

**Historic Royal Palaces**

**Trustees' Report and Financial Statements  
For the year ended 31 March 2023**

**Financial Statements**  
**For the year ended 31 March 2023**

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

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**HISTORIC ROYAL PALACES**

**Trustees' Report**

**and**

**Financial Statements**

**for the Year Ended**  
**31 March 2023**

## Table of content

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Administrative Details	2
Objectives and Activities	3 - 4
Achievements and Performance	5 - 13
Financial Review	13 - 17
Structure, Governance and Management	18 - 24
Structure & Governance Framework	18 - 20
Governance Effectiveness	20 - 21
Risk Management Statement	22 - 24
Statement of Responsibility	25 - 29
Statement of Trustees' Responsibilities	
Statement of the Accounting Officer's Responsibilities	
The Auditor's Report of the Controller and Auditor General to the Board of Trustees and the Houses of Parliament	30 - 35
Consolidated Statement of Financial Activities for the year ended 31 March 2023	36 - 37
Consolidated and Charity Balance Sheet as at 31 March 2023	38
Consolidated Cash Flow Statement for the year ended 31 March 2023	39 - 40
Notes to the Consolidated Accounts for the year ended 31 March 2023	41 - 76

# Trustees' Report

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## ***Trustees***

Carole Souter CBE (Chair from 01 Aug 22)  
Rupert Gavin (Chair until 31 July 22)  
Lisa Burger CBE (appointed 1 April 2022)  
Baron Houghton of Richmond in the County of  
North Yorkshire (Lord Houghton) CBE DL  
(until 31 July 22)  
William Fall (Chair, Campaign Board, from 21  
Sep 22)  
Camilla Finlay  
Sarah Jenkins  
Tim Knox FSA  
General Sir Gordon Messenger KCB DSO OBE  
DL (from 01 Aug 22)  
Sir Michael Stevens KCVO (Deputy Chair)  
Robert Swannell CBE (until 31 March 23)  
Dr Jo Twist OBE  
Sue Wilkinson OBE  
Professor Michael Wood OBE

## ***Executive Board***

John Barnes OBE (Chief Executive and Accounting Officer)  
Nicola Andrews (Palaces Group Director)  
Howard Beeston (Interim Finance Director to 31 Oct 22)  
Jane Crowther (Director of Corporate Resources)  
Anupam Ganguli (Finance Director from 31 Oct 22)  
Andrew Jackson CBE (Tower Director)  
Antonia Newman (Development Director)  
Tom O'Leary (Public Engagement Director)  
Adrian Phillips (Palaces and Collections Director)  
Dan Wolfe (Commercial Director)

## ***Registered Office***

Hampton Court Palace,  
Surrey KT8 9AU

## ***Auditors of the Group***

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

## ***Bankers***

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

## ***Solicitors***

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

## ***Historic Royal Palaces***

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

## ***Historic Royal Palaces Enterprises Ltd***

Company limited by share capital, Companies House: 03418583

## Objectives and Activities

### The Purpose and Activities of the Organisation

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

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

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

Further information can be obtained from [www.hrp.org.uk](http://www.hrp.org.uk).

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

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

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

### Our Cause

We stir every spirit to inspire and provoke change.

### Our work is guided by five principles:

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

## Trustees' Report

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

### **Four major strategic aims to face the challenges of the future**

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

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

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

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

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

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

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

#### **iii) Culture - Nurture a culture that unites us behind our Cause**

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

#### **iv) Money - Generate the money to rebuild our charity**

Our reserves have been significantly depleted due to the impact of closures required by the Government in response to the pandemic, and the charity had to take on Government-backed debt to ensure its viability. The first steps in our recovery were to reach operating breakeven, then to increase our income to pre-pandemic levels and finally to ensure that we had an overall surplus in our accounts. This strategic aim will require rigour about costs, and creativity to generate income. This is the objective shared by everyone in HRP – staff and trustees alike.



# Trustees' Report

## Achievements and Performance

### Performance Overview

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

Measure	Target 2022/23 (*)	Performance
<b>Visit Numbers</b>	Achieve at least 2.677m visits across all sites	3.479m
<b>Visitor Satisfaction</b>	Achieve the following scores, as measured through the ALVA benchmarking (new scale: 1 to 10): Enjoyment – 8.3 Value for Money – 8.0 Staff Friendliness & Welcome – 8.8	8.8 8.4 9.3
<b>Operating Surplus (**)</b>	Keep the operating deficit to no more than (£14.0m)	£20.2m surplus

(\*) The targets were set in March 2022 as part of the internal annual budgeting process. At that time there was great uncertainty about how quickly our visitors would return to the palaces and therefore our projections were very conservative.

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

Within each of the strategic aims are various three-year priorities to drive value and ensure we deliver our aims:

### Palaces

1. Adopt new approaches to maintaining and conserving our palaces and collections
2. Focus our research outputs on overlooked history
3. Invest in a new sustainability programme during 2023/24. We will be scoping out on-site renewable options, reducing emissions through wide-ranging decarbonisation activity, and reviewing the impact of climate change on our palaces, collections, gardens and estates.
4. Increase online access to our collections through our new digital collections management system (CMS) and through online content and social media.
5. A new accessibility programme starting by conducting accessibility surveys at Hampton Court Palace (HCP) in 2023/24, with Kensington Palace (KP) and Hillsborough Castle (HCG) in future years. We are also planning to improve surfaces at the Tower of London (TOL) walkway at HCP and KP access control during 23-24.

### Experiences - create unique and memorable experiences, onsite, offsite and online

1. Plan wide-ranging activities to mark the Coronation, in addition to the representation of the Crown Jewels exhibition major project, so that we can play our part in national events and bring more people to the palaces.
2. Ensure our core visitor business continues to deliver exceptional experiences to all who engage with us.
3. Continue to improve the customer experience onsite and online.
4. Invest in our inclusive public engagement activity, interpretation/stories/ education and the research that supports it so that they are accessible to all cultures.

## **Trustees' Report**

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5. Increase digital story telling content including social media. To include a refreshed website in line with Greater Reach plan and to start pilot work on an HRP App.
6. Supercharge our schools programme to increase visits and return to a 5-day a week operation at the TOL, expanding the Schools Access Fund/Schools Go Free, extending the schools outreach programme, creating a new national programme for the Coronation.
7. Establish HRP as a key digital go-to destination for teachers and pupils studying history in the UK and beyond. We will create digital content relating to the change in monarch.
8. Increase our communities programme across the UK. We will expand the Community Access Fund across all six sites, doubling the reach of participants. We will deliver a programme of co-created/curated projects with a focus on inclusion and fresh perspectives. We will restart our dementia work and continue to work with marginalised young people.
9. Invest in new digital technology to create virtual palaces and tours, e.g., rebuild lost palaces, focusing on our own lost palaces first e.g., Whitehall, Kew, parts of Hampton Court and Tower of London.
10. Invest in a new Digital Handrail programme which will support the delivery of a seamless visitor experience, using technology to improve the end-to-end journey.
11. Invest in data analytics to improve our understanding of audiences.

### **Culture - nurture a culture that unites us behind our Cause**

1. Launch a new programme to bring on board and align all staff to the new direction of HRP. This will test and refine our strategic framework, potentially develop a new set of organisational values or other tools, with the aim of helping staff make the right choices and align us all in the same direction.
2. Continue work to ensure our workforce is more representative of the UK (looking at our recruitment practices particularly for our Masters of Arts, apprentices, work experience and volunteer programme) and create an environment for staff where everyone feels included, valued and respected.
3. Develop a comprehensive training programme for staff which will include areas of strategic focus (e.g., inclusion awareness) and enable us to reinstate key training programmes such as team leader training, management training and leadership development.
4. Address any gaps in our IIP assessment to ensure we maintain our 'gold status' and remain a great place to work. This will include how we recognise and reward high performance.
5. Invest in our core technology and systems so they are fit for purpose and support our digital ambitions e.g., new ticketing provider, new Collections Management System, telephony review, increase connectivity.

### **Money - generate the money to rebuild our charity**

1. Continue to manage costs and pursue opportunities to grow income.
2. After allowing for our investment priorities, ensure we have the funds to pay the CRF loan back from 2025 and build back reserves.
3. Grow fundraised income by becoming a charity where everyone supports fundraising as central to delivering our Cause enabling improved donor recruitment and retention in support of a clear pipeline of projects.

## Trustees' Report

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4. Implement a new approach to pricing to give free access to targeted groups e.g., universal credit, open house, schools, communities. Adjust admission income yield to ensure overall income isn't reduced.
5. Revise our business case approval process to help us make the right decisions/choices and ensure we can measure success through simple KPIs that will be linked to this strategic framework.

## Performance Analysis

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

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

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

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

Our world-class textile conservation team faced a new challenge this year – preparing over 130 items for display in our major new 2023 exhibition, *'Crown to Couture'*. The exhibition features everything from the oldest surviving court gown in the country, to red carpet fashion worn as recently as 2022 and everything in between, including hats, gloves, face masks and even underwear. Custom-made mounts were prepared for each object and adapted with great ingenuity by the team, who spent 8 months working solidly on the exhibition. One of the major challenges they had to overcome was how to safely display Billy Porter's 'Sun God' outfit, which involved dressing a mannequin on a litter, carried by attendants. A first for our conservation team, but they rose to the challenge with aplomb. The exhibition was critically acclaimed and sold out in its opening month.

A team of preventative conservators care for the palaces and collections on a daily basis – monitoring the condition of objects on display and supervising events and filming to ensure that the fabric of the building is protected. This year, an increasing focus was the impact of changing weather conditions, with thermometers reaching almost 40 degrees celsius in the summer of 2022. The ever-vigilant preventive conservators at Hampton Court Palace kept a close watch on the famous tapestries, and many other objects on display throughout the palaces.

Protecting the buildings is a core part of our charitable responsibility and we are recognized for our conservation excellence in the heritage sector. At the beginning of 2023, we largely completed our 'State of the Estate' condition survey, which takes place every ten years. The survey includes a full inspection of all building exteriors and roof areas (vulnerable areas are assessed more frequently, every five years or as required.) 93% of the estate was found to be in a 'good' or 'fair' condition although some issues to address were identified. The aim of the survey is to inform our planned maintenance

## Trustees' Report

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and conservation programmes. which include and prioritise the large projects for the next decade. Projects underway this year include the Cradle Tower at the Tower of London and high-level masonry repairs at Hampton Court Palace. Planning for future years has already begun.

After a pause during the pandemic, the Kensington Palace Orangery Learning Centre project was completed and successfully opened in September 2023 (with the café opening in Spring 2024). This new, purpose-built facility will help us attract more schools and community groups to Kensington Palace than ever before and is a major focus for our Surveyors of the Fabric and Projects teams. We are grateful for the support of the Clore and Foyle Foundations, without whom this new building would not have been possible.

Historic Royal Palaces is an Independent Research Organisation and supports a number of collaborative research partnerships. Authentic research is at the heart of everything we do and one area of focus is overlooked history. Our aim is to add new perspectives and stories to our work, as we continue to explore the more familiar history of our palaces. This year, work began on a collaborative doctoral partnership with Manchester University, looking at the engagement of the Crown in Britain's Emerging Empire between 1660 and 1775. The project is co-supervised by two HRP Curators. A new exhibition is planned for Kensington Palace in 2024, exploring the 'Untold Lives' of workers at Kensington Palace since the 17th century.

Our curatorial team made some important new acquisitions in the past year, thanks to the generosity of donors and patrons. This included a deed signed by George Boleyn, Anne Boleyn's brother, and a gold signet ring also associated with the Boleyn family. A contemporary manuscript copy of a personal account of King George III's ill-health was purchased for display at Kew Palace. A leading Northern Irish artist, Colin Davidson, created a new portrait of the late politician John Hume, for display in Lady Grey's study at Hillsborough Castle. We were also fortunate to acquire 28 pieces from the wardrobe of the late Duchess of Grafton, who was a Lady of the Bedchamber to her late Majesty Queen Elizabeth II. These items were donated by the Duchess's family to the Royal Ceremonial Dress Collection.

Along with our six remarkable palaces and their collections, we also care for hundreds of acres of green space. Caring for and tending to the environment around the palaces is an important priority for HRP as a charity. In 2022 we made a long-term commitment to transform the moat at the Tower of London into a thriving habitat for wildlife. The moat, which has previously been covered by utility grass, was transformed by a major project into a new natural landscape, featuring winding paths for visitors to explore and enjoy. The moat transformation began with 'Superbloom' – a new natural landscape surrounding the Tower of London. This major new spectacle in the moat was sponsored by Burberry, reflecting their own sustainability commitments. After one year, signs of an environmental shift were already underway, with new species being spotted in the moat and species richness increasingly significantly across the site.

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

Spring began with the planting of over 20 million seeds in the moat at the Tower of London, to create 'Superbloom', a vibrant and colourful floral landscape surrounding the Tower of London. In June, the display was in full bloom and attracted over a quarter of a million visitors, many of whom enjoyed an unusual entrance into the moat via a 17.5m slide! The flowers on display in the moat were enhanced by a specially commissioned soundtrack: 'Music for Growing Flowers' by Scottish composer Erland

## Trustees' Report

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Cooper. New artistic commissions were also featured in the display, including a willow sculpture by Spencer Jenkins, and a series of glass emblems inspired by the designs of HM The Queen's 1953 Coronation Gown, by Max Jacquard, which were the crowning glory of the 'Queen's Garden' at the end of the experience.

Our palaces have witnessed almost 1,000 years of royal history, but 2022 brought the first Platinum Jubilee, a historic milestone. The 70-year long reign of Her Majesty Queen Elizabeth II was marked across the palaces from the accession anniversary in February, through to the Jubilee Bank Holiday weekend in June. We hosted gun salutes, garden parties, community celebrations and official ceremonies, bringing these events to a global audience through our social media channels, website and broadcast outreach. The Chief Yeoman Warder of the Tower of London was given a special honour and presented the 'Commonwealth Globe of Nations' to Her Majesty the Queen at Windsor Castle, watched by millions of people around the world.

At Kensington Palace, a photography exhibition, 'Life Through a Royal Lens' ran from March until October. The exhibition, which examined royal image-making from Queen Victoria to the present day, received excellent reviews, with the Evening Standard describing it as "fascinating". Accompanying the exhibition, were a series of films interviewing photographers whose work featured in the display including Rankin, Chris Levine, and Getty's Chris Jackson. Their work was displayed alongside pictures of the royal family taken by members of the public during royal engagements. Many of the amateur photographers featured visited the palaces to see their work on display, which was generously supported by Garrard.

On 8<sup>th</sup> September, Her Majesty Queen Elizabeth II passed away. Once again, the palaces played a prominent role in official mourning. The Tower of London and Hillsborough Castle (as the official residence of the Royal Family in Northern Ireland) both held several gun salutes and official proclamation ceremonies for His Majesty King Charles III. At Hillsborough Castle the Accession Proclamation was one of the four national moments and was followed by a visit by The King and The Queen, who met the public and guests from across the political spectrum in the Throne Room. Teams at the Tower of London facilitated the use of the Regalia for processions and the Lying-in-State, and the Yeoman Body helped to guard Her late Majesty's coffin in vigils at Westminster Hall.

In January, Hampton Court Palace hosted 'Permissible Beauty' – an installation exploring how notions of and ideas about beauty have changed over time. Taking inspiration from the famous 'Windsor Beauties' by Peter Lely on display in the Palace's Communication Gallery, 'Permissible Beauty' featured a series of new portraits of creative talents from the Black British queer community, captured by acclaimed photographer Robert Taylor. The project was conceived by the art historian and musician David McAlmont, led by the University of Leicester and supported by a grant from Arts Council England through a National Lottery project grant.

In February, a range of digital content was created to support LGBT history month, including a series of films about Norman Hartnell, who was famously the designer of Her late Majesty's Coronation gown. At the Tower of London, a redeveloped 'Queer Lives' evening tour ran for a week and received excellent reviews and social media feedback from those who attended.

February also saw Historic Royal Palaces establish a Tik-Tok presence, gaining over 150,000 followers in the space of a few short months. The top performing piece of content was a film following one of the Yeoman Warders as he rang the Curfew Bell for the evening, signaling the Tower of London's closure. Other highlights included a film looking at some 18th century plus-size stays featured in the 'Crown to Couture'

## Trustees' Report

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exhibition, examining the bias in museum collecting which means that some body shapes and sizes are better preserved in the historical record than others. Another success for the year was the return of HRP's podcast series, with two separate content strands proving successful: staff talking through their favourite spaces in the palaces and curators hosting panel discussions on particular topics, including the Gunpowder Plot.

Our aim as a charity is to make the palaces accessible to everyone and our work with schools and communities is central to achieving that charitable ambition. Over 180,000 school children visited the palaces in the past year. The schools project accompanying last Summer's 'Superbloom' was our biggest effort yet. Almost 1,500 schools from across the country took part, creating gardens for their communities to enjoy, whilst benefitting from the boost to wellbeing, behaviour and academic achievement that spending time in nature can bring. In early 2023, a project of a similar scale challenged schools across the country to design a bench for the King's Coronation, featuring the values and symbols they'd like to see represented in the new reign. There were 1,507 entries and a team of judges whittled this down to 15 winning schools, who will work with artists to refine their designs. The benches have been displayed at the Tower and Hillsborough Castle throughout Summer 2023.

New to the schools programme this year, an outreach show, 'Fire: A Princess' Guide to Burning Issues' tells the story of Sophia Duleep Singh, the Indian Princess and Suffragette who once lived at Hampton Court Palace. The show explores how her experiences led her to become an activist, nurse and use her platform as a voice for justice and change. This show went on tour in October around London secondary schools and was seen by approximately 6,500 students. Meanwhile, at the palaces, a new series of core programmes were launched, including 'Jobs at Court', highlighting the contributions people from many backgrounds have made to the history of the palaces. Online sessions were offered too and have proved popular, with many already booked up until the end of 2023.

Our Communities programme enjoyed a record year. Nearly 19,000 people experienced our programmes across the sites. A highlight was the Platinum Jubilee Community Celebration we hosted at Kensington Palace with seven of our community partners. With bunting making workshops hosted by Stitches in Time, a Jubilee Scavenger Hunt hosted by Urbanwise London and free ice cream vouchers for participants, the day was a great success and supported the National 'Big Lunch' initiative held to celebrate the Jubilee.

### **3. Culture - Nurture a culture that's united behind our Cause**

In 2022, as we continued to recover from the financial losses we had faced as a result of the impact of the pandemic, we also refreshed the future direction of our charity – a renewed focus on our charitable purpose and the public benefit that we bring. Our plan is to root our work, more than ever, in fulfilling our ambition to be for everyone, whoever and wherever they are, and investing in the programmes that will help us to achieve this. In 2022–23, as visitors returned and our organisation recovered, we recruited circa 300 new roles in crucial areas to support the business.

We pride ourselves on being 'a team of people who love and look after' some of the world's greatest palaces. One of the highlights of the year – the 'Superbloom' project – was achieved through teamwork across the organisation, from the project team on the ground, to operations at the Tower of London, to the ticketing team, who worked with a new partner to facilitate access to the display. We also benefitted from the incredible

## Trustees' Report

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commitment of over 800 volunteers, who contributed around 17,000 hours to the project, creating a legacy which we will continue to develop in the moat for years to come.

'Investors in People' is an internationally recognised scheme where accreditation is based on a formal assessment of 9 indicators that measure an organisation's ability to lead, support and manage people. HRP achieved its 'gold' status in 2016 and we were able to maintain this standard in November 2022. The survey results demonstrated that our staff feel they share the organisation's values, they understand how their roles contribute to the charity, they believe the organisation has a positive impact on society, and we excel in collaborative working within our charity. Our learning and development offer (which had been reduced significantly during the pandemic), and our reward and recognition schemes – these will be key areas of focus in the coming years until our re-accreditation takes place again in November 2025.

HRP's Staff Inclusivity Network, set up in response to feedback we received in November 2021, continued to go from strength to strength. The network is Co-Chaired by a team of three and comprises staff from across directorates who meet regularly to discuss a range of topics. The network has provided invaluable feedback on new/updated policies and guidance which we published on Staff Wellbeing, Menopause, and increasing the inclusivity and transparency of our recruitment and selection practices.

We have already begun work on identifying and removing any unnecessary barriers in our internal and external recruitment practices for existing and prospective staff and volunteers, such as anonymising CVs, removing any qualifications which are not necessary for the role, and analysing the diversity of applicants and our workforce to better understand what the data is telling us and where there might be any gaps. Our data on ethnicity shows that it is proportionally consistent across our grades, though it is still lower than the UK population as a whole. Our data on gender is less proportionally consistent across grades, though there is no pattern which is borne out by our low Gender Pay Gap scores. A focus for 2023-24 is to improve data collection on workforce demographics, particularly around disability and social mobility. This will help us more accurately track our progress towards the goal that our workforce is more representative of the demographics of the UK, and at all levels of our charity.

As with many other organisations across the UK, the cost-of-living crisis has had a significant impact on the livelihood and wellbeing of our workforce. In response to this and to help ease some of the financial and emotional pressure that staff were facing, we implemented a range of additional support measures, including a one-off lump sum cost of living support payment; hardship loan provisions; increased access to free independent financial advice; and promotion of all of the benefits and resources that were already available.

The Gender Pay Gap report showed that the mean hourly gender pay gap has substantially improved in the last few years – it has decreased from 6.53% (2019/20), to 3.46% (2020-21) to the most recent figure of 2.29% (2022/23). This has largely been due to recruiting a higher proportion of females into upper quartile roles. However, there are still a number of roles that attract allowances which are found in departments with a higher proportion of male staff, such as security functions, IS, maintenance, etc. This impacts the median hourly pay gap. We will continue to keep all of our pay, including allowances, under review to ensure that our remuneration is fairly proportioned between all genders where practicable.

## Trustees' Report

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Our MA in Heritage Management continued to be a success in 2022, with 17 students enrolled from the UK and overseas. Students have received masterclasses from HRP's leading heritage professionals and undertaken integral work placements across all directorates. To date, we have 103 alumni of the course with astounding success in terms of securing jobs with leading global heritage organisations. Several have returned to work with HRP.

### **4. Money - Generate the money to grow our impact**

After a tumultuous period during the pandemic, generating the income to make our charitable work possible remains a key priority. We finished the year with 3.48 million visitors to our sites, which was significantly more than forecast at the beginning of the financial year when there was still uncertainty about further potential international Covid restrictions. 3.48m visitors is 70% of the numbers we enjoyed before the pandemic – a Cause for cautious optimism, although careful cost-control throughout the year has also contributed to our success.

Charitable donations and corporate sponsorships had a strong year in 2022/23 and we are grateful to our Campaign Board for their efforts in introducing several new funders to the organisation. Charitable donations totalled £1.9m and included an extraordinary legacy of £750k from Mr Michael Stennett. The breadth of sponsorship opportunities available during the year helped us achieve trading income from corporate partners of £886k.

Support from our donors and partners was critical to the success of 'Superbloom' at the Tower of London and its associated learning and education programmes. We are grateful to our lead partner Burberry and to a number of other generous funders including the City of London Corporation, HRP Inc and the Garfield Weston Foundation. We were also thrilled to continue our relationship with Garrard as our partner for our 'Life Through a Royal Lens' exhibition at Kensington Palace. Also at Kensington Palace, major grants were secured from the Clore Duffield Foundation and The Foyle Foundation, towards the creation of a new Clore Learning Centre. This year was also the inaugural year of our Hillsborough Castle Board who have come together to support fundraising for projects at the Castle.

Members, patrons, donors and sponsors continue to provide us with considerable support. 2022 – 23 was our best year yet for new member recruitment. We acquired 71,629 new members against a budget of 58,198 (+23%). The previous record was 21/22 when we acquired 71,367. Retention did not fare quite so well and so our member base closed slightly lower than budgeted. At the end of March, we had 137,777 members against a target of 141,362. This means we saw net growth of just over 18k members in year equating to +15% growth. In terms of income, membership generated £4.6m of income to a prior year comparison of £3.2m.

The HRP Festivals brand continues to go from strength to strength. Three festivals were held at Hampton Court Palace in the past year: the 'Artisan Fayre' in the Spring celebrating all things craft was swiftly followed by the ever-popular 'Food Festival' in the Summer, which returned at Christmas in the form of a 'Festive Fayre'. These events generated £620k of profit to support the charity.

2022–23 was another record year for filming, which brought in just under £900k of income almost £100k up on the previous year's income. The record performance was largely generated by repeat business from the 'Bridgerton' franchise, which filmed for series 3 at Hampton Court Palace for several days. The 'Bridgerton' prequel, 'Queen Charlotte: a Bridgerton Story' filmed at the palace twice last Summer, with an HRP Curator consulting on the script. Meanwhile, the successful 'Inside the Tower of



## Trustees' Report

London' series continued for a fifth year and achieved record audiences of 1.5m viewers per episode. A sixth series has been commissioned for 2023.

It was a strong year for our retail department, who made over £15 million in sales and delivered the best ever annual performance for the online shop, driven by the significant royal events taking place throughout the year. The team also opened a new pop-up shop to support 'Superbloom' at the Tower of London and commissioned a new product range to accompany the display. Work on 2023 projects continued apace throughout the year, including a new range to support 'Crown to Couture' at Kensington Palace, and a 150-page magazine which will be on sale in the palace shop.

## Financial Review

### Funds and reserves

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

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

At the beginning of 2020/21 we had free reserves of £5.2m and by the end of 2021/22 negative free reserves of £1.2m. Free reserves and designated funds as at the end of 2022/23 are £17.4m. The free reserves target is £10m in FY24/25 to provide a greater level of resilience.

	Funds as at 31 March 2023	Funds as at 31 March 2022	Funds as at 31 March 2021	Funds as at 31 March 2020
	£000	£000	£000	£000
General (Free) reserves	<b>5,000</b>	<b>(1,243)</b>	5,163	27,405
Designated funds	<b>12,361</b>	-	-	-
Fixed assets	<b>30,398</b>	<b>28,826</b>	29,116	28,448
Pension plan	<b>7,276</b>	<b>9,437</b>	(829)	(686)
<b>Unrestricted funds</b>	55035	37020	33450	55167
<b>Restricted funds</b>	<b>6,832</b>	<b>7,103</b>	7,417	5,667
Total funds	<b>61,867</b>	<b>44,123</b>	40,867	60,834

## Trustees' Report

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### **Restricted funds (£6.8m)**

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

### **Unrestricted funds (£55.0m)**

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

- **Free reserves (£5.0m)**  
Part of the unrestricted funds that are not held as fixed assets or designated for other purposes. This is a return to the pre-pandemic levels of free reserves.
- **Designated funds (£12.4m)**  
This is the first year since the pandemic we have been a position to designate funds from our general funds towards our 'big moments', major projects and strategic programmes. This consists of £4m for Redevelopments and conservation projects, £4m for Infrastructure projects and £4.4m on other programmes including digital and sustainability.
- **Fixed asset fund (£30.4m)**  
A permanent designated fund is matched to fixed assets, as this cannot be quickly utilised to realise cash in the event this is required. The part of the general fund represented by fixed assets is therefore excluded from free reserves, as generally a charity could not dispose of all or the majority of these assets and continue its operations as a going concern.
- **Pension plan (£7.3m)**  
The pension surplus or liability recorded in the Consolidated and Charity Balance Sheet is calculated annually for accounting purposes under FRS102. As at 31 March 2023, the pension surplus has been calculated as £7.3m (March 2022: £9.4m) and shown in the accounts in accordance with accounting standards. Details of the retirement benefit scheme are disclosed in the Notes to the accounts.

The defined benefit pension scheme is also valued for funding purposes by an actuary in a more detailed assessment, every three years. The last triennial valuation was at 31 March 2021 and showed a deficit of £4.1m.

HRP, as employer, agreed with the trustees of the scheme that no deficit contributions will be required between May 2022 and June 2025. See note 12 for further details on how the actuarial deficit may be eliminated and for more information on the different valuations of the scheme.

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

# Trustees' Report

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## The Statement of Financial Activities

Total visits of 3.5m in 2022/23 (1.5m visits in 2021/22) were 30% better than original targets and reflects the continuing recovery from the Covid-19 pandemic.

Total income was £102.5m, with visitor-facing activities generating £85.1m, supported by further strong performances in both Functions and Events and Development Income. The Coronavirus Job Recovery Scheme (CJRS) grant ceased during 2021/22. Total grants therefore fell from £10.4m in 2021/22 to £1.4m year on year.

The significantly better than expected income was achieved whilst keeping costs under strict control, and has resulted in HRP achieving its largest operational surplus to date of £20.2m. This is in comparison to an operational net deficit in 2021/22 of £7.0m.

## The Balance Sheet

Excluding the decrease in the pension surplus of £2.1m, overall total funds increased during the year by £19.9m. Fixed assets remained at £38.1m with depreciation (£1.9m) and disinvestments of financial assets (£1.7m) being offset by the continuing capital expenditure on the new learning centre at Kensington Palace.

Debtors have increased by £0.6m and creditors have increased by £4.8m in line with increased activity as the organisation recovers from the pandemic. Overall, net current assets increased by £23.4m year on year.

Long-term creditors increased due to accrued interest on the £40m loan from the Culture Recovery Fund (CRF). Repayment of the capital and associated accrued interest is due to commence from March 2025.

The Group's cash flows returned to a pre-pandemic pattern in 2022/23 with cash inflows being generated by Admissions from June to October. The overall cash inflow from operating activities for the 12 month period was £27.5m (£0.7m outflow in 2021/22). Cash and short term deposit investments balances reduced by £5.3m (£6.1m in 2021/22) with £32.0m being invested in short term deposits (£7.0m in 2021/22).

## Finance & Investment policy

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

In 2022/23, the Finance & Investment Committee continued to release bonds as they matured and not invest in new bonds. The bond portfolio investment returned -1.48% against -2.15% in 2021/22. Since inception in January 2014, the portfolio has returned an annualised +0.91% (+1.2% in 2021/22).

The multi-asset portfolios performed in line with the market and their respective benchmarks, with a combined annualised return of 1.57% interest/dividend income return (1.36% 2021/22) and a capital revaluation of -7.59% at 31 March 2023 (+3.78% as at 31 March 2022).

## Trustees' Report

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HRP's investment policy is currently as follows:

### **Investment objectives**

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

### **Risk mitigation**

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

### **Amount invested and time horizon**

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

### **Ethical Investment**

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

### **Going Concern and Future Plans (see note 1 q)**

The 2023-24 operating budget was set to build on the positive performance of 2022/23. Income targets have been updated to reflect our latest visit number projections. Expenditure budgets have taken into consideration the current economic climate.

Whilst the future is always uncertain, and forecasts are made on best estimates, the strong visitor performances we have seen at the Palaces to date in 2023 gives us confidence that we will achieve our proposed targets for 2023/24. In addition, we are well placed to hold back expenditure to reduce costs in order to create further financial headroom should circumstances require.

Performance will be scrutinised very closely throughout the year and any significant deviation from our current income assumptions will be mitigated by imposing stricter

## Trustees' Report

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controls on expenditure.

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

Further details are provided in Note 1 (q).

## Report of the People Committee

### Membership

During the year the following Trustees served on the People Committee: Sarah Jenkins (Chair), Tim Knox, Sue Wilkinson, Carole Souter and Gordon Messenger.

### Policy statement

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

Members of the Board of Trustees receive no remuneration. However, they are entitled to claim expenses and to make charges if instructed by the Charity to apply their specialist skills or knowledge. Details are set out in Note 10 to the accounts.

### Review of activity during the year

The Committee discussed the need to refresh HRP's approach to pay, reward and recognition of its people, and reviewed plans to identify and develop future leaders from within the organisation. The Committee also noted the encouraging results from the recent Investors In People survey and the further work which would be undertaken to maintain HRP's Gold status in this area.

Details of the emoluments of the Chief Executive are set out in Note 11 to the accounts together with information on the number of employees whose remuneration (excluding pension contributions) exceeds £60,000.

### Trade Union relationships

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



Carole Souter CBE  
Trustee  
16<sup>th</sup> November 2023

Hampton Court Palace  
Surrey  
KT8 9AU

## Governance Statement

### Structure and Governance Framework

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

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

HRP considers the UK Corporate Governance Code as a source of good practice as relevant to it as a Public Corporation and a Charity. The Charity's governance is broadly aligned with the Charity Governance Code endorsed by the Charity Commission. HRP is also subject to the Freedom of Information Act and Environmental Information Regulations.

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

The Chair is appointed by the Sovereign on the advice of the Secretary of State for Culture, Media and Sport. The Chair of the Board of Trustees from 2015 – 2022 was Sir Rupert Gavin. His successor, Carole Souter (CBE) acted as Interim Chair from 3 August 2022. In September 2023, the Department for Culture, Media and Sport (DCMS) announced that Sir Nicholas Coleridge will succeed Carole Souter as the next Chair of Historic Royal Palaces from 1 November 2023.

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

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

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

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

## Trustees' Report

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documents.

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

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

There are four sub-committees of the Board:

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

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

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

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

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

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

Further Trustee input to HRP's work comes through informal advisory/working groups, set up as and when required, where Trustees work with members of the Executive Board to advise on particular areas such as major projects. These working groups address current areas of need, enabling Trustees to advise on programmes of change within HRP. There are currently four working groups in operation, advising on HRP's sustainability strategy, inclusivity, the digital and technology programme, and an ongoing project to transform education facilities at the Tower of London and introduce a

## Trustees' Report

biodiverse landscape in the moat.

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

## Governance Effectiveness

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

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

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

Trustee	Board	Audit & Risk Assurance Committee	Finance & Investment Committee	People Committee	Nominations & Governance Committee
Lisa Burger	4/4		3/3		
Rupert Gavin	1/1		1/1		1/1
Gordon Messenger	3/3			1/1	
Lord Houghton	1/1				1/1
William Fall	2/2	1/1	4/4		
Camilla Finlay	4/4				
Sarah Jenkins	4/4			2/2	2/2
Tim Knox	4/4			2/2	
Carole Souter	4/4	3/3	3/3	1/1	1/1
Sir Michael Stevens	4/4	3/3	4/4		2/2
Robert Swannell	1/2		1/1		
Jo Twist	2/4				1/1
Sue Wilkinson	4/4			1/2	
Michael Wood	3/4				
Ian Starkey <sup>(note 1)</sup>		3/3			
Francis Runacres <sup>(Note 2)</sup>			2/2		

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

Note 2: Francis Runacres is an observer from the Arts Council, England.



### Highlights of Board Committee Reports

The Trustee Board meet regularly throughout the year. Minutes of Trustee meetings are published on our website once approved by the Board.

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

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

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

During the year, the Board monitored and considered the progress of the organisation through strategic updates on the palaces, experiences, culture and money.

Audit & Risk Assurance Committee agendas were similarly structured, considering matters of risk management, the external audit and internal audit plans and progress. Progress with all major projects was reported at each meeting with the status of each project being monitored as a matter of course. Internal audit provision was outsourced to RSM during the year. RSM will provide assurance to the Audit Committee at each future meeting and annually through a programme of audit work agreed in advance with Trustees.

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

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

The People Committee met to consider next steps in developing HRP's approach to staff reward and recognition, and the very encouraging results of our recent *investors in people* survey and the future work planned to ensure we retain our gold status.

# Trustees' Report

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## Risk Management Statement

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

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

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

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

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

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

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

## Trustees' Report

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to the Trustees. The Executive Board also assesses future risks and opportunities annually as part of the Operating Plan process.

- Internal Audit has been outsourced to RSM to ensure it continues to provide robust independent assurance to the Executive Board and the Board of Trustees. Internal Audit takes a risk-based approach to audits and operates in compliance with Public Sector Internal Audit Standards. RSM will provide an annual report to the CEO, the ARAC and the Board.

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

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

An amalgamation of the most significant risks at Year End are:

Risk	Controls /Actions
<b>Sustained or protracted loss of income</b>	<ul style="list-style-type: none"> <li>• Annual Operating Plan and Quarterly forecasts prepared and reviewed by trustees</li> <li>• Tight control over expenditure</li> <li>• Major Incident Plan and regular testing of it</li> </ul>
<b>Inability to effectively respond operationally to an incident or disruption</b>	<ul style="list-style-type: none"> <li>• Detailed corporate Major Incident Plan in place including site specific security plans and emergency procedures and scenario testing</li> <li>• One-to-one incident management training for Duty Management.</li> <li>• Mandatory training for all staff on security and incidents in place</li> </ul>
<b>Successful cyber attack</b>	<ul style="list-style-type: none"> <li>• Policies and Procedures, anti-phishing and anti-virus / malware controls, cyber E-learning and regular external audits in place</li> <li>• Sophisticated and comprehensive monitoring and alert systems in place</li> <li>• Decommissioning legacy infrastructure including servers, hardware, telephony system, and replacing and upgrading these</li> <li>• Increased team capacity in this area</li> <li>• Suppliers complete Cyber Questionnaire</li> </ul>

## Trustees' Report

<p><b>Failure to recruit, manage and retain the right quality and staff mix</b></p>	<ul style="list-style-type: none"> <li>• 51 new roles approved (including in planning and communication) for recruitment in 2023/24 and £500k allocated to training and development</li> <li>• Plans to address themes identified in recent IIP survey in progress</li> <li>• Renewed focus on communication and engagement</li> <li>• New direction shared with all staff and strategic framework being developed</li> <li>• Relevant policies, training and support in place</li> <li>• Succession plans for senior team developed</li> <li>• Performance conversation tools and guidance for managers developed</li> </ul>
<p><b>Significant fire, health, safety and environment or safeguarding incident</b></p>	<ul style="list-style-type: none"> <li>• Fire, HSE, accident/incident policies, processes and training in place</li> <li>• Internal inspections, assessment and audit programmes in place across key policy areas and outcomes overseen by internal committees</li> <li>• Annual review of Fire, HSE effectiveness undertaken</li> <li>• Safeguarding policy and training in place, leads appointed</li> </ul>
<p><b>Failure to define and execute a strategy that aligns to stakeholders</b></p>	<ul style="list-style-type: none"> <li>• Developing strategy to become a Charity for Everyone with the assistance of external expertise</li> </ul>
<p><b>HRP's digital provision doesn't meet the future needs of the organisation or its visitors</b></p>	<ul style="list-style-type: none"> <li>• Investment in new technology and infrastructure to improve the visitor experience and support staff. Invest in new software, hardware, and training.</li> <li>• Align digital strategy with wider HRP strategy to ensure focus on the needs of visitors and stakeholders.</li> <li>• Increase ambition to be at the forefront of new IT initiatives and cutting-edge technology.</li> <li>• Improve staff training to ensure that we are able to use the latest technology effectively.</li> </ul>
<p><b>Climate Change</b></p>	<ul style="list-style-type: none"> <li>• Overarching Sustainability Programme prioritised as part of our corporate strategy, which will oversee HRP's work to respond to the impact of climate change and to reduce its own environmental footprint</li> <li>• Climate change risk assessment methodology devised</li> <li>• Climate change flood risk assessment information collated</li> <li>• Moat hydrology report for Tower of London commissioned</li> </ul>

General Data Protection Regulations (GDPR), effective since May 2018 set out clear requirements for management and control of personal data. Over the last financial year, HRP has taken effective measures to demonstrate our ongoing compliance with data protection legislation. In 2022/23, there were no personal data incidents recorded.



Carole Souter CBE  
Trustee



John Barnes  
Chief Executive and Accounting Officer

16<sup>th</sup> November 2023

# Statement of Responsibility

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## Our Environment

In 2022/23 as we consolidated our recovery from the pandemic and the Palaces reopened, we continued to develop our sustainability plan. Our vision is to achieve Nature Positive, Carbon Net Zero across our estates and value chain by 2050. We are committed to being bold in the action we take and not afraid to use our palaces as showcases for innovative technologies and approaches. We will embed sustainable decision making at the heart of our governance with all staff taking responsibility for the role they play.

Our priority for the year was reducing our energy use, but we also made progress in many other areas. Our first objective was to improve our data and insight. We audited meters across our estate and introduced automatic meter readers at our 3 biggest sites: Tower of London, Hampton Court and Kensington. This is now providing us with information on what is being used and where, by hour/day/month. It has enabled us to spot our most efficient/inefficient areas and make changes to reduce use.

Our second objective was to improve our energy efficiency. We focused on delivering 'quick wins' in the following areas:

- raising staff awareness and driving behavioural change
- replacing end of life boilers and energy systems/equipment with more efficient (and ideally greener) solutions
- improving heating controls
- improving lighting (including sensor controls in some areas)
- improving insulation

Our third priority was to scope on-site renewable opportunities. We did not have the in-house expertise to develop a plan to decarbonize our energy use, so we spent time learning from organisations already leading in this area, gaining an understanding of what they were doing and who they were working with. Arising from this, we invited leading consultancies to bid to work with us to develop plans to decarbonize our energy use at Tower and Hampton Court in the first instance. We subsequently appointed CBRE to work with us at Tower of London and Max Fordham at Hampton Court. Their reports will be received the autumn of 2023 and will inform a major capital investment programme over the next decade.

We also made progress in many other areas. We undertook a multi-disciplinary Climate Risk Assessment to review the impact of climate change across our estate and identify the mitigating actions we need to be taking. This is now being updated annually.

We took important steps to improve how we manage the land in our care. We went peat free in our growing operations, recognising the importance of protecting the world's remaining peatlands. We converted the Moat at the Tower into a new natural landscape and are now planning for its future as a wildlife habitat. We started to explore the future for our other gardens and estates, taking a 25/50/100 year view of opportunities to improve carbon performance; enhance biodiversity; and manage change in the face of climate change. We subsequently commissioned a report on the future of the garden at Hampton Court, which will be received in autumn 2023.

We began exploring how we can build sustainability into our procurement, governance

## Statement of Responsibility

and project processes and this work is continuing in 2023/24. We undertook a sustainability review with our catering partner and agreed an initial action plan. We also introduced 4 electric vehicle charging points for public use at Hampton Court, to compliment the 4 that have been installed for staff use at the Tower of London.

Overall, we reduced our measured scope 1 and 2 greenhouse emissions in 2022/23 by 33% compared to our 2019 baseline. This puts us well on track to achieve our target of 46% by 2030.

Our scope 3 emissions are not measured sufficiently well at present to provide a meaningful result. At present only business travel and water use are included. Improving data here will be a priority for future years.

Finally, in 2022 we delivered ‘Superbloom’ – the first stage of a major project to create a new natural landscape at the Tower of London, designed with increasing biodiversity in mind. We worked with over 1,500 schools to take this project nationwide, encouraging young people to think about biodiversity and the wellbeing benefits of green space.

Overall, our energy use, and thereby scope 1 and 2 emissions, remained significantly below pre-pandemic levels, our goal since 2021 has been to reduce our scope 1 and 2 emissions by 46% by 2030 (against a 2019/20 baseline). In 2022/23 we achieved a reduction of 33% of scope 1 and 2 emissions. Taking into account the strong performance to date, we have brought forward our 2030 target and aim to reduce scope 1 and 2 emissions by 46% by 2027.

<b>Greenhouse Gas Emissions (*)</b>	<b>2022/23</b>	2021/22	2020/21	2019	2018
Emissions Scope 1 (tonnes CO2e)	<b>1,610</b>	1,519	1,075	2,367	1,981
Emissions Scope 2 (tonnes CO2e)	<b>1,064</b>	1,010	839	1,631	1,932
Subtotal GHG emissions (tonnes CO2e)	<b>2,674</b>	<b>2,529</b>	<b>1,914</b>	<b>3,998</b>	<b>3,913</b>
Emissions Scope 3 (tonnes CO2e)	<b>23</b>	36	79	608	755
Total GHG emissions (tonnesCO2e)	<b>2,697</b>	<b>2,565</b>	<b>1,993</b>	<b>4,606</b>	<b>4,668</b>

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

Scope 3 emissions are not yet covered in full. Included in the calculation at present are business travel and water supply.

Our intensity measure for SECR (streamlined energy and carbon reporting) is ‘per visitor’. Based on 3.479m physical visitors to our sites in 2022/23, we emitted 0.77kg of CO2e per visitor (1.73kg in 2021/22)

# **Statement of Responsibility**

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## **Whistleblowing Disclosure**

### **Whistleblowing policy**

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

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

- Internally, individuals can disclose their concerns to appropriate internal specialists, a specific email address managed by the Whistleblowing Officer and the Governance Manager or directly to the Corporate Services Director (The Whistleblowing Officer) and The Chief Executive, Chair of the Audit and Risk Committee or the Chair of Trustees.
- Externally, people can report issues to external bodies such as legal advisers, Minister of the Crown or statutory regulators.
- There were 2 whistleblowing incidents reported in the year (2 in 2021/22).

### **Suppliers' payment policy**

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

During 2022/23, 61% of supplier invoices were paid within 30 days of date of invoice (69% in 2021/22). This payment performance is not adjusted for invoices delayed for payment due to a query with the supplier.

### **Related parties**

Details of material dealings with any related parties are set out in Note 25.

### **Fundraising Regulator**

- We recognise the Fundraising Regulator and are not aware of any failure to comply with the scheme.
- We did not engage any professional fundraisers to fundraise from individuals during the year. Two groups of volunteers solicited personal donations on behalf of HRP: our Campaign Board, and our Hillsborough Castle Board.

## **Statement of Responsibility**

- The activities of the Campaign Board were monitored through three board meetings during the year. Two Trustees are members of the Campaign Board, which ensures the Trustees have a high degree of awareness of what the Board does and the activities of its individual members. The Hillsborough Castle Board met three times in the 2022/23 financial year. Membership includes one Trustee of HRP. The Chief Executive of HRP also attends all meetings.
- We received no complaints about our fundraising practices during the year.
- Direct marketing was limited to advertising in our Members' magazine, Inside Story, and in HRP e-newsletters to those eligible. Tailored approaches for high value grants were also made throughout the year to companies, charitable trusts and philanthropists. In each case new approaches, and reports on existing funding, were shared in compliance with relevant data privacy regulations. Individuals solicited for gifts were either introduced to the charity by existing supporters or contacted us in the first instance. We avoided practices that risk being unreasonably intrusive or persistent.

## **Statement of Trustees' and Accounting Officer's responsibilities**

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

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

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

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



## **Statement of Responsibility**

The Trustees are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of Historic Royal

Palaces and its group and which enable them to ensure that the financial statements comply with the applicable law. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of Historic Royal Palaces and its group and to prevent and detect fraud and other non-compliance with laws and regulations.

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



Carole Souter CBE  
Trustee



John Barnes  
Chief Executive and Accounting Officer

16<sup>th</sup> November 2023

# **The Audit Report of the Controller and Auditor General to the Board of Trustees and the Houses of Parliament**

## **Opinion on financial statements**

I have audited the financial statements of Historic Royal Palaces and its group for the year ended 31 March 2023.

The financial statements comprise:

- the Consolidated and Charity Balance Sheets as at 31 March 2023;
- the Consolidated Statement of Financial Activities and Consolidated Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of the Historic Royal Palaces' and its Group's affairs as at 31 March 2023 and its net income for the year then ended;
- have been properly prepared in accordance with the Charities Act 2011 and the Secretary of State directions issued, with the consent of HM Treasury, under the Royal Charter.

## **Opinion on regularity**

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

## **Basis for opinions**

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

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

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

# **The Audit Report of the Controller and Auditor General to the Board of Trustees and the Houses of Parliament**

## **Conclusions relating to going concern**

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

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

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

## **Other Information**

The other information comprises information included in the Trustees' Report but does not include the financial statements nor my auditor's report. The Trustees and Accounting Officer are responsible for the other information.

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

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

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

I have nothing to report in this regard.

## **Opinion on other matters**

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

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

## **Matters on which I report by exception**

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

## **The Audit Report of the Controller and Auditor General to the Board of Trustees and the Houses of Parliament**

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

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

### **Responsibilities of the Trustees and Accounting Officer for the financial statements**

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Trustees and the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing Historic Royal Palaces' and its group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees and the Accounting Officer either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial Statements**

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

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

# **The Audit Report of the Controller and Auditor General to the Board of Trustees and the Houses of Parliament**

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

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

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

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

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

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

I obtained an understanding of Historic Royal Palaces and its Group's framework of authority and other legal and regulatory frameworks in which Historic Royal Palaces and its Group operates. I focused on those laws and regulations that had a direct effect on material

# **The Audit Report of the Controller and Auditor General to the Board of Trustees and the Houses of Parliament**

amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Historic Royal Palaces and its Group. The key laws and regulations I considered in this context included the Royal Charter, the Charities Act 2011, Managing Public Money, employment law, pensions legislation and tax legislation.

## **Audit response to identified risk**

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

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board of Trustees and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of fraud through revenue recognition, evaluating the design and implementation of controls; testing income to corroborating evidence; assessing the completeness of revenue streams; and testing the appropriateness of significant estimates made at year-end.

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

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

## **Other auditor's responsibilities**

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

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

# **The Audit Report of the Controller and Auditor General to the Board of Trustees and the Houses of Parliament**

**Gareth Davies**

**Date 15<sup>th</sup> November 2023**

**Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria, London, SW1W 9SP

# Consolidated Statement of Financial Activities

for the year ended 31 March 2023

	Note	Unrestricted funds £000	Restricted funds £000	Total 2023 £000	Total 2022 £000
<b>INCOME</b>					
<b>Donations and legacies:</b>					
Grants	3	4	1,424	1,428	7,994
CJRS grant	4	-	-	-	2,377
Donations		987	905	1,892	939
Gifts in Kind		-	46	46	83
<b>Total</b>		<b>991</b>	<b>2,375</b>	<b>3,366</b>	<b>11,393</b>
<b>Income from other trading activities</b>					
Retail income		14,984	-	14,984	5,908
Functions and events		6,414	-	6,414	3,382
Licenses, rent & Recharges	5	5,463	-	5,463	4,932
Sponsorship		886	-	886	384
<b>Total</b>		<b>27,747</b>	<b>-</b>	<b>27,747</b>	<b>14,606</b>
<b>Income from investments</b>		<b>1,275</b>	<b>-</b>	<b>1,275</b>	<b>224</b>
<b>Income from charitable activities:</b>					
Admissions	6	63,269	-	63,269	24,302
Membership		4,600	-	4,600	3,244
Concessions		2,219	-	2,219	676
<b>Total</b>		<b>70,088</b>	<b>-</b>	<b>70,088</b>	<b>28,222</b>
<b>Total income</b>	<b>7</b>	<b>100,101</b>	<b>2,375</b>	<b>102,476</b>	<b>54,445</b>
<b>EXPENDITURE</b>					
<b>Costs of raising funds:</b>					
Fundraising		687	40	727	366
Retail activities		9,855	-	9,855	5,690
Investment management costs		8	-	8	23
Other commercial activities		3,302	-	3,302	2,372
	<b>8</b>	<b>13,852</b>	<b>40</b>	<b>13,892</b>	<b>8,451</b>
<b>Expenditure on charitable activities:</b>					
Palaces		22,370	91	22,461	20,021
Experiences:					
Public Access		23,237	431	23,668	17,798
Interpretation and learning		14,351	2,082	16,433	10,218
Money - Organisational Growth		4,767	-	4,767	3,786
Culture		1,167	2	1,169	1,005
	<b>8</b>	<b>65,892</b>	<b>2,606</b>	<b>68,498</b>	<b>52,828</b>



## Consolidated Statement of Financial Activities

for the year ended 31 March 2023

Defined Pension scheme net interest cost/(income)	12	(260)	-	(260)	18
<b>Total Expenditure</b>	8	<b>79,484</b>	<b>2,646</b>	<b>82,130</b>	<b>61,297</b>
Net (losses)/gains on investments	15	(175)	-	(175)	(138)
<b>Net Income / (Expenditure)</b>		<b>20,442</b>	<b>(271)</b>	<b>20,171</b>	<b>(6,990)</b>
Actuarial (loss) / gain on pension plan	12	(2,427)	-	(2,427)	10,246
<b>Net movement in funds</b>		<b>18,015</b>	<b>(271)</b>	<b>17,744</b>	<b>3,256</b>
<b>Fund balances brought forward at 1 April</b>	7	<b>37,020</b>	<b>7,103</b>	<b>44,123</b>	<b>40,867</b>
<b>Fund balances carried forward at 31 March</b>	7	<b>55,035</b>	<b>6,832</b>	<b>61,867</b>	<b>44,123</b>

Note: The amounts shown above derive from continuing activities. There were no recognised gains or losses other than those disclosed above. The notes on pages 41 to 76 form an integral part of these accounts.

# Consolidated and Charity Balance Sheet

for the year ended 31 March 2023

Note	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000
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## Fixed assets:

Intangible assets		94	94	256	256
Tangible assets	13	25,064	25,064	23,489	23,489
Heritage assets	14	9,806	9,806	9,601	9,601
Investments	15	3,135	3,135	4,795	4,795
		<b>38,099</b>	<b>38,099</b>	<b>38,141</b>	<b>38,141</b>

## Current assets:

Stocks - goods for resale		2,473	-	1,521	-
Debtors	16	7,860	10,889	7,243	10,927
Short-term cash deposits		59,000	59,000	27,000	27,000
Cash at bank and in-hand		12,616	9,930	17,948	13,169
		<b>81,949</b>	<b>79,819</b>	<b>53,712</b>	<b>51,096</b>

## Creditors:

Amounts falling due within one year	17	20,631	18,556	15,784	13,324
<b>Net current assets</b>		<b>61,318</b>	<b>61,263</b>	<b>37,928</b>	<b>37,772</b>
<b>Total assets less current Liabilities excluding Pension Plan asset/liability</b>		<b>99,417</b>	<b>99,362</b>	<b>76,069</b>	<b>75,913</b>
Creditors: Amounts falling due after more than one year	18	41,694	41,694	40,864	40,864
Provision for liabilities and charges	19	3,132	3,132	519	418
<b>Net assets excl Pension Plan asset/liability</b>		<b>54,591</b>	<b>54,536</b>	<b>34,686</b>	<b>34,631</b>
Pension Plan asset/(liability)	12	7,276	7,276	9,437	9,437
<b>Net assets including Pension Plan liability</b>		<b>61,867</b>	<b>61,812</b>	<b>44,123</b>	<b>44,068</b>

## Funds:

Unrestricted funds		55,035	54,980	37,020	36,965
Restricted funds		6,832	6,832	7,103	7,103
<b>Total funds</b>	7	<b>61,867</b>	<b>61,812</b>	<b>44,123</b>	<b>44,068</b>

These financial statements were approved by the Trustees and the Accounting Officer on 24<sup>th</sup> October 2023 and were signed on their behalf by



Carole Souter CBE  
Trustee  
16<sup>th</sup> November 2023



John Barnes  
Chief Executive and  
Accounting Officer

The notes on pages 41 to 76 form an integral part of these accounts.

# Consolidated Cash Flow Statement

## for the year ended 31 March 2023

	Note	2023 £000	2022 £000
<b>Cash flows from operating activities</b>			
Net cash inflow/(outflow) from operating activities ( <i>Note A below</i> )		27,527	(715)
<b>Cash flows from investing activities:</b>			
Purchase of tangible assets	13	(3,399)	(1,932)
Purchase of heritage assets	14	(159)	(42)
Redemption of investments	15	1,425	3,413
Interest received		1,275	224
<b>Cash flows from financing activities:</b>			
Net (purchase)/sale of short-term deposits		(32,000)	(7,000)
Interest paid on overdraft		(1)	(12)
<b>Increase/(Decrease) in cash</b>		<b>(5,332)</b>	<b>(6,064)</b>

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

Net Income/(Expenditure) from charitable and trading activities		20,171	(6,990)
Net (Gains)/Losses on Investments	15	175	138
Interest receivable		(1,275)	(224)
Interest paid		1	12
Pension scheme: non-cash movements	12	(266)	(20)
Gifts in kind	14	(46)	(83)
Depreciation & amortisation	8	1,934	2,211
(Profit)/Loss on disposal of fixed assets	13	50	53
Other decrease in fixed asset investments	15	61	79
(Increase)/Decrease in stocks	2	(952)	736
(Increase)/Decrease in debtors	16	(617)	(4,519)
Increase/(Decrease) in creditors: current liabilities	17	5,281	7,188
Increase/(Decrease) in long term creditors	18	830	671
Increase/(Decrease) in provisions for liabilities & charges	19	2,179	32
Other non-cash movements		1	1
<b>Net cash inflow/(outflow) from operating activities</b>		<b>27,527</b>	<b>(715)</b>

# Consolidated Cash Flow Statement

for the year ended 31 March 2023

## *Analysis of cash and cash equivalents:*

	<b>2023 £000</b>	2022 £000	Change in year £000	2022 £000	2021 £000	Change in year £000
Cash at bank and in hand	<b>12,616</b>	<b>17,948</b>	<b>(5,332)</b>	<b>17,948</b>	<b>24,012</b>	<b>(6,064)</b>

## *Analysis of changes in net debt:*

	<b>As at 1 April 2022 £000</b>	Cash flows £000	Other non- cash changes £000	<b>As at 31 March 2023 £000</b>
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### **Cash and cash equivalents**

Cash	<b>17,948</b>	(5,332)	-	<b>12,616</b>
	<b>17,948</b>	(5,332)	-	<b>12,616</b>

### **Borrowing**

Debt due within one year	-	-	-	-
Debt due after one year	<b>(40,859)</b>	-	(825)	<b>(41,684)</b>
	<b>(40,859)</b>	-	(825)	<b>(41,684)</b>

	<b>As at 1 April 2021 £000</b>	Cash flows £000	Other non- cash changes £000	<b>As at 31 March 2022 £000</b>
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### **Cash and cash equivalents**

Cash	<b>24,012</b>	(6,064)	-	<b>17,948</b>
	<b>24,012</b>	(6,064)	-	<b>17,948</b>

### **Borrowing**

Debt due within one year	-	-	-	-
Debt due after one year	<b>(40,050)</b>	-	(809)	<b>(40,859)</b>
	<b>(40,050)</b>	-	(809)	<b>(40,859)</b>

The notes on pages 41 to 76 form an integral part of these accounts.

# Notes to the Consolidated Accounts

for the year ended 31 March 2023

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## 1 Accounting Policies

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

### a) Status of charity

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

### b) Basis of preparation

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

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

### c) Basis of consolidation

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

### d) Funds

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

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

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

### e) Incoming resources

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

- **Coronavirus Job Retention Scheme (CJRS) grant** - The CJRS grant was a temporary scheme launched by Government to support organisations whose operations were severely affected by COVID-19. CJRS income is recognised in restricted grants and accrued to match the period staff were furloughed for. No CJRS income was received during 2022/23 (£2.4m in 2021/22).
- **Grants** – include operating and project grants and contributions. Grants

## Notes to the Consolidated Accounts

### for the year ended 31 March 2023

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related to performance and specific deliverables, are accounted for as the

Group earns the right to consideration by its performance. Where income is received in advance of performance, its recognition is deferred and included in creditors. Where entitlement occurs before receipt, the income is accrued.

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

#### f) Resources expended

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

#### g) Tangible fixed assets

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

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

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

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

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

### **h) Heritage Assets**

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

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

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

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

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

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

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

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

## Notes to the Consolidated Accounts

### for the year ended 31 March 2023

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

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

#### **j) Investment in subsidiary**

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

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

#### **k) Current assets & liabilities**

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

#### **l) Financial instruments**

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

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

#### **m) Leases**

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

#### **n) Pensions**

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

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

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



## Notes to the Consolidated Accounts

### for the year ended 31 March 2023

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

**o) Taxation**

As a charity, HRP is exempt from corporation tax under section 505 ICTA 1988. HRPE normally distributes its profits before tax by Gift Aid to the Charity to leave reserves at or close to nil. The amount gift aided in 2022/23 was £7,653,777 (£2,554,580 in 2021/22 due to the impact of the pandemic and uncertainty in HRPE Ltd's future trading).

Admissions to the Palaces administered by HRP are exempt from VAT under Schedule 9 of the VAT Act 1994. Due to this exemption, approximately 67.0% of VAT incurred by HRP is irrecoverable in 2022/23 (64.4% in 2021/22).

**p) Provisions**

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

**q) Key judgements and estimates**

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

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

## Notes to the Consolidated Accounts

### for the year ended 31 March 2023

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- Provisions include amounts for an onerous lease provision and pension scheme closure compensation payments. The onerous lease provision fully provides for the cost of sub-let premises from which HRP currently expects to receive no economic benefits. This figure has been calculated based on rents payable in the lease and has not been discounted.
- when assessing the going concern, several visitor forecast scenarios were used to inform projections for income, expenditure and cash-flows. Other key considerations included the liquidity of unrestricted funds and reserves, overdraft and borrowing facilities and all other forms of financial assistance available to the organisation.

#### **o) Going Concern**

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

##### Global outlook

According to the Organisation for Economic Co-Operation and Development (OECD). Global growth slowed to 3.2% in 2022, well below expectations at the start of the year, held back by the impact of the war in Ukraine, the cost-of-living crisis, and the slowdown in China.

More positive signs have now started to appear, with business and consumer confidence starting to improve, food and energy prices falling back, and the full reopening of China.

##### Domestic & Sector Outlook

From the Office for Budget Responsibility March 2023 economic & fiscal outlook has brightened since the November 2022 forecast. The near-term economic downturn is set to be shorter and shallower.

CPI inflation peaked at 11.1 per cent in October and according to latest Bank Of England forecasts in Aug 2023 is expected to be around 5% by the end of 2023, and will continue to fall to the targeted 2% in early 2025.

GDP is expected to contract by 0.4 per cent in the first quarter of 2023 to 0.6 per cent below its recent peak in the second quarter of 2022. Output is then expected to flatline in the second quarter and start rising again from the third quarter.

According to UNWTO (World Tourism Organization), international tourism recovered to 63% of pre-pandemic levels in 2022, with Europe and the Middle East in the lead. International tourism saw stronger than expected results in 2022, backed by large pent-up demand and the lifting or relaxation of travel restrictions in a large number of countries.

The March 23 statement from the Association of Leading Visitor Attractions (ALVA) reported a growing consumer confidence on the part of the UK public, greater appetite and optimism to visit and revisit attractions. The recovery in visitor admissions is likely to continue in the coming months, with audiences

# Notes to the Consolidated Accounts

## for the year ended 31 March 2023

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more likely to visit attractions more often than they did during the spring and summer of last year.

### Organisation context

Income & Expenditure and cash flow projections for the trading entity are based on assumptions which support the 2023/24 operating budget for the whole charity. The assumptions have been agreed by the relevant managers and directors in charge of the revenue streams for HRP.

Overall assumptions have been reviewed by the Executive in charge of planning and have been approved by trustees at the January 2023 board meeting.

Performance will be scrutinised very closely throughout the year and any significant deviation from our current income assumptions will be offset by imposing stricter controls on expenditure to ensure we are able to generate a surplus.

### Visitor assumptions

Visitor assumptions drive HRP's retail income projections. They have been derived in detail by site, by visitor categories (e.g., adult/child/concession/family, gate/internet/group tickets, member/non-member, etc.) and by month.

The key assumptions behind the visitor mix percentages for 2023/24 is an improving performance of both domestic and international audiences.

### Measures to improve liquidity

- HRP is forecast to remain cash positive throughout 2023/24. The overdraft facility was cancelled during the financial year as it had remained unused. The facility was secured with a debenture, satisfied in March 2023.

### Risks and further actions

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

- Additional cost savings include: continuing to hold headcount vacancies; re-introducing payroll saving initiatives; removing discretionary operating expenditure currently phased in the latter part of the year; using periods of closure or working from home to rein in site costs including cleaning, heating, power etc.; deferring project expenditure if visit performance falls behind budget; and, generally, reviewing and restricting operating expenditure by monitoring committed versus non-committed expenditure throughout the year.
- HRPE may approach its parent charity in future for the deferral of the payment of the service charge to ease cashflows.
- HRPE may seek further support from the charity to meet its working capital requirements.

## Notes to the Consolidated Accounts

### for the year ended 31 March 2023

#### Summary

The Trustees take comfort from the financial performance in 2022/23, year-to-date results since the beginning of 2023/24 and organisation's future plans. The fact that the company's model has been successful and has historically generated profits also supports this opinion that the organisation will continue as a going concern.

#### **2. Historic Royal Palaces Enterprises Ltd**

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

<b><u>Profit and loss account</u></b>	<b>2023 £000</b>	2022 £000
Turnover (other trading activities)	24,765	12,055
Cost of sales (costs of raising funds)	(4,815)	(1,802)
<b>Gross profit</b>	<b>19,950</b>	<b>10,253</b>
Administrative expenses	(12,327)	(7,698)
Interest receivable	32	1
<b>Profit on ordinary activities before taxation</b>	<b>7,655</b>	<b>2,556</b>
Taxation	(1)	(1)
<b>Total profit for the financial year</b>	<b>7,654</b>	2,555
Amount distributable under Gift Aid to HRP	(7,654)	(2,555)
<b>Retained in subsidiary</b>	<b>-</b>	<b>-</b>

<b><u>Balance Sheet as at 31 March 2023</u></b>	<b>2023 £000</b>	2022 £000
Stocks - goods for resale	<b>2,473</b>	1,521
Debtors	<b>467</b>	844
Cash	<b>2,685</b>	4,779
Current liabilities	<b>(5,570)</b>	(7,089)
Creditors due after more than one year	-	-
<b>Net assets</b>	<b>55</b>	55
<b><u>Share capital and reserves</u></b>	<b>55</b>	55

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

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### 3. Grant Income

Total grant income of £1,428k (2021/22: £7,994k) includes a net outflow of £59k (2021/22: £6,422k) funding from government bodies as follows:

Grantor	Amount	Purpose
Arts & Humanities Research Council Fund	£117k	Henry VIII project
V & A Fund	£20k	Historic artefact acquisitions
Local Councils	£10k	Projects at Hillsborough
DCMS – Public Bodies Infrastructure Fund – repayment	(£206k)	Conservation projects at the Palaces – monies not spent

### 4. Coronavirus Job Retention Scheme (CJRS) grant income

The CJRS grant was a temporary Scheme launched by Government in 2020 to support organisations whose operations have been severely affected by Covid-19. CJRS income is recognised in income and accrued to match the period staff were furloughed.

It was vital that HRP took advantage of the CJRS scheme in 2020/21 and furloughed the majority of staff from the start. Required staff were brought out of furlough as soon as reopening the sites became a possibility. This continued in 2021/22. However, the scheme ended in September 2021 and no further grants were claimed or paid during this financial year 2022/23 (£2,377k in 2021/22).

The number of furloughed staff in 2022/23 was 0 (499 in 2021/22).

### 5. Licence, rent & recharges income

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

	2023 £000	2022 £000
Licences	2,943	2,612
Recovery of Costs	1,478	1,852
Rents	902	356
Other Income	140	112
<b>Total Licence &amp; rent income</b>	<b>5,463</b>	<b>4,932</b>

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

### 6. Admissions income

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

	2023 £000	2022 £000
Tower of London	50,723	14,945
Hampton Court Palace	6,588	4,346
Kensington Palace	3,925	3,677
Hillsborough Castle	472	408
Other palaces	147	0
Education	831	321
Other admissions income	583	605
<b>Total admissions income</b>	<b>63,269</b>	<b>24,302</b>

### 7. Total funds (Group basis)

£13.9m has been transferred from free reserves to designated funds (£12.4m) and fixed assets (£1.6m).

<b>Current Year Total Funds:</b>	Funds as a at 1 April 2022	Incoming resources 2022/23	Resources expended 2022/23	Reval'n 2022/23	Transfers between funds 2022/23	<b>Funds as at 31 March 2023 £000</b>
	£000	£000	£000	£000	£000	£000
<b>Unrestricted funds</b>						
<b>General (Free) reserves</b>	(1,243)	99,838	(79,487)	(175)	(13,933)	5,000
Designated funds	-	-	-	-	12,361	12,361
Fixed assets	28,826	-	-	-	1,572	30,398
Pension plan	9,437	263	3	(2,427)	-	7,276
<b>Total</b>	<b>37,020</b>	<b>100,101</b>	<b>(79,484)</b>	<b>(2,602)</b>	<b>-</b>	<b>55,035</b>
<b>Restricted funds</b>						
Donated assets	4,520	46	-	-	-	4,566
Hillsborough Castle & Gardens	369	14	(142)	-	-	241
Hampton Court Palace projects incl. <i>Field of the Cloth of Gold</i>	2	757	(7)	-	-	752
Tower of London projects incl. <i>Tower Entry</i>	1,273	251	(1,248)	-	-	276
Kensington Palace projects incl. <i>Orangery Learning Centre and the Sunken Garden statue</i>	480	703	(1,138)	-	-	45
Banqueting House project	240	510	(89)	-	-	661

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

AHRC-funded Research projects	-	-	-	-	-	-
Support for Heritage & re-opening	102	(203)	100	-	-	(1)
CJRS grant	-	-	-	-	-	-
Other projects	117	297	(122)	-	-	292
<b>Total</b>	<b>7,103</b>	<b>2,375</b>	<b>(2,646)</b>	<b>-</b>	<b>-</b>	<b>6,832</b>
<b>Total funds</b>	<b>44,123</b>	<b>102,476</b>	<b>(82,130)</b>	<b>(2,602)</b>	<b>-</b>	<b>61,867</b>

<b>Prior Year Total Funds:</b>	Funds as a at 1 April 2021 £000	Incoming resources 2021/22 £000	Resources expended 2021/22 £000	Reval'n 2021/22 £000	Transfers between funds 2021/22 £000	<b>Funds as at 31 March 2022 £000</b>
<b>Unrestricted funds</b>						
<b>General (Free) reserves</b>	5,163	43,932	(50,490)	(138)	290	(1,243)
Designated funds	-	-	-	-	-	-
Fixed assets	29,116	-	-	-	(290)	28,826
Pension plan	(829)	20	-	10,246	-	9,437
<b>Total</b>	<b>33,450</b>	<b>43,952</b>	<b>(50,490)</b>	<b>10,108</b>	<b>-</b>	<b>37,020</b>
<b>Restricted funds</b>						
Donated assets	4,437	83	-	-	-	4,520
Hillsborough Castle & Gardens	553	1	(185)	-	-	369
Hampton Court Palace projects <i>incl. Field of the Cloth of Gold</i>	10	2	(10)	-	-	2
Tower of London projects <i>incl. Tower Entry</i>	262	1,453	(442)	-	-	1,273
Kensington Palace projects <i>incl. Orangery Learning Centre and the Sunken Garden statue</i>	1,150	124	(794)	-	-	480
Banqueting House project	-	240	-	-	-	240
AHRC-funded Research projects	374	(1)	(373)	-	-	-
Support for Heritage & re-opening	563	6,104	(6,565)	-	-	102
CJRS grant	-	2,377	(2,377)	-	-	-
Other projects	68	110	(61)	-	-	117
<b>Total</b>	<b>7,417</b>	<b>10,493</b>	<b>(10,807)</b>	<b>-</b>	<b>-</b>	<b>7,103</b>
<b>Total funds</b>	<b>40,867</b>	<b>54,445</b>	<b>(61,297)</b>	<b>10,108</b>	<b>-</b>	<b>44,123</b>

### Free Reserves

Part of the unrestricted fund that are not held as fixed assets or designated for other purposes. This year's level is a return to the pre-pandemic free reserve levels not held since FY 2018/19.

# Notes to the Consolidated Accounts

for the year ended 31 March 2023

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## Designated funds

This is the first year since the pandemic we have been in a position to designate funds from our general funds towards our 'big moments' and major projects. This consists of £4m for Redevelopments and conservation projects, £4m for Infrastructure projects and £4.4m on other programmes including digital and sustainability.

## Transfers between funds

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

## Donated assets funds

These refer to restricted heritage assets and donated items including work of art and artefacts (see note 14 for more details).

## Analysis of net assets between funds

Fund balances of the Group and Charity at 31 March 2023 are represented by:

	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>2023</b>	Unrestricted funds	Restricted funds	2022
	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000	£000	£000
Intangible assets	94	-	94	256	-	256
Tangible assets	25,064	-	25,064	23,489	-	23,489
Heritage assets	5,240	4,566	9,806	5,081	4,520	9,601
Investments	3,135	-	3,135	4,795	-	4,795
Net current assets	59,052	2,266	61,318	35,344	2,583	37,927
Creditors > one year	(41,694)	-	(41,694)	(40,863)	-	(40,863)
Provisions	(3,132)	-	(3,132)	(519)	-	(519)
Pension Asset	7,276	-	7,276	9,437	-	9,437
<b>Total net assets</b>	<b>55,035</b>	<b>6,832</b>	<b>61,867</b>	<b>37,020</b>	<b>7,103</b>	<b>44,123</b>



## Notes to the Consolidated Accounts

for the year ended 31 March 2023

### 8. Total expenditure (Group basis)

	<b>Total direct costs £000</b>	<b>Allocation of support costs £000</b>	<b>Total 2023 £000</b>	<b>Total 2022 £000</b>
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#### Costs of raising funds

Generating the money to make it possible:				
Fundraising	656	71	727	366
Retail activities	8,608	1,247	9,855	5,690
Investment management costs	8	-	8	23
Other commercial activities	2,949	353	3,302	2,372
<b>Total</b>	<b>12,221</b>	<b>1,671</b>	<b>13,892</b>	<b>8,451</b>

#### Expenditure on charitable objectives:

Palaces	20,235	2,226	22,461	20,021
Experiences:				
Public Access	20,805	2,863	23,668	17,798
Interpretation and learning	15,026	1,407	16,433	10,218
Money – Organisational Growth	4,341	426	4,767	3,786
Culture	1,043	126	1,169	1,005
<b>Total</b>	<b>61,450</b>	<b>7,048</b>	<b>68,498</b>	<b>52,828</b>

#### Other:

Pension finance(income)/ costs	(260)	-	(260)	18
Pension losses/(gains) on curtailments	-	-	-	-
	<b>(260)</b>	<b>-</b>	<b>(260)</b>	<b>18</b>
<b>Total</b>	<b>73,411</b>	<b>8,719</b>	<b>82,130</b>	<b>61,297</b>

## Notes to the Consolidated Accounts

### for the year ended 31 March 2023

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<b>Resources expended include charges for:</b>	<b>Total 2023 £000</b>	<b>Total 2022 £000</b>
Auditors' remuneration:		
The auditors did not provide any non-audit services		
Audit - HRP	68	65
- HRPE	31	30
Operating lease charges	1,027	1,044
Stock recognised as an expense	4,802	1,780
Impairment of stock (included in cost of sales)	13	20
Depreciation charged on fixed assets:		
Tangible	1,773	2,004
Intangible	161	207
Corporation tax	1	1

# Notes to the Consolidated Accounts

## for the year ended 31 March 2023

### 9. Support costs (Group basis)

Information Systems £000	Finance Department £000	Pension Department £000	Management Costs £000	Governance Costs £000	<b>Total 2023 £000</b>	<b>Total 2022 £000</b>
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#### Costs of raising funds:

Fundraising	34	13	2	18	4	<b>71</b>	41
Retail activities	429	516	28	223	51	<b>1,247</b>	908
Other commercial activities	142	111	10	74	17	<b>354</b>	263

#### Charitable expenditure:

Palaces	719	1,002	47	372	86	<b>2,226</b>	2,134
Experiences: Public access	1,196	826	78	619	143	<b>2,862</b>	2,203
Interpretation and learning	557	459	36	288	67	<b>1,407</b>	1,137
Money – Organisation Growth	115	231	7	59	14	<b>426</b>	375
Culture	62	21	4	32	7	<b>126</b>	111
<b>Total</b>	<b>3,254</b>	<b>3,179</b>	<b>212</b>	<b>1,685</b>	<b>389</b>	<b>8,719</b>	7,172

The basis of apportionment for support costs is staff headcount (see note 11 *Staff numbers and costs (Group & Charity)*), except for the Finance Department which is based upon expenditure excluding payroll.

<b>Governance Costs</b> <i>(included in Support costs) (*)</i>	<b>2023</b> £000	<b>2022</b> £000
Internal and external audit	219	145
Trustee expenses and costs	9	4
Trustee and chairman recruitment costs	5	14
Production of annual report	-	-
Management costs	156	115
<b>Total</b>	<b>389</b>	<b>278</b>

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

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

### 10. Remuneration of Trustees

None of the Trustees received any remuneration during the year in connection with services to the Charity or its subsidiary. Reimbursement of travel and subsistence expenses incurred by 2 Trustees (21/22: 2) whilst carrying out their responsibilities for the Charity totalled £577 (2021/22: £1,150) for the year ended 31 March 2023. Liability insurance for Trustees is included as part of HRP's total insurance cost.

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

#### a) Average staff numbers

	<b>2023</b>	<b>2022</b>
	<b>FTE</b>	<b>FTE</b>
Fundraising	7.3	5.0
Retail activities	91.4	87.0
Other Commercial Activities	30.3	23.1
Palaces	153.1	144.6
Experiences: Public Access	254.6	217.5
Interpretation and Learning	118.5	112.0
Money – organisational growth	24.4	21.8
Culture	13.2	12.4
Support functions	53.1	55.3
<b>Total</b>	<b>745.9</b>	<b>678.7</b>

#### b) Staff costs

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	27,303	23,988
Loss of office	64	17
Severance & ex gratia payments	91	41
Social security costs	2,819	2,398
Pension costs	3,510	2,534
<b>Total</b>	<b>33,787</b>	<b>28,978</b>
Agency staff	361	135
<b>Total</b>	<b>34,148</b>	<b>29,113</b>

Employee numbers increased significantly during 2022/23 as the organisation's activities continued to recover from the pandemic in the previous two years. FTE increased by 9.9% year on year.

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

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### c) Pay bands

Excluding the Chief Executive, there were 39 staff during the year earning in excess of £60,000 (2021/22: 28). Six were in a defined benefit scheme closed to accruals since 1 April 2019 (2021/22: 6) where the employer contributions were nil (2021/22: nil), and 37 were in a defined contribution scheme (2021/22: 26) where the employer contributions were £447,995 (2021/22: £214,627).

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

	<b>2023</b>	<b>2022</b>
	<b>No. of Staff</b>	<b>No. of Staff</b>
£60,001 to £70,000	20	16
£70,001 to £80,000	12	5
£80,001 to £90,000	0	1
£90,001 to £100,000	1	-
£100,001 to £110,000	3	5
£110,001 to £120,000	2	1
£120,001 to £130,000	1	-
<b>Total</b>	<b>39</b>	<b>28</b>

The remuneration of the Chief Executive in 2022/23 was £159,310 (2021/22: £144,329) with pension contributions of £19,223 (2021/22: £8,720) and staff benefits of £947 (2021/22: £923).

Excluding the Chief Executive, the total remuneration to the Executive Board was £803,866 (2021/22: £707,966) with pension contributions of £120,327 (2021/22: £56,885) and staff benefits of £5,625 (2021/22: £5,031).

## 12. Retirement benefits (Group & Charity)

### a) Historic Royal Palaces Pension Scheme

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

The most recent full triennial actuarial valuation was carried out at 31 March 2021 and showed a deficit of £4,111k. The employer has agreed with the trustees of the scheme that it will aim to eliminate the deficit over a period of 7 years and 6 months from 1 April 2021 by the payment of contributions as follows:

- £32,888 p.a. payable monthly from 1 April 2021 to 31 March 2022, followed by one payment of £2,823 in April 2022 (in line with the previous recovery plan),
- No deficit contributions between 1 May 2022 and 30 June 2025,
- £250,000 p.a. payable monthly for a period of 3 years and 6 months from 1 July

## Notes to the Consolidated Accounts

### for the year ended 31 March 2023

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2025 to 31 December 2028.

The funding shortfall is expected to be eliminated by December 2028 through the return on existing assets and the new contributions.

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

A qualified actuary, independent of the scheme's sponsoring employer, updated to 31 March 2023 the annual accounting valuation required under Section 28 of FRS 102. The major assumptions used by the actuary are shown below.

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

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

	<b>31/03/2023</b>	<b>31/03/2022</b>	<b>31/03/2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fair value of plan assets	74,869	100,739	95,998
Present value of defined benefit obligation	67,593	91,302	96,827
Surplus / (Deficit) in plan	7,276	9,437	(829)
<b>Defined benefit asset/(liability) to be recognised</b>	<b>7,276</b>	<b>9,437</b>	<b>(829)</b>

#### **A note on pension valuations**

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

Actuaries acting on behalf of HRP undertake a triennial valuation based on a set of prudent assumptions determining how much future funding the scheme may require. The last valuation was 31 March 2021 and showed a deficit of £4.1m.

Each year, the scheme is valued at fair value under accounting standard FRS102 using 'best estimate' assumptions. As at 31 March 2023, this year's valuation produced a surplus of £7.3m (2021/22: £9.4m). As the charity is entitled under the scheme rules to net refunds at least equivalent to the amount of the asset recognised, it is this figure that is shown in the accounts. This is in line with accounting standard IFRIC14.

Given the significant increase in gilt market-implied RPI price inflation over the past year and evidence from the Government Actuary's Department (September 2021) and the Bank Of England (November 2021), the scheme actuary recommended introducing an inflation risk premium adjustment 0.2% p.a. in 2021/22 to reduce any potential market distortion. This remained in place for 2022/23.

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

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

	Period Ending 31/03/2023	Period Ending 31/03/2022
	£000	£000
Defined benefit obligation at start of period	91,302	96,827
Interest expense	2,480	2,058
Benefit payments from plan assets	(2,230)	(2,260)
Actuarial (losses) / gains:		
- Changes in assumptions	(30,478)	(5,196)
- Changes in experience	6,519	(127)
<b>Defined benefit obligation at end of period</b>	<b>67,593</b>	<b>91,302</b>

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

	Period Ending 31/03/2023	Period Ending 31/03/2022
	£000	£000
Fair value of scheme assets at start of period	100,739	95,998
Interest income	2,740	2,040
Actuarial (losses)/ gains	(26,383)	4,923
Contributions by the employer	3	38
Benefits paid	(2,230)	(2,260)
Expenses	-	-
<b>Fair value of plain assets at end of period</b>	<b>74,869</b>	<b>100,739</b>

The actual return on the plan assets over the period ended 31 March 2023 was a loss of £23,643k (£6,963k gain in 2021/22).

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

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

	Period Ending 31/03/2023	Period Ending 31/03/2022
	£000	£000
Expenses	-	-
Net Interest cost/(income)	(260)	18
<b>Total expense recognised in SOFA</b>	<b>(260)</b>	<b>18</b>

### Defined benefit costs recognised in other comprehensive income:

	Period Ending 31/03/2023	Period Ending 31/03/2022
	£'000	£'000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	(26,383)	4,923
Experience gains and losses arising on the plan liabilities – gain / (loss)	(6,519)	127
Net effects of changes in the demographic and financial assumptions underlying the	30,478	5,196
<b>Total amount recognised in other comprehensive income – gain/(loss)</b>	<b>(2,424)</b>	<b>10,246</b>

Assets	31/03/2023	31/03/2022	31/03/2021
	£000	£000	£000
Equities	27,843	45,751	43,032
Debt instruments	34,684	38,848	39,743
Property	10,846	13,337	12,274
Cash	1,496	2,803	949
<b>Total assets</b>	<b>74,869</b>	<b>100,739</b>	<b>95,998</b>

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



## Notes to the Consolidated Accounts

for the year ended 31 March 2023

Assumptions	31/03/2023 % per annum	31/03/2022 % per annum	31/03/2021 % per annum
Discount Rate	4.85%	2.75%	2.15%
Inflation (RPI)	3.25%	3.70%	3.50%
Inflation (CPI)	2.65%	3.10%	2.80%
Salary growth	2.65%	3.10%	2.80%
Allowance for:			
Revaluation of deferred pensions of CPI or 5% p.a. if less	2.65%	3.10%	2.80%
Revaluation of deferred pensions of CPI or 2.5% p.a. if less	2.50%	2.50%	2.50%
Pension in payment increases of RPI or 5% p.a. if less	3.00%	3.45%	3.30%
Pension in payment increases of RPI or 3% p.a. if less	2.30%	2.60%	2.50%
Pension in payment increases of RPI	3.35%	3.70%	3.50%
Commutation of pension for cash at retirement	70% of Post A Day	70% of Post A Day	70% of Post A Day

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies at age 60yrs:

	31/03/2023	31/03/2022	31/03/2021
Male retiring in 2023	26.5	26.7	25.8
Female retiring in 2023	28.0	28.7	28.0
Male retiring in 2043	28.5	28.3	27.4
Female retiring in 2043	30.0	30.2	29.6

### b) Defined Contribution Schemes

A group personal pension scheme based on defined contributions was set up for new members of established staff and staff on contracts exceeding one year with effect from October 2002. The cost for the year was £3,289,050 (2021/22: £2,269,516 included payroll element sacrificed to pension through the redundancy programme), with no outstanding contributions at the balance sheet date. The cost forms part of staff costs that as stated in note 1(f) are classed as direct expenditure attributable to the activity

## **Notes to the Consolidated Accounts**

**for the year ended 31 March 2023**

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and are all from unrestricted funds.

An additional group personal pension scheme based on defined contributions was set up for casual staff and staff on contracts of less than 1 year with effect from October 2013, to meet pension auto-enrolment requirements. The cost for the year was £37,772 (2021/22: £19,797), with no outstanding contributions at the balance sheet date.

## Notes to the Consolidated Accounts

### for the year ended 31 March 2023

#### 13. Tangible fixed assets (Group & Charity)

<b>Cost</b>	Buildings & refurbishments £000	Fixtures & fittings £000	Furniture, equipment & exhibitions £000	Computers £000	Plant, machinery & vehicles £000	Assets in course of construction £000	<b>Total</b> <b>£000</b>
At 1 April 2022	27,269	6,251	3,570	882	5,764	5,563	49,299
Additions	-	-	16	76	12	3,295	3,399
Disposals	-	(27)	(90)	(147)	(38)	-	(302)
Transfers to Heritage assets	-	-	-	-	-	-	-
Transfers within Tangible fixed assets	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>27,269</b>	<b>6,224</b>	<b>3,496</b>	<b>811</b>	<b>5,738</b>	<b>8,858</b>	<b>52,396</b>
<b>Accumulated depreciation</b>							
At 1 April 2022	12,829	4,656	2,660	695	4,971	-	25,811
Charge for the year	1,082	294	112	70	215	-	1,773
Disposals	-	(27)	(49)	(144)	(32)	-	(252)
<b>At 31 March 2023</b>	<b>13,911</b>	<b>4,923</b>	<b>2,723</b>	<b>621</b>	<b>5,154</b>	<b>-</b>	<b>27,332</b>
<b>Net book value</b>							
<b>At 31 March 2023</b>	<b>13,358</b>	<b>1,301</b>	<b>773</b>	<b>190</b>	<b>584</b>	<b>8,858</b>	<b>25,064</b>

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

At 31 March 2022	14,441	1,595	909	187	794	5,563	23,489
<b>The net book value as at 31 March 2022 represents fixed assets used for:</b>							
Retail activities	501	79	-	15	11	0	<b>606</b>
Other commercial activities	-	3	1	2	-	-	<b>6</b>
<b>Charitable expenditure:</b>							
<b>Palaces</b>	10,725	1,033	726	101	526	8,858	<b>21,969</b>
<b>Experiences</b>							
Public access	1,862	114	26	63	42	-	<b>2,107</b>
Interpretation and learning	270	72	20	7	5	-	<b>374</b>
<b>Money – Grow our impact</b>	-	-	-	1	-	-	<b>1</b>
<b>Culture</b>	-	-	-	1	-	-	<b>1</b>
<b>At 31 March 2023</b>	<b>13,358</b>	<b>1,301</b>	<b>773</b>	<b>190</b>	<b>584</b>	<b>8,858</b>	<b>25,064</b>

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

### 14. Heritage assets (Group & Charity)

Cost and net book value	Artefacts 2023 £000	No.	Artefacts 2022 £000	No.	Artefacts 2021 £000	Artefacts 2020 £000	Artefacts 2019 £000
<b>Balance as at 1 April</b>	<b>9,601</b>	458	<b>9,173</b>	456	<b>9,156</b>	<b>8,561</b>	<b>8,155</b>
Additions, at cost	159	3	42	0	17	488	290
Transfers from assets in the course of construction	-	-	303	1	-	12	1
Disposals	-	-	-	-	-	-	(8)
Donated works, at deemed value	46	2	83	1	-	95	123
<b>Balance as at 31 March</b>	<b>9,806</b>	<b>463</b>	<b>9,601</b>	<b>458</b>	<b>9,173</b>	<b>9,156</b>	<b>8,561</b>
Made up of: <i>Interpretation and learning</i>	9,806	463	9,601	458	9,173	9,156	8,561

There was one significant addition to Heritage assets in the year.

A Tudor gold ring acquired via the Treasure Act valued at £40,000 with assistance from private donors and the ACE-V&A Purchase Grant Fund. This item has been added to the General Collection

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

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

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

- The Royal Ceremonial Dress Collection (c11,000 accessioned items), an important collection of largely British royal and court ceremonial dress, established at Kensington Palace in 1984;
- The general collection (c10,000 accessioned items), consisting of paintings, drawings, prints, furniture, sculpture, furnishing textiles, decorative arts and social history objects, chiefly displayed as part of the historic furnished interiors at the palaces;
- Architectural drawings archive (c22,000 accessioned items), containing both modern and historic drawings and copies.
- Architectural and archaeological materials salvaged or excavated from the palaces. These are primarily used as a research archive. (c10,000 accessioned items).

## Notes to the Consolidated Accounts

### for the year ended 31 March 2023

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

- c30,000 architectural drawings is an archive of historic and modern drawings detailing the architectural histories of the palaces in the late 19th and 20th centuries. The drawings are a public record and held as an Architectural Drawings Collection (ADC) under a place of deposit status at the Tower of London.

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

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

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

The priority for acquisition or long term loan of heritage assets is to enhance and explain the historic buildings of the palaces with relevant objects. Acquisitions are made by purchase or donation, taking six criteria into consideration.

- Original contents or material deriving from the existing buildings of the six palaces. Collections development
- Original contents or material deriving from parts of the palaces that are no longer extant. These items should be of significant historic or cultural value and suitable either for public display or of unique research value to the work of HRP.
- Original objects with a direct connection to members of the Royal Family or significant historic figures directly associated with the palaces. These items should be illustrative of the activities that associate the figure with an individual palace.
- Works of art, objects and documents that directly inform the re-presentation and interpretation of the palaces for visitors. These may include specially commissioned art, when rights of ownership are transferred to HRP.
- Works of art and historic objects of equivalent historic significance and appearance that can be displayed in lieu of missing or destroyed originals as part of the historic representation of the palaces.
- Replicas of missing, unavailable or destroyed original contents of the palaces where the original’s replacement is considered essential for the effective interpretation and representation of a specific palace area. Significant acquisitions require Trustee approval. The highest priority is given to items deriving from the existing buildings of the palaces. Additional criteria apply to the Royal Ceremonial Dress Collection.

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

#### **b) Heritage assets of particular importance**

The most significant heritage asset shown on the balance sheet is the van Dyck portrait of

## Notes to the Consolidated Accounts

### for the year ended 31 March 2023

Princess Mary, received as a donation from the Museums Libraries and Archives Council in 2008/09 and valued at acquisition at £1.5m.

Of particular significance is the only surviving in-situ ceiling painting by Peter Paul Rubens, at the Banqueting House, installed in 1636.

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

#### c) Management and Conservation

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

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

#### 15. Investments

HRP held £3.1m (2021/22: £4.8m) in Fixed Asset Investments as at 31<sup>st</sup> March 2023. These investments fall into three main vehicles, the movement on each is shown in the tables below:-

Bond Portfolio	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000
<b>Balance as at 1 April</b>	<b>3,681</b>	<b>3,681</b>	<b>7,353</b>	<b>7,353</b>
Effective interest earned	41	41	80	80
Interest coupons received	(101)	(101)	(160)	(160)
Bonds purchased	-	-	-	-
Bonds redeemed	(1,425)	(1,425)	(3,413)	(3,413)
Gain / (Loss) on valuation	(90)	(90)	(179)	(179)
<b>Balance as at 31 March</b>	<b>2,106</b>	<b>2,106</b>	<b>3,681</b>	<b>3,681</b>

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

Ethical Investment Fund	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

<b>Balance as at 1 April</b>	<b>423</b>	<b>423</b>	<b>390</b>	<b>390</b>
Units disposed of	-	-	-	-
Gain / (Loss) on revaluation	(21)	(21)	33	33
<b>Balance as at 31 March</b>	<b>402</b>	<b>402</b>	<b>423</b>	<b>423</b>

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

<u>Multi-Asset Investment Fund</u>	<b>Group 2023</b> £000	<b>Charity 2023</b> £000	<b>Group 2022</b> £000	<b>Charity 2022</b> £000
<b>Balance as at 1 April</b>	<b>691</b>	<b>691</b>	<b>683</b>	<b>683</b>
Units disposed of	-	-	-	-
Gain / (Loss) on revaluation	(64)	(64)	8	8
<b>Balance as at 31 March</b>	<b>627</b>	<b>627</b>	<b>691</b>	<b>691</b>

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

### 16. Debtors

	<b>Group 2023</b> £000	<b>Charity 2023</b> £000	<b>Group 2022</b> £000	<b>Charity 2022</b> £000
Trade debtors	2,482	2,211	2,137	1,501
Amounts due from subsidiary	-	3,495	-	4,528
Other debtors	2,155	2,154	937	937
Prepayments and accrued income	3,223	3,029	4,169	3,961
<b>Total</b>	<b>7,860</b>	<b>10,889</b>	<b>7,243</b>	<b>10,927</b>

All of the above debtors are due within one year.

The service charge calculation for HRPE Ltd was agreed through resolution in March 1999 and had been in use ever since. The historic calculation consists of a payroll recharge (all trading staff payroll) and a facility recharge (depreciation, accommodation, support services) of 20% of turnover.

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



## Notes to the Consolidated Accounts

### for the year ended 31 March 2023

The changes implemented from 2021/22 are as follows:

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

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

#### 17. Creditors: amounts falling due within one year

	<b>Group 2023 £000</b>	<b>Charity 2023 £000</b>	<b>Group 2022 £000</b>	<b>Charity 2022 £000</b>
Trade creditors	1,918	1,799	1,834	1,569
Taxation and social security	789	708	763	628
Other creditors	578	578	382	382
Accruals	8,688	7,867	6,150	5,744
Deferred income	8,658	7,604	6,655	5,001
<b>Total</b>	<b>20,631</b>	<b>18,556</b>	<b>15,784</b>	<b>13,324</b>

#### Deferred Income

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

	<b>Group 2023 £000</b>	<b>Charity 2023 £000</b>	<b>Group 2022 £000</b>	<b>Charity 2022 £000</b>
Balance at the beginning of the year	6,655	5,001	3,161	2,215
Amount released to income in year	(6,534)	(4,890)	(3,040)	(2,104)
Amount deferred in year	8,537	7,493	6,534	4,890
Balance at the end of the year	<b>8,658</b>	<b>7,604</b>	<b>6,655</b>	<b>5,001</b>

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

### 18. Creditors: amounts falling due after more than one year

	<b>Group 2023 £000</b>	<b>Charity 2023 £000</b>	<b>Group 2022 £000</b>	<b>Charity 2022 £000</b>
Trade creditors	10	10	4	4
Amounts drawn down on the Culture Recovery Fund Loan Facility	41,684	41,684	40,860	40,860
<b>Total</b>	<b>41,694</b>	<b>41,694</b>	<b>40,864</b>	<b>40,864</b>

In 2020/21, HRP was awarded a £40m repayable loan from the Culture Recovery Fund for Heritage jointly managed by the Arts Council England (ACE) and the National Lottery Heritage Fund (NLHF). This was part of the £1.57 billion rescue package announced by the DCMS to safeguard cultural and heritage organisations across the UK from the economic impact of COVID-19. The repayable loan is met by Government guarantee, and therefore does not require any specific HRP assets to be secured against it. The loan attracts a 2% interest rate which accrues from its March 2021 receipt. After a four-year repayment holiday, the loan must be repaid in 21 equal repayment instalments (from March 2025) over a ten-year period and by March 2035.

### 19. Provision for liabilities and charges

	<b>Group 2023 £000</b>	<b>Charity 2023 £000</b>	<b>Group 2022 £000</b>	<b>Charity 2022 £000</b>
Balance as at 1 April 2022	519	418	487	434
Amounts used in year	(104)	(3)	(69)	(16)
New provisions in year due within 1 year	435	435	101	-
New provisions in year due after 1 year	2,282	2,282	-	-
Balance as at 31 March 2023	<b>3,132</b>	<b>3,132</b>	<b>519</b>	<b>418</b>

The provision includes amounts for an onerous lease provision and pension scheme closure compensation payments.

The onerous lease provision is based on the estimated known liability for the cost of sub-let premises from which HRP currently expects to receive no economic benefits.

### 20. Financial commitments under operating leases

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

<b>Operating Lease payments due:</b>	<b>Group 2023 £000</b>	<b>Charity 2023 £000</b>	<b>Group (restated) 2022 £000</b>	<b>Charity (restated) 2022 £000</b>
< 1 year	1,027	815	1,038	828
Between 2 -5 years	3,394	3,184	3,607	3,189
> 5 years	668	668	36,519	36,519
<b>Total payable</b>	<b>5,089</b>	<b>4,667</b>	<b>41,164</b>	<b>40,536</b>

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

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In FY2022/23, the commitment >5 years is reduced as there is an intention by the Leaseholder to break the long lease in 2028. An onerous lease provision has been made in respect of the lease for the period to 2028 (refer to Note 19).

### 21. Operating lease receipts

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

Operating Lease payments due:	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000
< 1 year	100	32	100	32
Between 2 -5 years	142	34	201	25
> 5 years	-	-	-	-
<b>Total receivable</b>	<b>242</b>	<b>66</b>	<b>301</b>	<b>57</b>

### 22. Capital commitments

	Group 2023 £000	Charity 2023 £000	Group 2022 £000	Charity 2022 £000
Contracted capital commitments as at 31 March 2022, for which no provision has been made in the accounts:	1,848	1,848	2,730	2,730

Commitments include no amount (2022: nil) relating to projects that are being funded by donations from third parties.

### 23. Contingent Assets

The contingent asset of £0.8m reported in the 2021/22 report. These funds were received in the 2022/23 financial year.

### 24. Contingent liabilities

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

# Notes to the Consolidated Accounts

for the year ended 31 March 2023

## 25. The summary financial performance of the charity alone

<b>INCOME</b>	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Total 2023</b>	<b>Total 2022</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Donations and legacies:</b>				
Grants	4	1424	1428	7,994
CJRS grants	-	-	-	2,377
Donations	987	905	1892	939
Gifts in Kind	-	46	46	83
<b>Total</b>	<b>990</b>	<b>2,375</b>	<b>3366</b>	<b>11,393</b>
<b>Income from other trading activities</b>				
Functions and events	84	-	84	180
Licences, rent & recharges	2,828	-	2,828	2,606
	<b>2,912</b>	-	<b>2,912</b>	<b>2,786</b>
<b>Investments</b>	<b>1,243</b>	-	<b>1,243</b>	<b>223</b>
<b>Income from charitable activities:</b>				
Admissions	63,269	-	63,269	24,302
Memberships	4,600	-	4,600	3,244
Concessions	2,211	-	2,211	676
	<b>70,080</b>	-	<b>70,080</b>	<b>28,222</b>
<b>Other Income</b>				
Service charge to & Gift aid distributed from HRPE	17,656	-	17,656	8,800
<b>Total income</b>	<b>92,881</b>	<b>2,375</b>	<b>95,256</b>	<b>51,422</b>
<b>EXPENDITURE</b>				
<b>Costs of raising funds:</b>				
Fundraising	661	40	701	367
Retail activities	2,977	-	2,977	2,580
Investment management costs	8	-	8	23
Other commercial activities	2,011	-	2,011	1,492
	<b>5,657</b>	<b>40</b>	<b>5,697</b>	<b>4,462</b>
<b>Expenditure on charitable activities:</b>				
Palaces	22,756	92	22,848	20,342
Experiences:				
Public access	23,553	431	23,984	17,978
Interpretation and learning	14,528	2,081	16,609	10,311

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

Money Organisational Growth	- 4,856	-	4,856	3,851
Culture	1,175	2	1,177	1,010
	<b>66,868</b>	<b>2,606</b>	<b>69,474</b>	<b>53,492</b>
<b>Other</b>				
Defined Pension scheme net interest cost	(260)	-	(260)	18
CJRS grant received on behalf of the subsidiary	-	-	-	302
<b>Total Expenditure</b>	<b>72,265</b>	<b>2,646</b>	<b>74,911</b>	<b>58,274</b>
Net (losses)/gains on investments	(175)	-	(175)	(138)
<b>Net Income / (Expenditure)</b>	<b>20,441</b>	<b>(271)</b>	<b>20,170</b>	<b>(6,990)</b>
Actuarial (loss)/gain on pension plan	(2,427)	-	(2,427)	10,246
<b>Net movement in funds</b>	<b>18,014</b>	<b>(271)</b>	<b>17,743</b>	<b>3,256</b>
<b>Fund balances brought forward at 1 April</b>	43,207	6,396	49,603	40,812
<b>Fund balances carried forward at 31 March</b>	<b>61,221</b>	<b>6,125</b>	<b>67,346</b>	<b>44,068</b>

### 26. Related party transactions

This note lists material transactions with other entities in which either Trustees or senior employees of HRP or their close family members hold positions of authority. It also details all transactions with Trustees, with the exception of remuneration of Trustees which is covered in Note 10 and donations made by them, nil in 2022/23, (2021/22: £75k).

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

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

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

## Notes to the Consolidated Accounts

for the year ended 31 March 2023

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

Related party	Connected party (a)	2023 £000	2022 £000	Detail of transaction
Association des Residences Royales Europeennes (ARRE)	John Barnes (Chief Executive of HRP) is a member of ARRE on behalf of HRP	19 (nil)	6 (6)	Charges made to HRP by the Association for HRP's annual membership
The Choral Foundation, Chapel Royal, Hampton Court Palace	Jane Crowther (Director of HRP) and Nigel Walley (a senior manager of HRP) are trustees of The Choral Foundation	2 (nil)	- (nil)	Charges for choral services and recitals made by the Choral Foundation to HRP
Founders Forum LLP	Rupert Gavin (was Chair of the Trustees of HRP until Aug 2022) is on the Advisory Board	- (nil)	12 (nil)	Charges made by HRPE for Event Hire at Kensington Palace
The Foundation of the Chapels Royal of HM Tower of London	General Sir Gordon Messenger (Trustee of HRP from Aug 2022) is Chair & Andrew Jackson (Director of HRP from May 2019) is a trustee of the Foundation	6 (nil)	14 (nil)	Charges made by the Foundation to HRP for choral services at HM Tower of London
Historic Royal Palaces Inc. (HRP Inc.) <sup>(b)</sup>	John Barnes (Chief Executive of HRP is President of HRP Inc.), Antonia Newman (Director of HRP) and Dan Lill (a senior manager of HRP) are respectively director and treasurer of HRP Inc.	49 (nil)	50 (nil)	Grants received by HRP from HRP Inc. for Kensington Palace Projects, Crown to Couture, Orangery & sunken garden conservation
		1 (nil)	365 (nil)	Grants received by HRP from HRP Inc. for Tower of London projects
		109 (nil)	- (nil)	Grants received by HRP from HRP Inc. for general purposes
Purcell UK (trading name of Purcell Miller Tritton LLP)	Jane Kennedy OBE (was Trustee of HRP until May 21) is a senior partner of Purcell UK	- (nil)	80 (nil)	Charges made by Purcell to HRP for architectural services at Kensington Palace Orangery
Royal Armouries (RA)	Lord Houghton (was a Trustee of HRP from August 2016 until July 2022) is a trustee of RA	367 (327)	103 (40)	Charges made by RA to HRP & HRPE for goods and services provided at HM Tower of London
	General Sir Gordon Messenger (Trustee of HRP from Aug 2022) is a trustee of RA	9 (2)	3 (3)	Recovery of costs from RA for goods, services and maintenance provided by HRP at HM Tower of London

## Notes to the Consolidated Accounts

### for the year ended 31 March 2023

Royal Household (RH)	Sir Michael Stevens KVCO (Trustee of HRP) is Keeper of the Privy Purse and Receiver General of the Duchy of Lancaster	76 (4)	159 (4)	Charges made by RH to HRP for rent and services provided at Kensington Palace & vetting clearance costs
		3 (nil)	51 (48)	Charges made by HRP and HRPE to RH for share of staff costs and grazing licence
Royal Collection Trust (RCT), and Royal Collection Enterprises Limited (RCEL), which is a wholly owned subsidiary of RCT	Sir Michael Stevens KVCO (Trustee of HRP) is Keeper of the Privy Purse and a Trustee of RCT	33 (nil)	49 (nil)	Charges made by RCEL to HRP and HRPE for the right to produce images of Royal Collection items and for the purchase of goods for resale.
	Tim Knox (Trustee of HRP) is a Director of RCEL and Director of the Royal Collection at RCT	26 (nil)	32 (5)	Recovery by RCT from HRP of a proportion of the costs of maintaining and recording Royal Collection and other items displayed in the palaces, and from HRPE for the purchase of goods for resale
Todd Longstaffe-Gowan Ltd	Tim Knox (Trustee of HRP) is a director at Todd Longstaffe-Gowan Ltd	9 (1)	5 (nil)	Charges made by Todd Longstaffe-Gowan Ltd to HRP for garden design

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

## 27. Financial instruments

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

### Liquidity and Credit Risk

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

HRPE Ltd had a bank overdraft facility for £0.5m until 5<sup>th</sup> September 2022.

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

HRP is exposed to a credit risk of £2.5m trade debtors (2021/22: £2.1m). The risk is not

considered significant since major customers are known to HRP or are required to pay for services in advance and provisions against bad debts are minimal.

#### Market risk

HRP is subject to market risk in that the defined benefit pension fund holds investments. Plans are in place to fund the past service deficit, as detailed in Note 12.

HRP is subject to credit and market risk in its investment portfolio (note 15). These risks are mitigated by investing only in investment grade bonds and by using a professional investment manager.

HRP is not subject to any significant foreign currency risk.

### **28. Post balance sheet events**

There have been no significant events after 31 March 2023 that require adjustment to, or disclosure in the financial statements.

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



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