



**HISTORIC ROYAL PALACES**

**Trustees' Report**

**and**

**Financial Statements**

**As at 31 March 2021**

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## **Administrative Details**

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### ***Trustees***

Rupert Gavin (Chairman)  
Zeinab Badawi  
Baron Houghton of Richmond in the County of North Yorkshire (Lord Houghton)  
Sarah Jenkins  
Jane Kennedy OBE  
Tim Knox FSA  
Carole Souter CBE  
Sir Michael Stevens KCVO (Deputy Chairman from 20 May 2020)  
Robert Swannell CBE  
Dr Jo Twist OBE  
Sue Wilkinson OBE  
Professor Michael Wood OBE

### ***Executive Board***

John Barnes (Chief Executive and Accounting Officer)  
Nicola Andrews (Palaces Group Director)  
Jane Crowther (Human Resources Director)  
Gina George (Retail and Catering Director until 3 November 2020)  
Sue Hall (Finance Director)  
Andrew Jackson (Tower of London Director)  
Tom O’Leary (Public Engagement Director)  
Adrian Phillips (Palaces and Collections Director)  
Dan Wolfe (Communications and Development Director until 3 November 2020.  
Commercial Director from 4 November 2020)

### ***Registered Office***

Hampton Court Palace  
Surrey KT8 9AU

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

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

### ***Bankers***

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

### ***Solicitors***

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

### ***Historic Royal Palaces***

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

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

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

## Objectives and Activities

### The Purpose and Activities of the Organisation

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

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

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

Further information can be obtained from [www.hrp.org.uk](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.
- c) **Provocative** - We embrace perspectives as diverse as the world itself, challenge preconceptions, set minds racing, and invite others to share their own opinions and stories.
- d) **Personal** - We warmly welcome everyone as individuals, whatever they come for and however they meet us. We want every encounter to go above and beyond.
- e) **Always Evolving** - We innovate and experiment, responding to the everchanging world with fresh thinking and the courage to try new things.

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

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

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

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

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

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

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

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

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

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

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

Our reserves have been significantly depleted due to the impact of closures required by the Government in response to the pandemic, and the charity has had to take on Government-backed debt to ensure its viability. The first step in our recovery will be to reach operating breakeven, then to rebuild to pre-pandemic levels of income and create surpluses once again. This Strategic Aim will require rigour about costs, and creativity to generate income. This is the objective shared by everyone in HRP – staff and trustees alike.

### Achievements and Performance

The last twelve months have been the most challenging that Historic Royal Palaces has faced since its creation as a charitable body in 1998. COVID-19 put almost all plans on hold as the palaces remained closed with no trading for much of the year, resulting in the postponement of several large-scale exhibitions. Events much-loved by the public were affected due to Government restrictions put in place.

Lack of funds through repeated closures throughout 2020-21 and the damaging reduction in international visitors for the foreseeable future meant HRP was left with no choice but to take drastic actions to ensure survival. Our cash balances were used to fund immediate losses, and the Government's CJRS (Coronavirus Job Retention Scheme) was utilised with the majority of Historic Royal Palaces' staff furloughed during this time.

We began the financial year 2020/21 with £28.6m in free reserves and restricted funds (excluding donated assets). However, as our opportunity to earn income from regular trading activities diminished, income for the year dropped to £12.1m, a reduction of 89% against budget. This necessitated urgent action to reduce the size of the charity, resulting in 284 staff redundancies and to put a stop to all but essential expenditure. As a result, total expenditure reduced to £53.6m, 47% down on the previous year. Much-needed financial support came from CJRS funding of £14.2m and other emergency grants, including from the Culture Recovery Fund (CRF), of £6.3m.

Overall, after these actions, our operating losses were £20.9m and our total deficit for the year was £20m - after taking into account net gains on investments and on the defined benefit pension plan actuarial valuation. We were left with £8.1m in free reserves and restricted funds (excluding donated assets).

The extended closures put extraordinary pressure on our liquidity, with cash balances reduced to £4.0m by the beginning of March. Thankfully later in that month, we were supported by a £40m repayable finance loan from the CRF to stabilise our finances and ensure our continued viability. This was added to our cash balances to fund our anticipated losses for 21/22 and into 22/23 as well.

The term of the CRF loan was that it had to be drawn down in one complete transaction, it is for 14 years and repayments will begin in 2025. Interest is accrued at 2% from the date of drawdown. HRP aims to reach operating break-even during 2022-23, with eventual recovery by 2025, although there remain external risks associated with the Covid-19 pandemic which create uncertainty about these dates and the speed of recovery.

### Performance Overview

Our three-year Operating Plan was adapted to reflect the impact of 2020-21, however the performance targets to measure our success in achieving our objectives remain. We monitor visit numbers, visitor satisfaction and operating surplus.

## Trustees' Report

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Measure	Target 2020/21	Performance
Visit Numbers	Achieve at least 591k (*) visits across all sites	334k
Visitor Satisfaction	Achieve the following scores, as measured through the ALVA benchmarking (new scale: 1 to 10): Enjoyment – 8.3 Value for Money – 8.0 Staff Friendliness & Welcome – 8.8	8.7 8.4 9.2
Operating Surplus (**)	Keep the operating deficit to no more than (£24.8m)	(£17.1m) deficit

(\*) based on sustained reopening from summer 2020, onwards

(\*\*) this is an internal measure aligned with HRP's management accounts.

Within each of the strategic aims are various three-year priorities to drive value and ensure we deliver our aims, which have been adapted to reflect the effects of COVID-19 on HRP:

### Palaces

1. Adopt new approaches to maintaining and conserving our palaces and collections
2. Focus our research outputs on overlooked history
3. Accelerate our environmental sustainability actions, and progress towards net zero greenhouse gas emissions by 2050

### Experiences

1. Deliver special moments and new approaches to public programming at scale, that drive recovery
2. Introduce diverse narratives and perspectives into our public content
3. Develop a digital engagement programme and deliver greater reach online and offsite
4. Deliver seamless visitor journeys

### Culture

1. Embed the Performance Framework behaviours to align staff with our new operating challenges and ways of working
2. Secure the benefits from the restructure
3. Become a more diverse and inclusive organisation
4. Involve staff in the conversations about HRP through new forums and mechanisms
5. Roll out the external expression of the cause and the new visual identity

### Money

1. Use the Culture Recovery Fund loan to manage losses and make targeted investments until breakeven in 2022
2. Optimise the income generated by each Palace
3. Develop offsite and online commercial opportunities to become a major new source of income
4. Increase fundraising revenue by implementing a new development strategy
5. Develop a technology programme and deliver our next technology needs

## Performance Analysis

During 2020/21 we have been focused on sustaining the organisation and performance has largely been measured against our emergency budgets. There has been little activity whilst the palaces were closed.

We have designed a series of reports and charts that will show our progress to breakeven and against our deficit. These will be shared across the organisation to enable all staff to track and play their part in our recovery.

We have agreed three key objectives for 2021/22, which are shared by all staff across HRP. These are:

- 1) Deliver our cause to stir every spirit
- 2) Achieve break-even during 22/23
- 3) Change our ways of working and behaviours to be:
  - Prudent and realistic with our resources and finances
  - Creative and innovative with what we do have
  - Agile and flexible when constantly changing circumstances require it
  - Embrace fresh perspectives and create a culture where everyone feels welcomed and accepted

Departmental data and performance monitoring continue within flash reports, performance reviews, management accounts and KPIs.

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

All but essential conservation projects ceased in year, however a welcome grant from the Heritage Stimulus meant a number of conservation works could begin/resume.

Chimney restoration began at Hampton Court Palace following high winds that rendered these unsafe.

Conservation work began on the Tijou screens at Hampton Court Palace, and work was carried out on the Wakefield Tower Walkway at the Tower of London before the site reopened in summer. Extensive conservation repair works both inside and externally on The Orangery at Kensington Palace stopped during the first lockdown – the grant has enabled essential work to resume and the Grinling Gibbons carvings were reinstalled in February – in Kensington Palace's 300<sup>th</sup> anniversary year.

The total spend of £16.6m on this aim in 2020/21 Statement of Financial Activities (SOFA) represents a decrease of 47% from the previous year.

The Tower of London became the oldest UK building to install a Changing Places facility, increasing accessibility and opening up the venue as a potential destination for thousands more visitors. The new facility includes a height-adjustable adult-sized changing bench and wash basin, ceiling hoist, non-slip floor and peninsular toilet with drop-down handles.

2020 marked the 500<sup>th</sup> anniversary of the Tower of London's Chapel Royal of St Peter ad Vincula. 500 years after its dedication and in the care of resident Chaplain the Reverend Canon Roger Hall MBE, the Chapel continues its role as the spiritual heart of the Tower of London: a lasting legacy of 1,200 years of Christian worship in the City of London.



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

Almost all planned onsite experiences were postponed, including exhibitions such as Court to Couture (from 2021 to 2023) and Life Through a Royal Lens (from 2020 to 2022) at Kensington Palace, and Gold and Glory (from 2020 to 2021) at Hampton Court Palace. The RHS Hampton, our Palace Garden Festival, was cancelled in 2020, as was the Hampton Court Palace Music Festival. The Hampton Court Palace Ice Rink opened as planned in November 2020 and proved more popular than ever, however was forced to close after a short period of time due to a tier change as COVID-19 cases began to increase in the local area.

As reopening began following each lockdown, an impressive outdoor offering was developed at Hampton Court Palace and Hillsborough Castle & Gardens, proving popular with local visitors. Christmas trails took place at both sites until coronavirus restrictions resulted in early closures.

In late 2019, HRP acquired the midnight blue velvet gown worn by Princess Diana at the White House in 1985 when famously she danced with John Travolta. Kensington Palace reopened in July 2020 with this famous piece of fashion history on display, generating much public interest. In addition to the White House dinner hosted by President Reagan, the dress was worn by the Princess for official visits to Austria in 1986 and Germany in 1987, to attend the London premiere of the film Wall Street in 1988, and to sit for an official portrait by the artist Israel Zohar.

Despite restrictions, a number of live programming events were able to take place by adapting to the current climate. The Historic Kitchens team modified their offering to undertake cooking demonstrations outdoors in the warmer weather, and a Tudor Summer School featured at Hampton Court Palace with three performances taking place outdoors each day during August, taking children through a whistle-stop journey of Tudor history.

Colleagues at the Tower of London and Curators at Historic Royal Palaces excelled in their social media offerings during the periods of closure. In April, Joint Chief Curator Lucy Worsley participated in several live Q&A sessions through Facebook, giving members of the public the opportunity to ask those burning history questions. In May, Yeoman Warder Scott Kelly conducted a virtual tour of the Tower, creating HRP's most successful Facebook event ever with more than 10,000 views. Lucy, with assistance from other Curators and colleagues and hosted by Historic Royal Palaces, also conducted regular live history talks throughout 2020-21, with between 2,000 and 3,000 friends and supporters online for these presentations.

Leading digital education platform FutureLearn compiled a list of top 10 courses for 2020 and awarded the number one spot to Historic Royal Palaces, in partnership with University of Glasgow, for our 'A History of Royal Fashion' course (MOOC). The five-week course provides an insight into the wardrobes of British kings and queens spanning five royal dynasties and has so far received 592 reviews with an audience rating of 4.9 out of 5 stars and more than 55,000 learners enrolled. Due to its success, this course has run five times already since its launch.

The interiors of the palaces were closed during Black History Month in October, but HRP's social media offering was extensive with website articles from Luke Pepera (writer, broadcaster, historian and anthropologist) on the story of an African king and a European king during the 16<sup>th</sup> century, and Michael Ohajuru (art historian), on the Black presence at the Tudor court. An interview with Zeinab Badawi (journalist and

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HRP Trustee) featured on HRP's Twitter, discussing uncovering obscured Black British history. HRP's website also included a podcast with Miranda Kaufmann (historian) and Michael Ohajuru discussing Black Tudors in England during the 16<sup>th</sup> century. October also included the launch of a page within HRP's website on John Blanke, a black musician at the Tudor court.

HRP's television presence continued during 2020-21, with series 3 of 'Inside the Tower' airing on Channel 5 in October and November. Filmed during the pandemic when the Tower of London was closed, this series focused on the work of the Yeoman Body and the daily tasks and ceremonies undertaken to maintain the Tower's culture and history. This provided viewers with the opportunity to enjoy the site when it wasn't possible to do so in person, and generated interest for those who haven't yet visited or wish to return upon reopening – much needed as HRP's interim focus will be domestic visitors. The series also captured the moment visitors returned in the Summer following the UK's first lockdown.

Channel 5 also aired a one-off 'Christmas at Hampton Court' special, with Joint Chief Curator Tracy Borman exploring royal Christmas gifts of the past and how Hampton Court Palace still celebrates today. 1.7million viewers tuned in to enjoy this festive programme featuring a number of HRP colleagues and outlining the extensive work involved in preparing the palace for the Christmas displays enjoyed by so many visitors each year.

Lucy Worsley took BBC Four viewers behind closed doors at Kensington Palace, the Tower of London and Hampton Court Palace to share how each building has shaped a monarchy and a nation, uncovering the dramatic events that changed the course of British history. 'Royal Secret Palaces' aired in January 2021 and is regularly repeated on BBC Four, and is also streaming on iTunes and Amazon through PBS Living.

The total spend of £26.2m on this aim in 2020/21 Statement of Financial Activities (SOFA) represents a decrease of 39% from the previous year.

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

As a result of the losses, changes to allowances and working practises in response to the pandemic, HRP needed to restructure and adapt to being a smaller organisation. The Retail & Catering and Communications & Development departments merged to become a Commercial department, and many areas, both front of house and support staff, were streamlined as HRP adapted to the impact of the pandemic. This has been a challenging and emotional year for all staff within HRP, and it will take some time to adjust to new ways of working as colleagues slowly return from furlough.

To support our new Cause, we launched a new Performance Framework guiding our staff through the behaviours/performance required to 'live the Cause'.

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

#### **Fundraising**

Fundraising performed strongly during the year. We are grateful to members, patrons, donors and corporate supporters who continued or increased their support for our Cause, and to those individuals and trusts that responded to our appeals.

## Trustees' Report

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Major grants to support ongoing care of the palaces and reopening costs were received from the National Lottery Fund Heritage Emergency programme for Kensington Palace and Hillsborough Castle and Gardens, and the from the Heritage Recovery Fund Northern Ireland for Hillsborough.

The Clore Duffield Foundation generously awarded a grant of £200k to support the costs of making our Clore Learning Centres at Hampton Court, Kensington and Hillsborough COVID Safe and creating new digital resources for teachers and students. A grant of £3million from the Heritage Stimulus Fund enabled the restarting of delayed works across our estate. This was most crucial at the Kensington Palace Orangery, and the grant ensured works were complete in time for us to install a new exhibition, opening in May.

In December, we were awarded repayable finance of £40million from the Culture Recovery Fund, administered by Arts Council England. This loan is crucial to our ongoing survival and provides confidence about our ability to operate successfully next year.

During the lockdowns, online fundraising events took the stories and drama of the palaces to our international audiences and raised new funds for the charity.

Co-Chief Curator Lucy Worsley hosted a series of online talks with expert colleagues and outside experts on topics ranging from prisoners in the Tower to Royal fashion. In December, we were pleased to collaborate with HM Chapels Royal at the Tower and Hampton Court to produce a digital Nine Lessons and Carols, with donations split between the three causes. This reached more than 29,000 people over the Christmas period.

### **Retail**

December 2020 saw the best ever Christmas for the eCommerce team, with performance up 36% on the year before.

A new product was also developed and launched: a Hillsborough Castle Edition Shortcross Gin, featuring rose petals from the Queen's Granville Rose Garden and apples and pears from the Walled Garden at Hillsborough Castle. The launch was a success and the product sold out within just a few weeks.

### **Functions and Events**

The Functions and Events area of Historic Royal Palaces was drastically affected by the pandemic, resulting in many weddings and events being cancelled or postponed. Socially distanced weddings did take place during the summer, and many bookings have rescheduled for 2021-22.

The first ever entirely virtual event for a corporate client took place in January – a trend that may continue.

## Financial Review

### Funds and reserves

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

Prior to the pandemic, we had built designated funds of £22.4m for this purpose but, due to the sudden and devastating impact of COVID-19, Trustees agreed at the end of 2019/20 to transfer all designated funds to free reserves to meet operating commitments during 2020/21. As uncertainties remain over the coming months, the same approach has been adopted for 2021/22.

At the beginning of 2020/21, we had £27.4m total free reserves available, but after an unprecedented year, the Group was left with only £5.2m in general free reserves.

	<b>Funds as at 31 March 2021 £000</b>	Funds as at 1 April 2020 £000
General (Free) reserves	5,163	27,405
Designated funds	-	-
Fixed assets	29,116	28,448
Pension plan	<u>(829)</u>	<u>(686)</u>
<b><u>Unrestricted funds</u></b>	<b>33,450</b>	55,167
<b><u>Restricted funds</u></b>	<b><u>7,417</u></b>	<b><u>5,667</u></b>
<b>Total funds</b>	<b>40,867</b>	60,834

### Restricted funds (£7.4m)

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

### Unrestricted funds (£33.5)

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

- **Free reserves (£5.2m)**  
£22.2m was used in year to sustain the group whilst COVID-19 unfolded and to support its recovery. We normally designate funds from our general funds

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towards our 'big moments' and major projects. In the short-term, these funds will continue to be allocated to meeting the day to day operations of HRP.

- **Fixed asset fund (£29.1m)**

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

- **Pension plan (£0.8m deficit)**

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

The pension liability recorded in the Consolidated and Charity Balance Sheet is calculated annually for accounting purposes under FRS102. As at 31 March 2021, it is £0.8m (March 2019: £0.7m). Details of the retirement benefit scheme are disclosed in the Notes to the accounts.

The defined benefit pension scheme is also valued for funding purposes by an actuary in a more detailed assessment, every three years. The last triennial valuation was done as at 31 March 2018 and showed a deficit of £1,903k. An updated triennial valuation is underway and will be available in Autumn 2021.

HRP, as employer, agreed with the trustees of the scheme that it will pay, from 1 April 2019, annual contributions of £31k over a period of three years and one month, increasing at 3% per annum. The additional contributions were agreed in the expectation that the funding deficit would be eliminated by April 2022 through return on existing assets and new contributions.

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

### The Statement Of Financial Activities

The Covid-19 pandemic has had a significant impact on our activity and performance in 2020/21. Total visits to our palaces were 334k, a 93% reduction from 2019/20, all driven by extensive closures of palaces, gardens, shops, and functions spaces during the three national lockdowns and social distancing measures reducing our ability to open at full capacity.

The most significant declines to our income were visitor-facing activities, admissions to our sites (-94%), shop sales (-88%), functions & events (-96%) and catering concessions (-97%), but this also impacted income from other sources such as licences, rents and investments.

Income losses were partially offset by external support from Government, with £14.2m from the CJRS grant and £5.3m in various grants from other Governmental bodies. As a result, overall turnover shrunk by £69.1m (-68%) down to £32.7m.

## Trustees' Report

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Cost reduction measures helped reduced total expenditure by £48.0m year-on-year (-47%). These included immediate actions to control costs across the estate, halting projects and discretionary spend. As the largest expenditure area for the group is payroll, we also offered a voluntary redundancy programme in the summer followed by a compulsory programme at a cost of £5.2m, once we had redesigned the organisation to reflect the changes in our activities going forward.

Despite the significant cost saving measures put in place, the loss of 89% of our traditional income compared to budget resulted in a net deficit of £20.0m for the year.

### **The Balance Sheet**

Overall total funds over the year have decreased by £20m.

Fixed assets reduced by £5m to £42m, primarily driven by disinvestments in financial assets. Several tranches of the multi-asset portfolios were sold in-year and bonds from the portfolio were released at maturity to support HRP throughout the pandemic.

The £40m increase in long-term creditors is explained by the receipt of the £40m repayable loan from the Culture Recovery Fund in early March 2021. Whilst interest accrues from receipt of the loan, repayment of the capital and associated accrued interest will need to be completed within 10 years from March 2025.

Net current assets increased by £24m year on year. This was primarily fuelled by the cash injection from the loan and a reduction in creditor balances from lower activity.

The Group's cash flows were atypical in 2020/21 as they did not follow the traditional pattern of strong cash inflows in the spring and summer months and greater outflows in the winter (when this cash is directed to conservation projects).

Instead the organisation experienced continuous monthly net operating cash outflow with peak cash deficit in lockdown periods and when redundancy payments were paid.

### **Finance & Investment policy**

The Trustees continued to adhere to the investment policy over the period. However, COVID-19 and subsequent palaces' closures have severely impacted HRP's cashflows. Consequently, the sale of investments became necessary over the year. The receipt of the CRF loan in March 2021, in a global context still uncertain, resulted in a re-balancing of investments (term and risk).

In 2020/21, the Finance & Investment Committee agreed to release bonds as they mature and no longer invest in new bonds. The bond portfolio investment returned +3.75% against -0.28% in 2019/20 (restated for error found in prior year calculation), which is higher than its benchmark return. Since inception in January 2014, the portfolio has returned an annualised +1.68% (+1.34% in 2019/20), lower than its benchmark of +1.82%.

Despite the COVID-19 crisis, financial markets bounced back quickly following its collapse in the first half of 2020. The multi-asset portfolios performed well in comparison to the market and their respective benchmarks, with a combined annualised return of 1.74% interest/dividend income return (1.67% restated in 2019/20) and a combined revaluation of 21.65% at 31 March 2021 (-1.90% as at 31

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March 2020). Nevertheless, to provide liquidity and reduce risk in HRP's overall investments portfolio, it was necessary to disinvest some of the assets over the period. This was done in four tranches over a phased period to spread risk.

HRP's investment policy is currently as follows:

### **Investment objectives**

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

### **Risk mitigation**

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

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

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

### **Ethical Investment**

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

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

Like many other organisations since March 2020, HRP faced unprecedented uncertainty about its future due to the unfolding of COVID-19.

Short and long-term measures were taken during the year to face the financial consequences of extended lockdown periods when our palaces were closed and almost no income was generated. The organisation implemented significant reductions in payroll through pay cuts and redundancies. We also welcomed the support provided by trusts & foundations, Government bodies, local authorities and members of the public.

Trustees recognise the ongoing external risks and uncertainty associated with Covid-19, in particular over the impact of further restrictions and the return of foreign visitors.

However, the Board of trustees take comfort in the Government's 're-opening roadmap', the economic outlook & recovery trends and a successful vaccination rollout.

## Trustees' Report

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The various funding streams (grants and £40m CRF repayable finance loan) from Government bodies together with the ongoing generosity of our members and supporters provide another layer of certainty to cement our recovery for the foreseeable future.

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

For HRPE Ltd, the directors acknowledge that there remains a material uncertainty that may cast significant doubt on that entity's ability to continue as a going concern. Further details are provided in Note 1 (q).

## Report of the People (formally Remuneration) Committee

### Membership

The Board resolved on 13 January 2021 to rename the Remuneration committee as the People Committee, broadening its remit to include other issues involving HRP's people.

The membership in 2020/21 consisted of four Trustees. General the Lord Houghton of Richmond GCB CBE (Chairman of the Committee), Rupert Gavin, Sue Wilkinson and Tim Knox served on the committee throughout the year.

### Policy statement

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

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

### Review of activity during the year

The Remuneration Committee (People Committee) only met once in May 2020 due to the Covid pandemic. It was agreed that the Executive Board would only have one common objective: *"To take such measures as will ensure the survival of HRP and put it on a secure footing so that it can continue to meet its charitable obligations."*

Note that the bonus for 2019-20 was not paid even though the organisational and individual targets were met in full. The Committee agreed that under normal circumstances the bonus would have been paid.

No further meetings/actions were carried out by the Remuneration Committee (People Committee) in 2020/2021.



## Trustees' Report

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

### **Equal opportunities policies**

HRP is committed to a policy of equality of opportunity in all areas of employment, including recruitment, training, performance management and promotion. To encourage diversity in the workplace, formal policies on equal opportunities, disability and harassment have been developed and communicated to all staff.

To support HRP to become a more diverse and inclusive organisation and to create an environment for staff where everyone feels included, valued and respected, a staff listening exercise will be undertaken to:

- Understand the current challenges and barriers to achieving this.
- Develop an action plan to ensure momentum and so that progress can be measured.
- The review will take place between April – August 2021, with the action plan agreed and implemented from September 2021.

### **Consultation with, and provision of information to, employees**

The Trustees and Directors encourage widespread consultation and exchange of information at all levels of the organisation using a range of different communication mechanisms.

A large proportion of our staff have worked from home since March 2020 and have had to adapt to new technology and ways of working. We set up a regular rhythm of internal communication to ensure that staff were aware of what was going on. During 2020-21 we also set up employee representatives and ran a collective consultation as part of our restructuring.

### **Trade Union relationships**

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

### **Exit Packages**

A total of 235 people exited via a Voluntary Redundancy scheme at the cost of £5,005,397 and 49 staff exited via Compulsory Redundancy at a cost of £143,801. Outside of the redundancy programme, four other exit packages (£50,487) were agreed during the year to March 2021. The total costs of payments made were £5,199,685.

Rupert Gavin  
Chairman of the Board of Trustees  
27 October 2021

Hampton Court Palace  
Surrey  
KT8 9AU

### Governance Statement

#### HRP's response to COVID-19 pandemic

Throughout 2020/21, HRP has responded quickly to Government advice and regulations affecting our sites and staff and has ensured that we take full advantage of the various support measures offered by the Government.

With the palaces and gardens being closed for long stretches of the year, the majority of staff have remained on either full or partial-furlough, enabling HRP to continue receiving much-needed income from the Coronavirus Job Retention Scheme. As restrictions were implemented and lifted multiple times during the year, HRP have aimed to use furlough as effectively as possible, keeping essential staff at work and bringing back further staff as required, to continue delivering upon our aims both on and offsite to the extent that the situation has allowed. Essential staff have been enabled to work from home wherever possible, and processes have been set up to record and control staff access to sites.

Our financial modelling in Spring/Summer 2020 made clear that HRP could not continue at the same size as prior to the pandemic. The Executive, with support from Trustees, created a plan for restructure of the charity's activities and staff which would reflect our expected financial situation while still allowing for future ambitions to be realised. Staff were consulted on this restructure through an Employee Forum programme from September to November 2020. This forum brought together staff representatives from all teams, Union representatives, and the Executive to ensure that opinions were discussed, concerns were heard, and all avenues to improve outcomes for staff were fully explored. The restructure was completed by Spring 2021.

HRP was successful in both of its applications to the Government's Culture Recovery Fund. Our receipt of a £3m grant for conservation projects has enabled us to continue through the year with our vital work in caring for the palaces. The subsequent confirmation of a £40m loan from the Government's Culture Recovery Fund has enabled us to be confident in moving forward in planning for the future with the restructured organisation.

Trustees have continued to meet virtually throughout the pandemic, on a more frequent monthly schedule for much of the year in order to enable timely guidance and decision-making. Trustees also attended regular sub-committees, as well as the various sub-groups formed as a result of the COVID-19 pandemic. In January 2021, Trustees approved a series of amendments to HRP Governance arrangements designed to reflect both industry best practice, and the changing requirements of a smaller, and restructured organisation.

### Structure and Governance Framework

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

## Trustees' Report

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

HRP complies with aspects of the UK Corporate Governance Code that are relevant to us as a Public Corporation and a Charity. The Charity's governance is broadly aligned with the Charity Governance Code endorsed by the Charity Commission. HRP is also subject to the Freedom of Information Act and Environmental Information Regulations.

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

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

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

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

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

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

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

In January 2021, the Board approved a number of changes to HRP governance arrangements to improve board effectiveness and reflect the smaller scale of the organisation. This included reducing the number of Trustees meetings to better reflect industry standards and renaming and expanding remits for some sub-committees to reduce administrative burden on the Executive. The Board also approved an extension to the normal length of Trustee terms, from three years to four years, which will require an

## Trustees' Report

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amendment to HRP's Royal Charter before coming into effect, approval for which will be sought in the coming year.

There are four sub-committees of the Board:

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

Oversight of financial and investment activities is provided by the Investment Committee, (going forward to be called the Finance & Investment Committee), whose remit includes reviewing the balance of risk/return, the impact of external factors, and HRP's use of the long-term borrowing facility. During the year, the committee comprised the following Trustees: Rupert Gavin (Chairman), Sir Michael Stevens and two members of the Executive Board: John Barnes and Sue Hall. William Fall is a co-opted member of the committee.

Remuneration policy for the Chief Executive and Directors of HRP is agreed by the Remuneration Committee, (going forward to be called the People Committee), which in the future will also oversee and advise on issues concerning HRP's human resource. Lord Houghton chaired the committee until the end of the 2020/21 financial year; Sarah Jenkins took over as Chair. Other Trustees who served on the committee during the year were Rupert Gavin, Tim Knox and Sue Wilkinson. The Chief Executive and the HR Director attend by invitation.

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

The Board agrees the terms of reference for each committee.

The work of the Board is further supported by the Campaign Board, which brings specialist expertise on fundraising to HRP. Robert Swannell chairs this Board as Chairman of the Trustees, Rupert Gavin was invited to attend the Board during the year, joining external Campaign Board members with expertise in this area.

Further Trustee input to HRP's work comes through advisory/working groups, set up as and when required, where Trustees work with members of the Executive Team to advise on particular areas such as major projects. An Inclusivity Working Group was set up in January 2021, to maintain oversight and ensure a sustained development of HRP's actions and ambitions in this area. Other working groups include the Research Strategy Board, and the Technology & Digital Working Group.

The Trustees' and Directors' register of interests and their biographical details are available for inspection on application to the Head of Governance, Risk & Assurance Apartment 39, Hampton Court Palace, Surrey KT8 9AU. Day to day management of HRP is carried out by an Executive Board. The Executive Board is Chaired by the Chief Executive and comprises Directors of Palaces & Collections, Finance, Palaces Group, Tower, Commercial, Public Engagement and HR.

## Trustees' Report

### Governance Effectiveness

The effectiveness of the Board of Trustees and its Committees is usually reviewed by the Chairman in consultation with Trustees each year, with periodic external reviews. The Chairman undertook a Board effectiveness review in Spring 2021, the results of which fed into the changes in governance arrangements which took effect at the start of the 21/22 financial year.

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

Attendance at Board and Committee meetings is monitored and discussed with each Trustee as part of each Board Effectiveness Review. Attendance at the full Trustee Board meetings over the year was 94% (19/20: 87%), Audit & Risk Committee 100% (19/20: 92%), Investment Committee 100% (19/20: 100%), Remuneration Committee 100% (2020: 92%) and Nominations & Governance Committee 100% (19/20: 88%).

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

	Board	Audit & Risk Committee	Finance & Investment Committee	Remuneration Committee	Nominations & Governance Committee
Rupert Gavin	9/9		3/3	1/1	2/2
Zeinab Badawi	9/9				2/2
General Sir Nicholas Houghton	8/9			1/1	2/2
Sarah Jenkins	7/9				
Jane Kennedy	9/9				
Tim Knox	9/9			1/1	
Carole Souter	9/9	5/5			
Sir Michael Stevens	9/9	5/5	3/3		2/2
Robert Swannell	9/9	5/5			
Jo Twist	8/9				
Sue Wilkinson	8/9			1/1	
Michael Wood	7/9				

William Fall <small>(note 1)</small>			3/3		
Ian Starkey <small>(note 2)</small>		5/5			

*Note 1: William Fall is a co-opted member of the Finance & Investment Committee*

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

### Highlights of Board Committee Reports

The Trustee Board historically meet seven times a year. This year, the Board met nine times, including regular meetings throughout the summer due to the need for timely guidance and decision-making at this time.

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

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

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

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

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

During the year, the Board monitored and considered the progress of the organisation through strategic updates on the palaces (including conservation progress and major projects), experiences (including reopening the palaces to visitors when permitted, and future Public Engagement plans), culture (including the restructuring process) and money (including fundraising and applications to the government's Culture Recovery Fund). The Board also reviewed HRP's governance arrangements and approved various amendments.

Audit & Risk Committee agendas are similarly structured, considering matters of risk management, the external audit and internal audit plans and progress. Progress with all major projects is reported at each meeting using red/amber/green indicators to highlight the status of each project. The committee met five times in the year to end of March 2021.

The Finance and Investment Committee met three times in the year. The committee reviewed HRP's current and projected cash balances, the allocation between asset types and term deposits, the spread of counterparties, the rates of return and the retention levels for instant access. As a result of the financial pressures brought about by COVID-19 pandemic, the committee also discussed how best to deploy existing reserves, and how to utilise potential borrowing facilities including the government's Culture Recovery Fund.

The Nominations and Governance committee provides guidance on Trustee appointment requirements, and other governance arrangements. This year the committee met twice -

## Trustees' Report

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once to consider an upcoming Trustee vacancy (due in May 2021), and once to consider amendments to HRP governance arrangements put forward by the Chairman. The Remuneration Committee met once during the year, to discuss staff and Executive Board bonus arrangements for the previous financial year, and to set bonus targets for the following year. It was agreed that no bonus for the 19/20 financial year would be paid. No bonuses have been approved for 20/21.

## Risk Management Statement

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

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

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

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

Strategic leadership of the risk management process comes from the Executive Board, and the Trustees and CEO/ Accounting Officer oversee the process. The CEO reports annually to the Board on the effectiveness of the internal control system established to ensure that the aims, objectives and key performance targets of HRP are achieved in the most economic and effective manner. Directors, managers and staff are responsible for identifying, assessing and managing the corporate and operational risks in their areas. The Audit & Risk Department is responsible for providing advice and assurance on the adequacy and effectiveness of HRP's risk management process. Resources in the team were much reduced in 2020/21.

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

- Risk and control monitoring at the first line of defence (front line operations) occurs throughout HRP and is recorded via risk registers and detailed management

## Trustees' Report

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information. The project management framework and project governance structure include detailed guidance to ensure that risk is a fundamental part of each project from start to finish.

- The second line of defence is formed of a corporate risk register which is reviewed at least quarterly by the Executive Board and ARC, and annually by the Board of Trustees. The Executive Board approves HRP's risk management policy.

The Executive Board is responsible for communicating it to staff; maintains the risk registers, monitors change in the corporate risk profile and reports significant changes to the Trustees (ongoing). The Executive Board assesses risks and opportunities annually as part of the Operating Plan process (looking forward).

- Internal Audit provides independent assurance to the Executive Board and the Board of Trustees. Internal Audit takes a risk-based approach to audits therefore providing a reasonable rather than absolute level of assurance and operates in compliance with Public Sector Internal Audit Standards as far as practical for this small department. The Head of Governance, Risk & Assurance provides an annual report to the CEO, the ARC and the Board. Her opinion for the year to March 2021 is that of 'moderate assurance'. In her opinion, the framework of governance, risk management and control is generally adequate and effective, but some improvements are required to enhance this.
- Internal Audit work in 2020/21 included reviews of:

*Financial Controls:* The removal of procurement cards, and authorisation of spending being limited to the Executive Board meant that financial controls were far stronger in 2020. The rolling audit plan to review aspects of their controls was deemed not appropriate considering the extraordinary additional work taken on by the Finance Directorate in response to the pandemic.

*Leavers Process:* With many leavers, a process was implemented and reviewed to minimise the risk of loss of property and knowledge.

*Vetting Review:* With the changes in staffing, and changes in the Governments Security Framework, vetting was identified as an area for review. Several recommendations were made, including a review of the vetting levels of all roles, which is being undertaken by the Chief Security Officer. It also identified the need for a clear, published policy on vetting, including the basis for the processing of sensitive personal data.

- Other assurance reports are reviewed by Trustees and Directors for key risk areas, and have been reviewed by the Head of Governance, Risk and Assurance:
  - annual people report;
  - annual reviews of key stakeholders/ partnerships and third parties;
  - annual fraud risk profile - updated by Directors and reviewed by the ARC. Reported levels of dishonest behaviour within HRP have been consistently low and a good system of internal control is in place. A confidential email address ([concerns@hrp.org.uk](mailto:concerns@hrp.org.uk)) goes direct to the Whistleblowing Officer mailboxes. No alerts were received in the current year;



## Trustees' Report

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- regular reports on security, fire, health, safety, environment, and sustainability risks, emergency planning, and the implementation of related policies and procedures to the Executive Board and annual reports and opinions are provided to the ARC by the Advisors for these areas, with an executive summary reported to the Board of Trustees;
- major projects report summarising project specific risks, along with the likely impact and mitigating actions; reviewed by Directors monthly and ARC quarterly.

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

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

Since February 2020, the focus of the organisation has been upon safe operation within a pandemic and surviving through a time of extended closure. The Executive Board, Audit & Risk Committee, and Board of Trustees have been kept abreast of the alterations to the framework of governance, risk management and control throughout this process. Some of the key achievements in providing assurance in our Covid-Safe operations are;

- HRP successfully kept up to date and implemented all legislation (and its changes) relating to COVID-19 in England and Northern Ireland. Due to the robust control measures in place, any incidents or near misses reported have been swiftly responded to, and as a result we have had no outbreaks at any of our sites.
- Work on achieving and maintaining a Covid-19 Secure accreditation was carried out throughout the year. This was made more challenging by the regular changes in regulations and guidelines, however it was secured. No complaints were received through the H&S Hotline implemented for staff and visitors. The Internal Audit and Operations teams successfully worked together to understand the standards and determine how to audit against them. Repeated assurance visits by the team highlighted no issues.
- HRP successfully implemented a series of emergency control measures to maintain provision and coverage of critical fire systems and maintained a resilient incident response throughout the pandemic. The reduced levels of operation at our sites was reflected in a commensurate reduction in risk activities.
- To facilitate re-opening the palaces in the summer, the Fire and Emergency Planning Adviser reviewed the COVID-19 secure capacities of the visitor routes, then reassessed staffing requirements to allow for a reduced complement, while ensuring adequate invigilation. The Health & Safety Team have worked closely

## Trustees' Report

with operations teams to review new operating procedures, and to assist with staff training and reassurance.

- A 'lockdown' contingency plan was produced to ensure control room cover, that alarm systems were monitored, that patrols of the palaces took place, and that Duty Manager cover was maintained throughout. This plan was successfully implemented.
- Monthly on-site training for Salvage Teams was suspended to avoid cross-team contamination. Virtual training sessions have taken place with great success. Weekly salvage Team Leader meetings are held to identify areas of concern, with weekly on-site checks by conservators. Monitoring detected 8 incidents of significant water ingress requiring response by conservators. There was one out-of-hours salvage incident at HCP when a picture fell in the Communications Gallery outside business hours.
- The exceptional performance of our security teams who remained on the "front line" during the COVID-19 pandemic and discharged their duties without significant incident despite there being high rates of transmission locally. The heightened level of site patrols also enabled HRP to maintain critical controls of all essential non-security services such as building management systems and fabric and collection issues that were at higher risk due to the reduction of on-site personnel.

April 2020 saw the introduction of a new risk register, designed to provide the additional assurance needed during the initial lockdown, and then through a period of instability as we opened and closed sites according to local restrictions.

Rather than only being updated quarterly, the register was available as a live document to all risk owners and was used as a key tool to ensure the increased likelihood and / or impact of certain risks due to palace closure were monitored closely.

Actions required to mitigate the risk were also monitored via this tool, ensuring timely completion.

	<b>April</b>	<b>August</b>	<b>December</b>
<b>Red</b>	4	3 (2 upgraded from Amber; 1 remained Red from April)	3 (1 upgraded from Amber, 2 new risks)
<b>Amber</b>	25	15 (1 new risk, 1 downgraded from Red, 1 upgraded from Green)	15 (8 new risks; 1 upgraded from Green, 3 downgraded from Red)
<b>Green</b>	28	44 (1 new risk, 12 risks downgraded from Amber, 1 downgraded from Red)	30 (7 downgraded from Amber)
<b>Closed Risks</b>	N/A	6	15

## Trustees' Report

The risks that are considered the most significant and rated as red at the end of the year are:

Area	Risk	Mitigation
HRP	The charity is unable to recover financially, uses up its borrowing and becomes insolvent, so that it cannot fulfil its responsibilities under its contract with the DCMS, and is no longer a going concern	The forecast for 21/22 is prudent and within our financial affordability with the current CRF Loan. We monitor both cash and I&E against this and have identified further measures we could take to reduce costs if income falls.
Money	HRP is unable to generate sufficient income to invest in its strategic priorities due to a lack of visitors/F&E	Forecasts have been based on essential spend only, are reviewed on a monthly basis and budgets will only be released when there is certainty of income to cover the spend. CRF Loan is in place and monthly monitoring will be undertaken by the Finance and Investment Sub-Committee.
Culture	Failure to rebuild a sense of HRP as one team, resulting in underperformance against our strategic priorities that relate to culture Failure to retain (and in due course, recruit) well-motivated staff of the right quality and experience to drive an improvement in the organisations culture	Reset messages cascaded across HRP supported by common objectives. A new performance management approach is being rolled out with more continuous dialogue and support for employees. New internal communication channels being rolled out e.g. intranet and 'live events' to help engagement. Listening exercise underway to understand the culture and any issues in more detail.

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

General Data Protection Regulation (GDPR) effective since May 2018 set out clear requirements for management and control of personal data. Over the last financial year, HRP has taken effective measures to demonstrate our ongoing compliance with data protection legislation. In 2020/21, there were no personal data incidents recorded.

Rupert Gavin  
Chairman of the Board of Trustees

John Barnes  
Chief Executive and Accounting Officer

27 October 2021

## Other Reports and Disclosures

### Sustainability Report

Sustainability has remained a key strategic priority over the last year; the Sustainability Strategy has been revised and was an important feature of the Annual Operating Budget for the coming year.

A plan to meet the organisations ambition to achieve Net Zero by 2050 is being created and will be implemented in 2021/22. During the period of closure, a Climate Change Risk Assessment was undertaken, covering all sites and activities potentially affected by climate change to the year 2050. This will be further developed in the coming year.

The overall carbon footprint is lower than the year before, reducing from 4,605 tonnes of CO<sub>2</sub>e to **1,993** tonnes of CO<sub>2</sub>e, primarily driven by extensive sites closure.

Greenhouse Gas Emissions (*)	2020/21	2019	2018	2017
<b>Emissions Scope 1 (tonnes CO<sub>2</sub>e)</b>	<b>1,075</b>	2,367	1,981	1,716
<b>Emissions Scope 2 (tonnes CO<sub>2</sub>e)</b>	<b>839</b>	1,631	1,932	2,552
<b>Emissions Scope 3 (tonnes CO<sub>2</sub>e)</b>	<b>79</b>	608	755	721
<b>Total GHG emissions (tonnes CO<sub>2</sub>e)</b>	<b>1,993</b>	4,605	4,668	4,989

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

The Maintenance and Facilities team have led progress in several areas to reduce water consumption and energy usage; an accommodation strategy will also rationalise offices in use to reduce the number of areas being lit and heated, further reducing consumption.

We continue to work closely with our waste management contractors, and zero waste went to landfill in 2020/21.

By using a wider range of data, we are now able to report our Scope 3 emissions based upon usage of diesel, water consumption, business travel, and how our waste is dealt with.

We have also moved to report on a financial year basis. In the coming years we will further expand our data collation in Scope 3, to ensure more accurate recording of our carbon footprint.

### Whistleblowing Disclosure

#### Whistleblowing policy

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

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

- Internally, individuals can disclose their concerns to appropriate internal specialists, a specific email address managed by the Whistleblowing Officer and the Head of Audit and Risk or directly to the HR Director (The Whistleblowing Officer)

## Other Reports and Disclosures

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and The Chief Executive, Chairman of the Audit and Risk Committee or the Chairman of Trustees.

- Externally, people can report issues to external bodies such as legal advisers, Minister of the Crown or statutory regulators.
- There were no whistleblowing incidents reported in the year.

### Suppliers' payment policy

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

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

During 2020/21, 55% of supplier invoices were paid within 30 days of date of invoice (59% in 2019/20) and 59% within 40 days (72% in 2019/20). This payment performance is not adjusted for invoices delayed for payment due to a query with the supplier. It reflects challenging trading performance during the pandemic.

### Related parties

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

### Fundraising Regulator

- We recognise the Fundraising Regulator as our regulator and are not aware of any failure to comply with the scheme.
- We did not engage any professional fundraisers to fundraise from individuals during the year. Two groups of volunteers solicit personal donations on behalf of HRP: our Campaign Board and the Organising Committee for the Statue to Commemorate Diana, Princess of Wales at Kensington Palace.
- The activities of the Campaign Board were monitored through three board meetings during the year. Three Trustees sit on the Campaign Board, which ensures the Trustees have a high degree of awareness of what the Board does and the activities of its individual members. Membership of the Organising Committee for the Statue to Commemorate Diana Princess of Wales includes the Chief Executive of Historic Royal Palaces. The committee meets regularly to discuss its activities.
- HRP entered into a commercial participator arrangement with the travel company Get Your Guide, which offered its customers the opportunity to donate to Historic Royal Palaces when buying admissions tickets through its website.
- We received no complaints about our fundraising practices during the year.
- We avoided practices that risk being unreasonably intrusive or persistent. We did not use professional third-party fundraisers and did not use telephone or direct marketing techniques (post or email), except for advertising in our members magazine, Inside Story. Individuals solicited for gifts were either introduced to the charity by existing supporters or made contact with us in the first instance.

# **Statement of Responsibilities**

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## **The statement of Trustees' responsibilities**

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

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

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

Rupert Gavin, Chairman of the Board of Trustees  
27 October 2021

## **The statement of Accounting Officer's responsibilities**

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

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

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

John Barnes, Chief Executive and Accounting Officer  
27 October 2021

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

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## **Opinion on financial statements**

I have audited the financial statements of Historic Royal Palaces for the year ended 31 March 2021. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Historic Royal Palaces' affairs as at 31 March 2021 and of net expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities Act 2011 and Secretary of State directions issued under the Royal Charter.

## **Opinion on regularity**

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

## **Basis for opinions**

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

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

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

## **Conclusions relating to going concern**

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant

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

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doubt on the Historic Royal Palaces' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. My responsibilities and the responsibilities of the Trustees and Accounting Officer with respect to going concern are described in the relevant sections of this report.

### **Other Information**

The other information comprises information included in the Trustees' report, but does not include the financial statements and my auditor's report thereon. The Trustees and Accounting Officer are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

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

### **Responsibilities of the Trustees and Accounting Officer**

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



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

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

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

My responsibility is to audit and express an opinion on the financial statements.

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

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Historic Royal Palaces' Head of Governance, Risk and Assurance and those charged with governance, including obtaining and reviewing supporting documentation relating to the Historic Royal Palaces' policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Historic Royal Palaces' controls relating to the Royal Charter, Managing Public Money and the Charities Act 2011
- discussing among the engagement team including significant component audit teams and involving relevant internal and external specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: the posting of unusual journals and the application of the Coronavirus Job Retention Scheme;
- obtaining an understanding of Historic Royal Palaces' framework of authority as well as other legal and regulatory frameworks that the Historic Royal Palaces operate in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Historic Royal Palaces. The key laws and regulations I considered in this context

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

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included the Royal Charter, Charities Act 2011, Managing Public Money, Employment Law, tax Legislation and the Coronavirus Act 2020.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board of Trustees;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of fraud in the Coronavirus Job Retention Scheme undertaking procedures to test that claims to HM Revenue and Customs were in line with the scheme rules and procedures to test whether employees were working whilst claiming under the scheme.

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

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my report.

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

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

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

**Date: 28 October 2021**

# Consolidated Statement of Financial Activities

## for the year ended 31 March 2021

		Unrestricted funds	Restricted funds	Total 2021	Total 2020
INCOME		£000	£000	£000	£000
<b>Donations and legacies</b>	<i>Note</i>				
Grants	9	120	6,219	6,339	728
CJRS grant	10	-	14,220	14,220	-
Donations		473	36	509	2,499
Gifts in Kind		-	4	4	95
		<b>593</b>	<b>20,479</b>	<b>21,072</b>	<b>3,322</b>
<b>Income from other trading activities</b>					
Retail income		1,613	-	1,613	14,023
Functions and events		281	-	281	7,305
Licences, rent & recharges	11	2,130	-	2,130	4,239
Sponsorship		260	-	260	357
		<b>4,284</b>	<b>-</b>	<b>4,284</b>	<b>25,924</b>
<b>Investments</b>		<b>330</b>	<b>-</b>	<b>330</b>	<b>729</b>
<b>Income from charitable activities:</b>					
Admissions	12	4,065	-	4,065	65,693
Membership		2,865	-	2,865	3,608
Concessions		79	-	79	2,538
		<b>7,009</b>	<b>-</b>	<b>7,009</b>	<b>71,839</b>
<b>Total income</b>	<b>5</b>	<b>12,216</b>	<b>20,479</b>	<b>32,695</b>	<b>101,814</b>
<b>EXPENDITURE</b>					
<b>Costs of raising funds:</b>					
Fundraising		354	108	462	736
Retail activities		3,704	1,597	5,301	12,095
Investment management costs		51	-	51	29
Other commercial activities		1,031	618	1,649	4,104
		<b>5,140</b>	<b>2,323</b>	<b>7,463</b>	<b>16,964</b>
<b>Expenditure on charitable activities:</b>					
Palaces		9,868	6,770	16,638	31,547
Experiences:					
Public access		12,089	5,603	17,692	25,522
Interpretation and learning		5,181	3,326	8,507	17,352
Money - Organisational Growth		1,611	488	2,099	6,868
Culture		1,274	219	1,493	3,158
		<b>30,023</b>	<b>16,406</b>	<b>46,429</b>	<b>84,447</b>
<b>Other</b>					
Defined Pension scheme net interest cost	8	12	-	12	181
Losses (gains) on curtailments	8	(352)	-	(352)	-
Losses (gains) due to benefit changes		-	-	-	-
<b>Total Expenditure</b>	<b>3&amp;5</b>	<b>34,823</b>	<b>18,729</b>	<b>53,552</b>	<b>101,592</b>
Net (losses)/gains on investments	15	1,393	-	1,393	(232)
<b>Net Income / (Expenditure)</b>		<b>(21,214)</b>	<b>1,750</b>	<b>(19,464)</b>	<b>(10)</b>
Actuarial (loss)/gain on pension plan	8	(503)	-	(503)	7,337
<b>Net movement in funds</b>		<b>(21,717)</b>	<b>1,750</b>	<b>(19,967)</b>	<b>7,327</b>
<b>Fund balances brought forward at 1 April</b>	<b>5</b>	<b>55,167</b>	<b>5,667</b>	<b>60,834</b>	<b>53,507</b>
<b>Fund balances carried forward at 31 March</b>	<b>5</b>	<b>33,450</b>	<b>7,417</b>	<b>40,867</b>	<b>60,834</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 38 to 70 form an integral part of these accounts.

# Consolidated and Charity Balance Sheet

## for the year ended 31 March 2021

		Group 2021	Charity 2021	Group 2020	Charity 2020
	Note	£000	£000	£000	£000
<i>Fixed assets:</i>					
Intangible assets		463	463	670	670
Tangible assets	13	23,917	23,917	23,055	23,055
Heritage assets	14	9,173	9,173	9,156	9,156
Investments	15	8,426	8,426	13,619	13,619
		<b>41,979</b>	<b>41,979</b>	<b>46,500</b>	<b>46,500</b>
<i>Current assets:</i>					
Stocks - goods for resale		2,257	-	2,389	-
Debtors	16	2,724	4,122	4,804	6,551
Short-term cash deposits		20,000	20,000	25,006	25,006
Cash at bank and in-hand		24,012	23,668	3,242	1,742
		<b>48,993</b>	<b>47,790</b>	<b>35,441</b>	<b>33,299</b>
<i>Creditors: Amounts falling due within one year</i>	17	8,596	7,501	19,359	17,221
<b>Net current assets</b>		<b>40,397</b>	<b>40,289</b>	<b>16,082</b>	<b>16,078</b>
<b>Total assets less current liabilities</b>		<b>82,376</b>	<b>82,268</b>	<b>62,582</b>	<b>62,578</b>
<i>Creditors: Amounts falling due after more than one year</i>	18	40,193	40,193	135	131
<i>Provision for liabilities and charges</i>	19	487	434	927	927
<b>Net assets excluding Pension Plan liability</b>		<b>41,696</b>	<b>41,641</b>	<b>61,520</b>	<b>61,520</b>
<i>Pension Plan liability</i>	8	829	829	686	686
<b>Net assets including Pension Plan liability</b>		<b>40,867</b>	<b>40,812</b>	<b>60,834</b>	<b>60,834</b>
Unrestricted funds		33,450	33,395	55,167	55,167
Restricted funds		7,417	7,417	5,667	5,667
<b>Total funds</b>	5	<b>40,867</b>	<b>40,812</b>	<b>60,834</b>	<b>60,834</b>

These financial statements were approved by the Trustees and the Accounting Officer on 27 October 2021 and were signed on their behalf by:

Rupert Gavin  
Chairman of the Board of Trustees  
27 October 2021

John Barnes  
Chief Executive and  
Accounting Officer

The notes on pages 38 to 70 form an integral part of these accounts.

# Consolidated Cash Flow Statement

## for the year ended 31 March 2021

	Note	2021 £000	2020 £000
<b>Cash flows from operating activities</b>			
Net cash provided by operating activities (Note A below)		(28,308)	4,999
<b>Cash flows from investing activities:</b>			
Purchase of tangible assets	13	(2,786)	(6,219)
Purchase of intangible assets		-	(4)
Purchase of heritage assets	14	-	(488)
Proceeds from sale of fixed assets	13	-	17
Purchase of investments	15	-	(4,395)
Redemption of investments	15	6,502	4,378
Interest received		330	729
<b>Cash flows from financing activities:</b>			
Net (purchase)/sale of short-term deposits		5,006	(3,474)
Cash inflows from new borrowing		40,050	-
Interest paid on overdraft		(24)	-
<b>Increase/(Decrease) in cash</b>		<b>20,770</b>	<b>(4,457)</b>

<b>Note A: Reconciliation of net incoming/outgoing resources to net cash inflow from operating activities</b>		<b>2021 £000</b>	<b>2020 £000</b>
Net incoming /(outgoing) resources from charitable and trading activities		(19,464)	(10)
Net (Gains)/Losses on Investments	15	(1,393)	232
Interest receivable		(330)	(729)
Interest paid		24	-
Pension scheme: non-cash movements	8	(360)	145
Donated heritage assets	14	-	(95)
Depreciation & amortisation		2,074	2,019
(Profit)/Loss on disposal of fixed assets		-	(9)
Other decrease in fixed asset investments	15	83	128
(Increase)/Decrease in stocks		132	(475)
(Increase)/Decrease in debtors	16	2,080	1,040
Increase/(Decrease) in creditors: current liabilities	17	(10,763)	2,989
Increase/(Decrease) in long term creditors	18	8	10
Increase/(Decrease) in provisions for liabilities & charges	19	(440)	(245)
Other non-cash movements		41	(1)
<b>Net cash inflow from operating activities</b>		<b>(28,308)</b>	<b>4,999</b>

## Consolidated Cash Flow Statement for the year ended 31 March 2021

<i>Analysis of cash and cash equivalents:</i>	<b>2021</b>	2020	Change in year
	<b>£000</b>	£000	£000
Cash at bank and in hand	<b>24,012</b>	3,242	<b>20,770</b>

### *Analysis of changes in net debt*

	<b>As at 1 April 2020 £000</b>	<b>Cash flows £000</b>	<b>Other non- cash changes £000</b>	<b>As at 31 March 2021 £000</b>
<b>Cash and cash equivalents</b>				
Cash	<b>3,242</b>	20,770	-	<b>24,012</b>
Overdraft repayable on demand	-	-	-	-
Cash equivalents	-	-	-	-
	<b>3,242</b>	20,770	-	<b>24,012</b>
<b>Borrowing</b>				
Debt due within one year	-	-	-	-
Debt due after one year	-	(40,000)	(50)	<b>(40,050)</b>
	-	(40,000)	(50)	<b>(40,050)</b>

The notes on pages 38 to 70 form an integral part of these accounts.

# Notes to the Consolidated Accounts

## for the year ended 31 March 2021

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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 2015), applicable United Kingdom accounting standards (FRS 102) and the Charities Act 2011. The financial statements are prepared on a going concern basis under the historical cost convention (see also note 1 q). They are prepared in accordance with the Accounts Direction (a copy of which can be obtained from the Head of Audit, Risk and Assurance) issued by the Secretary of State in accordance with HRP's Royal Charter.

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

#### c) Basis of consolidation

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

#### d) Funds

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

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

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

#### e) Incoming resources

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

- **Coronavirus Job Retention Scheme (CJRS) grant** - The CJRS grant is a temporary scheme launched by Government to support organisations whose operations were severely affected by COVID-19. CJRS income is recognised in restricted grants and accrued to match the period staff were furloughed for.
- **Grants** – include operating and project grants and contributions. Grants related to performance and specific deliverables, are accounted for as the

## Notes to the Consolidated Accounts for the year ended 31 March 2021

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

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

### f) **Resources expended**

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

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

### g) **Tangible fixed assets**

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



## Notes to the Consolidated Accounts for the year ended 31 March 2021

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

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

### **h) Heritage Assets**

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

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

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

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

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

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

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

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

## Notes to the Consolidated Accounts for the year ended 31 March 2021

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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 Historic Royal Palaces on a day-to-day basis.

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

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

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

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

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

### **l) Financial instruments**

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

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

### **m) Leases**

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

### **n) Pensions**

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

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

## Notes to the Consolidated Accounts for the year ended 31 March 2021

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### **o) Taxation**

As a charity, the Charity is exempt from corporation tax under section 505 ICTA 1988. HRPE normally distributes its profits before tax by Gift Aid to the Charity to leave reserves at or close to nil. However, given the extraordinary impact of the pandemic on the organisation, and considering the remaining uncertainty in future trading, HRPE Ltd retained its 2020/21 profits to fund the recovery.

Admissions to the palaces administered by HRP are exempt from VAT under Schedule 9 of the VAT Act 1994. Due to this exemption, approximately 59.6% of VAT incurred by HRP is irrecoverable in 2020/21 (73.3% in 2019/20).

### **p) Key judgements and estimates**

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

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

### **q) Going Concern**

The Trustees have considered all factors that may influence the organisation within the next 12 months, most importantly the ongoing effect of the COVID-19 pandemic, the rate of re-opening of the country as the vaccination campaign ramps up and the organisation resilience.

The factors considered are a combination of the economic outlook, the domestic context of the pandemic management, the strength of income projection and internal cost control initiatives and the measures to improve liquidity.

# Notes to the Consolidated Accounts

## for the year ended 31 March 2021

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### Global outlook

According to OECD 2021 interim report on the global economic outlook, economic prospects have improved in recent months, helped by the deployment of effective vaccines, announcements of additional fiscal support in some countries, and signs that economies are coping better with measures to suppress the virus. Risks remain, in particular the slow speed of vaccine deployment in some countries and the emergence of new virus mutations resistant to existing vaccines, but global GDP growth is projected to be markedly higher in 2021 than in 2022.

### Domestic Outlook

From the Office for Budget Responsibility 2021 economic & fiscal outlook, the rapid rollout of effective vaccines offers hope of a swifter and sustained economic recovery, albeit from a more challenging point than we forecast in late 2020.

GDP growth is projected to improve in both 2021 and 2022.

The easing of public health restrictions in line with the Roadmap should permit a rebound in consumption and output through this year, partially supported by the release of extra savings built up by households during the pandemic.

### Organisation context

In line with the roadmap announcements on the lifting of lockdown, we have re-opened our Gardens since January 2021, on-site shops, catering units and functions facilities since 12 April and full palaces' interiors since 17 May. The delay in the lifting of all restrictions by four weeks to 19 July will only have a marginal impact on our forecast, especially as the limit on the number of guests at weddings was still lifted on 21 June.

Income projections rely on:

- Visitor numbers for 2021/22. These are forecast to be c0.9m, 2.5 times more than in 2020/21 when the palaces were largely closed but more than 5 times less than a regular year. These forecasts assume that overseas visitors will not come back to the UK until the end of 2021.
- This is driving visitor income forecast of £14.8m, half of the expected income in year.
- We have seen a return of large events, such as the Artisan festival, Summer Food Festivals, Music Festival, the RHS Garden Festival, outdoor cinema and Concours of Elegance at Hampton Court Palace. We are confident about hosting Winter food festival and ice rink too.
- Forward bookings that have been confirmed for 2021/22 and the predicted increase in usage of Banqueting House solely for events. Functions & events assumptions remain prudent as we expect severe cuts in both corporate and private customers' budget in the year ahead, and events will be smaller in size.
- We are actively pursuing further grant applications and opportunities with Trusts & Foundations and Government bodies and are cautiously optimistic about development income prospects in 2021/22.

We have reduced our operating expenditure permanently and exert stricter controls over costs as follows:

## Notes to the Consolidated Accounts for the year ended 31 March 2021

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- We implemented significant reductions in payroll, pension contributions and a voluntary followed by a compulsory redundancy scheme, thereby reducing the size of the organisation by c40% and maintaining a recruitment freeze into 2021/22.
- We re-structured the group to allow for more efficient use of resources and sharing of duties.
- Depending on the months in the year, we have 'furloughed' c80% of staff under the Government's 'Coronavirus Job Retention Scheme' and are planning to use it until it closes (currently September 2021).
- We have rigorously restricted purchasing processes across all channels and have re-negotiated contracts with suppliers whenever possible.

### Measures to improve liquidity

- In April and July 2020 respectively, we put in place an overdraft facility of up to £4m (HRP) and £0.5m (HRPE Ltd) with our main bank, Barclays.
- We have extended the overdraft facilities for another year.
- The HRPE Ltd's extension is secured with a debenture.
- In January 2021, Historic Royal Palaces signed the agreement for a £40m repayable loan from the Culture Recovery Fund with The Secretary of State for the Department for Digital, Culture, Media and Sport (the lender) and the Arts Council of England (the agent), which was receipted in March 2021.

### Risks and further actions

The trustees acknowledge that some risks remain from the evolution of the Covid-19 pandemic - the slow speed of vaccine deployment in some countries and the continuing sanitary controls may slow the return of inbound visitors and hamper growth whilst the emergence of new virus mutations resistant to existing vaccines could lead to more periods of lockdowns.

However, the trustees are modelling different scenarios and considering steps to mitigate those risks and have further levers to call upon if needed:

- Implementing additional operating cost savings such as: continue to hold headcount vacancies, keep the sites closed to staff as well as visitors to save power, heating and cleaning costs, remove elective operating expenditure currently phased in the latter part of the year, introduce medium term pay reductions for staff
- Stopping programming and projects in the latter part of the year (for example, the final phase of the Orangery project)
- Making full use of furlough grants and focusing on generating additional grants and donations

### Summary

Trustees recognise the ongoing external risks and uncertainty associated with the Covid-19 pandemic. However, the trustees take comfort in the overall economic outlook, the domestic recovery trends and the ongoing success of the vaccination rollout. The increased certainty given by the February 2021 Government roadmap opened a clear path out of lock down. The significant funding provided through Government support measures (CJRS, Business rates, Heritage

# Notes to the Consolidated Accounts

## for the year ended 31 March 2021

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emergency, etc) and through the £40m repayable finance loan comfort this assessment.

The Board of trustees were satisfied that even under the LOW scenario (Full 2021/22 closure) the Group had adequate resources and had taken the necessary steps to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing these financial statements.

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

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

## 2. Historic Royal Palaces Enterprises Ltd

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

	2021 £000	2020 £000
<b><u>Profit and loss account</u></b>		
Turnover (other trading activities)	4,617	23,326
Cost of sales (costs of raising funds)	(473)	(4,769)
<b>Gross profit</b>	<b>4,144</b>	<b>18,557</b>
Administrative expenses	(4,075)	(13,645)
Interest receivable	-	11
<b>Profit on ordinary activities before taxation</b>	<b>69</b>	<b>4,923</b>
Taxation	(14)	(5)
<b>Total profit for the financial year</b>	<b>55</b>	<b>4,918</b>
Amount distributable under Gift Aid to HRP	-	(4,918)
<b>Retained in subsidiary</b>	<b>55</b>	<b>-</b>

# Notes to the Consolidated Accounts for the year ended 31 March 2021

<b><u>Balance Sheet as at 31 March 2021</u></b>	<b>2021 £000</b>	<b>2020 £000</b>
Stocks - goods for resale	2,257	2,389
Debtors	640	680
Cash	343	1,499
Current liabilities	(3,185)	(4,565)
Creditors due after more than one year	-	(3)
<b>Net assets</b>	<b>55</b>	<b>-</b>
<b><u>Share capital and reserves</u></b>	<b>55</b>	<b>-</b>

## 3. Total expenditure (Group basis)

	<b>Total direct costs £000</b>	<b>Allocation of support costs £000</b>	<b>Total 2021 £000</b>	<b>Total 2020 £000</b>
<b>Costs of raising funds</b>				
Generating the money to make it possible:				
Fundraising	363	99	462	736
Retail activities	3,985	1,316	5,301	12,095
Investment management costs	51	-	51	29
Other commercial activities	1,243	406	1,649	4,104
	<b>5,642</b>	<b>1,821</b>	<b>7,463</b>	<b>16,964</b>
<b>Expenditure on charitable activities</b>				
Palaces	13,114	3,524	16,638	31,547
Experiences:				
Public access	13,049	4,643	17,692	25,522
Interpretation and learning	6,650	1,857	8,507	17,352
Money – Organisational Growth	1,687	412	2,099	6,868
Culture	1,177	316	1,493	3,158
	<b>35,677</b>	<b>10,752</b>	<b>46,429</b>	<b>84,447</b>
<b>Other</b>				
Pension finance (income)/costs	12	-	12	181
Pension losses/(gains) on curtailments	(352)	-	(352)	-
Pension losses/(gains) due to benefit changes	-	-	-	-
	<b>(340)</b>	<b>-</b>	<b>(340)</b>	<b>181</b>
<b>Total</b>	<b>40,979</b>	<b>12,573</b>	<b>53,552</b>	<b>101,592</b>

## Notes to the Consolidated Accounts for the year ended 31 March 2021

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<b>Resources expended include charges for:</b>	<b>Total 2021 £000</b>	<b>Total 2020 £000</b>
Auditors' remuneration:		
Audit		
- HRP	53	53
- HRPE	25	24
The auditors did not provide any non-audit services		
Operating lease charges	1,096	735
Stock recognised as an expense	426	4,454
Impairment of stock (included in cost of sales)	47	315
Depreciation written off owned fixed assets:		
Tangible	1,867	1,804
Intangible	207	215
Corporation tax	14	5



## Notes to the Consolidated Accounts for the year ended 31 March 2021

### 4. Support costs (Group basis)

	Information Systems £000	Finance Department £000	Pension Department £000	Management Costs £000	Governance Costs £000	<b>Total 2021 £000</b>	Total 2020 £000
<b>Costs of raising funds</b>							
Fundraising	24	9	2	61	3	<b>99</b>	80
Retail activities	292	217	21	748	38	<b>1,316</b>	1,500
Other commercial activities	103	18	8	264	13	<b>406</b>	448
<b>Charitable expenditure</b>							
Palaces	702	884	51	1,796	91	<b>3,524</b>	<b>3,273</b>
Experiences							
Public access	1,068	630	77	2,730	138	<b>4,643</b>	3,902
Interpretation and learning	460	128	33	1,176	60	<b>1,857</b>	1,817
Money – Organisation Growth	95	57	7	241	12	<b>412</b>	604
Culture	74	38	5	189	10	<b>316</b>	310
<b>Total</b>	<b>2,818</b>	<b>1,981</b>	<b>204</b>	<b>7,205</b>	<b>365</b>	<b>12,573</b>	<b>11,934</b>

The basis of apportionment for support costs is staff headcount (see note 7 *Staff numbers and costs (Group & Charity)*), except for the Finance Department which is based upon expenditure excluding payroll.

#### **Governance Costs** (*included in Support costs*)<sup>(\*)</sup>

	<b>2021 £000</b>	<b>2020 £000</b>
Internal and external audit	209	263
Trustee expenses and costs	-	25
Trustee and chairman recruitment costs (**)	6	23
Production of annual report	-	-
Management costs	150	209
	<b>365</b>	<b>520</b>

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

(\*\*) There were no chairman recruitment costs in 2019/20 or 2020/21.

# Notes to the Consolidated Accounts for the year ended 31 March 2021

## 5. Total funds (Group basis)

<b>Current Year Total Funds:</b>	Funds as at 1 April 2020	Incoming resources 2020/21	Resources expended 2020/21	Revaluations 2020/21	Transfers between funds 2020/21	<b>Funds as at 31 March 2021</b>
	£000	£000	£000	£000	£000	<b>£000</b>
<b><u>Unrestricted funds</u></b>						
<b>General (Free) reserves</b>	27,405	12,196	(35,163)	1,393	(668)	5,163
Designated funds	-	-	-	-	-	-
Fixed assets	28,448	-	-	-	668	29,116
Pension plan	(686)	20	340	(503)	-	(829)
<b>Total</b>	<b>55,167</b>	<b>12,216</b>	<b>(34,823)</b>	<b>890</b>	<b>-</b>	<b>33,450</b>
<b><u>Restricted funds</u></b>						
Donated assets	4,433	4	-	-	-	4,437
Hillsborough Castle & Gardens	537	215	(199)	-	-	553
Hampton Court Palace projects <i>incl. Field of the Cloth of Gold</i>	20	4	(14)	-	-	10
Tower of London projects <i>incl. Tower Entry</i>	195	98	(31)	-	-	262
Kensington Palace projects <i>incl. Orangery Learning Centre and the Sunken Garden statue</i>	407	798	(55)	-	-	1,150
AHRC-funded Research projects	7	985	(618)	-	-	374
Support for Heritage & re-opening	-	4,154	(3,591)	-	-	563
CJRS grant	-	14,220	(14,220)	-	-	-
Other projects	68	1	(1)	-	-	68
<b>Total</b>	<b>5,667</b>	<b>20,479</b>	<b>(18,729)</b>	<b>-</b>	<b>-</b>	<b>7,417</b>
<b>Total funds</b>	<b>60,834</b>	<b>32,695</b>	<b>(53,552)</b>	<b>890</b>	<b>-</b>	<b>40,867</b>
<b>Prior Year Total Funds:</b>	Funds as at 1 April 2019	Incoming resources 2019/20	Resources expended 2019/20	Revaluations 2019/20	Transfers between funds 2019/20	<b>Funds as at 31 March 2020</b>
	£000	£000	£000	£000	£000	<b>£000</b>
<b><u>Unrestricted funds</u></b>						
<b>General (Free) reserves</b>	5,000	100,827	(100,601)	(232)	22,411	27,405
Designated funds	27,096	-	-	-	(27,096)	-
Fixed assets	23,763	-	-	-	4,685	28,448
Pension plan	(7,878)	(97)	(48)	7,337	-	(686)
<b>Total</b>	<b>47,981</b>	<b>100,730</b>	<b>(100,649)</b>	<b>7,105</b>	<b>-</b>	<b>55,167</b>

# Notes to the Consolidated Accounts

## for the year ended 31 March 2021

	Funds as at 1 April 2019	Incoming resources 2019/20	Resources expended 2019/20	Revaluations 2019/20	Transfers between funds 2019/20	Funds as at 31 March 2020
	£000	£000	£000	£000	£000	£000
<b>Restricted funds</b>						
Donated assets	4,338	95	-	-	-	4,433
Hillsborough Castle & Gardens	797	324	(584)	-	-	537
Hampton Court Palace projects <i>incl.</i> <i>Field of the Cloth of Gold</i>	22	60	(62)	-	-	20
Tower of London projects <i>incl. Tower Entry</i>	91	119	(15)	-	-	195
Kensington Palace projects <i>incl. Orangery Learning Centre and the Sunken Garden statue</i>	231	252	(76)	-	-	407
AHRC-funded Research projects	40	116	(149)	-	-	7
Other projects	7	118	(57)	-	-	68
<b>Total</b>	<b>5,526</b>	<b>1,084</b>	<b>(943)</b>	<b>-</b>	<b>-</b>	<b>5,667</b>
<b>Total funds</b>	<b>53,507</b>	<b>101,814</b>	<b>(101,592)</b>	<b>7,105</b>	<b>-</b>	<b>60,834</b>

### Free Reserves

Due to the sudden and devastating impact of COVID-19, Trustees agreed at the end of 2019/20 to transfer all designated funds to free reserves to meet operating commitments over 2020/21. As uncertainties remain over the coming months, the same approach has been adopted for this financial year. Target levels of reserves will be reviewed by Trustees in 2021/22.

### Designated funds

There was no movement on designated funds in year.

### Transfers between funds

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

### Donated assets funds

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

### Analysis of net assets between funds

Fund balances of the Group and Charity at 31 March 2021 are represented by:

# Notes to the Consolidated Accounts

## for the year ended 31 March 2021

	Unrestricted funds	Restricted funds	2021	Unrestricted funds	Restricted funds	2020
	£000	£000	£000	£000	£000	£000
Intangible assets	463	-	463	670	-	670
Tangible assets	23,917	-	23,917	23,055	-	23,055
Heritage assets	4,736	4,437	9,173	4,723	4,433	9,156
Investments	8,426	-	8,426	13,619	-	13,619
Net current assets	37,417	2,980	40,397	14,848	1,234	16,082
Creditors > one year	(40,193)	-	(40,193)	(135)	-	(135)
Provisions	(487)	-	(487)	(927)	-	(927)
Pension plan liability	(829)	-	(829)	(686)	-	(686)
<b>Total net assets</b>	<b>33,450</b>	<b>7,417</b>	<b>40,867</b>	<b>55,167</b>	<b>5,667</b>	<b>60,834</b>

### 6. Remuneration of Trustees

None of the Trustees received any remuneration during the year in connection with services to the Charity or its subsidiary. Reimbursement of travel and subsistence expenses incurred by the Trustees whilst carrying out their responsibilities for the Charity totalled £321 (2019/20: £5,820) for the year ending 31 March 2021. Expenses were reimbursed for one Trustee (2019/20: 9). HRP provides liability insurance for Trustees.

### 7. Staff numbers and costs (Group & Charity)

#### a) Average staff numbers

	2021 FTE	2020 FTE
Fundraising	6.5	7.4
Retail activities	80.1	120.1
Other Commercial Activities	28.3	36.3
Palaces	192.4	244.0
Experiences:		
Public Access	292.5	415.5
Interpretation and Learning	126.0	154.8
Money – organisational growth	25.9	34.4
Culture	20.3	24.6
Support functions	67.4	82.4
<b>Total</b>	<b>839.4</b>	<b>1,119.5</b>

#### b) Staff costs

	2021 £000	2020 £000
Wages and salaries	28,484	37,890
Loss of office	352	51
Severance & ex gratia payments	4,885	49
Social security costs	2,849	3,699
Pension costs	2,810	4,722
<b>Total</b>	<b>39,380</b>	<b>46,411</b>
Agency staff	22	786
<b>Total</b>	<b>39,402</b>	<b>47,197</b>

## Notes to the Consolidated Accounts for the year ended 31 March 2021

Employee numbers reduced significantly during the year following the restructuring programme and reduced seasonal employees.

Loss of office includes payments in lieu of notice for personnel leaving with the redundancy programme (£315k) and temps & seasonals who never started employment (£37k).

The severance and ex gratia payments were additional payments to the loss of office settlements. They primarily reflect the terms of the restructuring programme undertaken during the year (£4,840k) but also include additional exits agreed outside of the redundancy scheme (£50k). The redundancy programme was deemed necessary as the full impact of the pandemic unfolded. The initial voluntary scheme was followed by a compulsory scheme which concluded in January 2021. They include no payment accrued at the year-end (2019/20: nil).

They are recognised as an expense when incurred or when there is a legal or constructive obligation to make the payment.

### c) Pay bands

Excluding the Chief Executive, there were 32 staff including directors during the year earning in excess of £60,000 (2019/20: 47). Four were in a defined benefit scheme closed to accruals since 1 April 2019 (2019/20: 8) where the employer contributions were nil (2019/20: nil), and 32 were in a defined contribution scheme (2019/20: 44) where the employer contributions were £241,990 (2019/20: £576,282).

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

	2021	2020
	No. of Staff	No. of Staff
£60,001 to £70,000	21	29
£70,001 to £80,000	3	8
£80,001 to £90,000	1	3
£90,001 to £100,000	5	0
£100,001 to £110,000	2	1
£110,001 to £120,000	-	3
£120,001 to £130,000	-	2
£130,001 to £140,000	-	1
£140,001 to £150,000	-	0
<b>Total</b>	<b>32</b>	<b>47</b>

The aggregate emoluments of key management personnel were as follows:

	Remuneration	Pension contributions made to Group Personal Pension Plan	Staff Benefits
John Barnes	<u>£134,798</u>	<u>£8,145</u>	<u>£923</u>

# Notes to the Consolidated Accounts

## for the year ended 31 March 2021

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The remuneration of the Chief Executive in 2019/20 was £169,332, with pension contributions of £18,551 and staff benefits of £1,198.

Excluding the Chief Executive, the total remuneration to the Executive Board was £782,282 (2019/20: £945,183) with pension contributions of £105,803 (2019/20: £133,804) and staff benefits of £5,725 (2019/20: £7,117).

### 8. Retirement benefits (Group & Charity)

#### a) Historic Royal Palaces Pension Scheme

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

The most recent full triennial actuarial valuation was carried out at 31 March 2018 and showed a deficit of £1,903k. The employer has agreed with the trustees of the scheme that it will aim to eliminate the deficit over a period of 3 years and 1 month from 1 April 2019 by the payment of annual contributions of £31k, increasing at 3% per annum. The funding shortfall is expected to be eliminated by April 2022 through the return on existing assets and the new contributions.

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

A qualified actuary, independent of the scheme's sponsoring employer, updated to 31 March 2021 the annual accounting valuation required under Section 28 of FRS 102. The major assumptions used by the actuary are shown below.

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

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

	31/03/2021	31/03/2020	31/03/2019
	£000	£000	£000
Fair value of plan assets	95,998	85,775	91,386
Present value of defined benefit obligation	96,827	86,461	99,264
(Deficit) in plan	(829)	(686)	(7,878)
<b>Defined benefit/(liability) to be recognised</b>	<b>(829)</b>	<b>(686)</b>	<b>(7,878)</b>

# Notes to the Consolidated Accounts for the year ended 31 March 2021

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

	Period Ending 31/03/2021 £000	Period Ending 31/03/2020 £000
Defined benefit obligation at start of period	86,461	99,264
Current service cost	-	-
Expenses	12	48
Interest expense	1,995	2,243
Contributions by plan participants	-	-
Actuarial losses / (gains)	11,520	(11,521)
Benefits paid and death in service premiums	(2,809)	(3,573)
Losses / (gains) on curtailments	(352)	-
<b>Defined benefit obligation at end of period</b>	<b>96,827</b>	<b>86,461</b>

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

	Period Ending 31/03/2021 £000	Period Ending 31/03/2020 £000
Fair value of scheme assets at start of period	85,775	91,386
Interest income	1,983	2,062
Actuarial gains/(losses)	11,017	(4,184)
Contributions by the employer	32	84
Benefits paid & expenses	(2,809)	(3,573)
<b>Fair value of plain assets at end of period</b>	<b>95,998</b>	<b>85,775</b>

The actual return on the plan assets over the period ended 31 March 2021 was a gain of £13,000k (£2,122k loss in 2019/20).

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

	Period Ending 31/03/2021 £000	Period Ending 31/03/2020 £000
Expenses	12	48
Net Interest cost	12	181
Losses / (gains) on curtailments	(352)	-
<b>Sounds good</b>		
<b>Total expense recognised in SOFA</b>	<b>(328)</b>	<b>229</b>

# Notes to the Consolidated Accounts

## for the year ended 31 March 2021

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

	Period Ending 31/03/2021 £'000	Period Ending 31/03/2020 £'000	
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	11,017	(4,184)	
Experience gains and losses arising on the plan liabilities – gain / (loss)	1,380	434	
Net effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – gain/(loss)	(12,900)	11,087	
<b>Total amount recognised in other comprehensive income – gain/(loss)</b>	<b>(503)</b>	<b>7,337</b>	
<b>Assets</b>			
	<b>31/03/2021 £000</b>	<b>31/03/2020 £000</b>	<b>31/03/2019 £000</b>
Equities	43,032	33,532	39,429
Government bonds	4,634	6,010	6,202
Index Linked bonds	35,109	32,485	33,563
Property	12,274	12,010	11,730
Cash	949	1,738	462
<b>Total assets</b>	<b>95,998</b>	<b>85,775</b>	<b>91,386</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.

### Assumptions

	31/03/2021 % per annum	31/03/2020 % per annum	31/03/2019 % per annum
Discount Rate	2.15%	2.35%	2.30%
Inflation (RPI)	3.50%	2.85%	3.50%
Inflation (CPI)	2.80%	2.05%	2.50%
Salary growth	2.80%	2.50%	2.95%
Allowance for:			
Revaluation of deferred pensions of CPI or 5% p.a. if less	2.80%	2.05%	2.50%
Revaluation of deferred pensions of CPI or 2.5% p.a. if less	2.50%	2.05%	2.50%
Pension in payment increases of RPI or 5% p.a. if less	3.30%	2.80%	3.30%
Pension in payment increases of RPI or 3% p.a. if less	2.50%	2.25%	2.50%
Pension in payment increases of RPI	3.50%	2.85%	3.50%
Commutation of pension for cash at retirement	70% of Post A Day	70% of Post A Day	80% of Post A Day

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies at age 60yrs:

	31/03/2021	31/03/2020
Male retiring in 2021	25.8	25.8
Female retiring in 2021	28.0	27.9
Male retiring in 2041	27.4	27.4



# Notes to the Consolidated Accounts

## for the year ended 31 March 2021

Female retiring in 2041

29.6

29.5

### b) Defined Contribution Schemes

A group personal pension scheme based on defined contributions was set up for new members of established staff and staff on contracts exceeding one year with effect from October 2002. The cost for the year including payroll element sacrificed to pension through the redundancy programme was £3,629,051 (2020: £4,641,957), with no outstanding contributions at the balance sheet date. The cost forms part of staff costs that as stated in note 1(f) are classed as direct expenditure attributable to the activity and are all from unrestricted funds.

An additional group personal pension scheme based on defined contributions was set up for casual staff and staff on contracts of less than 1 year with effect from October 2013, to meet pension auto-enrolment requirements. The cost for the year was £12,460 (2020: £56,517), with no outstanding contributions at the balance sheet date.

### 9. Grant income

Total grant income of £6,339k (2019/20: £728k) includes £5,262k (2019/20: £728k) funding from government bodies as follows:

Grantor	Amount	Purpose
Heritage Stimulus Fund	£3,013k	Conservation projects at the palaces
Arts & Humanities Research Council	£985k	Capital investment in research equipment
Heritage Recovery Fund	£569k	Re-opening of Hillsborough Castle & Gardens
National Heritage Lottery Fund	£220k	Re-opening of other palaces
Tourism NI	£130k	New family attraction 'Imaginary Menagerie' at Hillsborough Castle & Gardens
London Local councils	£120k	Various business rates support grants
Heritage England, Northern Ireland Office, Memorials Grant Scheme & Embassy of Ukraine	£225k	Various

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

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

With all our sites closed to the public and staff from March 2020, the organisation could no longer generate its primary income. The Board of Trustees and the Executive Board considered all the actions required to safeguard the future of the charity and to protect jobs.

# Notes to the Consolidated Accounts

## for the year ended 31 March 2021

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It was vital that HRP took advantage of the CJRS scheme and furloughed the majority of staff from the start. Required staff were brought out of furlough as soon as reopening the sites became a possibility.

In 2020/21, HRP claimed support from the CJRS grant every month from April 2020 to March 2021 inclusive. A total of £14,220k was claimed in the financial year.

The number of furloughed staff varied month-on-month between 75% and 90% depending on operational requirements. On average throughout the year 847 of people were on flexi- or full-furlough.

### 11. Licence, rent & recharges income

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

	2021 £000	2020 £000
Licences	757	2,365
Recovery of Costs	855	1,377
Rents	352	307
Other Income	167	190
<b>Total Licence &amp; rent income</b>	<b>2,130</b>	<b>4,239</b>

### 12. Admissions income

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

	2021 £000	2020 £000
Tower of London	2,024	49,811
Hampton Court Palace	1,359	6,794
Kensington Palace	132	5,612
Hillsborough Castle	241	805
Other palaces	0	255
Education	3	1,088
Other admissions income	307	1,328
<b>Total admissions income</b>	<b>4,065</b>	<b>65,693</b>

## Notes to the Consolidated Accounts for the year ended 31 March 2021

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

Brought forward balances for cost and accumulated depreciation were restated for rounding differences.

	Buildings & refurbishments	Fixtures & fittings	Furniture, equipment & exhibitions	Computers	Plant, machinery & vehicles	Assets in course of construction	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost</b>							
At 1 April 2020	25,842	6,010	2,978	959	6,126	4,366	46,281
Additions	874	-	-	-	18	1,894	2,786
Disposals	-	(279)	(146)	-	(25)	-	(450)
Transfers to Heritage assets	-	-	-	-	-	(17)	(17)
Transfers to Intangible assets	-	-	-	-	-	-	-
Transfers within Tangible fixed assets	553	309	83	-	67	(1,012)	-
<b>At 31 March 2021</b>	<b>27,269</b>	<b>6,040</b>	<b>2,915</b>	<b>959</b>	<b>6,186</b>	<b>5,231</b>	<b>48,600</b>
<b>Accumulated depreciation</b>							
At 1 April 2020	10,718	4,318	2,646	812	4,733	-	23,227
Charge for the year	986	391	109	49	332	-	1,867
Disposals	-	(240)	(146)	-	(25)	-	(411)
<b>At 31 March 2021</b>	<b>11,704</b>	<b>4,469</b>	<b>2,609</b>	<b>861</b>	<b>5,040</b>	<b>-</b>	<b>24,683</b>
<b>Net book value</b>							
<b>At 31 March 2021</b>	<b>15,565</b>	<b>1,571</b>	<b>306</b>	<b>98</b>	<b>1,146</b>	<b>5,231</b>	<b>23,917</b>
At 31 March 2020	15,124	1,692	332	147	1,394	4,365	23,054
<b>The net book value as at 31 March 2021 represents fixed assets used for:</b>							
Retail activities	654	209	-	35	26	40	964
Other commercial activities	-	5	3	2	9	-	19
<b>Charitable expenditure:</b>							
<b>Palaces</b>	12,786	985	210	14	947	5,191	20,133
<b>Experiences</b>							
Public access	1,716	241	54	35	148	-	2,194
Interpretation and learning	409	131	39	9	16	-	604
<b>Money – Grow our impact</b>	-	-	-	2	-	-	2
<b>Culture</b>	-	-	-	1	-	-	1
<b>At 31 March 2021</b>	<b>15,565</b>	<b>1,571</b>	<b>306</b>	<b>98</b>	<b>1,146</b>	<b>5,231</b>	<b>23,917</b>

# Notes to the Consolidated Accounts for the year ended 31 March 2021

## 14. Heritage assets (Group & Charity)

	Artefacts 2021 £000	No.	Artefacts 2020 £000	No.	Artefacts 2019 £000	Artefacts 2018 £000	Artefacts 2017 £000
<b>Cost and net book value</b>							
<b>Balance as at 1 April</b>	<b>9,156</b>	<b>452</b>	<b>8,561</b>	<b>437</b>	<b>8,155</b>	<b>8,010</b>	<b>6,459</b>
Additions, at cost	17	4	488	10	290	159	148
Transfers from assets in the course of construction	-	-	12	1	-	-	-
Disposals	-	-	-	-	(8)	(39)	(4)
Donated works, at deemed value	-	-	95	4	124	25	1,407
<b>Balance as at 31 March</b>	<b>9,173</b>	<b>456</b>	<b>9,156</b>	<b>452</b>	<b>8,561</b>	<b>8,155</b>	<b>8,010</b>

Made up of:

<i>Interpretation and learning</i>	9,173	9,156	8,561	8,155	8,010
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The number of heritage assets at 1 April 2020 was restated to its correct value from 452 to 437. There were no significant additions to Heritage assets in the year.

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

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

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

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

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

- c8,000 architectural drawings.

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

## Notes to the Consolidated Accounts for the year ended 31 March 2021

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

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

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

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

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

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

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

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

### **c) Management and Conservation**

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

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

**Notes to the Consolidated Accounts  
for the year ended 31 March 2021**

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# Notes to the Consolidated Accounts for the year ended 31 March 2021

## 15. Investments

<u>Bond Portfolio</u>	<b>Group 2021 £000</b>	<b>Charity 2021 £000</b>	<b>Group 2020 £000</b>	<b>Charity 2020 £000</b>
<b>Balance as at 1 April</b>	<b>8,304</b>	<b>8,304</b>	<b>8,544</b>	<b>8,544</b>
Effective interest earned	127	127	133	133
Interest coupons received	(210)	(210)	(261)	(261)
Bonds purchased	-	-	4,395	4,395
Bonds redeemed	(1,110)	(1,110)	(4,378)	(4,378)
Gain / (Loss) on valuation	242	242	(129)	(129)
<b>Balance as at 31 March</b>	<b>7,353</b>	<b>7,353</b>	<b>8,304</b>	<b>8,304</b>

These consist of short dated, investment grade, sterling, fixed income securities. The bond portfolio is accounted for using the effective interest method as the bonds are intended to be held to maturity.

<u>Multi-Asset Investment Fund</u>	<b>Group 2021 £000</b>	<b>Charity 2021 £000</b>	<b>Group 2020 £000</b>	<b>Charity 2020 £000</b>
<b>Balance as at 1 April</b>	<b>2,602</b>	<b>2,602</b>	<b>2,677</b>	<b>2,677</b>
Units disposed of	(2,642)	(2,642)	-	-
Gain / (Loss) on revaluation	430	430	(75)	(75)
<b>Balance as at 31 March</b>	<b>390</b>	<b>390</b>	<b>2,602</b>	<b>2,602</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.

<u>Ethical Investment Fund</u>	<b>Group 2021 £000</b>	<b>Charity 2021 £000</b>	<b>Group 2020 £000</b>	<b>Charity 2020 £000</b>
<b>Balance as at 1 April</b>	<b>2,713</b>	<b>2,713</b>	<b>2,741</b>	<b>2,741</b>
Units disposed of	(2,750)	(2,750)	-	-
Gain / (Loss) on revaluation	720	720	(28)	(28)
<b>Balance as at 31 March</b>	<b>683</b>	<b>683</b>	<b>2,713</b>	<b>2,713</b>

<b>Total Investments Balance as at 31 March</b>	<b>8,426</b>	<b>8,426</b>	<b>13,619</b>	<b>13,619</b>
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This is a diversified multi-asset fund with ethical and responsible investment standards. It consists of global and UK equities, with a proportion allocated to infrastructure & operating assets, property and cash.

## 16. Debtors

	<b>Group 2021 £000</b>	<b>Charity 2021 £000</b>	<b>Group 2020 £000</b>	<b>Charity 2020 £000</b>
Trade debtors	395	128	1,737	1,280
Amounts due from subsidiary	-	1,892	-	2,321
Other debtors	122	45	337	337
Prepayments and accrued income	2,207	2,057	2,730	2,613
	<b>2,724</b>	<b>4,122</b>	<b>4,804</b>	<b>6,551</b>

# Notes to the Consolidated Accounts

## for the year ended 31 March 2021

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All of the above debtors are due within one year.

There was an exceptional change in the way the service charge owed by HRPE Ltd to HRP was derived in 2020/21, leading to a reduction in the amounts due from the subsidiary.

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

HRP Board of Trustees approved a reduction to the 2020/21 service charge calculation payable by HRPE Ltd to the Charity entity HRP in order to keep HRPE Ltd solvent and maximise the outcome for the Group formed by HRP the charity and HRPE Ltd its trading subsidiary.

The decrease is as follows:

- reduction of 40% on the 2020/21 payroll recharge (trading staff) from £4.7m to £2.8m
- reduction of £0.3m in the facility recharge as a result of changes to the historic calculation:
  - o apportionment of accommodation expenditure based on the proportion of trading turnover
  - o notional 1% charge for support services
  - o depreciation of trading fixed assets was recharged in full.

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

	<b>Group 2021 £000</b>	<b>Charity 2021 £000</b>	<b>Group 2020 £000</b>	<b>Charity 2020 £000</b>
Trade creditors	465	509	5,219	4,557
Taxation and social security	618	618	1,057	1,052
Other creditors	138	257	328	443
Accruals	4,214	3,902	9,191	8,761
Deferred income	3,161	2,215	3,564	2,408
	<b>8,596</b>	<b>7,501</b>	<b>19,359</b>	<b>17,221</b>

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

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

	<b>Group 2021 £000</b>	<b>Charity 2021 £000</b>	<b>Group 2020 £000</b>	<b>Charity 2020 £000</b>
Trade creditors	143	143	135	131
Amounts drawn down on the Culture Recovery Fund Loan Facility	40,050	40,050	-	-
	<b>40,193</b>	<b>40,193</b>	<b>135</b>	<b>131</b>



# Notes to the Consolidated Accounts

## for the year ended 31 March 2021

In 2020/21, HRP was awarded a £40m repayable loan from the Culture Recovery Fund for Heritage jointly managed by the Arts Council England (ACE) and the National Lottery Heritage Fund (NLHF). This was part of the £1.57 billion rescue package announced by the Department for Digital, Culture, Media and Sport to safeguard cultural and heritage organisations across the UK from the economic impact of COVID-19.

The repayable loan is met by Government guarantee, with no specific requirements but no specific security.

The loan attracts a 2% interest rate which accrues from its March 2021 receipt. After a four-year repayment holiday, the loan must be repaid in 21 equal repayment instalments over a ten-year period and by March 2035.

### 19. Provision for liabilities and charges (Group and Charity)

	Claims £000	Total £000
Balance as at 1 April 2020	927	927
Amounts used in year	(492)	(492)
New provisions in year	52	52
<b>Balance as at 31 March 2021</b>	<b>487</b>	<b>487</b>

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

### 20. Financial commitments under operating leases

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

	<b>Group 2021 £000</b>	<b>Charity 2021 £000</b>	Group 2020 £000	Charity 2020 £000
<b>Operating Lease payments due:</b>				
Not later than one year	1,096	886	733	572
Later than one year and not later than five years	3,865	3,239	2,646	2,006
Later than five years	53,346	53,346	32,260	32,260
<b>Total payable</b>	<b>58,307</b>	<b>57,471</b>	<b>35,639</b>	<b>34,838</b>

### 21. Operating lease receipts

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

# Notes to the Consolidated Accounts for the year ended 31 March 2021

	<b>Group 2021 £000</b>	<b>Charity 2021 £000</b>	<b>Group 2020 £000</b>	<b>Charity 2020 £000</b>
<b>Operating Lease payments due:</b>				
Not later than one year	209	142	230	147
Later than one year and not later than five years	597	353	591	325
Later than five years	-	-	55	10
<b>Total receivable</b>	<b>806</b>	<b>495</b>	<b>876</b>	<b>482</b>

## 22. Capital commitments

	<b>Group 2021 £000</b>	<b>Charity 2021 £000</b>	<b>Group 2020 £000</b>	<b>Charity 2020 £000</b>
Contracted capital commitments as at 31 March 2021, for which no provision has been made in the accounts:	394	394	4,126	4,126

Commitments include no amount (2020: nil) relating to projects that are being funded by donations from third parties.

## 23. Contingent liabilities

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

HRP is in ongoing negotiations with one contractor over final agreements relating to a capital project. The amount in query is £0.3m which we have challenged on several occasions with no response received or further action recorded so far. As time passes, the risk reduces. Any final amounts above or below those amounts provided in the financial statements will be recognised in future financial statements.

# Notes to the Consolidated Accounts

## for the year ended 31 March 2021

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

INCOME	Unrestricted funds	Restricted funds	Total 2021	Total 2020
	£000	£000	£000	£000
<b>Donations and legacies</b>				
Grants	120	6,219	6,339	728
CJRS grants	-	14,220	14,220	
Donations	473	36	509	2,499
Gifts in Kind	-	4	4	95
	<b>593</b>	<b>20,479</b>	<b>21,072</b>	<b>3,322</b>
<b>Income from other trading activities</b>				
Retail income	-	-	-	-
Functions and events	3	-	3	225
Licences, rent & recharges	1,656	-	1,656	2,157
Sponsorship	-	-	-	-
	<b>1,659</b>	<b>-</b>	<b>1,659</b>	<b>2,382</b>
<b>Investments</b>	330	-	330	718
<b>Income from charitable activities:</b>				
Admissions	4,065	-	4,065	65,693
Memberships	2,865	-	2,865	3,608
Concessions	79	-	79	2,538
	<b>7,009</b>	<b>-</b>	<b>7,009</b>	<b>71,839</b>
<b>Other Income</b>				
Service charge to & Gift aid distributed from HRPE	3,434	-	3,434	15,634
<b>Total income</b>	<b>13,025</b>	<b>20,479</b>	<b>33,504</b>	<b>93,895</b>
<b>EXPENDITURE</b>				
<b>Costs of raising funds:</b>				
Fundraising	347	108	455	727
Retail activities	3,107	1,597	4,704	5,836
Other commercial activities	1,145	618	1,763	2,508
Investment management costs	51	-	51	29
	<b>4,650</b>	<b>2,323</b>	<b>6,973</b>	<b>9,100</b>
<b>Expenditure on charitable activities:</b>				
Palaces	9,658	6,770	16,428	31,527
Experiences:				
Public access	11,781	5,602	17,383	25,503
Interpretation and learning	5,049	3,326	8,375	17,342
Money – Organisational Growth	1,584	488	2,072	6,864
Culture	1,253	219	1,472	3,156
	<b>29,325</b>	<b>16,405</b>	<b>45,730</b>	<b>84,392</b>
<b>Other</b>				
Defined Pension scheme net interest cost	12	-	12	181
Losses (gains) on curtailments	(352)	-	(352)	-
Losses (gains) due to benefit changes	-	-	-	-
CJRS grant received on behalf of the subsidiary	2,052	-	2,052	
<b>Total Expenditure</b>	<b>35,687</b>	<b>18,728</b>	<b>54,415</b>	<b>93,673</b>
Net (losses)/gains on investments	1,393	-	1,393	(232)
<b>Net Income / (Expenditure)</b>	<b>(21,269)</b>	<b>1,751</b>	<b>(19,518)</b>	<b>(10)</b>
Actuarial (loss)/gain on pension plan	(503)	-	(503)	7,337
<b>Net movement in funds</b>	<b>(21,772)</b>	<b>1,751</b>	<b>(20,021)</b>	<b>7,327</b>
<b>Fund balances brought forward at 1 April</b>	<b>55,167</b>	<b>5,667</b>	<b>60,834</b>	<b>53,507</b>
<b>Fund balances carried forward at 31 March</b>	<b>33,395</b>	<b>7,418</b>	<b>40,813</b>	<b>60,834</b>

# Notes to the Consolidated Accounts for the year ended 31 March 2021

## 25. Related party transactions

This note lists material transactions with other entities in which either Trustees or senior employees of HRP or their close family members hold positions of authority. It also details all transactions with Trustees, with the exception of remuneration of Trustees which is covered in Note 6 and donations made by them - £250 in year (2019/20: £100k).

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

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

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

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

Related party	Connected party (a)	2021 £000	2020 £000	Detail of transaction
Association des Residences Royales Europeennes (ARRE)	John Barnes (Chief Executive of HRP) is a member of ARRE on behalf of HRP	8 (nil)	- (nil)	Charges made to HRP by the Association for HRP's annual membership
The Attingham Trust	Tim Knox FSA (Trustee of HRP) is a member of council at the Attingham Trust	- (nil)	8 (8)	Charges made by the Attingham Trust to HRP for educational courses
BBC	Zeinab Badawi (Trustee of HRP) is a broadcaster at the BBC	15 (nil)	4 (nil)	Charges made by HRPE for filming at our palaces
British Academy of Film	Dr Jo Twist OBE (Trustee of HRP since 1 November 2019) is deputy chair, director of British Screen Advisory Council (British Screen Forum)	- (nil)	25 (nil)	Charges made by HRPE for an event at Kensington Palace
The Chartered Management Institute (CMI)	Bruce Carnegie-Brown (Trustee of HRP until 17 September 2019) was president of the CMI	- (nil)	2 (nil)	Charges made by HRPE for an event at Kensington Palace
The Choral Foundation, Chapel Royal, Hampton Court Palace	Sue Hall (Director of HRP) is a trustee of The Choral Foundation	7 (nil)	15 (nil)	Charges for choral services and recitals made by the Choral Foundation to HRP
		- (nil)	5 (nil)	Function hosted for the Choral Foundation - cost borne by HRP
The Foundation of the Chapels Royal of HM Tower of London	Andrew Jackson (Director of HRP from 27 May 2019) is a trustee of the Foundation	8 (nil)	24 (nil)	Charges made by the Foundation to HRP for choral services at HM Tower of London
The Horniman Museum	Carole Souter CBE (Trustee of HRP) is a trustee of the Horniman Museum	- (nil)	4 (nil)	Charges made by the Horniman to HRP for the conservation and retrieval of a Piano for KP

# Notes to the Consolidated Accounts

## for the year ended 31 March 2021

Related party	Connected party (a)	2021 £000	2020 £000	Detail of transaction
Historic Royal Palaces Inc. (HRP Inc.) <sup>(b)</sup>	John Barnes (Chief Executive of HRP is President of HRP Inc.), Dan Wolfe and Sue Hall (Directors of HRP) are respectively director and secretary & treasurer of HRP Inc.	759 (nil)	- (nil)	Grants received by HRP from HRP Inc. for Kensington Palace Orangery & Sunken garden conservation
		80 (nil)	91 (91)	Grants received by HRP from HRP Inc. for Tower of London projects
		19 (0)	6 (0)	Grants received by HRP from HRP Inc. for re-opening the palaces
Purcell UK (trading name of Purcell Miller Tritton LLP)	Jane Kennedy OBE (Trustee of HRP) is a senior partner of Purcell UK	18 (1)	106 (nil)	Charges made by Purcell to HRP for architectural services at Kensington Palace Orangery
Royal Armouries (RA)	Lord Houghton (Trustee of HRP since 1 August 2016) is a trustee of RA	12 (12)	290 (125)	Charges made by RA to HRP for goods and services provided at HM Tower of London
		- (nil)	13 (nil)	Recovery of costs from RA for goods, services and maintenance provided by HRP at HM Tower of London
Royal Collection Trust (RCT), and Royal Collection Enterprises Limited (RCEL), which is a wholly owned subsidiary of RCT	Sir Michael Stevens KVC (Trustee of HRP) is Keeper of the Privy Purse and a Trustee of RCT  Tim Knox (Trustee of HRP) is a Director of RCEL and Director of the Royal Collection at RCT	- (0)	2 (0)	Charges made by RCEL to HRP and HRPE for the right to produce images of Royal Collection items and for the purchase of goods for resale.
		30 (15)	66 (13)	Recovery by RCT from HRP of a proportion of the costs of maintaining and recording Royal Collection and other items displayed in the palaces, and from HRPE for the purchase of goods for resale
Royal Household (RH)	Sir Michael Stevens KVC (Trustee of HRP) is Keeper of the Privy Purse and Receiver General of the Duchy of Lancaster	131 (9)	142 (5)	Charges made by RH to HRP for rent and services provided at Kensington Palace
		26 (23)	29 (26)	Charges made by HRP and HRPE to RH for share of staff costs and grazing licence
Royal Opera House	Zeinab Badawi (Trustee of HRP) is Trustee of Royal Opera House	- (nil)	3 (nil)	Charges made by HRP to Royal Opera House for tickets for education visits
RUSI	Lord Houghton (Trustee of HRP) Is a trustee of RUSI	- (nil)	2 (2)	Charges made to HRP by RUSI for venue hire
Santander UK plc.	Bruce Carnegie-Brown is non-executive director of Santander UK plc and was a trustee of HRP until 17 September 2019)	- (nil)	9,519 (nil)	Redemption from HRP of maturing fixed term deposits at commercial rate
		- (nil)	10,507 (nil)	Purchase by HRP of fixed term deposits at commercial rate
		- (nil)	123 (63)	Interest earned on fixed term deposits HRP holds with Santander UK plc.

# Notes to the Consolidated Accounts for the year ended 31 March 2021

Related party	Connected party (a)	2021 £000	2020 £000	Detail of transaction
Saatchi & Saatchi	Sarah Jenkins (HRP Trustee since 2 September 2019) is a managing director of M&C Saatchi	(19) (nil)	12 (nil)	Refunds of charges made by HRP to M & C Saatchi for cancelled function at the Tower
Todd Longstaffe-Gowan Ltd	Tim Knox (Trustee of HRP) is a director at Todd Longstaffe-Gowan Ltd	8 (nil)	32 (nil)	Charges made by Todd Longstaffe-Gowan Ltd to HRP for garden design
Yale	Tim Knox (Trustee of HRP) is a trustee of Yale University Press London	- (nil)	1 (nil)	Purchase of images for KP by HRP

(a) Copies of the Trustees' register of interests and their biographical details are available from the Head of Governance, Apartment 39, Hampton Court Palace, Surrey KT8 9AU.

(b) Historic Royal Palaces, Inc. is an entity independent of Historic Royal Palaces. Whilst its object is to support the work of Historic Royal Palaces, how this is expressed is the responsibility of the Board alone. This independence is required to maintain US charity status. Current arrangements, in which Historic Royal Palaces' staff have a seat on the Board (Dan Wolfe) and fill the officer posts of the US charity (John Barnes as President and Sue Hall as Secretary and Treasurer), provide sufficient communication and co-operation with the Board to protect our interests whilst retaining the US charity's independence.

## 26. Financial instruments

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

### Liquidity and Credit Risk

Short-term liquidity was obtained by contracting two overdrafts (£4m for HRP and £0.5m for HRPE). Long-term liquidity was secured by the receipt of a £40m long-term repayable finance loan from the CRF fund. Surplus funds are held on short-term fixed interest rate deposits with institutions with low credit risk ratings. Risks relating to interest rates are managed by budgeting conservatively for investment income. HRP has no finance leases.

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

HRP is exposed to a credit risk of £0.4m trade debtors (2019/20: £1.7m). The risk is not considered significant since major customers are known to HRP or are required to pay for services in advance and provisions against bad debts are minimal.

### Market risk

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

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

HRP is not subject to any significant foreign currency risk.

## Notes to the Consolidated Accounts for the year ended 31 March 2021

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### **27. Post balance sheet events**

There have been no significant events after 31 March 2021 that require adjustment to, or disclosure in the financial statements.

The financial statements were approved by the Accounting Officer and Trustees on 27 October 2021 and authorised for issue on the date the Comptroller and Auditor General certified the accounts.