

Historic Royal Palaces

**Trustees' Report and Financial Statements
For the year ended 31 March 2022**

Financial Statements
For the year ended 31 March 2022

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

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This publication is available on our website at www.hrp.org.uk.

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HISTORIC ROYAL PALACES

Trustees' Report

and

Financial Statements

for the Year Ended
31 March 2022

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Administrative Details

Trustees

Rupert Gavin (Chair)(until 31 July 22)
Carole Souter CBE (Chair)(from 01 Aug 22)
Zeinab Badawi (until 31 March 22)
Lisa Burger CBE (from 01 Apr 22)
Baron Houghton of Richmond in the County of
North Yorkshire (Lord Houghton) GCB CBE
DL (until 31 July 22)
Camilla Finlay (from 7 June 21)
Sarah Jenkins
Jane Kennedy OBE (until 18 May 21)
Tim Knox FSA
General Sir Gordon Messenger KCB DSO OBE
DL (from 01 Aug 22)
Sir Michael Stevens KCVO (Deputy Chairman)
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)
Howard Beeston (Interim Finance Director from 12 Jan22 to 31 Oct 22)
Jane Crowther (HR Director until 31 Dec 21, Director of Corporate Resources from 1 Jan 22)
Anupam Ganguli (Finance Director from 31 Oct 22)
Sue Hall (Finance Director until 31 Dec 21)
Andrew Jackson (Tower of London Director)
Tom O’Leary (Public Engagement Director)
Adrian Phillips (Palaces and Collections Director)
Dan Wolfe (Commercial Director)

Registered Office

Hampton Court Palace,
Surrey KT8 9AU

Auditors of the Group

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

Bankers

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

Solicitors

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

Historic Royal Palaces

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

Historic Royal Palaces Enterprises Ltd

Company limited by share capital, Companies House: 03418583

Objectives and Activities

The Purpose and Activities of the Organisation

Historic Royal Palaces (HRP) was established in 1998 as a Royal Charter Body with charitable status. It is responsible for the care, conservation and presentation to the public of the unoccupied Royal Palaces: HM Tower of London, 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 King 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 in Northern Ireland of HM The King.

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

Further information can be obtained from www.hrp.org.uk.

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

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

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

Four major strategic aims to face the challenges of the future

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

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

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

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

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

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

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

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

Creating an environment where all staff are performing to a high standard, are engaged and consistently demonstrate 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

Performance Overview

Our three-year Operating Plan was adapted to reflect the impact of COVID-19 in 2020-21, however the performance targets to measure our success in achieving our objectives remain. We monitor visit numbers, visitor satisfaction and operating surplus.

Measure	Target 2021/22 (*)	Performance
Visit Numbers	Achieve at least 980k visits across all sites	1,486k
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	8.8 8.5 9.5
Operating Surplus (**)	Keep the operating deficit to no more than (£15.1m)	£2.1m surplus

(*) The target was set in April 2021 based on the latest Government COVID-19 roadmap

(**) 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

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Money

1. Use the Culture Recovery Fund loan to manage losses and make targeted investments until breakeven is achieved.
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

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 agreed three key objectives, these were 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 the resources and finances 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

Thanks to two rounds of grants from the Heritage Stimulus Fund and a Public Bodies Infrastructure Grant, a major grant from the DCMS, we were able to continue a programme of conservation across the Palaces whilst also replacing essential services. At Hampton Court Palace, a significant project to conserve the historic ironwork Tijou screens in the Privy Garden is underway. This year, one of the panels was restored by specialist metalworkers and blacksmiths.

Vital chimney conservation and reconstruction projects were completed at Hampton Court Palace by specialist brick makers and conservators. At Kensington Palace, we strengthened the floors of the historic Cupola Room, where Queen Victoria was christened, and undertook some conservation work to care for the original William Kent painted pilasters and panelling. Another major project saw us conserve the masonry of Queen Anne's Orangery at Kensington Palace.

At the Tower of London, conservation work at 4 & 5 Tower Green presented a substantial opportunity for archaeology prior to stabilisation of the structures and essential masonry conservation. Archaeology was also undertaken in the moat in advance of our 'Superbloom' project and one of the moat's revetment walls was conserved as part of our preparations. 'Superbloom' is an installation of millions of

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flowers to celebrate HM The Queen's Platinum Jubilee in June 2022. The aim is to create a biodiverse landscape in The Tower's moat for people to come together and experience the benefits of nature. It will be linked nationally to schools and to local communities and have a permanent legacy.

Authentic research underpins everything we do, from bringing our palaces and their stories to life by exploring new and diverse perspectives alongside the more familiar histories for which they are known, to tackling conservation threats and the impact of climate change by experimenting with innovative technologies and scientific techniques. This year, research from our Inclusive History curator explored the story of Edward Francis, an enslaved African who lived at the Tower in the 17th century.

His story shed new light on slavery and resistance at the Tower of London and we created a new web resource to explain this important aspect of the Tower's history.

In 2021, HRP's Heritage Science Laboratory gained considerable capability following a £1 million grant from the Arts & Humanities Research Council (AHRC) Capability for Collections Fund. State of the art infrastructure was installed in the laboratory at Hampton Court Palace, which will transform our ability to undertake detailed scientific analysis of heritage assets, as well as providing in-depth information and data on the condition of the Palaces and the remarkable collections they contain.

As the custodians of the Royal Ceremonial Dress Collection, we were pleased to send some items out on loan to external institutions and partners. To mark the tercentenary of the death of Master Craftsman Grinling Gibbons, whose work adorns Hampton Court Palace and Kensington Palace, fragments of our collection were loaned to an exhibition at Compton Verney, staged by the Grinling Gibbons Society. Items from the Royal Ceremonial Dress Collection, including a suit once worn by the Duke of Windsor, were loaned to the V & A Museum for their Fashioning Masculinities exhibition.

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

It was a busy year for exhibitions. We staged three shows we postponed in 2020 and added a new display into our programme.

The Orangery at Kensington Palace was re-purposed as an exhibition space and housed 'Royal Style in the Making', a display exploring the unique relationship between fashion designers and their royal clients. The star item featured was the wedding dress worn by Diana, Princess of Wales, in 1981, on loan from her sons, HRH The Prince of Wales and the Duke of Sussex. The show proved enormously popular, attracting almost 200,000 visitors to Kensington Palace during its seven-month run. In March, it was succeeded by 'Life Through a Royal Lens', an exhibition bringing together some of the most iconic images of the Royal Family ever taken, including contributions from members of the public.

At Hampton Court Palace, we celebrated the 500th anniversary of the legendary meeting between King Henry VIII and his contemporary, Francois I – the Field of Cloth of Gold – a year later than planned. A dazzling array of Tudor treasures went on display in the rooms once occupied by the architect of the occasion – Cardinal Wolsey. A highlight was a never-before-seen 16th century French tapestry featuring a black trumpeter – one of only a handful of surviving visual depictions of people of colour at a 16th century court.

Two centuries on from the death of King George III, conversations about male mental health are changing. At Kew Palace, where George III grew up and spent time at the

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palace convalescing during periods of mental ill health, we staged a display exploring the life of this fascinating and much-misunderstood monarch. Our Communities team partnered with groups local to Kew, to interpret some of the items in the exhibition and explore how George III's experiences speak to men's experiences in 21st century London. We also featured a display of objects submitted by members of the public, to inspire discussion and reflection on how we think and talk about mental health today.

Attracting domestic visitors was a key priority for the year, as inbound tourism continued to recover slowly. At Hillsborough Castle, we staged our inaugural Hillsborough Honey Fair, working with local producers and Food NI. We focused our efforts on seasonal programming and produced two new Halloween offers for visitors at Hampton Court Palace and the Tower of London. Meanwhile, the Wild Raven Walk returned to Hillsborough Castle and attracted record numbers. At Christmas, light trails were staged at Hampton Court Palace and Hillsborough Castle, whilst the Tower was dressed in a festive display celebrating its long history as a menagerie, kindly supported by the 'Let's Do London' campaign.

Offsite and online, we continued to tell the stories of the Palaces to visitors who were not able to visit us in person. Another successful series of Crowdcast talks, hosted by our Chief Curator, Lucy Worsley, explored, amongst other things, the history of Royal Jubilees, and LGBT stories from the Palaces. On television, the fourth series of 'Inside the Tower of London' aired to audiences upwards of 1.5 million on Channel 5 in the Autumn. A further two TV series followed, featuring staff and stories from Hampton Court Palace and Kensington Palace respectively.

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

In 2020, we restructured the charity to ensure that we were in the best possible position to recover from the financial challenges presented by the pandemic. We began the 2021-22 financial year still heavily using the Coronavirus Job Retention Scheme, which was a vital lifeline during a period in which our income all but disappeared. In September 2021, the scheme came to an end and all staff returned to work, with some having been on furlough for 18 months.

To help all staff understand the challenges we faced, three shared objectives were set for the whole organisation: to continue to deliver our Cause to 'Stir Every Spirit', to adapt our ways of working to the new environment and to work towards achieving break-even. These clear objectives helped to focus the attention of the organisation on HRP's recovery.

In Summer 2021, we conducted a staff listening exercise, to gather staff feedback and to inform our work to build a more diverse and inclusive organisation. The feedback showed that staff are proud to work for HRP and inspired by their work but are keen to see wider diversity across the charity.

In response to this feedback, in November 2021, we established the Historic Royal Palaces Staff Inclusivity Network. Chaired by a team of three Co-Chairs from across directorates, the network meets regularly to discuss a broad range of topics. The network advises on internal training and language and terminology, and champions inclusive history research internally.

Alongside this piece of work, Sarah Jenkins, Trustee and Chair of our People Committee, conducted a Staff Diversity, Inclusivity and Equality Review, looking at internal culture and some of our HR mechanisms. Her recommendations were presented to Trustees and the Executive Board to inform future strategy.

The gender pay gap has substantially improved since last year. This is largely due to

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the restructure in 2020 – larger reductions in allowances in some more predominantly male teams, compulsory and voluntary redundancy leavers who were males on higher rates of pay or females on lower rates of pay, and most of our casuals (larger proportion are female) were not given any work during the reporting period and were therefore excluded from the pay gap calculations.

Our MA in Heritage Management continues to go from strength to strength, with 35 students enrolling in 2021 from the UK and overseas. Students have received masterclasses from HRP's leading heritage professionals and undertaken integral work placements across all directorates. To date, the 65 alumni of the course have achieved astounding success in securing jobs with leading heritage organisations in the UK and abroad. Several have returned to work with HRP.

4. Money - Generate the money to grow our impact

In 2020, a Commercial department was established within Historic Royal Palaces, to focus on income generation following the financial challenges we faced during the pandemic. In 2021, a new Development Director was appointed, to grow and expand our fundraising operation. Fundraising efforts were focused on 'Superbloom' at the Tower of London and the £2 million target was met thanks to support from generous sponsors and donors, including a lead sponsor, Burberry.

The CRF Loan has been used to manage losses made in 2020/21 and 2021/22 and provide long term financial stability. It will also be used to invest in future projects such as 'Superbloom' and the new orangery learning centre at Kensington Palace as well as new programmes around sustainability, accessibility and accommodation.

Membership

2021/22 was a record year for membership. We recruited 71,360 new members to the base which is the highest number ever acquired in a single year. We opened the year with 77,058 coming out of the pandemic and ended the year with a record base of 119,745 members. The membership scheme generated £3.2m in income, +13% vs. 2020/21.

Retail

Retail sales recovered significantly after a difficult year and were back up to £5.9 million from £1.6 million. The improvement was primarily driven by our on-site shops across the estate, as visitor numbers improved throughout the year.

Functions and Events

Functions, events and other licencing income improved substantially too. Income rose from £281k the previous year, to £3.4 million. A strong performance on this side of the business was driven by the return of some of our large-scale commercial events, corporate events and weddings, once Covid restrictions had been lifted.

It was a strong year for filming, with many large-scale productions still limiting filming within the UK due to Covid restrictions. We hosted two shoots for Bridgerton (Netflix) and two shoots for The Great (Hulu). The second series of Bridgerton, in which Hampton Court Palace featured heavily, was watched for 193 million hours in its opening weekend alone.

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Financial Review

Funds and reserves

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

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

At the beginning of 2020/21 we had £27.4m total free reserves available but by the end of 2020/21 the Group was left with free reserves of £5.2m and by the end of 2021/22 with negative free reserves of £1.2m.

	Funds as at 31 March 2022	Funds as at 31 March 2021	Funds as at 1 April 2020
	£000	£000	£000
General (Free) reserves	(1,243)	5,163	27,405
Designated funds	-	-	-
Fixed assets	28,826	29,116	28,448
Pension plan	9,437	(829)	(686)
Unrestricted funds	37,020	33,450	55,167
Restricted funds	7,103	7,417	5,667
Total funds	44,123	40,867	60,834

Restricted funds (£7.1m)

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

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Unrestricted funds (£37.0m)

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

- **Free reserves** (negative £1.2m)
£6.4m was used in the year, in addition to the £22.2m used in the previous year, to further sustain the group during the COVID-19 crisis. We normally designate funds from our general funds 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** (£28.8m)
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** (£9.4m)
The pension surplus or liability recorded in the Consolidated and Charity Balance Sheet is calculated annually for accounting purposes under FRS102. As at 31 March 2022, the pension surplus has been calculated as £9.4m (March 2021: -£0.8m) and shown in the accounts in accordance with accounting standards. Details of the retirement benefit scheme are disclosed in the Notes to the accounts.

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

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

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

Future free reserves

It appears the worst of the negative impact of closures due to COVID-19 on the Group's financial position may be over but a high level of uncertainty remains around the UK economy. The Trustees intend to replenish free reserves to an appropriate level as soon as practically possible as a safeguard against future fluctuations in income. Additionally, the Trustees plan a return to setting aside designated funds for major projects and programmes when surpluses in future years allow and these funds could also be undesignated by the Trustees to compliment free reserves.

A minimum level of free reserves equivalent to 3 month's operating expenditure will allow sufficient time to implement expenditure reductions in the event of a sudden loss of income. Based on the 2022/23 budget, a minimum level of free reserves would be £16m. In 2022/23 the organisation is budgeting to break-even prior to expenditure on

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major projects so a contribution to free reserves is unlikely. However, despite an uncertain economic outlook, we anticipate surpluses in future years which will restore our free reserves.

The Statement Of Financial Activities

Total visits of 1.5m in 2021/22 were better than originally targeted at the beginning of the year, but when compared to the 2019/20 visits total of 4.8m, it shows the impact of the Covid-19 pandemic continues to affect our activity and performance.

Total income was £54.4m, with visitor facing activities generating £33.6m, and the return of the HCP Flower Show and Music Festival helping achieve Function and Events total income of £3.4m.

Coronavirus Job Retention Scheme (CJRS) grants continued into 2021/22 and totalled £2.4m, and we received project grants of £8.0m, including £6.1m from the DCMS Public Bodies Infrastructure awards, English Heritage & Historic England for the funding of additional programme and project expenditure.

Cost control measures were kept in place all year to help offset the expected income shortfalls, with any recruitment and discretionary spend kept to a minimum.

Despite the cost control put in place and the additional monies received from grants, the loss of traditional income compared to pre-covid years resulted in an operational net deficit of £7.0m for the year (19.5m deficit in 2020/21).

The Balance Sheet

Excluding the pension surplus, overall total funds over the year have decreased by £6.2m. Fixed assets reduced by £3.8m to £38.1m, primarily driven by disinvestments in financial assets. Although none of the multi-asset portfolios were sold in-year, investments in the bonds portfolio continued to be liquidated on maturity.

Debtors have increased by £4.5m and amounts owed falling due within one year has increased by £7.2m in line with increased activity as the organisation recovers from the pandemic. Overall, net current assets decreased by £2.5m year on year.

Long-term creditors increased due to accrued interest on the £40m loan from the Culture Recovery Fund. Repayment of the capital and associated accrued interest is due by March 2035 with repayments commencing from March 2025.

The Group's cash flows returned to a more traditional pattern in 2021/22 with cash inflows being generated by Admissions from June to October. The overall cash outflow from operating activities for the 12 month period was negative £0.7m (£28.3 outflow in 2020/21).

Finance & Investment policy

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

In 2021/22, the Finance & Investment Committee continued to release bonds as they matured and not invest in new bonds. The bond portfolio investment returned -2.15% against +3.75% in 2020/21, although this is a negative, it is still favourable to the

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benchmark return. Since inception in January 2014, the portfolio has returned an annualised +1.2% (+1.68% in 2020/21), compared to the benchmark return of +1.28%. The multi-asset portfolios performed in line with the market and their respective benchmarks, with a combined annualised return of 1.36% interest/dividend income return (1.74% 2020/21) and a capital revaluation of +3.78% at 31 March 2022 (+21.65% as at 31 March 2021).

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 we contract with.
- Except for deposits with the Bank of England, no more than 33% of total cash and 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 24 month fixed term deposits (with the majority in 12 months or less maturity) to allow a balanced spread of maturity in a 2 year horizon to ensure maximum return but retaining instant access.

Ethical Investment

- HRP's assets should be invested with regard to its charitable aims and reviewed on a regular basis. The Trustees 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)

The 2022-23 operating budget has been set in line with the Culture Recovery Fund (CRF) requirements. Income targets have been updated to reflect our latest visit number projections, with expenditure being limited to what we can afford once all essential expenditure has been allowed for.

We remain in a period of uncertainty, and the volatile operating context makes it difficult to forecast. However, the strong visitor performances we have seen at the Palaces to date in 2022 gives us confidence that we will achieve our proposed targets for 2022/23. In addition, we are well placed to hold back expenditure to reduce costs in order to create further financial headroom should circumstances require.

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

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controls on expenditure to ensure we achieve at least breakeven in 2022/23.

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

Further details are provided in Note 1 (q).

Report of the People Committee

Membership

The membership of the Remuneration Committee in 2021/22 consisted of four trustees. Sarah Jenkins (Chair), Tim Knox, Sue Wilkinson served on the committee throughout the year. Rupert Gavin was in attendance at all meetings.

Policy statement

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

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

Review of activity during the year

The People Committee only met once in April 2021 due to COVID-19. The Committee approved the Terms of Reference for the newly renamed sub-committee previously known as the Remuneration Committee. Sarah Jenkins took on the role of Chair of the People Committee. The Committee also approved the Terms of Reference for the 'Review of how the culture of HRP can fully reflect our commitment to equality and diversity'. Other approvals by the People Committee included the CEO and Directors' objectives for 2021/22, the Report for the annual report and accounts and the HRP-wide performance management process.

No further meetings/actions were carried out by the People Committee in 2021/22.

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

Trade Union relationships

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


Carole Souter CBE
Chair of the Board of Trustees
5 December 2022

Hampton Court Palace
Surrey
KT8 9AU

Governance Statement

Structure and Governance Framework

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

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

HRP considers the UK Corporate Governance Code as a source of good practice as 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 in the Administrative Details section. The Board consists of a Chair and eleven Trustees, chosen for their skills and experience. All are non-executive and unpaid.

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

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

Trustees are recruited through advertisement, by using existing contacts and by 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 variations to governing documents.

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

- supports the achievement of HRP's 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

Trustees' Report

Managing Public Money;

- and ensuring compliance with the Management Statement and Financial Memorandum.

There are four sub-committees of the Board:

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

Oversight of financial and investment activities is provided by 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 (Chair), Sir Michael Stevens, Robert Swannell. William Fall is a co-opted member of the committee. The Chief Executive and the Finance Director attend by invitation.

Remuneration policy for the Chief Executive and Directors of HRP is agreed by the People Committee which oversee and advise on issues concerning HRP's human resources. Sarah Jenkins served as Chair. Other Trustees who served on the committee during the year were Tim Knox and Sue Wilkinson, with Rupert Gavin in attendance. The Chief Executive and the Corporate Services 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 (Chair), 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 Chair of 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 maintains oversight and ensures the sustained development of HRP's actions and ambitions in this area. Other working groups include the Research Strategy Board, Superbloom Working Group, and the Digital & Technology 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 Corporate Services.

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 2022.

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% (20/21: 94%), Audit & Risk Committee 92% (20/21: 100%), Finance & Investment Committee 100% (20/21: 100%), People Committee 100% (20/21: 100%) and Nominations & Governance Committee 100% (20/21: 100%).

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

Trustee	Board	Audit & Risk Committee	Finance & Investment Committee	People Committee	Nominations & Governance Committee
Rupert Gavin	4/4		4/4	1/1	3/3
Zeinab Badawi	3/4				3/3
Lord Houghton	4/4				3/3
Camilla Finlay	3/3				
Sarah Jenkins	4/4			1/1	
Jane Kennedy	4/4				
Tim Knox	4/4			1/1	
Carole Souter	4/4	3/3			
Sir Michael Stevens	4/4	3/3	4/4		3/3
Robert Swannell	4/4	3/3			
Jo Twist	4/4				
Sue Wilkinson	4/4			1/1	
Michael Wood	2/4				

William Fall ^(note 1)			4/4		
Ian Starkey ^(note 2)		2/3			
Francis Runacres ^(note 3)			1/1		

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.

Note 3: Francis Runacres is an observer from the Arts Council, England

Highlights of Board Committee Reports

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

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 not agreed in budgets, will still be brought to Trustees' attention.

During the year, the Board monitored and considered the progress of the organisation through strategic updates on the palaces, experiences, culture and money. 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 three times in the year to March 2022.

The Finance and Investment Committee met four times in the year. The committee reviewed HRP's current and projected cash balances, the allocation between investment asset types and term deposits, the spread of counterparties, the rates of return and the retention levels for instant access. As a result of the financial pressures brought about by the COVID-19 pandemic, the committee also discussed how best to deploy existing reserves, and how to utilise 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 three times to consider Trustee vacancies, and the recruitment of a new Chair.

The newly renamed People Committee met once in the year with Sarah Jenkins assuming the role of Chair, replacing Lord Houghton. The Committee approved the Terms of Reference for the People Committee for review by the Board of Trustees. They also approved the Terms of Reference for the "Review of how the culture of HRP can fully reflect our commitment to equality and diversity" (Equality and Inclusivity Review). Due to the terms of the CRF loan no bonuses were approved for the Executive Board in 2021/22 (£0 in 2020/21).

Trustees' Report

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

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

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

Trustees' Report

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

- 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 2022 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 2021/22 included reviews of:

Cookie Compliance: Following an audit, a cookie tool was rolled out (OneTrust); a Cookies Policy included within the Privacy Policy, and one website was removed from service due to non-compliance. All issued actions completed.

Information Commissioner's Office (ICO) Accountability Framework: Over 10 key areas, HRP's ability to meet the ICO's expectations were assessed; 60% of the time, HRP meet, or partially meet expectations. With a new Data Protection Officer (DPO) in place, and work underway, a review of this will take place in 2022-3.

Security Audit Framework: An internal audit framework has been developed and tested; it audits the services provided by HRP's Security staff including training, exercising, technical equipment, and procedures. This tool will be rolled out in 2022-23.

Cyber Essentials: A report was produced for the Executive Board and the ARC in Summer 2021 outlining compliance against Cyber Essentials. We are currently working towards Cyber Essentials certification. Ongoing assurance reporting in this field will include updates on our compliance against this standard.

Lessons Learned from the Pandemic: As the pandemic continued, this report was not completed. The scope of this audit has been defined as identifying key learnings and to inform a business continuity strategy which will make HRP more resilient and inform colleagues of the future on how to manage major impacts on the organisation. This report will be completed in 2022-23.

Website Accessibility: The Government Digital Service reviewed the HRP website for compliance against the Web Content Accessibility Guidelines (WCAG) 2.1AA Standard, and we were found to be partially compliant. 10 actions were issued; these were completed within the timeframe allocated. As the new website is built, accessibility will be part of the design.

- 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

Trustees' Report

concerns@hrp.org.uk) goes direct to the Whistleblowing Officer mailboxes. No alerts were received in the current year;

- 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 provided 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 the 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.

Following on from last year, the operational and strategic risk registers operated as live documents for all Executive and Senior Leaders. The table below shows the type and volume and the review date of the register. Actions required to mitigate the risk were also monitored via this tool, ensuring timely completion.

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.

	July 2021	December 2021	April 2022
Red	4 Operational 3 Strategic	1 Operational 1 Strategic	7 Operational 0 Strategic
Amber	19 Operational 2 Strategic	22 Operational 1 Strategic	13 Operational 3 Strategic
Green	15 Operational 0 Strategic	21 Operational 3 Strategic	9 Operational 2 Strategic
Closed Risks	22	6	9


An amalgamation of the most significant risks rated as red at Year End are:-

Trustees' Report

Area	Risk	Mitigation
Phishing	A risk of scammers being able to gain access to HRP information resulting in the erroneous transfer of data, etc.	A Security Steering Group has been established and is working on recommendations for minimum security standards to be met. Regular communications and training to staff, reminding them to remain vigilant, and of the key indicators of phishing emails. Maintenance of multiple layers of filtering to prevent messages accessing HRP systems.
Website outage	The risk that there is an outage or fault on either the corporate website, or the ticket selling site, resulting in HRP being unable to sell tickets or memberships online with no out-of-hours tech support.	An automated alert system is in place, with a rota to update banner notifications for customers (if needed) overnight/at weekends. A project team is in place to review and update the ticketing system.
Unpredicted security incidents	A risk that an incident either on or off HRP property could lead to a massive impact on HRP operations and finances; horizon scanning of potential new legislation on the 'Duty to Protect', following the bombing at the Manchester Arena, has prompted a review of the ways in which HRP deal with evacuation and invacuations, with consultation from the Crown Fire Inspectorate, Counter Terrorism Police, and other subject matter experts across Fire, Health & Safety, and Security in the management of such events, should there be a change in the duties placed on HRP	Plans are in place, and threat levels are monitored (and have been reduced in this year) but police and government reports suggest ongoing caution is required. Audits have been introduced to provide assurance on operational response and competence. A focus on completion of key security training has been in place for 21/22, and continues.

General Data Protection Regulations (GDPR) effective since May 2018 set out clear requirements for management and control of personal data. Over the last financial year, HRP has taken effective measures to demonstrate our ongoing compliance with data protection legislation. In 2021/22, there were no personal data i


 Carole Souter CBE
 Chair of the Board of Trustees


 John Barnes
 Chief Executive and Accounting Officer

Statement of Responsibilities

Our Environment

In 2021/22 as we emerged from the pandemic, we took the opportunity to update our sustainability plan. Historic Royal Palaces is committed to working towards net zero greenhouse emissions by 2050, but our changed financial circumstances and rising energy costs require us to be increasingly focused in our approach.

In September 2021 Trustees approved our revised plan, which is in 3 parts. Firstly, we will measure our carbon footprint across all emission categories and establish science-based reduction targets; secondly, we will reduce our emissions through wide-ranging decarbonisation activity; and thirdly we will offset our residual emissions. Our focus for the first 3 years is on parts 1 and 2 of our plan, and within that we are prioritising the measurement and reduction of scope 1 and 2 emissions.

In 2021/22 we made good progress in improving the quality of our data and the insight derived from it, focusing in the first instance on energy and water use. This will better enable us to manage demand and also help us identify where we might best invest to reduce use.

We also focused on reducing energy and water use. The majority of our Palaces and office spaces remained closed until at least June 2021 which meant overall use was significantly lower in the first quarter of the year than in pre-pandemic times. Thereafter we concentrated on reducing demand and on increasing efficiency, achieved through actions such as switching things off, rationalising use of space across our sites, and by replacing boilers which were at the end of their life cycles with more efficient models. It was also a warm winter which kept usage lower.

Overall, our energy use, and thereby scope 1 and 2 emissions, remained significantly below pre-pandemic levels:

Greenhouse Gas Emissions (*)	2021/22	2020/21	2019	2018	2017
Emissions Scope 1 (tonnes CO ₂ e)	1,519	1,075	2,367	1,981	1,716
Emissions Scope 2 (tonnes CO ₂ e)	1,010	839	1,631	1,932	2,552
Sub total GHG emissions (tonnes CO ₂ e)	2,529	1,914	3,998	3,913	4,268
Emissions Scope 3 (tonnes CO ₂ e)	36	79	608	755	721
Total GHG emissions (tonnes CO ₂ e)	2,565	1,993	4,606	4,668	4,989

Statement of Responsibilities

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

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

Our intensity measure for SECR (streamlined energy and carbon reporting) is 'per visitor'. Based on 1,486,340 physical visitors to our sites in 2021/22, we emitted 1.73kg of CO₂e per visitor.

Whistleblowing Disclosure

Whistleblowing policy

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

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

- Internally, individuals can disclose their concerns to appropriate internal specialists, a specific email address managed by the Whistleblowing Officer and the Head of Audit and Risk or directly to the HR Director (The Whistleblowing Officer) and The Chief Executive, Chair of the Audit and Risk Committee or the Chair of Trustees.
- Externally, people can report issues to external bodies such as legal advisers, Minister of the Crown or statutory regulators.
- There were two whistleblowing incidents reported in the year (nil in 2020/21).

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 latter. It is the policy of HRP to pay all invoices not in dispute in accordance with contractual terms. Payments are made fortnightly and include all invoices received in Finance and due for payment by the time of the next payment run.

During 2021/22, 69% of supplier invoices were paid within 30 days of date of invoice (55% in 2020/21). This payment performance is not adjusted for invoices delayed for payment due to a query with the supplier. These figures reflect the challenging trading environment during the pandemic.

Related parties

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

Statement of Responsibilities

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. Three groups of volunteers solicited personal donations on behalf of HRP: our Campaign Board, the Organising Committee for the Statue to Commemorate Diana, Princess of Wales at Kensington Palace and our Hillsborough Castle Board.
- The activities of the Campaign Board were monitored through three board meetings during the year. Two 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 included the Chief Executive of Historic Royal Palaces. The committee met regularly to discuss its activities. The Hillsborough Castle Board was formed at the end of 2021 and met once in the 2021/22 financial year. Membership includes one Trustee of HRP. The Chief Executive of HRP also attends all meetings.
- We received no complaints about our fundraising practices during the year.
- Direct marketing was limited to advertising in our members magazine, Inside Story, and tailored approaches for high value grants from companies, charitable trusts and philanthropists. In each case new approaches, and reports on existing funding, were shared in compliance with relevant data privacy regulations. Individuals solicited for gifts were either introduced to the charity by existing supporters or made contact with us in the first instance. We avoided practices that risk being unreasonably intrusive or persistent.

Statement of Responsibilities

Statement of Trustees' and Accounting Officer's responsibilities

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

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

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

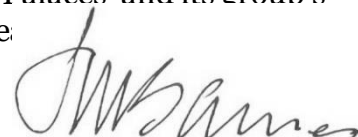
The Trustees and Accounting Officer have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that Historic Royal Palaces' auditors are aware of that information. As far as we are aware there is no relevant audit information of which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

The Trustees are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of Historic Royal Palaces and its group and which enable them to ensure that the financial statements comply with the applicable law. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of Historic Royal Palaces and its group and to prevent and detect fraud and other non-compliance with laws and regulations.

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



Carole Souter CBE
Chair of the Board of Trustees
5 December 2022



John Barnes
Chief Executive and Accounting Officer

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

Opinion on financial statements

I have audited the financial statements of Historic Royal Palaces and its group for the year ended 31 March 2022.

The financial statements comprise the:

- Consolidated and Charity Balance Sheets as at 31 March 2022;
- the Consolidated Statement of Financial Activities and Consolidated Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of the Historic Royal Palaces' and its group's affairs as at 31 March 2022 and its net expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Charities Act 2011 and the Secretary of State directions issued, with the consent of HM Treasury, under the Royal Charter.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector 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 Historic Royal Palaces and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a

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

basis for my opinion.

Conclusions relating to going concern

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

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

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

Other Information

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

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

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, based on the work undertaken in the course of the audit, the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

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

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

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Historic Royal Palaces or its group 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
- certain disclosures of remuneration specified by the Charities Act 2011 have not been made; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Trustees and Accounting Officer for the financial statements

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Trustees and the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing Historic Royal Palaces' and its group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees and the Accounting Officer either 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.

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

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

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

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

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

- the nature of the sector, control environment and operational performance including the design of Historic Royal Palaces' and its group's accounting policies, and its key performance indicators.
- Inquiring of management, Historic Royal Palace's Head of Governance, Risk and Assurance and those charged with governance, including obtaining and reviewing supporting documentation relating to Historic Royal Palaces' and its group's 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 Historic Royal Palaces' and its group's controls relating to its compliance with the Royal Charter, the Charities Act 2011 and Managing Public Money;
- discussing among the engagement team including significant component audit teams and involving relevant internal and external specialists, including IT audit and pensions expertise regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I also obtained an understanding of Historic Royal Palace's and its group's framework of authority as well as other legal and regulatory frameworks in which it operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Historic Royal Palaces and its group. The key laws and regulations I considered in this context included the Royal Charter, The Charities Act 2011, Managing Public Money, employment law, pensions legislation, tax legislation and the Coronavirus Act 2020.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board of Trustees and internal audit reports;
- in addressing the risk of fraud through management override of controls, 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;
- in addressing the risk of fraud through revenue recognition, evaluating the design and implementation of controls; testing income to corroborating evidence; assessing the completeness of revenue streams; and testing the appropriateness of significant estimates made at year-end; 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.

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. This description forms part of my report.

Other auditor's responsibilities

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

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

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

Date 12 December 2022

Consolidated Statement of Financial Activities

for the year ended 31 March 2022

	Note	Unrestricted funds £000	Restricted funds £000	Total 2022 £000	Total 2021 £000
INCOME					
Donations and legacies:					
Grants	3	104	7,890	7,994	6,339
CJRS grant	4	-	2,377	2,377	14,220
Donations		796	143	939	509
Gifts in Kind		-	83	83	4
Income from other trading activities		900	10,493	11,393	21,072
Retail income		5,908	-	5,908	1,613
Functions and events		3,382	-	3,382	281
Licenses, rent & Recharges	5	4,932	-	4,932	2,130
Sponsorship		384	-	384	260
Total		14,606	-	14,606	4,284
Investments		224	-	224	330
Income from charitable activities:					
Admissions	6	24,302	-	24,302	4,065
Membership		3,244	-	3,244	2,865
Concessions		676	-	676	79
Total		28,222	-	28,222	7,009
Total income	7	43,952	10,493	54,445	32,695
EXPENDITURE					
Costs of raising funds:					
Fundraising		302	64	366	462
Retail activities		5,425	265	5,690	5,301
Investment management costs		23	-	23	51
Other commercial activities		2,305	67	2,372	1,649
	8	8,055	396	8,451	7,463
Expenditure on charitable activities:					
Palaces		12,435	7,586	20,021	16,638
Experiences:					
Public Access		16,654	1,144	17,798	17,692
Interpretation and learning		8,654	1,564	10,218	8,507
Money - Organisational Growth		3,703	83	3,786	2,099
Culture		971	34	1,005	1,493
	8	42,417	10,411	52,828	46,429
Other					
Defined Pension scheme net interest cost	12	18	-	18	12
Losses (gains) on curtailments	12	-	-	-	(352)

Consolidated Statement of Financial Activities

for the year ended 31 March 2022

Total Expenditure	8	50,490	10,807	61,297	53,552
Net (losses)/gains on investments	15	(138)	-	(138)	1,393
Net Income / (Expenditure)		(6,676)	(314)	(6,990)	(19,464)
Actuarial (loss) / gain on pension plan	12	10,246	-	10,246	(503)
Net movement in funds		3,570	(314)	3,256	(19,967)
Fund balances brought forward at 1 April	7	33,450	7,417	40,867	60,834
Fund balances carried forward at 31 March	7	37,020	7,103	44,123	40,867

Note: The amounts shown above derive from continuing activities. There were no recognised gains or losses other than those disclosed above. The notes on pages 37 to 72 form an integral part of these accounts.

Consolidated and Charity Balance Sheet

for the year ended 31 March 2022

Note	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
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Fixed assets:

Intangible assets		256	256	463	463
Tangible assets	13	23,489	23,489	23,917	23,917
Heritage assets	14	9,601	9,601	9,173	9,173
Investments	15	4,795	4,795	8,426	8,426
		38,141	38,141	41,979	41,979

Current assets:

Stocks - goods for resale		1,521	-	2,257	-
Debtors	16	7,243	10,927	2,724	4,122
Short-term cash deposits		27,000	27,000	20,000	20,000
Cash at bank and in-hand		17,948	13,169	24,012	23,668
		53,712	51,096	48,993	47,790

Creditors:

Amounts falling due within one year	17	15,784	13,324	8,596	7,501
Net current assets		37,928	37,772	40,397	40,289
Total assets less current Liabilities excluding Pension Plan asset/liability		76,069	75,913	82,376	82,268
Creditors: Amounts falling due after more than one year	18	40,864	40,864	40,193	40,193
Provision for liabilities and charges	19	519	418	487	434
Net assets excl Pension Plan asset/liability		34,686	34,631	41,696	41,641
Pension Plan asset/(liability)	12	9,437	9,437	(829)	(829)
Net assets including Pension Plan liability		44,123	44,068	40,867	40,812

Funds:

Unrestricted funds		37,020	36,965	33,450	33,395
Restricted funds		7,103	7,103	7,417	7,417
Total funds	7	44,123	44,068	40,867	40,812

These financial statements were approved by the Trustees and the Accounting Officer on 5 December 2022 and were signed on their behalf by



Carole Souter CBE
Chair of the Board of Trustees
5 December 2022



John Barnes
Chief Executive and
Accounting Officer

The notes on pages 37 to 72 form an integral part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 March 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Net cash outflow from operating activities (<i>Note A below</i>)		(715)	(28,308)
Cash flows from investing activities:			
Purchase of tangible assets	13	(1,932)	(2,786)
Purchase of heritage assets	14	(42)	-
Redemption of investments	15	3,413	6,502
Interest received		224	330
Cash flows from financing activities:			
Net (purchase)/sale of short-term deposits		(7,000)	5,006
Cash inflows from new borrowing		-	40,050
Interest paid on overdraft		(12)	(24)
Increase/(Decrease) in cash		(6,064)	20,770

Note A: Reconciliation of net incoming/outgoing resources to net cash inflow from operating activities:

Net incoming / (outgoing) resources from charitable and trading activities		(6,990)	(19,464)
Net (Gains)/Losses on Investments	15	138	(1,393)
Interest receivable		(224)	(330)
Interest paid		12	24
Pension scheme: non-cash movements	12	(20)	(360)
Donated heritage assets	14	(83)	-
Depreciation & amortisation	13	2,211	2,074
(Profit)/Loss on disposal of fixed assets	13	53	-
Other decrease in fixed asset investments	15	79	83
(Increase)/Decrease in stocks	2	736	132
(Increase)/Decrease in debtors	16	(4,519)	2,080
Increase/(Decrease) in creditors: current liabilities	17	7,188	(10,763)
Increase/(Decrease) in long term creditors	18	671	8
Increase/(Decrease) in provisions for liabilities & charges	19	32	(440)
Other non-cash movements		1	41
Net cash outflow from operating activities		(715)	(28,308)

Consolidated Cash Flow Statement

for the year ended 31 March 2022

Analysis of cash and cash equivalents:

	2022 £000	2021 £000	Change in year £000
Cash at bank and in hand	17,948	24,012	(6,064)

Analysis of changes in net debt:

	As at 1 April 2021 £000	Cash flows £000	Other non- cash changes £000	As at 31 March 2022 £000
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Cash and cash equivalents

Cash	24,012	(6,064)	-	17,948
	24,012	(6,064)	-	17,948

Borrowing

Debt due within one year	-	-	-	-
Debt due after one year	(40,050)	-	(809)	(40,859)
	(40,050)	-	(809)	(40,859)

The notes on pages 37 to 72 form an integral part of these accounts.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

1 Accounting Policies

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

a) Status of charity

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

b) Basis of preparation

The financial statements are prepared in accordance with the *Statement of Recommended Practice (SORP): Accounting and Reporting by Charities* (effective 1 January 2019), applicable United Kingdom accounting standards (FRS 102) and the Charities Act 2011. The financial statements are prepared on a going concern basis under the historical cost convention (see also note 1 q). They are prepared in accordance with the Accounts Direction (a copy of which can be obtained from the 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 funds – the unrestricted funds include income from admissions, donations and other income received without restriction including retained profits of HRPE Ltd. Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity. Trustees may earmark unrestricted funds for a particular project or use, without restricting or committing the funds legally. Such amounts are known as designated funds.

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

e) Incoming resources

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

- **Coronavirus Job Retention Scheme (CJRS) grant** - The CJRS grant 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 2022

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

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

f) Resources expended

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

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

g) Tangible fixed assets

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

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their useful economic lives. The fixed asset policy was reviewed during the year resulting in setting new guidance of useful economic lives as follows:

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

Decision on appropriate useful economic life will be reviewed by management at the point of capitalisation to ensure that the depreciation charge for each asset is appropriately reflected in the accounts. The new guidance resulted in no material impact in this financial year.

h) Heritage Assets

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

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

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

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

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

Notes to the Consolidated Accounts

for the year ended 31 March 2022

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

Changes in the net asset or liability during the period that result from employee

Notes to the Consolidated Accounts

for the year ended 31 March 2022

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

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

o) Taxation

As a charity, 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. The amount gift aided in 2021/22 was £2,554,580 (£nil in 2020/21 due to the impact of the pandemic and uncertainty in HRPE Ltd's future trading).

Admissions to the Palaces administered by HRP are exempt from VAT under Schedule 9 of the VAT Act 1994. Due to this exemption, approximately 64.4% of VAT incurred by HRP is irrecoverable in 2021/22 (59.6% in 2020/21).

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

Notes to the Consolidated Accounts

for the year ended 31 March 2022

q) Going Concern

The Trustees have considered all factors and risks that may influence the company within the next 12 months, most importantly the recovery from Covid-19 pandemic, the new risk of the war in Ukraine and the organisation's resilience.

The factors considered are a combination of the economic outlook, the domestic context, the strength of income projections, mitigating actions against potential risks and the measures to improve liquidity.

Global outlook

According to the OECD March interim report on the global economic outlook, economic prospects were starting to return to normality in 2022-23 following the COVID-19 pandemic. However, the outbreak of the war in Ukraine in late February 2022 is placing more uncertainty on the economic impact of the conflict and the rate of recovery. Amid the uncertainty, the OECD estimates global economic growth could be 3.5%, so circa 1% point lower this year than was projected before the conflict.

Domestic & Sector Outlook

From the Office for Budget Responsibility March 2022 economic & fiscal outlook, the Russian invasion of Ukraine is likely to have major repercussions for the global economy.

Higher inflation is projected to erode real incomes and consumption, cutting domestic GDP growth. With inflation outpacing growth in nominal earnings and net taxes rising in April, real living standards are not expected to start recovering to their pre-pandemic level until 2024-25. Some mitigating actions from Government will help cushion the impact on household income in this financial year.

Tourism was hit particularly hard by the pandemic, as lockdowns restricted people to travelling around their homes and neighbourhoods rather than around the world. But there are strong signs that tourist numbers are starting to recover as limitations on movement are removed. The travel outlook for Europe as a whole remains positive in the first quarter of 2022

Organisation context

The 2022-23 operating budget has been set in line with the Culture Recovery Fund (CRF) requirement that we achieve a breakeven position in 2022-23. Income targets have been updated to reflect our latest visit number projections, with expenditure being limited to what we can afford once all essential expenditure has been allowed for.

We remain in a period of uncertainty, and the volatile operating context makes it difficult to forecast with accuracy. However, the strong visitor performances we have seen at the Palaces to date in 2022 gives us confidence that we will achieve our proposed objectives for 2022/23.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Income projections rely on:

- Cautious growth in visitor numbers, to just 50% of pre-pandemic levels.
- The key assumptions behind visitor numbers are an improving performance of the domestic audience, underpinned by the increasing numbers of the population being double vaccinated and boosted, no periods of enforced closures, and partial recovery in the North American and European markets.
- Retail income is aligned to visit numbers and the upside from additional outlets opening in conjunction with Superbloom at the Tower.
- Functions, Events & Licences income growth includes the Flower Show, Music Festival, ice rink and Concours of Elegance, which have all been successful in 2021 along with significant increases in the number of other functions and weddings. We assume no return to an elongated period of government restrictions and limitations to crowds and events.
- Corporate Sponsorship is a cautious projection, assuming partial return to normal trading.

Total expenditure is based upon ensuring that all areas of essential expenditure are covered. Any excess monies are being prioritised for activities to generate income, whilst ensuring breakeven for the year is achieved.

Risks and further actions

The Trustees acknowledge that some risks remain (e.g. new variants of and lower efficacy of the vaccine) or are emerging (e.g. war in Ukraine).

However, the Trustees have already identified the following mitigations against those risks and have further levers to call upon if needed including

Additional cost savings include: continuing to hold headcount vacancies, re-introducing payroll saving initiatives, removing elective operating expenditure currently phased in the latter part of the year, using periods of closure or working from home to rein in site costs, including cleaning, heating, power etc, deferring project expenditure if visit performance falls behind budget, generally, reviewing and restricting operating expenditure by monitoring committed versus non-committed expenditure throughout the year.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Summary

The Trustees take comfort in the overall economic outlook, recovery trends experienced so far in 2022 and the organisation's exciting plans. The fact that the organisation's model has been successful and has historically generated surpluses also support this opinion.

The Trustees recognise the emerging external risks associated with the war in Ukraine and its potential impact on tourism and visitor numbers but trust the entity's ability to continue as a going concern is soundly based on the factors outlined above.

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.

<u>Profit and loss account</u>	2022 £000	2021 £000
Turnover (other trading activities)	12,055	4,617
Cost of sales (costs of raising funds)	(1,802)	(473)
Gross profit	10,253	4,144
Administrative expenses	(7,698)	(4,075)
Interest receivable	1	-
Profit on ordinary activities before taxation	2,556	69
Taxation	(1)	(14)
Total profit for the financial year	2,555	55
Amount distributable under Gift Aid to HRP	(2,555)	-
Retained in subsidiary	-	55

<u>Balance Sheet as at 31 March 2021</u>	2022 £000	2021 £000
Stocks - goods for resale	1,521	2,257
Debtors	844	640
Cash	4,779	343
Current liabilities	(7,089)	(3,185)
Creditors due after more than one year	-	-
Net assets	55	55
Share capital and reserves	55	55

Notes to the Consolidated Accounts

for the year ended 31 March 2022

3. Grant Income

Total grant income of £7,994k (2020/21: £6,339k) includes £6,422k (2020/21: £5,262k) funding from government bodies as follows:

Grantor	Amount	Purpose
DCMS – Public Bodies Infrastructure Fund	£3,151k	Conservation projects at the Palaces
English Heritage	£2,148k	Heritage Stimulus Fund
Historic England	£769k	Heritage Stimulus Fund
Local Councils	£315k	Superbloom, Christmas at the Tower
Memorials Grant Scheme	£39k	Diana Princess of Wales statue, Kensington

4. Coronavirus Job Retention Scheme (CJRS) grant income

The CJRS grant was 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.

It was vital that HRP took advantage of the CJRS scheme in 2020/21 and furloughed the majority of staff from the start. Required staff were brought out of furlough as soon as reopening the sites became a possibility. This continued in 2021/22, HRP claimed support from the CJRS grant every month from April 2021 to September 2021 inclusive, when the nationwide scheme ended. A total of £2,377k was claimed in the financial year (£14,220k in 20/21).

The number of furloughed staff varied month-on-month between 58%-86% (75%-90% in 20/21) depending on operational requirements. There was a noticeably significant decline in the amount of furlough being claimed as Covid restrictions eased and more and more of our staff returned to work on a higher proportion of, or their full hours from the summer period until the end of the CJRS in September 2021. On average throughout the April to September period, 499 (around 70%) of staff were on flexi- or full-furlough (847 in 20/21).

Notes to the Consolidated Accounts

for the year ended 31 March 2022

5. Licence, rent & recharges income

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

	2022 £000	2021 £000
Licences	2,612	757
Recovery of Costs	1,852	855
Rents	356	352
Other Income	112	166
Total Licence & rent income	4,932	2,130

6. Admissions income

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

	2022 £000	2021 £000
Tower of London	14,945	2,023
Hampton Court Palace	4,346	1,359
Kensington Palace	3,677	132
Hillsborough Castle	408	241
Other palaces	0	0
Education	321	3
Other admissions income	605	307
Total admissions income	24,302	4,065

Notes to the Consolidated Accounts

for the year ended 31 March 2022

7. Total funds (Group basis)

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

Prior Year Total Funds:	Funds as at 1 April 2020 £000	Incoming resources 2020/21 £000	Resources expended 2020/21 £000	Revalua- tions 2020/21 £000	Transfers between funds 2020/21 £000	Funds as at 31 March 2021 £000

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Unrestricted funds						
General (Free) reserves	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)
Total	55,167	12,216	(34,823)	890	-	33,450

Restricted funds						
Donated assets	4,433	4	-	-	-	4,437
Hillsborough Castle & Gardens	537	215	(199)	-	-	553
Hampton Court Palace projects incl. Field of the Cloth of Gold	20	4	(14)	-	-	10
Tower of London projects incl. Tower Entry	195	98	(31)	-	-	262
Kensington Palace projects incl. Orangery Learning Centre and the Sunken Garden statue	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
Total	5,667	20,479	(18,729)	-	-	7,417
Total funds	60,834	32,695	(53,552)	890	-	40,867

8. Total expenditure (Group basis)

Total direct costs £000	Allocation of support costs £000	Total 2022 £000	Total 2021 £000
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Costs of raising funds

Generating the money to make it possible:				
Fundraising	325	41	366	462
Retail activities	4,782	908	5,690	5,301
Investment management costs	23	-	23	51
Other commercial activities	2,110	262	2,372	1,649
Total	7,240	1,211	8,451	7,463

Expenditure on charitable objectives:

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Palaces	17,887	2,134	20,021	16,638
Experiences:				
Public Access	15,594	2,204	17,798	17,692
Interpretation and learning	9,081	1,137	10,218	8,507
Money – Organisational Growth	3,411	375	3,786	2,099
Culture	894	111	1,005	1,493
Total	46,867	5,961	52,828	46,429

Other:

Pension finance(income)/ costs	18	-	18	12
Pension losses/(gains) on curtailments	-	-	-	(352)
	18	-	18	(340)
Total	54,125	7,172	61,297	53,552

Resources expended include charges for:

	Total 2022 £000	Total 2021 £000
Auditors' remuneration:		
The auditors did not provide any non-audit services		
Audit - HRP	65	53
- HRPE	30	25
Operating lease charges	1,044	1,096
Stock recognised as an expense	1,780	426
Impairment of stock (included in cost of sales)	20	47
Depreciation charged on fixed assets:		
Tangible	2,004	1,867
Intangible	207	207
Corporation tax	1	14

Notes to the Consolidated Accounts

for the year ended 31 March 2022

9. Support costs (Group basis)

Information Systems £000	Finance Department £000	Pension Department £000	Management Costs £000	Governance Costs £000	Total 2022 £000	Total 2021 £000
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Costs of raising funds:

Fundraising	20	5	2	12	2	41	99
Retail activities	343	294	29	203	39	908	1,316
Other commercial activities	91	100	8	54	10	263	406

Charitable expenditure:

Palaces	570	1,115	49	336	64	2,134	3,524
Experiences: Public access	857	670	73	506	97	2,203	4,643
Interpretation and learning	441	348	38	260	50	1,137	1,857
Money – Organisation Growth	86	222	7	50	10	375	412
Culture	49	23	4	29	6	111	316
Total	2,457	2,777	210	1,450	278	7,172	12,573

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

Governance Costs <i>(included in Support costs) (*)</i>	2022 £000	2021 £000
Internal and external audit	145	209
Trustee expenses and costs	4	-
Trustee and chairman recruitment costs	14	6
Production of annual report	-	-
Management costs	115	150
Total	278	365

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

Notes to the Consolidated Accounts

for the year ended 31 March 2022

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 2022/23.

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 is designated at Trustees' discretion, and this year again are transferred to free reserves.

Donated assets funds

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

Analysis of net assets between funds

Fund balances of the Group and Charity at 31 March 2022 are represented by:

	Unrestrict ed funds	Restricted funds	2022	Unrestricted funds	Restricted funds	2021
	£000	£000	£000	£000	£000	£000
Intangible assets	256	-	256	463	-	463
Tangible assets	23,489	-	23,489	23,917	-	23,917
Heritage assets	5,081	4,520	9,601	4,736	4,437	9,173
Investments	4,795	-	4,795	8,426	-	8,426
Net current assets	35,344	2,583	37,927	37,417	2,980	40,397
Creditors > one year	(40,863)	-	(40,863)	(40,193)	-	(40,193)
Provisions	(519)	-	(519)	(487)	-	(487)
Pension Plan Asset/ (Liability)	9,437	-	9,437	(829)	-	(829)
Total net assets	37,020	7,103	44,123	33,450	7,417	40,867

Notes to the Consolidated Accounts

for the year ended 31 March 2022

10. Remuneration of Trustees

None of the Trustees received any remuneration during the year in connection with services to the Charity or its subsidiary. Reimbursement of travel and subsistence expenses incurred by 2 Trustees (20/21: 1) whilst carrying out their responsibilities for the Charity totalled £1,150 (2020/21: £321) for the year ended 31 March 2022. Liability insurance for Trustees is included as part of HRP's total insurance cost.

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

a) Average staff numbers

	2022	2021
	FTE	FTE
Fundraising	5.0	6.5
Retail activities	87.0	80.1
Other Commercial Activities	23.1	28.3
Palaces	144.6	192.4
Experiences: Public Access	217.5	292.5
Interpretation and Learning	112.0	126.0
Money – organisational growth	21.8	25.9
Culture	12.4	20.3
Support functions	55.3	67.4
Total	678.7	839.4

b) Staff costs

	2022	2021
	£000	£000
Wages and salaries	23,988	28,484
Loss of office	17	352
Severance & ex gratia payments	41	4,885
Social security costs	2,398	2,849
Pension costs	2,534	2,810
Total	28,978	39,380
Agency staff	135	22
Total	29,113	39,402

Employee numbers reduced significantly during the second half of 2020/21 following the restructuring programme and reduced seasonal employees, and headcount was maintained at the lower level reached in March 2021. This explains the 19% year-on-year reduction in average staff numbers.

Following on from last year's COVID-19 related redundancy programmes the Loss of office, severance and ex gratia payments were minimal in this financial year. These expenses are recognised when incurred or when there is a legal or constructive obligation to make the payment.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

c) Pay bands

Excluding the Chief Executive, there were 28 staff during the year earning in excess of £60,000 (2020/21: 32). Six were in a defined benefit scheme closed to accruals since 1 April 2019 (2020/21: 4) where the employer contributions were nil (2020/21: nil), and 26 were in a defined contribution scheme (2020/21: 32) where the employer contributions were £214,627 (2020/21: £241,990).

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

	2022	2021
	No. of Staff	No. of Staff
£60,001 to £70,000	16	21
£70,001 to £80,000	5	3
£80,001 to £90,000	1	1
£90,001 to £100,000	-	5
£100,001 to £110,000	5	2
£110,001 to £120,000	1	-
£120,001 to £130,000	-	-
£130,001 to £140,000	-	-
£140,001 to £150,000	-	-
Total	28	32

The remuneration of the Chief Executive in 2021/22 was £144,329 (2020/21: £134,798) with pension contributions of £8,720 (2020/21: £8,145) and staff benefits of £923 (2020/21: £923).

Excluding the Chief Executive, the total remuneration to the Executive Board was £707,966 (2020/21: £782,282) with pension contributions of £56,885 (2020/21: £105,803) and staff benefits of £5,031 (2020/21: £5,725).

12. Retirement benefits (Group & Charity)

a) Historic Royal Palaces Pension Scheme

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

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

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

Notes to the Consolidated Accounts

for the year ended 31 March 2022

2025 to 31 December 2028.

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

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

A qualified actuary, independent of the scheme's sponsoring employer, updated to 31 March 2022 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):

	31/03/2022	31/03/2021	31/03/2020
	£000	£000	£000
Fair value of plan assets	100,739	95,998	85,775
Present value of defined benefit obligation	91,302	96,827	86,461
Surplus / (Deficit) in plan	9,437	(829)	(686)
Defined benefit asset/(liability) to be recognised	9,437	(829)	(686)

A note on pension valuations

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

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

Each year, the scheme is valued at fair value under accounting standard FRS102 using 'best estimate' assumptions. As at 31 March 2022, this year's valuation produced a surplus of £9.4m (2020/21: -£0.8m). As the charity is entitled under the scheme rules to net refunds at least equivalent to the amount of the asset recognised, it is this figure that is shown in the accounts. This is in line with accounting standard IFRIC14.

Given the significant increase in gilt market-implied RPI price inflation over the past year and evidence from the Government Actuary's Department (September 2021) and the Bank Of England (November 2021), the scheme actuary recommended introducing an inflation risk premium adjustment 0.2% p.a. in 2021/22 to reduce any potential market distortion. The impact of removing the inflation risk premium of 0.2% would be to increase the Defined Benefit Obligation at 31 March 2022 from £91,302k to £93,941k.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

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

	Period Ending 31/03/2022	Period Ending 31/03/2021
	£000	£000
Defined benefit obligation at start of period	96,827	86,461
Interest expense	2,058	1,995
Benefit payments from plan assets	(2,260)	(2,797)
Actuarial losses / (gains):		
- Changes in assumptions	(5,196)	12,900
- Changes in experience	(127)	(1,380)
Losses / (gains) on curtailments	-	(352)
Defined benefit obligation at end of period	91,302	96,827

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

	Period Ending 31/03/2022	Period Ending 31/03/2021
	£000	£000
Fair value of scheme assets at start of period	95,998	85,775
Interest income	2,040	1,983
Actuarial gains/(losses)	4,923	11,017
Contributions by the employer	38	32
Benefits paid	(2,260)	(2,797)
Expenses	-	(12)
Fair value of plain assets at end of period	100,739	95,998

The actual return on the plan assets over the period ended 31 March 2022 was a gain of £6,963k (£13,000k gain in 2020/21).

Notes to the Consolidated Accounts

for the year ended 31 March 2022

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

	Period Ending 31/03/2022	Period Ending 31/03/2021
	£000	£000
Expenses	-	12
Net Interest cost	18	12
Losses / (gains) on curtailments	-	(352)
Total expense recognised in SOFA	18	(328)

Defined benefit costs recognised in other comprehensive income:

	Period Ending 31/03/2022	Period Ending 31/03/2021
	£'000	£'000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	4,923	11,017
Experience gains and losses arising on the plan liabilities – gain / (loss)	127	1,380
Net effects of changes in the demographic and financial assumptions underlying the	5,196	(12,900)
Total amount recognised in other comprehensive income – gain/(loss)	10,246	(503)

Assets	31/03/2022	31/03/2021	31/03/2020
	£000	£000	£000
Equities	45,751	43,032	33,532
Debt instruments	38,848	39,743	38,495
Property	13,337	12,274	12,010
Cash	2,803	949	1,738
Total assets	100,739	95,998	85,775

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

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Assumptions	31/03/2022 % per annum	31/03/2021 % per annum	31/03/2020 % per annum
Discount Rate	2.75%	2.15%	2.35%
Inflation (RPI)	3.70%	3.50%	2.85%
Inflation (CPI)	3.10%	2.80%	2.05%
Salary growth	3.10%	2.80%	2.50%
Allowance for:			
Revaluation of deferred pensions of CPI or 5% p.a. if less	3.10%	2.80%	2.05%
Revaluation of deferred pensions of CPI or 2.5% p.a. if less	2.50%	2.50%	2.05%
Pension in payment increases of RPI or 5% p.a. if less	3.45%	3.30%	2.80%
Pension in payment increases of RPI or 3% p.a. if less	2.60%	2.50%	2.25%
Pension in payment increases of RPI	3.70%	3.50%	2.85%
Commutation of pension for cash at retirement	70% of Post A Day	70% of Post A Day	70% of Post A Day

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies at age 60yrs:

	31/03/2022	31/03/2021
Male retiring in 2022	26.7	25.8
Female retiring in 2022	28.7	28.0
Male retiring in 2042	28.3	27.4
Female retiring in 2042	30.2	29.6

b) Defined Contribution Schemes

A group personal pension scheme based on defined contributions was set up for new members of established staff and staff on contracts exceeding one year with effect from October 2002. The cost for the year was £2,269,516 (2020/21: £3,629,051 included payroll element sacrificed to pension through the redundancy programme), with no outstanding contributions at the balance sheet date. The cost forms part of staff costs that as stated in note 1(f) are classed as direct expenditure attributable to the activity

Notes to the Consolidated Accounts

for the year ended 31 March 2022

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 £19,797 (2020/21: £12,460), with no outstanding contributions at the balance sheet date.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

13. Tangible fixed assets (Group & Charity)

Cost	Buildings & refurbishments	Fixtures & fittings	Furniture, equipment & exhibitions	Computers	Plant, machinery & vehicles	Assets in course of construction	Total
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2021	27,269	6,040	2,915	959	6,186	5,231	48,600
Additions	-	340	134	166	-	1,292	1,932
Disposals	-	(171)	(94)	(243)	(421)	-	(929)
Transfers to Heritage assets	-	-	-	-	-	(303)	(303)
Transfers within Tangible fixed assets	-	43	614	-	-	(657)	-
At 31 March 2022	27,269	6,252	3,569	882	5,765	5,563	49,300
Accumulated depreciation							
At 1 April 2021	11,704	4,469	2,609	861	5,040	-	24,683
Charge for theyear	1,124	359	145	77	299	-	2,004
Disposals	-	(171)	(94)	(243)	(368)	-	(876)
At 31 March 2022	12,828	4,657	2,660	695	4,971	-	25,811
Net book value							
At 31 March	14,441	1,595	909	187	794	5,563	23,489

Notes to the Consolidated Accounts

for the year ended 31 March 2022

2022							
At 31 March 2021	15,565	1,571	306	98	1,146	5,231	23,917
The net book value as at 31 March 2022 represents fixed assets used for:							
Retail activities	570	130	-	25	14	0	739
Other commercial activities	-	4	2	2	2	0	10
Charitable expenditure:							
Palaces	11,402	1,202	859	130	712	5,563	19,868
Experiences							
Public access	2,130	158	21	20	56	-	2,385
Interpretation and learning	339	101	27	7	10	-	484
Money – Grow our impact	-	-	-	2	-	-	2
Culture	-	-	-	1	-	-	1
At 31 March 2022	14,441	1,595	909	187	794	5,563	23,489

Notes to the Consolidated Accounts

for the year ended 31 March 2022

14. Heritage assets (Group & Charity)

Cost and net book value	Artefacts 2022 £000	No.	Artefacts 2021 £000	No.	Artefacts 2020 £000	Artefacts 2019 £000	Artefacts 2018 £000
Balance as at 1 April	9,173	456	9,156	452	8,561	8,155	8,010
Additions, at cost	42	0	17	4	488	290	159
Transfers from assets in the course of construction	303	1	-	-	12	1	-
Disposals	-	-	-	-	-	(8)	(39)
Donated works, at deemed value	83	1	--		95	124	25
Balance as at 31 March	9,601	458	9,173	456	9,156	8,561	8,155
Made up of: <i>Interpretation and learning</i>	9,601	458	9,173	456	9,156	8,561	8,155

There were two significant additions to Heritage assets in the year:

A statue of Diana, Princess of Wales, valued at £345,000, this item has been added at cost to the General Collection. A collection of 51 miniatures related to the Hill family, valued at £83,160 by Ellison Fine Art in January 2019. These miniatures were gifted to Historic Royal Palaces by the trustees of the Sandys Trust (Registered Charity Number 1168357). These items have been added to the General Collection for Hillsborough Castle and Gardens

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

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

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

- The Royal Ceremonial Dress Collection (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).

Notes to the Consolidated Accounts

for the year ended 31 March 2022

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

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

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

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

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

The priority for acquisition or long term loan of heritage assets is to enhance and explain the historic buildings of the palaces with relevant objects. Acquisitions are made by purchase or donation, taking six criteria into consideration. 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 is the only surviving in-situ ceiling painting by Peter Paul Rubens, at the Banqueting House, installed in 1636.

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

c) Management and Conservation

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

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

Notes to the Consolidated Accounts

for the year ended 31 March 2022

15. Investments

HRP held £4.8m (2020/21: £8.4m) in Fixed Asset Investments as at 31st March 2022. These investments fall into three main vehicles, the movement on each is shown in the tables below:-

<u>Bond Portfolio</u>	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Balance as at 1 April	7,353	7,353	8,304	8,304
Effective interest earned	80	80	127	127
Interest coupons received	(160)	(160)	(210)	(210)
Bonds purchased	-	-	-	-
Bonds redeemed	(3,413)	(3,413)	(1,110)	(1,110)
Gain / (Loss) on valuation	(179)	(179)	242	242
Balance as at 31 March	3,681	3,681	7,353	7,353

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>Ethical Investment Fund</u>	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Balance as at 1 April	390	390	2,602	2,602
Units disposed of	-	-	(2,642)	(2,642)
Gain / (Loss) on revaluation	33	33	430	430
Balance as at 31 March	423	423	390	390

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.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

<u>Multi-Asset Investment Fund</u>	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Balance as at 1 April	683	683	2,713	2,713
Units disposed of	-	-	(2,750)	(2,750)
Gain / (Loss) on revaluation	8	8	720	720
Balance as at 31 March	691	691	683	683

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

16. Debtors

	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Trade debtors	2,137	1,501	395	128
Amounts due from subsidiary	-	4,528	-	1,892
Other debtors	937	937	122	45
Prepayments and accrued income	4,169	3,961	2,207	2,057
Total	7,243	10,927	2,724	4,122

All of the above debtors are due within one year.

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

In 2021/22, HRP Audit & Risk Committee Trustees approved a long-term update in the service charge calculation to better reflect changes in the structure of the organisation. This follows a temporary reduction in 2020/21 to keep HRPE Ltd solvent and maximise the outcome for the Group formed by HRP the charity and HRPE Ltd its trading subsidiary.

The changes implemented from 2021/22 are as follows:

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

Notes to the Consolidated Accounts

for the year ended 31 March 2022

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

17. Creditors: amounts falling due within one year

	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Trade creditors	1,834	1,569	465	509
Taxation and social security	763	628	618	618
Other creditors	382	382	138	257
Accruals	6,150	5,744	4,214	3,902
Deferred income	6,655	5,001	3,161	2,215
Total	15,784	13,324	8,596	7,501

Deferred Income

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

	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Balance at the beginning of the year	3,161	2,215	3,564	2,408
Amount released to income in year	(3,040)	(2,104)	(3,250)	(2,330)
Amount deferred in year	6,534	4,890	2,847	2,137
Balance at the end of the year	6,655	5,001	3,161	2,215

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

	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Trade creditors	4	4	143	143
Amounts drawn down on the Culture Recovery Fund Loan Facility	40,860	40,860	40,050	40,050
Total	40,864	40,864	40,193	40,193

Notes to the Consolidated Accounts

for the year ended 31 March 2022

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 and 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 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Balance as at 1 April 2021	487	434	927	927
Amounts used in year	(69)	(16)	(493)	(493)
New provisions in year	101	-	53	-
Balance as at 31 March 2022	519	418	487	434

The provision includes amounts for pension scheme closure compensation payments and rent reviews.

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:

Operating Lease payments due:	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
< 1 year	1,038	828	1,096	886
Between 2 -5 years	3,607	3,189	3,865	3,239
> 5 years	52,420	52,420	53,346	53,346
Total payable	57,065	56,437	58,307	57,471

21. Operating lease receipts

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

Operating Lease payments due:	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
< 1 year	100	32	209	142
Between 2 -5 years	201	25	597	353
> 5 years	-	-	-	-
Total receivable	301	57	806	495

Notes to the Consolidated Accounts

for the year ended 31 March 2022

22. Capital commitments

	Group 2022 £000	Charity 2022 £000	Group 2021 £000	Charity 2021 £000
Contracted capital commitments as at 31 March 2022, for which no provision has been made in the accounts:	2,730	2,730	394	394

Commitments include no amount (2021: nil) relating to projects that are being funded by donations from third parties.

23. Contingent Assets

HRP has received notification it will benefit from a residue legacy. As at 31st March 2022 it is thought the funds will be received in the financial year ending 31st March 2023 and will be in the region of £0.8m

24. 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.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

25. The summary financial performance of the charity alone

INCOME	Unrestricted funds	Restricted funds	Total 2022	Total 2021
	£000	£000	£000	£000
Donations and legacies:				
Grants	104	7,890	7,994	6,339
CJRS grants	-	2,377	2,377	14,220
Donations	794	143	937	509
Gifts in Kind	-	83	83	4
Total	898	10,493	11,391	21,072
Income from other trading activities				
Retail income	-	-	-	-
Functions and events	180	-	180	3
Licences, rent & recharges	2,606	-	2,606	1,656
Sponsorship	-	-	-	-
	2,786	-	2,786	1,659
Investments	223	-	223	330
Income from charitable activities:				
Admissions	24,302	-	24,302	4,065
Memberships	3,244	-	3,244	2,865
Concessions	676	-	676	79
	28,222	-	28,222	7,009
Other Income				
Service charge to & Gift aid distributed from HRPE	8,800	-	8,800	3,434
Total income	40,929	10,493	51,422	33,504
EXPENDITURE				
Costs of raising funds:				
Fundraising	302	65	367	455
Retail activities	2,332	248	2,580	4,704
Investment management costs	23	-	23	51
Other commercial activities	1,432	60	1,492	1,763
	4,089	373	4,462	6,973
Expenditure on charitable activities:				
Palaces	12,745	7,597	20,342	16,428
Experiences:				
Public access	16,828	1,150	17,978	17,383
Interpretation and learning	8,743	1,568	10,311	8,375

Notes to the Consolidated Accounts

for the year ended 31 March 2022

Money Organisational Growth	- 3,765	86	3,851	2,072
Culture	977	33	1,010	1,472
	43,058	10,434	53,492	45,730
Other				
Defined Pension scheme net interest cost	18	-	18	12
Losses (gains) on curtailments	-	-	-	(352)
Losses (gains) due to benefit changes	-	-	-	-
CJRS grant received on behalf of the subsidiary	302	-	302	2,052
Total Expenditure	47,467	10,807	58,274	54,415
Net (losses)/gains on investments	(138)	-	(138)	1,393
Net Income / (Expenditure)	(6,676)	(314)	(6,990)	(19,518)
Actuarial (loss)/gain on pension plan	10,246	-	10,246	(503)
Net movement in funds	3,570	(314)	3,256	(20,021)
Fund balances brought forward at 1 April	33,395	7,417	40,812	60,834
Fund balances carried forward at 31 March	36,965	7,103	44,068	40,812

26. Related party transactions

This note lists material transactions with other entities in which either Trustees or senior employees of HRP or their close family members hold positions of authority. It also details all transactions with Trustees, with the exception of remuneration of Trustees which is covered in Note 10 and donations made by them, £75k in year, (2020/21: £250).

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

HRP is contracted by the Secretary of State 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.

Notes to the Consolidated Accounts

for the year ended 31 March 2022

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

Related party	Connected party (a)	2022 £000	2021 £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	6 (6)	8 (nil)	Charges made to HRP by the Association for HRP's annual membership
BBC	Zeinab Badawi (Trustee of HRP) is a broadcaster at the BBC	4 (nil)	15 (nil)	Charges made by HRPE for filming at our palaces
The Choral Foundation, Chapel Royal, Hampton Court Palace	Sue Hall (Director of HRP) was a trustee of The Choral Foundation and was replaced by Nigel Walley (a Senior Manager at HRP) Jane Crowther (Director of HRP) is a trustee of The Choral Foundation	- (nil) 0 (nil)	7 (nil) - (nil)	Charges for choral services and recitals made by the Choral Foundation to HRP Function hosted for the Choral Foundation - cost borne by HRP
Founders Forum LLP	Rupert Gavin (Chair of the Trustees of HRP) is on the Advisory Board	12 (nil)	- (nil)	Charges made by HRPE for Event Hire at Kensington Palace
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	14 (nil)	8 (nil)	Charges made by the Foundation to HRP for choral services at HM Tower of London
Historic Royal Palaces Inc. (HRP Inc.) ^(b)	John Barnes (Chief Executive of HRP is President of HRP Inc.), Dan Wolfe and Sue Hall (Trustees of HRP) are respectively director and secretary & treasurer of HRP Inc.	50 (nil) 365 (nil) - (0)	759 (nil) 80 (nil) 19 (0)	Grants received by HRP from HRP Inc. for Kensington Palace Projects, Orangery & Sunken garden conservation Grants received by HRP from HRP Inc. for Tower of London projects 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	80 (nil)	18 (1)	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	103 (40) 3 (3)	12 (12) - (nil)	Charges made by RA to HRP for goods and services provided at HM Tower of London Recovery of costs from RA for goods, services and maintenance provided by HRP at HM Tower of London

Notes to the Consolidated Accounts

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Royal Household (RH)	Sir Michael Stevens KVCO (Trustee of HRP) is Keeper of the Privy Purse and Receiver General of the Duchy of Lancaster	159 (4)	131 (9)	Charges made by RH to HRP for rent and services provided at Kensington Palace & vetting clearance costs
		51 (48)	26 (23)	Charges made by HRP and HRPE to RH for share of staff costs and grazing licence
Royal Collection Trust (RCT), and Royal Collection Enterprises Limited (RCEL), which is a wholly owned subsidiary of RCT	Sir Michael Stevens KVCO (Trustee of HRP) is Keeper of the Privy Purse and a Trustee of RCT Tim Knox (Trustee of HRP) is a Director of RCEL and Director of the Royal Collection at RCT	49 (nil)	- (nil)	Charges made by RCEL to HRP and HRPE for the right to produce images of Royal Collection items and for the purchase of goods for resale.
		32 (5)	30 (15)	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
Saatchi & Saatchi	Sarah Jenkins (HRP Trustee since 2 September 2019) is a managing director of M&C Saatchi	- (nil)	(19) (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	5 (nil)	8 (nil)	Charges made by Todd Longstaffe-Gowan Ltd to HRP for garden design

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

27. Financial instruments

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

Liquidity and Credit Risk

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

HRPE Ltd had a bank overdraft facility for £0.5m until 5th September 2022

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

HRP is exposed to a credit risk of £2.1m trade debtors (2020/21: £0.4m). The risk is not

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

Market risk

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

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

HRP is not subject to any significant foreign currency risk.

28. Post balance sheet events

There have been no significant events after 31 March 2022 that require adjustment to, or disclosure in the financial statements.

The financial statements were approved by the Accounting Officer and Trustees on 5 December 2022 and authorised for issue on the date the Comptroller and Auditor General signed the independent auditor's report.

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