for the year to March 2020 is that of 'substantial assurance'. In her opinion, the framework of governance, risk management and control is adequate and effective, and is sufficiently well embedded to support the achievement of HRP's objectives.
- Other assurance reports are reviewed by Trustees and Directors for key risk areas, and have been reviewed by the Head of Audit and Risk:
 - annual people report;
 - annual reviews of key stakeholders/ partnerships and third parties;
 - annual fraud risk profile - updated by Directors and reviewed by the ARC. Reported levels of dishonest behaviour within HRP have been consistently low and a good system of internal control is in place. A confidential email address (concerns@hrp.org.uk) goes direct to the Whistleblowing Officer mailboxes. No alerts were received in the current year;
 - regular security reports from the Security Advisor to the Executive Board and an annual report and opinion on security to the ARC with an executive summary reported to the Board of Trustees;
 - regular reports on fire, health, safety, environment, and sustainability risks, emergency planning, and the implementation of related policies and procedures to the Executive Board and annual reports and opinions are provided to the ARC by the Advisors for these areas, with an executive summary reported to the Board of Trustees;
 - major projects report summarising project specific risks, along with the likely impact and mitigating actions; reviewed by Directors monthly and ARC quarterly.

Trustees' Report

The combined approaches provide assurance that the operational levels of HRP are run following sound GRC methods and where issues are identified, they are acted upon. The system of internal control is designed to manage risk to an appropriate level rather than to eliminate all risk of failure to achieve HRP's cause and strategy.

HRP's risk appetite is a balance between managing risk, enhancing innovation and creativity, whilst carefully weighing up risks with all rewards and our charitable objectives. HRP considers risk and its management in a structured way to ensure that the identification, assessment and management of risk is linked to the achievement of HRP's objectives and that all areas of risk are covered - for example, financial, governance, operational and reputational. The corporate risk register at HRP focuses on high impact and/ or likelihood risks aligned with our strategy:

- Strategic Risks
- Compliance, Process and System Risks
- Emerging Risks

Major risks are those risks that have a major impact and a probable or highly probable likelihood of occurring and would have a major impact across any area of HRP.

Throughout the year the top risk rated RED was:

Business Continuity - The risk of a major unpredictable event or more insidious chronic event that shifts visitor numbers with ongoing work to liaise with our partners and stakeholders and manage this risk in a proportionate and appropriate way.

Due to the impact of COVID-19, "Deliver the Big Moments" moved from Amber to Red; it had been Amber due to progress in some of the Big Moment projects, and as we have a bold risk appetite in this area; HRP seeks to take risk where there are significant opportunities to improve visitor experience, enhance our reputation and increase financial contribution

Two risks remained at AMBER throughout the year:

1. **Political changes** – The risk that external political changes affect our ability to achieve our strategic aims remained at Amber due to the unknown impact of leaving the EU on tourism, and on our suppliers.
2. **Information Systems Failure** - The Head of Information Systems (IS) has identified to the Executive Board a number of priorities for immediate improvement to turn this risk to Green. These relate to system infrastructure, network bandwidth and organisational structure within the IS teams.

Over the course of the year, a number of risks were given a lower rating due to the increase or improvement in controls or mitigating actions. These improvements included;

Staff – AMBER to GREEN; The risk of failure to attract, retain, engage and develop the staff HRP needs to achieve the strategic plans and priorities. The move from Red to Green was achieved through strategic projects such as Complexity to Simplicity, strengthened relations with the Union bodies, and the introduction of a new and improved performance framework.

Planning Applications – AMBER to GREEN; Planning issues were resolved, with just one application open, which does not look to be problematic.

Security – RED in 2018/2019, to GREEN; Following implementation of recommendations of the Security Review, a new Security Governance Framework is in place, with a long-term strategy to further improve security of people, buildings, contents and data.

Directors provide assurance to the CEO about the effectiveness of risk management and any control weaknesses in their annual letters of representation. No significant internal control issues have arisen during 2019/20. A plan to address any weaknesses and ensure continuous improvement of the system is in place.

Trustees' Report

Progress in implementing internal audit recommendations is monitored by the Executive Board and the ARC and good compliance is achieved. New activities and changes to existing processes or regulations are routinely reviewed to ensure that adequate controls are in place.

For example:

- **GDPR and Data Protection Controls** - The Finance Director is the Senior Information Risk Owner (SIRO), and takes responsibility for the management of information risk, supported by Information Asset Owners (IAOs). All staff are made aware of the requirements of GDPR and undergo annual e-learning to demonstrate compliance. 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. HRP has an agreement with the National Cyber Security Centre (formerly CESG) 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 V3.2 PCI standard. Appointed Departmental IAOs track their department's repositories of sensitive data (up to OFFICIAL- SENSITIVE);

COVID-19, in the final quarter of 2019/20 had a significant impact upon the risk profile for HRP. The organisation was forced to move at pace to mitigate the impact of the virus on operations. In some cases, this increased the controls that were previously in place; expenditure is now authorised by Executive Board members only. In other areas, we have stepped up precautions; with an increase in staff working from home, an education campaign on Cyber Security was quickly enacted.

To ensure that the risk profile was captured, updated, and reviewed regularly, the Senior Leadership Team work on a regular basis with the Head of Audit & Risk to review the profile; the Executive Board review these as a whole on a regular basis. This ensures that all are aware of risks and their mitigations. As we moved from react to recover, the key further actions to mitigate the risks form part of the action plan.

During this time, the Board of Trustees are meeting on a monthly basis; the Executive Board have also increased their meetings by several times a week. This increase has enabled decisions to be made quickly but preserve the governance structure HRP has in place.

Rupert Gavin
Chairman of the Board of Trustees
10 July 2020

John Barnes
Chief Executive and Accounting Officer

Other Reports and Disclosures

Sustainability Report

Energy management in historic buildings and estates is always challenging, but Historic Royal Palaces continue to carry out a number of energy-saving initiatives across our sites. In 2019/20 these resulted in a decrease in the amount of Greenhouse Gas produced. The overall carbon footprint is lower than the year before, reducing from 4,668 tonnes of CO₂e to **4,605** tonnes of CO₂e.

Greenhouse Gas Emissions	2019	2018	2017	2016
Emissions Scope 1 (tonnes CO₂e)	2,367	1,981	1,716	1,995
Emissions Scope 2 (tonnes CO₂e)	1,631	1,932	2,552	2,957
Emissions Scope 3 (tonnes CO₂e)	608	755	721	736
Total GHG emissions (tonnes CO₂e)	4,605	4,668	4,989	5,688

As HRP's activities grow and with the opening of Hillsborough Castle and Gardens, it is not surprising that we consume a lot of energy; in 2019/20 our total energy consumption was **18.7 million kWh**, an increase of 1.8 million kWh on 2018/19. Overall the electricity consumption has decreased and gas consumption has increased over the year. 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.

This year saw a 4.5% decrease in water consumption at HRP, however the consumption remains high. All sites continue the progress that has been made over the years, and which is now supported by regular environmental audit and impact assessments for all HRP sites.

HRP continue to focus on waste management with our waste management contractors, Total Support Services (TSS) and Mitie. Total waste arising has decreased by 14.8 tonnes in 2019 compared to 2018. A higher proportion of the waste is now being recycled. Under the current waste management processes, HRP continues to achieve zero waste to landfill. Strategies are being implemented to help to improve the recycling rates at all HRP sites in the 5-year sustainability strategy.

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.

HRP has carried out a wide variety of strategic biodiversity work, 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.

Whistleblowing Disclosure

Whistleblowing policy

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

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

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

Other Reports and Disclosures

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 2019/20, 59% of supplier invoices were paid within 30 days of date of invoice (64% in 2018/19) and 72% within 40 days (76% in 2018/19). This payment performance has not been adjusted for invoices which have been delayed for payment due to a query with the supplier.

Related parties

Details of material dealings with any related parties are set out in in the Notes to the Accounts.

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.

Statement of Responsibilities

The statement of Trustees' responsibilities

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

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

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

Rupert Gavin
Chairman of the Board of Trustees
10 July 2020

The statement of Accounting Officer's responsibilities

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

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

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

John Barnes
Chief Executive and Accounting Officer
10 July 2020

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 2020. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Charities Act 2011.

In my opinion:

- the financial statements give a true and fair view of the state of Historic Royal Palaces' affairs as at 31 March 2020 and of its 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 under the Royal Charter.

Opinion on regularity

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

Basis 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 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.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- Historic Royal Palaces' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- Historic Royal Palaces have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Historic Royal Palaces' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

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. 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.

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

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 Historic Royal Palaces' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- conclude on the appropriateness of Historic Royal Palaces' 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 ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the group to cease to continue as a going concern.

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 but does not include 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.

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

Opinion on other matters

In my opinion:

- in the light of the knowledge and understanding of the group and the parent 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
- the financial statements and the Trustees' Report are not in agreement with the accounting records and returns; or
- 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.

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

Date: 17 July 2020

Consolidated Statement of Financial Activities

for the year ended 31 March 2020

	Unrestricted funds	Restricted funds	Total 2020	Total 2019 <i>Restated</i>
INCOME	£000	£000	£000	£000
	<i>Note</i>			<i>Restated</i>
Donations and legacies				
Grants	9	-	728	4,464
Donations		2,238	261	2,081
Gifts in Kind		-	95	186
		2,238	1,084	6,731
Income from other trading activities				
Retail income		14,023	-	14,826
Functions and events		7,305	-	6,454
Licences, rent & recharges		4,239	-	4,303
Sponsorship		357	-	840
		25,924	-	26,423
Investments		729	-	503
Income from charitable activities:				
Admissions		65,693	-	66,170
Membership		3,608	-	3,073
Concessions		2,538	-	2,532
		71,839	-	71,775
Total income	5	100,730	1,084	105,432
EXPENDITURE				
Costs of raising funds:				
Fundraising		736	-	911
Retail activities		12,095	-	11,949
Investment management costs		29	-	27
Other commercial activities		4,104	-	4,020
		16,964	-	16,907
Expenditure on charitable activities:				
Palaces		30,946	601	30,351
Experiences:				
Public access		25,511	11	25,050
Interpretation and learning		17,032	320	17,609
Money - Organisational Growth		6,868	-	6,980
Culture		3,147	11	2,368
		83,504	943	82,358
Other				
Defined Pension scheme net interest cost	8	181	-	130
Losses (gains) on curtailments	8	-	-	1,763
Losses (gains) due to benefit changes	8	-	-	69
Total Expenditure	3	100,649	943	101,592
Net (losses)/gains on investments	12	(232)	-	492
Net Income / (Expenditure)		(151)	141	4,697
Actuarial (loss)/gain on pension plan	8	7,337	-	(793)
Net movement in funds		7,186	141	3,904
Fund balances brought forward at 1 April	5	47,981	5,526	49,603
Fund balances carried forward at 31 March	5	55,167	5,667	53,507

Note: The amounts shown above derive from continuing activities. There were no recognised gains or losses other than those disclosed above. See note 1 f) for an explanation on the mapping of Charitable expenditure into the new strategic aims and associated restatements above. The notes on pages 31 to 57 form an integral part of these accounts.

Consolidated and Charity Balance Sheet for the year ended 31 March 2020

		Group 2020	Charity 2020	Group 2019	Charity 2019
	<i>Note</i>	£000	£000	£000	£000
<i>Fixed assets:</i>					
Intangible assets		670	670	386	386
Tangible assets	10	23,055	23,055	19,154	19,154
Heritage assets	11	9,156	9,156	8,561	8,561
Investments	12	13,619	13,619	13,962	13,962
		46,500	46,500	42,063	42,063
<i>Current assets:</i>					
Stocks - goods for resale		2,389	-	1,914	-
Debtors	13	4,804	6,551	5,844	7,652
Short-term cash deposits		25,006	25,006	21,532	21,532
Cash at bank and in-hand		3,242	1,742	7,699	5,508
		35,441	33,299	36,989	34,692
<i>Creditors: Amounts falling due within one year</i>	14	19,359	17,221	16,370	14,073
Net current assets		16,082	16,078	20,619	20,619
Total assets less current liabilities		62,582	62,578	62,682	62,682
<i>Creditors: Amounts falling due after more than one year</i>		135	131	125	125
<i>Provision for liabilities and charges</i>	15	927	927	1,172	1,172
Net assets excluding Pension Plan liability		61,520	61,520	61,385	61,385
<i>Pension Plan liability</i>	8	686	686	7,878	7,878
Net assets including Pension Plan liability		60,834	60,834	53,507	53,507
Unrestricted funds		55,167	55,167	47,981	47,981
Restricted funds		5,667	5,667	5,526	5,526
Total funds	5	60,834	60,834	53,507	53,507

These financial statements were approved by the Trustees and the Accounting Officer on 10 July 2020 and were signed on their behalf by:

Rupert Gavin
Chairman of the Board of Trustees
10 July 2019

John Barnes
Chief Executive and
Accounting Officer

The notes on pages 31 to 57 form an integral part of these accounts.

Consolidated Cash Flow Statement for the year ended 31 March 2020

	2020	2019
	£000	£000
Cash flows from operating activities		
Net cash provided by operating activities <i>(Note A below)</i>	4,999	8,790
Cash flows from investing activities:		
Purchase of tangible assets	10 (6,219)	(9,497)
Purchase of intangible assets	(4)	(50)
Purchase of heritage assets	11 (488)	(290)
Proceeds from sale of fixed assets	10 17	1
Purchase of investments	12 (4,395)	(4,630)
Redemption of investments	12 4,378	4,643
Interest received	729	503
Cash flows from financing activities:		
Net (purchase)/sale of short-term deposits	(3,474)	1,468
Increase/(Decrease) in cash	(4,457)	938

Note A : Reconciliation of net incoming/outgoing resources to net cash inflow from operating activities	2020	2019
	£000	£000
Net incoming /(outgoing) resources from charitable and trading activities	(10)	4,697
Net (Gains)/Losses on Investments	12 232	(492)
Interest receivable	(729)	(503)
Pension scheme: non-cash movements	8 145	2,220
Donated heritage assets	11 (95)	(124)
Depreciation & amortisation	2,019	1,243
(Profit)/Loss on disposal of fixed assets	(9)	11
Other decrease in fixed asset investments	12 128	216
(Increase)/Decrease in stocks	(475)	408
(Increase)/Decrease in debtors	13 1,040	(376)
Increase/(Decrease) in creditors: current liabilities	14 2,989	330
Increase/(Decrease) in long term creditors	10	21
Increase/(Decrease) in provisions for liabilities & charges	15 (245)	1,144
Other non-cash movements	(1)	(5)
Net cash inflow from operating activities	4,999	8,790

Consolidated Cash Flow Statement for the year ended 31 March 2020

Analysis of cash and cash equivalents:

	2020	2019	Change in year
	£000	£000	£000
Cash at bank and in hand	3,242	7,699	(4,457)

Analysis of changes in net debt

	As at 1 April 2019 £000	Cash flows £000	Other non-cash changes £000	As at 31 March 2020
Cash and cash equivalents				
Cash	7,699	(4,457)	-	3,242
Overdraft	-	-	-	-
Cash equivalents	-	-	-	-
	7,699	(4,457)	-	3,242
Borrowing				
Debt due within one year	-	-	-	-
Debt due after one year	-	-	-	-
	-	-	-	-

The notes on pages 31 to 57 form an integral part of these accounts.

Notes to the Consolidated Accounts

for the year ended 31 March 2020

1 Accounting Policies

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

a) Status of charity

HRP is a registered charity established by Royal Charter.

b) Basis of preparation

The financial statements are prepared in accordance with the *Statement of Recommended Practice (SORP): Accounting and Reporting by Charities* (effective 1 January 2015), applicable United Kingdom accounting standards (FRS 102) and the Charities Act 2011. The financial statements are prepared on a going concern basis under the historical cost convention (see also note 1 q). They are prepared in accordance with the Accounts Direction (a copy of which can be obtained from the Head of Governance) issued by the Secretary of State in accordance with HRP's Royal Charter. There are some uncertainties over the application of the going concern assumption in relation to the forecast in visitors, but we believe our projections are cautious and reasonable in light of the information available.

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 is carried out on a line-by-line basis.

d) Funds

Incoming resources and resources expended are allocated to particular funds according to their purpose. **Unrestricted fund** – the unrestricted fund includes income from admissions, donations and other income received without restriction including retained profits of HRPE. Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity. Trustees may earmark unrestricted funds for a particular project or use, without restricting or committing the funds legally. Such amounts are known as designated funds.

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

e) Incoming resources

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

- **Grants** - 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 receipt, the income is accrued.
- **Donations** - recognised when received or on a receivable basis where receipt is probable and there is entitlement to the income. This section includes major gifts.
- **Gifts in Kind** – where donated to the Group, are included at market value at the time of receipt.
- **Retail income** – 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.
- **Investments** - Investment income is recorded in the period in which it is earned.
- **Admissions** – income recognised upon visitor entry.
- **Membership** - Income that is attributable to visits that members make to HRP sites is deferred and released to the SOFA equally over the period to which the membership relates. The portion of life

Notes to the Consolidated Accounts for the year ended 31 March 2020

membership subscriptions deemed to be of the nature of a gift is recognised in full in the year in which it is received, with the remainder deferred and released to income in equal instalments over the average period over which the life membership is expected to be used. Gift Aid income resulting from membership is recognised at the point when the membership is sold.

- **Concessions** – Concessions includes income from our cafés and restaurants and is accounted for in the period it relates.

f) Resources expended

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

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

During 2019/20 Historic Royal Palaces launched a new organisational and strategic framework, the Cause, with updated underlying principles and aims. These are mentioned in more depth in the Trustees' report. During the year, we mapped our Charitable expenditure into the following strategic aims:

- Palaces – Give the palaces a future as bright as their past
- Experiences – Create unique and memorable experiences, onsite, offsite and online
- Culture - Nurture a culture that's united behind our cause
- Money - Generate the money to grow our impact

These were generally in line with existing SOFA headings, but a degree of reclassification was considered necessary. Security was transferred to Palaces from being a Public Access cost (as it relates directly to the protection of the wider organisation's assets), and a Culture heading was created - predominantly Human Resources which was previously in Support Costs; this adjustment led to a small difference in all headings as the Support Cost total for apportionment was reduced.

The reclassified 2018/19 amounts from 2018/19 statement of financial activities are:

	2019 Reported £000	Equivalent Heading	Difference £000	2019 Restated £000
Cost of Generating Funds		Cost of Generating Funds		
Fundraising	926	Fundraising	(15)	911
Retail Activities	12,252	Retail Activities	(303)	11,949
Investment Management	27	Investment Management	-	27
Other Commercial Activities	4,104	Other Commercial Activities	(84)	4,020
	17,309		(402)	16,907
Charitable expenditure		Charitable expenditure		
Give the Palaces the care they deserve	26,059	Palaces	4,292	30,351
Help Visitors Explore their Story		Experiences		
Public Access	30,845	Public Access	(5,795)	25,050
Interpretation & Learning	17,977	Interpretation & Learning	(368)	17,609
Have a Wider Impact in the World	7,075	Money - Grow our impact	(95)	6,980
	--	Culture	2,368	2,368
	81,956		402	82,358
Total Expenditure	99,265		-	99,265

g) Tangible fixed assets

Tangible fixed assets costing more than £5,000 are capitalised at a value net of VAT and included at cost. All expenditure on repairing and maintaining the original fabric of the buildings and on non-revenue generating improvements is written off in the year incurred. All improvements to the fabric of the

Notes to the Consolidated Accounts

for the year ended 31 March 2020

buildings, with the aim of raising or increasing revenue, are capitalised. Assets purchased by or gifted to the Charity’s predecessors prior to September 1989 have not been capitalised.

No formal revaluation is undertaken for buildings, plant and machinery. Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their useful economic lives as follows:

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

h) Heritage Assets

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

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

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

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

Fixed income investments are short-dated high credit rated bonds with fixed and determinable coupons. The bonds are retained with the intention and ability to be held to maturity. The bond portfolio is measured at fair value upon purchase and amortised cost using the effective interest method. The carrying value is reduced if there is any impairment.

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

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.

k) Stocks

Notes to the Consolidated Accounts

for the year ended 31 March 2020

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 and from April 2019, the scheme was closed to future accruals. The Charity has implemented the full reporting requirements of FRS 102: Employee Benefits in relation to the defined benefit scheme. The resulting deficit is treated as an unrestricted fund.

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

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 73.3% of VAT incurred by HRP is irrecoverable.

p) Key judgements and estimates

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

- the useful economic lives of tangible and intangible assets are assessed regularly and amended when necessary, impacting the annual depreciation and amortisation charge for assets.
- the valuation of heritage assets is reviewed annually
- the retail stock valuation and associated provisioning is assessed throughout the year with consideration for condition and saleability
- valuations for the bond and multi-asset portfolios rely on the estimates provided by the relevant investment managers
- HRP has an obligation to pay pension benefits to the members of its defined benefit pension scheme. The cost of these benefits and the present value of the obligation depend on several factors including discount rate on corporate bonds, salary increases, life expectancy, inflation and asset valuations. Management estimates these factors in determining the net pension obligation in the balance sheet with the support from independent external actuaries.
- when assessing the going concern this year, several visitor forecast scenarios were used to inform projections for income, expenditure and cash-flows. Other key considerations included the availability of liquidity from unrestricted funds and reserves, overdraft and borrowing facilities and all other forms of financial assistance available to the organisation.

Notes to the Consolidated Accounts

for the year ended 31 March 2020

q) Going Concern

The Trustees have considered all factors that may influence the organisation within the next 12-18 months, most importantly the effect of the COVID-19 pandemic. Immediate actions were taken as the significance of the situation unfolded.

In March 2020, we quickly stopped all elective expenditure, reducing our operational costs by 80% and our payroll and associated costs by 20%. Since then we have shared plans with employees which will see significant reductions in payroll and associated costs through pay cuts and voluntary redundancies.

Since the palaces' closure, we have not received any income except for membership renewals, gift aid and donations from members of the public. We have 'furloughed' c80% of staff under the Government's 'Coronavirus Job Retention Scheme' and are planning to use it, albeit at a gradually reducing level, until it closes in October. The contributions from the scheme help us pay employees' wages.

We continue to benefit from other support arrangements such as deferred HMRC payments, cancellation of business rates and some business grants available through local authorities.

Since April 2020, our Government-guaranteed overdraft facility of £4m has been reactivated and is now in place with our main bank. In June 2020, the Secretary of State has also approved HRP's request to enter into an additional borrowing facility of up to £26m for a period of two years from the date it is activated, with an 80% guarantee on the outstanding balance of the finance from DCMS. We are discussing terms with commercial banks to put this facility in place.

Significant reserves built up over years to fund investments in the sites, together with reduced operating costs, are now being used to meet the shortfall in our income. Based on our current assumptions about the length of the crisis, the impact on leisure businesses and the return of domestic and international visitors, we have modelled a range of scenarios for the next three years.

These new models have built into them visit volume assumptions that are based on analysis and forecasts commissioned by organisations including VisitBritain, London & Partners (the London Tourist Board) and ALVA (the Association of Leading Visitor Attractions), adjusted to the circumstances of our sites. We have modelled LOW, MEDIUM and HIGH forecasts for visitor volumes, with the MEDIUM forecast being used as the principal basis of our operating and financial planning.

These models support the view that the deepest impact will be in 2020, after which there is likely to be a year of stabilisation in 2021 at lower income levels, with the potential for some recovery from 2022. Liquidity is projected to be tighter in the first half of 2021. If visitor volumes were at or below the LOW assumptions, we forecast that we would need the additional bank facility guaranteed by DCMS but in other circumstances this is not expected to be necessary.

The Board of trustees is satisfied that even under the LOW scenario the Group has adequate resources and has taken the necessary steps to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing these financial statements.

HRPE Ltd, the wholly owned trading entity of HRP is experiencing the same impact as HRP from the closure of the palaces and the uncertainty over the evolution of the pandemic. Similar measures have been implemented to cut expenditure, and its directors continue to adopt the going concern basis for preparing its accounts. However, the directors acknowledge that there remains a material uncertainty that may cast significant doubt on that entity's ability to continue as a going concern.

To mitigate those risks, HRPE Ltd is negotiating a debenture facility of £0.5m with its main bank for a period of one year, as the company cannot access its parent's financial facility. Other potential actions we may take are the deferral of the payment of service charge to Historic Royal Palaces, until such time as it has returned positive cashflows, and an agreement between HRP and HRPE Ltd allowing the most appropriate way to meet the working capital requirements of HRPE Ltd.

Notes to the Consolidated Accounts

for the year ended 31 March 2020

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.

	2020	2019
	£000	£000
<u>Profit and loss account</u>		
Turnover (other trading activities)	23,326	23,811
Cost of sales (costs of raising funds)	(4,769)	(5,027)
Gross profit	18,557	18,784
Administrative expenses	(13,645)	(13,331)
Interest receivable	11	17
Profit on ordinary activities before taxation	4,923	5,470
Taxation	(5)	(7)
Total profit for the financial year	4,918	5,463
Amount distributable under Gift Aid to HRP	(4,918)	(5,463)
Retained in subsidiary	-	-
<u>Balance Sheet as at 31 March 2019</u>		
	2020	2019
	£000	£000
Stocks - goods for resale	2,389	1,914
Debtors	680	683
Cash	1,499	2,192
Current liabilities	(4,565)	(4,788)
Creditors due after more than one year	(3)	(1)
Net assets	-	-
<u>Share capital and reserves</u>	-	-

3. Total expenditure (Group basis)

Per Note 1 Resources expended, current and prior year expenditure on charitable activities is now aligned to HRP's new Cause and four Aims (Palaces, Experiences, Culture and Money)

	Total direct costs	Allocation of support costs	Total 2020	Total 2019 restated
	£000	£000	£000	£000
Costs of raising funds				
Generating the money to make it possible:				
Fundraising	656	80	736	911
Retail activities	10,595	1,500	12,095	11,948
Investment management costs	29	-	29	27
Other commercial activities	3,656	448	4,104	4,019

Notes to the Consolidated Accounts for the year ended 31 March 2020

	14,936	2,028	16,964	16,905
Expenditure on charitable activities				
Palaces	28,274	3,273	31,547	30,352
Experiences:				
Public access	21,620	3,902	25,522	25,050
Interpretation and learning	15,535	1,817	17,352	17,610
Money – Organisational Growth	6,264	604	6,868	6,980
Culture	2,848	310	3,158	2,368
	74,541	9,906	84,447	82,360
Other				
Pension finance (income)/costs	181	-	181	130
Pension losses/(gains) on curtailments	-	-	-	1,763
Pension losses/(gains) due to benefit changes	-	-	-	69
	181	-	181	1,962
Total	89,658	11,934	101,592	101,227

Resources expended include charges for:

	Total 2020 £000	Total 2019 £000
Auditors' remuneration:		
Audit		
- HRP	53	45
- HRPE	24	22
The auditors did not provide any non-audit services		
Operating lease charges	735	730
Stock recognised as an expense	4,454	4,886
Impairment of stock (included in cost of sales)	315	142
Depreciation written off owned fixed assets:		
Tangible	1,804	1,136
Intangible	215	107
Corporation tax	5	7

Notes to the Consolidated Accounts

for the year ended 31 March 2020

4. Support costs (Group basis)

	Information Systems £000	Finance Department £000	Pension Department £000	Management Costs £000	Governance Costs £000	Total 2020 £000	Total 2019 £000 <i>restated</i>
Costs of raising funds							
Fundraising	43	21	2	10	4	80	87
Retail activities	704	536	35	165	60	1,500	1,517
Other commercial activities	213	156	11	50	18	448	426
Charitable expenditure							
Palaces	1,430	1,315	71	335	122	3,273	3,096
Experiences							
Public access	2,435	567	121	570	209	3,902	3,845
Interpretation and learning	907	575	45	212	78	1,817	1,829
Money – Organisation Growth	202	328	10	47	17	604	601
Culture	144	113	7	34	12	310	266
Total	6,078	3,611	302	1,423	520	11,934	11,667

The basis of apportionment for support costs is staff headcount (see note 7 *Staff numbers and costs (Group & Charity)*), except for the Finance Department which is based upon expenditure excluding payroll. Per Note 1 Resources expended, current and prior year expenditure on charitable activities is now aligned to HRP's new Cause and four Aims (Palaces, Experiences, Culture and Money). Human Resources costs which were previously reported under Support costs are now part of the main charitable heading 'Culture'.

Governance Costs (included in Support costs) (*)

	2020 £000	2019 £000
Internal and external audit	263	278
Trustee expenses and costs	25	22
Trustee and chairman recruitment costs (**)	23	38
Production of annual report	-	4
Management costs	209	240
	520	582

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

(**) There were no chairman recruitment costs in 2018/19 or 2019/20.

Notes to the Consolidated Accounts

for the year ended 31 March 2020

5. Total funds (Group basis)

	Funds as at 1 April 2019	Incoming resources 2019/20	Resources expended 2019/20	Revaluations 2019/20	Transfers between funds 2019/20	Funds as at 31 March 2020
	£000	£000	£000	£000	£000	£000
Unrestricted funds						
General (Free) reserves	5,000	100,827	(100,601)	(232)	22,411	27,405
Designated funds	27,096	-	-	-	(27,096)	-
Fixed assets	23,763	-	-	-	4,685	28,448
Pension plan	(7,878)	(97)	(48)	7,337	-	(686)
Total	47,981	100,730	(100,649)	7,105	-	55,167
Restricted funds						
Donated assets	4,338	95	-	-	-	4,433
Hillsborough Castle & Gardens	797	324	(584)	-	-	537
Hampton Court Palace projects <i>incl. Field of the Cloth of Gold</i>	22	60	(62)	-	-	20
Tower of London projects <i>incl. Tower Entry</i>	91	119	(15)	-	-	195
Kensington Palace projects <i>incl. Orangery Learning Centre and the Sunken Garden statue</i>	231	252	(76)	-	-	407
AHRC-funded Research projects	40	116	(149)	-	-	7
Other projects	7	118	(57)	-	-	68
Total	5,526	1,084	(943)	-	-	5,667
Total funds	53,507	101,814	(101,592)	7,105	-	60,834

Free Reserves

The target level for free reserves has been £5m and this has been maintained throughout the year. However, Trustees have agreed that the impact of COVID-19 on the organisation requires previously designated funds to be reallocated to free reserves to meet operating commitments over the next 12 months.

Designated funds

In addition to £27.1m of existing designations brought forward from prior years, £6.4m was generated in in 2019/20 whilst 11.1m was used in year. The resulting £22.4m funds was transferred to free reserves to meet the financial impact of the COVID-19 pandemic.

Transfers between funds

As set out in our Reserves policy in the Funds and Reserves section, a permanent designated fund is matched to fixed assets, as this cannot be quickly utilised to realise cash in the event of a cash requirement. Any excess above this and the target free reserves of £5m are designated at Trustees' discretion, and this year are transferred to free reserves.

Donated assets funds

These refer to restricted heritage assets and donated items including work of art and artefacts (see note 11 for more details).

Notes to the Consolidated Accounts

for the year ended 31 March 2020

	Funds as at 1 April 2018	Incoming resources 2018/19	Resources expended 2018/19	Revaluations 2018/19	Transfers between funds 2018/19	Funds as at 31 March 2019
	£000	£000	£000	£000	£000	£000
Unrestricted funds						
General (Free) reserves	5,000	99,128	(91,833)	492	(7,787)	5,000
Designated funds	27,813	-	-	-	(717)	27,096
Fixed assets	15,259	-	-	-	8,504	23,763
Pension plan	(4,865)	1,641	(3,861)	(793)	-	(7,878)
Total	43,207	100,769	(95,694)	(301)	-	47,981
Restricted funds						
Donated assets	4,152	186	-	-	-	4,338
Hillsborough Castle & Gardens	2,100	3,628	(4,931)	-	-	797
Hampton Court Palace projects incl. HCP Gardens	24	13	(15)	-	-	22
Tower of London projects incl. <i>The Tower Remembers</i>	53	215	(177)	-	-	91
Kew Dragons	-	85	(85)	-	-	-
Kensington Palace projects incl. Sunken Garden statue	-	291	(60)	-	-	231
AHRC-funded Research projects	48	181	(189)	-	-	40
Other projects	19	64	(76)	-	-	7
Total	6,396	4,663	(5,533)	-	-	5,526
Total funds	49,603	105,432	(101,227)	(301)	-	53,507

Analysis of net assets between funds

Fund balances of the Group and Charity at 31 March 2020 are represented by:

	Unrestricted funds £000	Restricted funds £000	2020 £000	Unrestricted funds £000	Restricted funds £000	2019 £000
Intangible assets	670	-	670	386	-	386
Tangible assets	23,055	-	23,055	19,154	-	19,154
Heritage assets	4,723	4,433	9,156	4,223	4,338	8,561
Investments	13,619	-	13,619	13,962	-	13,962
Net current assets	14,848	1,234	16,082	19,431	1,188	20,619
Creditors > one year	(135)	-	(135)	(125)	-	(125)
Provisions	(927)	-	(927)	(1,172)	-	(1,172)
Pension plan liability	(686)	-	(686)	(7,878)	-	(7,878)
Total net assets	55,167	5,667	60,834	47,981	5,526	53,507

Notes to the Consolidated Accounts

for the year ended 31 March 2020

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 £5,820 (2018/19: £6,564) for the year ending 31 March 2020. Expenses were reimbursed for nine Trustees (2018/19: 11). HRP provides liability insurance for Trustees.

7. Staff numbers and costs (Group & Charity)

Staff numbers

During the year, we mapped our Charitable expenditure into new strategic aims (see note 1f). The average number of full-time equivalent staff (including senior management) employed during the year was mapped to those new aims and 2018/19 numbers were reclassified accordingly:

	2020	2019
	FTE	FTE
		<i>Restated</i>
Fundraising	7.4	6.0
Retail activities	120.1	120.4
Other Commercial Activities	36.3	32.9
Palaces	244.0	227.1
Experiences:		
Public Access	415.5	382.9
Interpretation and Learning	154.8	147.5
Money – organisational growth	34.4	34.3
Culture	24.6	24.2
Support functions	82.4	85.6
Total	1,119.5	1,060.9
Staff costs	2020	2019
	£000	£000
Wages and salaries	37,890	35,709
Loss of office	51	50
Ex gratia payments	49	93
Social security costs	3,699	3,517
Pension costs	4,722	5,537
Total	46,411	44,906
Agency staff	786	373
Total	47,197	45,279

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

Notes to the Consolidated Accounts for the year ended 31 March 2020

The number of employees, excluding the Chief Executive, whose total remuneration and staff benefits (excluding pension contributions) was over £60k was as follows:

	2020	2019
	No. of Staff	No. of Staff
£60,001 to £70,000	29	16
£70,001 to £80,000	8	22
£80,001 to £90,000	3	3
£90,001 to £100,000	0	0
£100,001 to £110,000	1	0
£110,001 to £120,000	3	1
£120,001 to £130,000	2	2
£130,001 to £140,000	1	2
£140,001 to £150,000	0	2

Excluding the Chief Executive, there were 47 staff including directors during the year earning in excess of £60,000 (2018: 48). Eight were in a defined benefit scheme closed to accruals since 1 April 2019 (2018: 15) where the employer contributions were nil (2019: £365,178), and 44 were in a defined contribution scheme (2019: 35) where the employer contributions were £576,282 (2019: £281,894).

The aggregate emoluments of key management personnel were as follows:

	Remuneration	Pension contributions made to Group Personal Pension Plan	Staff Benefits
John Barnes	£169,332	£18,551	£1,198

The remuneration of the Chief Executive in 2018/19 was £164,509, with pension contributions of £39,627 and staff benefits of £577. It was restated to account for the non-pensionable separate basic pay element received upon promotion to the role.

Excluding the Chief Executive, the total remuneration to the Executive Board was £945,183 (2019: £897,103) with pension contributions of £133,804 (2019: 99,501) and staff benefits of £7,117 (2019: £3,932).

8. Retirement benefits (Group & Charity)

a) Historic Royal Palaces Pension Scheme

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

A full triennial actuarial valuation was carried out at 31 March 2018.

This most recent triennial actuarial valuation showed a deficit of £1,903k. The employer has agreed with the trustees of the scheme that it will aim to eliminate the deficit over a period of 3 years and 1 month from 1 April 2019 by the payment of annual contributions of £31k, increasing at 3% per annum. The funding shortfall is expected to be eliminated by April 2022 through the return on existing assets and the new contributions.

In accordance with the actuarial valuation, the employer has agreed with the trustees that it will meet expenses of the scheme and levies to the Pension Protection Fund.

Notes to the Consolidated Accounts for the year ended 31 March 2020

A qualified actuary, independent of the scheme's sponsoring employer, updated to 31 March 2020 the annual accounting valuation required under Section 28 of FRS 102.

The major assumptions used by the actuary are shown below.

The basis of apportionment for pension expense costs is payroll costs.

The outbreak of the novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets.

As at the valuation date, the valuer for property assets in the plan considers that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Their valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation of the property assets than would normally be the case.

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

	31/03/2020	31/03/2019	31/03/2018
	£000	£000	£000
Fair value of plan assets	85,775	91,386	86,428
Present value of defined benefit obligation	86,461	99,264	91,293
(Deficit) in plan	(686)	(7,878)	(4,865)
Defined benefit/(liability) to be recognised	(686)	(7,878)	(4,865)

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

	Period Ending	Period Ending
	31/03/2020	31/03/2019
	£000	£000
Defined benefit obligation at start of period	99,264	91,293
Current service cost	-	1,872
Expenses	48	157
Interest expense	2,243	2,374
Contributions by plan participants	-	71
Actuarial losses / (gains)	(11,521)	3,716
Benefits paid and death in service premiums	(3,573)	(2,051)
Losses / (gains) on curtailments	-	1,763
Losses / (gains) due to benefit changes	-	69
Defined benefit obligation at end of period	86,461	99,264

Notes to the Consolidated Accounts

for the year ended 31 March 2020

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

	Period Ending 31/03/2020 £000	Period Ending 31/03/2019 £000
Fair value of scheme assets at start of period	91,386	86,428
Interest income	2,062	2,244
Actuarial gains/(losses)	(4,184)	2,923
Contributions by the employer	84	1,771
Contributions by plan participants	-	71
Benefits paid & expenses	(3,573)	(2,051)
Fair value of plain assets at end of period	85,775	91,386

The actual return on the plan assets over the period ended 31 March 2020 was a loss of £2,122k (£5,167k gain in 2018/19).

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

	Period Ending 31/03/2020 £000	Period Ending 31/03/2019 £000
Current service cost	-	1,872
Expenses	48	157
Net Interest cost	181	130
Losses / (gains) on curtailments	-	1,763
Losses / (gains) due to benefit changes	-	69
Total expense recognised in SOFA	229	3,991

Defined benefit costs recognised in other comprehensive income:

	Period Ending 31/03/2020 £'000	Period Ending 31/03/2019 £'000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	(4,184)	2,923
Experience gains and losses arising on the plan liabilities – gain / (loss)	434	546
Net effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – gain/(loss)	11,087	(4,262)
Total amount recognised in other comprehensive income – gain/(loss)	7,337	(793)

Notes to the Consolidated Accounts for the year ended 31 March 2020

Assets

	31/03/2020	31/03/2019	31/03/2018
	£000	£000	£000
Equities	33,532	39,429	37,565
Government bonds	6,010	6,202	6,000
Index Linked bonds	32,485	33,563	31,706
Property	12,010	11,730	10,875
Cash	1,738	462	282
Total assets	85,775	91,386	86,428

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

	31/03/2020	31/03/2019	31/03/2018
	% per annum	% per annum	% per annum
Discount Rate	2.35%	2.30%	2.60%
Inflation (RPI)	2.85%	3.50%	3.35%
Inflation (CPI)	2.05%	2.50%	2.35%
Salary growth	2.50%	2.95%	2.80%
Allowance for:			
revaluation of deferred pensions of CPI or 5% p.a. if less	2.05%	2.50%	2.35%
revaluation of deferred pensions of CPI or 5% p.a. if less	2.05%	2.50%	2.35%
pension in payment increases of RPI or 5% p.a. if less	2.80%	3.30%	3.20%
pension in payment increases of RPI or 3% p.a. if less	2.25%	2.50%	2.45%
pension in payment increases of RPI	2.85%	3.50%	3.35%
commutation of pension for cash at retirement	70% of Post A Day	80% of Post A Day	No allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies at age 60yrs:

	31/03/2020	31/03/2019
Male retiring in 2020	25.8	25.8
Female retiring in 2020	27.9	27.9
Male retiring in 2040	27.4	27.1
Female retiring in 2040	29.5	29.2

Notes to the Consolidated Accounts

for the year ended 31 March 2020

b) Defined Contribution Schemes

A group personal pension scheme based on defined contributions was set up for new members of established staff and staff on contracts exceeding one year with effect from October 2002. The cost for the year was £4,641,957 (2019: £2,332,081), 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 £56,517 (2019: £46,251), with no outstanding contributions at the balance sheet date.

9. Grant income

Grant income of £728k (2018/19: £4,464k) includes funding from government bodies as follows:

- £152k from the Heritage Lottery Fund for Hillsborough Castle and Gardens
- £160k from the Northern Ireland Office for security work
- £116k from the Arts & Humanities Research Council for three projects - *Lest We Forget*, *Fashioning Victoria* and *Tudor Procession*
- £16k from the Memorials Grant Scheme administered by DCMS for the Kensington's Sunken Garden statue

Notes to the Consolidated Accounts for the year ended 31 March 2020

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 2019	13,896	5,962	3,897	862	5,801	11,274	41,692
Additions	1,709	12	-	46	152	4,300	6,219
Disposals	-	(20)	(919)	-	(186)	-	(1,125)
Transfers to Heritage assets	-	-	-	-	-	(12)	(12)
Transfers to Intangible assets	-	-	-	-	-	(495)	(495)
Transfers within Tangible fixed assets	10,237	56	-	50	359	(10,702)	-
Balance as at 31 March 2020	25,842	6,010	2,978	958	6,126	4,365	46,279
Accumulated depreciation							
Balance as at 1 April 2019	9,732	3,992	3,460	759	4,595	-	22,538
Charge for the year	985	343	105	52	319	-	1,804
Disposals	-	(17)	(919)	-	(182)	-	(1,118)
Balance as at 31 March 2020	10,717	4,318	2,646	811	4,732	-	23,224
Net book value as at 31 March 2020	15,125	1,692	332	147	1,394	4,365	23,055
As at 31 March 2019	4,164	1,970	437	103	1,206	11,274	19,154
The net book value as at 31 March 2020 represents fixed assets used for:							
Retail activities	32	294	-	49	43	593	1,011
Fundraising	-	-	-	1	-	-	1
Other commercial activities	-	6	6	3	16	-	31
Charitable expenditure:							
Palaces	12,700	848	209	20	1,080	3,297	18,154
Experiences							
Public access	1,913	328	90	57	220	453	3,061
Interpretation and learning	480	216	27	12	35	22	792
Money – Grow our impact	-	-	-	3	-	-	3
Culture	-	-	-	2	-	-	2
	15,125	1,692	332	147	1,394	4,365	23,055

Notes to the Consolidated Accounts

for the year ended 31 March 2020

11. Heritage assets (Group & Charity)

	Artefacts 2020 £000	No.	Artefacts 2019 £000	No.	Artefacts 2018 £000	Artefacts 2017 £000	Artefacts 2016 £000
Cost and net book value							
Balance as at 1 April	8,561	451	8,155	478	8,010	6,459	5,796
Additions, at cost	488	10	290	10	159	148	20
Transfers from assets in the course of construction	12	1	-	-	-	-	-
Disposals	-	-	(8)	(37)	(39)	(4)	-
Donated works, at deemed value	95	4	124	0	25	1,407	643
Balance as at 31 March	9,156	466	8,561	451	8,155	8,010	6,459

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

Experiences:

<i>Interpretation and learning</i>	9,156	8,561	8,155	8,010	6,459
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There was one significant addition to Heritage assets in the year:

- A Diana dress valued at £220,000. This item has been added to the Royal Ceremonial Dress Collection.

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 (c10,000 accessioned items), an important collection of largely British royal and court ceremonial dress, established at Kensington Palace in 1984;
- The general collection (c9,000 accessioned items), consisting of paintings, drawings, prints, furniture, sculpture, furnishing textiles, decorative arts and social history objects, chiefly displayed as part of the historic furnished interiors at the palaces;
- Architectural drawings archive (c22,000 accessioned items), containing both modern and historic drawings and copies.
- Architectural and archaeological materials salvaged or excavated from the palaces. These are primarily used as a research archive (c10,000 accessioned items).
- Three tiaras accepted in lieu of inheritance tax by HM Government in 2016/17

In addition, HRP owns un-accessioned assets as follows:

- c8,000 architectural drawings.

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

- 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).

Notes to the Consolidated Accounts

for the year ended 31 March 2020

- The artwork collection and other items on display at Hillsborough Castle (c1,500 items).
- Collection of jewellery associated with Queen Victoria from a private owner on display at Kensington Palace

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

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

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

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.

Notes to the Consolidated Accounts for the year ended 31 March 2020

14. Creditors: amounts falling due within one year

	Group 2020 £000	Charity 2020 £000	Group 2019 £000	Charity 2019 £000
Trade creditors	5,219	4,557	1,799	1,477
Taxation and social security	1,057	1,052	1,177	1,006
Other creditors	328	443	453	479
Accruals	9,191	8,761	9,254	8,671
Deferred income	3,564	2,408	3,687	2,440
	19,359	17,221	16,370	14,073

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

15. Provision for liabilities and charges (Group and Charity)

	Claims £000	Total £000
Balance as at 1 April 2019	1,172	1,172
Amounts used in year	(348)	(348)
New provisions in year	103	103
Balance as at 31 March 2020	927	927

The provision primarily includes amounts for pension scheme closure compensation payments.

16. 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 2020 £000	Charity 2020 £000	Group 2019 £000	Charity 2019 £000
Operating Lease payments due:				
Not later than one year	733	572	729	572
Later than one year and not later than five years	2,646	2,006	2,705	2,075
Later than five years	32,260	32,260	33,286	32,971
Total payable	35,639	34,838	36,720	35,618

Notes to the Consolidated Accounts

for the year ended 31 March 2020

17. Operating lease receipts

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

	Group 2020 £000	Charity 2020 £000	Group 2019 £000	Charity 2019 £000
Operating Lease payments due:				
Not later than one year	230	147	289	187
Later than one year and not later than five years	591	325	790	504
Later than five years	55	10	186	78
Total receivable	876	482	1,265	769

18. Capital commitments

	Group 2020 £000	Charity 2020 £000	Group 2019 £000	Charity 2019 £000
Contracted capital commitments as at 31 March 2020, for which no provision has been made in the accounts:	4,126	4,126	<i>restated</i> 4,631	<i>restated</i> 4,631

Commitments include no amount (2019: £0.5m) relating to projects that are being funded by donations from third parties. Prior year commitments have been restated to exclude 'Planned maintenance & improvement works' which will not be capitalised.

19. Contingent liabilities

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

HRP is in ongoing negotiations with one contractor over final agreements relating to a capital project. 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 2020

20. The summary financial performance of the charity alone

INCOME	Unrestricted funds	Restricted funds	Total 2020	Total 2019 <i>restated</i> £000
	£000	£000	£000	£000
Donations and legacies				
Grants	-	728	728	4,464
Donations	2,238	261	2,499	2,081
Gifts in Kind	-	95	95	186
	2,238	1,084	3,322	6,731
Income from other trading activities				
Retail income	-	-	-	-
Functions and events	225	-	225	300
Licences, rent & recharges	2,157	-	2,157	2,304
Sponsorship	-	-	-	-
	2,382	-	2,382	2,604
Investments	718	-	718	486
Income from charitable activities:				
Admissions	65,693	-	65,693	66,170
Memberships	3,608	-	3,608	3,073
Concessions	2,538	-	2,538	2,532
	71,839	-	71,839	71,775
Other Income				
Service Charge to and Gift Aid distributed from HRPE	15,634	-	15,634	15,950
Total income	92,811	1,084	93,895	97,547
EXPENDITURE				
Costs of raising funds:				
Fundraising	727	-	727	710
Retail activities	5,836	-	5,836	5,676
Other commercial activities	2,508	-	2,508	2,660
Investment management costs	29	-	29	27
	9,100	-	9,100	9,073
Expenditure on charitable activities:				
Palaces	30,926	601	31,527	30,334
Experiences:				
Public access	25,492	11	25,503	25,032
Interpretation and learning	17,022	320	17,342	17,599
Money – Organisational Growth	6,864	-	6,864	6,976
Culture	3,145	11	3,156	2,366
	83,449	943	84,392	82,307
Other				
Defined Pension scheme net interest cost	181	-	181	130
Losses (gains) on curtailments	-	-	-	1,763
Losses (gains) due to benefit changes	-	-	-	69
Total Expenditure	92,730	943	93,673	93,342
Net (losses)/gains on investments	(232)	-	(232)	492
Net Income / (Expenditure)	(151)	141	(10)	4,697
Actuarial (loss)/gain on pension plan	7,337	-	7,337	(793)
Net movement in funds	7,186	141	7,327	3,904
Fund balances brought forward at 1 April	47,981	5,526	53,507	49,603
Fund balances carried forward at 31 March	55,167	5,667	60,834	53,507

Note: See note 1 f) for an explanation on the mapping of Charitable expenditure into the new strategic aims and associated restatements above.

Notes to the Consolidated Accounts

for the year ended 31 March 2020

21. 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 - £100k in year (2018/19: £7.5k).

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

HRP is contracted by the Secretary of State for Digital, Culture, Media and Sport to manage the five London palaces on his behalf. This contract has been re-authorised until 31 March 2028.

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

Related party	Connected party (a)	2020 £000	2019 £000	Detail of transaction
The Attingham Trust	Tim Knox (Trustee of HRP) is a member of council at the Attingham Trust	8 (8)	- (nil)	Charges made by the Attingham Trust to HRP for educational courses
BBC	Zeinab Badawi (Trustee of HRP) is trustee of BBC Media Action and a broadcaster at the BBC	4 (nil)	4 (nil)	Charges made by HRPE for filming at our palaces
British Academy of Film	Dr Jo Twist OBE (Trustee of HRP since 1 November 2019) is deputy chair, director of British Screen Advisory Council (British Screen Forum)	25 (nil)	- (nil)	Charges made by HRPE for an event at Kensington Palace
The Chartered Management Institute (CMI)	Bruce Carnegie-Brown (Trustee of HRP until 17 September 2019) is president of the CMI	2 (nil)	- (nil)	Charges made by HRPE for an event at Kensington Palace
The Choral Foundation, Chapel Royal, Hampton Court Palace	Sue Hall (Director of HRP) is a trustee of The Choral Foundation	15 (nil)	11 (nil)	Charges for choral services and recitals made by the Choral Foundation to HRP
		5 (nil)	- (nil)	Function hosted for the Choral Foundation - cost borne by HRP
The Foundation of the Chapels Royal of HM Tower of London	Andrew Jackson (Director of HRP from 27 May 2019) is a trustee Richard Harrold (Director of HRP until 31 May 2019) was a trustee	24 (nil)	13 (nil)	Charges made by the Foundation to HRP for choral services at HM Tower of London
Historic Royal Palaces Inc. (HRP Inc.) (b)	John Barnes (Chief Executive of HRP is President of HRP Inc.), Dan Wolfe and Sue Hall (Directors of HRP) are respectively director and secretary & treasurer of HRP Inc.	- (nil)	153 (153)	Grants received by HRP from HRP Inc. for Hillsborough Castle development project
		91 (91)	115.5 (115.5)	Grants received by HRP from HRP Inc. for Tower of London projects
		6 (0)	36.5 (36.5)	Grants received by HRP from HRP Inc. for various projects
The Horniman Museum	Carole Souter (Trustee of HRP) is a trustee of the Horniman Museum	4 (nil)	-	Charges made by the Horniman to HRP for the conservation and retrieval of a Piano for KP

Notes to the Consolidated Accounts for the year ended 31 March 2020

Related party	Connected party (a)	2020 £000	2019 £000	Detail of transaction
Saatchi & Saatchi	Sarah Jenkins (HRP Trustee since 2 September 2019) is a managing director of M&C Saatchi	12 (nil)	- (nil)	Charges made by HRP to M & C Saatchi for function at the Tower
Purcell UK (trading name of Purcell Miller Tritton LLP)	Jane Kennedy (Trustee of HRP) is a senior partner of Purcell UK	106 (nil)	110 (nil)	Charges made by Purcell to HRP for architectural services at Kensington Palace and Hampton Court Palace
Royal Armouries (RA)	Lord Houghton (Trustee of HRP since 1 August 2016) is a trustee of RA	290 (125)	397 (119)	Charges made by RA to HRP for goods and services provided at HM Tower of London
		13 (nil)	17 (nil)	Recovery of costs from RA for goods, services and maintenance provided by HRP at HM Tower of London
Royal Collection Trust (RCT), and Royal Collection Enterprises Limited (RCEL), which is a wholly owned subsidiary of RCT	Sir Michael Stevens (Trustee of HRP) is Keeper of the Privy Purse and a Trustee of RCT Tim Knox (Trustee of HRP) is a Director of RCEL and Director of the Royal Collection at RCT	2 (0)	76 (4)	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.
		66 (13)	51 (12)	Recovery by RCT from HRP of a proportion of the costs of maintaining and recording Royal Collection and other items displayed in the palaces, and from HRPE for the purchase of goods for resale.
		- (nil)	4 (nil)	Charges made by HRP to RCT for conservation work
Royal Household (RH)	Sir Michael Stevens (Trustee of HRP) is Keeper of the Privy Purse and a Trustee of The Royal Collection Trust	142 (5)	126 (13)	Charges made by RH to HRP for rent and services provided at Kensington Palace
		29 (26)	35 (25)	Charges made by HRP and HRPE to RH for share of staff costs and grazing licence
Royal Opera House	Zeinab Badawi (Trustee of HRP) is Trustee of Royal Opera House	3 (nil)	-	Charges made by HRP to Royal Opera House for tickets for education visits
RUSI	Lord Houghton (Trustee of HRP) is a trustee of RUSI	2 (2)	1 (1)	Charges made to HRP by RUSI for venue hire
Santander UK plc.	Bruce Carnegie-Brown is non-executive director of Santander UK plc and was a trustee of HRP until 17 September 2019)	9,519 (nil)	6,500 (nil)	Redemption from HRP of maturing fixed term deposits at commercial rate
		10,507 (nil)	9,519 (nil)	Purchase by HRP of fixed term deposits at commercial rate
		123 (63)	75 (49)	

Notes to the Consolidated Accounts for the year ended 31 March 2020

Related party	Connected party (a)	2020 £000	2019 £000	Detail of transaction
				Interest earned on fixed term deposits HRP holds with Santander UK plc.
Todd Longstaffe-Gowan Ltd	Tim Knox (Trustee of HRP) is a director at Todd Longstaffe-Gowan Ltd	32 (nil)	27 (4)	Charges made by Todd Longstaffe-Gowan Ltd to HRP for garden design
Yale	Tim Knox (Trustee of HRP) is a trustee of Yale University Press London	1 (nil)	-	Purchase of images for KP by HRP

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

22. 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.

HRP is exposed to a credit risk of £1.7m trade debtors (2019: £2.5m). 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

To continue to manage working capital requirements in a period of partial closure, HRP sold 950,000 units (£1,629,630) of investments from its Ethical Investment Fund on 25 June (trade date) and 571,088 units (£1,474,720) from its Multi-Asset Investment Fund on 2 July (trade date).

Further redemption of investment assets is likely in the coming months to generate the required liquidity.

Notes to the Consolidated Accounts for the year ended 31 March 2020

The financial statements were approved by the Accounting Officer and Trustees on 10 July 2020 and authorised for issue on the date the Comptroller and Auditor General certified the accounts.