

## The Trustees' Report

### Statement of Council's responsibilities as Trustees

#### Annual Report and Accounts

The National Trust Act 1971 and the Charities Act 1993 require us to prepare a report and accounts for each financial year, which give a true and fair view of the Charity's activities during the year and of its financial position at the end of the year.

In preparing accounts giving a true and fair view, we should follow best practice and:

- 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 disclosed and explained in the financial statements;
- prepare the accounts on the going-concern basis unless it is inappropriate to presume that the Charity will continue in operation.

We are responsible for keeping accounting records, which disclose with reasonable accuracy at any time the financial position of the Charity and which enable it to ensure that the accounts comply with the National Trust Act 1971, the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 1995 and 2000. We are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Corporate governance

We continue to pursue high standards of governance based on the National Trust Acts and the Combined Code of

Corporate Governance and the Report of the Turnbull Committee. We have carried out a review of governance procedures and are in the process of implementing the new arrangements which we hope will be in place by September 2005.

#### Risk management

In September 2001 we accepted our responsibilities under the Charity Commission's Statement of Recommended Practice (SORP) for ensuring that the major risks to which the Charity is exposed are identified and reviewed, and that there are systems to mitigate them. Major risks are those which have a high likelihood of occurring and would, if they occurred, have a severe impact on either operational performance or achievement of purposes and objectives, or could damage the Trust's reputation.

As a result of the implementation of the Risk Management Policy through the risk management framework and its constituent processes, we have concluded that the major risks to which the Trust is exposed have been identified and reviewed, and systems established to mitigate those risks in accordance with the Charity Commission's Statement of Recommended Practice.

The Audit Committee is appointed by, and reports to, us; under its terms of reference the Committee regularly monitors and reviews the development and operation of the Trust's risk management framework on our behalf. The risk management framework is designed to enable us, on the advice of the Audit Committee, to conclude whether the major risks to which the Charity is exposed have been identified and reviewed, and systems have been established to mitigate these risks.

The Management Board, supported by the Strategic Risk Management Director and the Business Risk Group, has:

- reviewed the main, high-impact generic risks
- established an initial risk register of all the significant risks and their sub-categories which might impact upon the Trust's core purposes and key objectives and is now developing the comprehensive register
- established a 'bottom-up' process of risk identification, assessment, mitigation and monitoring for 'live' risks throughout the whole Trust; this results in a detailed quarterly report setting out actions designed to eliminate, or mitigate the impact of, the risks identified
- started to consider a series of risk topic papers focusing on the major risks identified by the risk management and reporting process, and the work of the internal and external audit teams.

The Internal Audit Strategy 2004-7 places particular emphasis on a risk-based methodology. The 2004-5 Audit Programme is substantially derived from an analysis of the Trust's current major risks, and the planning stage of each audit will include a risk assessment. Internal Audit will identify and report on generic issues, lessons learnt and good practice identified during the course of their work.

The Trust recognises that risk management is an essential part of good business practice, and work will continue to embed risk management principles in all aspects of its work. 2004-5 will continue to see incremental improvement to the

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### Statement of Council's responsibilities as Trustees (continued)

existing, now established processes of risk management and monitoring, but the following areas are targets for particular improvement:

- population of the risk register
- project management
- developing the Board's programme of risk topic papers

- developing risk-based internal auditing.

However, a risk management system can only seek to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

### How we performed

This section of the report is new and aims to report more fully on how we, as Trustees, evaluate the progress the Trust is making in fulfilling its objectives. This is the first year of this new format Trustees' Report and we would welcome comments on how well it fulfils this objective. We will seek to make further improvements in future years.

#### Organisational change Reorganising the Trust

The year 2003/04 was the last of the three-year National Trust Strategic Plan (NTSP) running from 2001-2004. This period was a time of great change for the Trust, dominated by the major Organisational Review which took place from 2001. This effected three main changes:

- changes to the Trust's regional boundaries to reduce the number of regions from 15 to 11 and to match more closely the boundaries of organisations with which we work closely;
- reorganisation of the Trust's functional directorates affecting most central and regional staff; and

- bringing together the majority of staff who work at the centre of the Trust under one roof in a new office in Swindon, retaining a much smaller London base.

The bulk of this reorganisation was achieved earlier in the NTSP period, and 2003/04 was for many a period of completing recruitment into the new structure and settling down. It is all the more remarkable, therefore, that in terms of operational performance the Trust broke all records, with extraordinary success in membership recruitment, visitors and income generation.

2003/04 also saw the implementation of the Trust's first ever Trust-wide training programme, 'One Trust', delivered for all staff as a way of supporting and encouraging a Trust-wide focus on our core values and team working after a period of substantial change. During 2003/04 we have moved to set up a formalised change management programme, concentrating on the implementation of major process changes led by Simon Murray, Territory Director, North.

The final stage in the reorganisation, the move of most central office staff to the new office, Heelis, in the Brunel Railway Yards in Swindon, will take place in 2005.

#### Delivery of NTSP strategic aims Achieving our Vision

The three strategic aims of the NTSP, set in 2001, have continued to serve the Trust well as a contemporary articulation of our core purposes. The following section briefly describes some of our activities under each heading during 2003/04.

#### Showing leadership in the regeneration of the countryside

The National Trust is a mainstay and key influence in the economy of rural areas and a central player in the future regeneration of the countryside. We are the nation's largest non-Government landowner, working with thousands of tenants and investing in the environment not only as a land and property owner but also as a leading practitioner of environmental management. We invest in the local economy as an employer and catalyst for local initiatives, a partner in business and through our expenditure on goods and services.

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## How we performed (continued)

The last three years have shown us that we need to think more broadly about the future of the countryside. Major farm policy reforms, the cumulative effects of falling farm incomes, BSE, Foot and Mouth Disease and the associated short-term collapse in visits to our countryside, have served to emphasise how much the future of our countryside and its communities are vulnerable to events in one sector.

During 2003/04 we have demonstrated leadership in the regeneration of the countryside by:

- Shaping the content and delivery of the Government's strategy for sustainable farming and food
- Influencing, through our innovative and unique approach, the development of new agri-environment schemes – 'contracts' between farmers and the public
- Developing and implementing Whole Farm Plans, forming the basis of sustainable rural enterprises – 226 Whole Farm Plans were in place by February 2004 and these are increasingly seen as the way forward by others
- Providing tenants with capital investment grants to 'pump prime' initiatives such as developing tourist accommodation, developing alternative crops or new rural businesses
- Supporting the growth of local and regional food economies – contributing to a new co-operative abattoir in Yorkshire; opening the new farm shop on the Wallington Estate, Northumberland; employing a Farm Produce Marketing adviser to work with tenants wanting to add value to

their produce, and a Herdwick Project adviser to support the marketing of Herdwick products in the Lake District

- Running a Countryside Day for Schools at our Buscot and Coleshill Estate
- Launching the pilot learning programme 'Plot to Plate' that links horticulture, farming and cookery by developing knowledge and skills in food production and preparation in both children and adults
- Working with tenants on Killerton Estate, Devon, to implement the Farming Forward strategy through Whole Farm Plans and a pilot project to achieve environmental protection and a living wage for farmers.

#### Deepening understanding of our cultural heritage

The National Trust cares for an incomparable range of historic environments in England, Wales and Northern Ireland from landscape, coastline, wildlife habitats and historic buildings to art collections, archaeological and industrial sites, parks and gardens and entire villages. Our purpose is to make them more accessible, enjoyable and relevant to everyone.

However, people's ideas of what is historically significant are constantly changing. Heritage is more than bricks and mortar, paint and canvas: it is how each generation discovers fresh meaning and value through interacting with these physical things. This never-ending dialogue between past, present and future has moved the greatest poets and painters. It is equally real and relevant to everyone, making sense of the world around us.

We can never hope fully to understand the past, but we can recognise that history is open to widely different interpretations, that it is many layered and that it sometimes gives up its secrets in unexpected ways, if we are allowed to explore it for ourselves. Creative involvement can give us a passion for the places all around us and a lasting sense of their value.

During 2003/04 we deepened understanding of our cultural heritage by:

- Shaping the content and launch of Heritage Counts, the annual audit of the state of the historic environment in England, including the development of new heritage indicators
- Providing input into the Government reviews of heritage protection in England and Wales, and the Goodison review on safeguarding public collections
- Acquiring new properties – like Tyntesfield in Somerset – and opening them up to the local community, involving them in their conservation and future
- Encouraging visitors to watch restoration progress or become involved at every stage. For example, at Ightham Mote in Kent, repair techniques used on the 14th-century stone and timber structure were demonstrated during the building works.

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## How we performed (continued)

#### Putting education and lifelong learning at the heart of everything we do

Learning enables visitors of all ages to engage more deeply with the National Trust and to develop a greater understanding of our work; it can trigger a desire to discover more and help build long-term relationships with our visitors. Above all, we know that these experiences help us all to understand the world around us and to gain confidence and skills for life. The Trust provides out-of-classroom learning opportunities for millions of people, including around 500,000 school-age students each year.

Our vision for learning means that we are committed to:

- Becoming an organisation dedicated to learning and to creating opportunities for life-changing experiences for those with whom we engage both internally and externally
- Ensuring that our properties become spaces where visitors can experience inspiration, relaxation, enjoyment and enrichment
- Enabling visitors and new users to experience and share a sense of discovery by engaging with formal or informal learning experiences at National Trust properties
- Reaching out to new audiences to engage and inspire their interest in the historic and wider environment
- Valuing learning for its own sake and for the equality of opportunity it brings in all the work we undertake.

During 2003/04 we put education and lifelong learning at the heart of our work by:

- Our Council endorsing a new Vision for Learning which was launched to widespread acclaim
- Mapping all current learning activities – over 250 of our historic properties deliver targeted learning activities, attracting approximately 500,000 school students and 33,000 16+ students in formal education groups
- Commissioning a series of evaluations and market research projects to provide information about the quality of our learning products and activities, which was praised highly in the process
- Establishing a new nationwide Community, Learning & Volunteering team to lead the delivery of the Vision
- Working in Partnership with the National Portrait Gallery in newly opened rooms at Beningbrough Hall in Yorkshire, where the materials and techniques used in the modelling of portrait busts will be explained and visitors will be able to handle facsimiles
- Piloting the Untold Story project, supported by HLF funding, that uses contemporary performing and creative arts to explore the relevance of built and natural heritage to youth and community organisations. So far the project has been piloted at four properties – Erddig, North Wales; Ennerdale Valley, Cumbria; Sutton House, London and Springhill, Northern Ireland
- Developing innovative new interpretation facilities at properties such as Buckland Abbey, Devon, which recently received a heritage learning award; and Sutton House, Hackney, where the Black History programme was shortlisted for the prestigious Gulbenkian Prize
- Joining the Real World Learning coalition to make the case for education policy to recognise the potential of the outdoor classroom.

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Key Performance Indicators – delivering our strategy

During the period of the last NTSP (2001/04) the Trust has been developing a number of Key Performance Indicators (KPIs) by which to monitor and assess our performance. This process is not yet complete and – for reasons that are explained below – will not be complete until at least the end of the new three-year NTSP which began in March 2004. In this, the first of the new-style Trustees' Reports, we are keen to show our commitment to moving towards reporting on the KPIs we have set, and the progress we are making against them.

At the moment, however, we do not have a complete set of KPIs so it is difficult to track the Trust's work year by year across the full range of our activities. The report below describes those that are in use, and explains where work is in hand to improve the KPIs for the future. The report is divided up into the four perspectives of the 2001/04 NTSP.

**Inspiring support**

The aim of the activity in this area of the NTSP is to ensure that the Trust is engaging with, inspiring and meeting the needs of our supporters in a variety of ways. During 2003/04 we significantly overshot the targets we set ourselves in recruiting members and attracting visitors to our properties: as we describe elsewhere in this report, 2003/04 was for a variety of reasons an exceptional year. The weather was marvellous all year, and we benefited from a general surge in enthusiasm for domestic tourism and countryside visiting.

But perhaps partly because of that we did not meet the ambitious targets we set for visitor satisfaction and enjoyment. We attribute this to two

Inspiring support	Actual 2003/4	Target 2003/4	Comment
No. of members recruited ('000)	542	450	A Trust record
No. of members ('000)	3,270	3,000	Exceeded target significantly
No. of visits to pay for entry properties (million)	13.6	11.8	A Trust record
Visitor rating for customer service (%)	70	80	Hard to achieve target when properties are very busy
Visitors rating their visit enjoyable/very enjoyable (%)	96		
Visitor rating for presentation of life and times of property (%)	53	59	Ratings vary according to property – those with 'refreshed' facilities tend to be rated higher

**Improving conservation and environmental quality**

There are three indicators in this area, and it has been a challenge to develop appropriate indicators given the huge diversity of our properties and the importance of the conservation task to delivery of our core purpose.

Our indicators are, therefore, designed to span the range of work we do. They include the aim, eventually, to have a Whole Farm Plan in place for each of our tenanted and

causes: first, when properties are very busy, as they were almost all the time during 2003/04, it becomes harder to deliver first-class customer service and for visitors to experience some of the qualities of a National Trust property. It is also the case that visitor expectations are growing, and while some of our properties offer very high quality visitor facilities and excellent interpretation, others lag behind. A challenge for the future is to find the resources to continue to invest in these services.

We also developed our campaigning and policy work during the year, using our practical experience to help shape public policy in key areas such as farming and heritage.

We monitor 6 KPIs in this area:

in-hand farms which will derive significant benefit from this process. In this way we and our tenants will be clear about the management regime that is most appropriate for that farm and how we plan to work together to achieve it. This process is progressing well but slower than originally planned due to staff vacancies (a number of new Farm and Countryside Advisers were recruited following the Organisational Review) and a shift in emphasis during the year towards implementation of completed plans rather than introducing new ones.

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Key Performance Indicators – delivering our strategy (continued)

The second indicator is how much we spent on the backlog of repairs at our properties. Backlog has a very specific meaning in the Trust – it is expenditure on buildings and structures which has become overdue and, if not implemented, will place the building at risk. The Trust has always had a large backlog and aims to reduce it by 5% a year – this equates to about £10m. More work is going on in 2004/05 to improve the quality of data from which we calculate backlog, and to explore whether we can address backlog at a faster pace.

**Managing our affairs effectively and efficiently**

In future years we will monitor progress towards the target £20m General Fund operating contribution.

A significant milestone reached in 2003/4 was the completion of virtually 100% (actually 97.5%) of Property Management Plans. These are the

Finally, we have spent much of the year developing a methodology for the most exciting and important indicator of all – a Conservation Performance Indicator (CPI). This is a qualitative assessment, based on understanding the most important conservation objectives of a property, and the risks

they face. The assessment produces a quantitative figure which can be used to assess progress. The CPI was trialled at different kinds of properties in 2003/04 and is being implemented at a steady pace, over the period of two NTSPs (ie six years) for all properties.

Improving conservation and environmental quality	Actual 2003/4	Target 2003/4	Comment
No. of Whole Farm Plans completed	102	174	See above
Expenditure on repair backlog (£m)	11.5	10	Exceeded target
Conservation Performance Indicator	n/a	n/a	Under development

basic unit of management in the Trust and provide the bedrock on which many other decisions are made.

Managing our affairs effectively and efficiently	Actual 2003/4	Target 2003/4	Comment
Property Management Plans up to date (%)	97.5	100	13 plans incomplete; all have deadlines for completion

**Developing our people and knowledge**

KPIs in this area are very new, and subject to health warnings. The requirement for all staff to undertake Performance and Development Reviews (PDRs) with all the staff who report to them, and to report that they have done this, and what training or other needs arise, is very new in the Trust. Compliance rates are growing but are still lower than they should be. And although staff might be offered a training course within nine months of the need for it being identified, in practice it is taking longer for staff to free themselves up from work commitments to attend courses. So we are learning, and seeking better results in future years.

**Volunteers**

Volunteer numbers increased by almost 16% from last year to 39,786 and the hours volunteers have contributed increased by 20% to 2,564,000 hours with a notional value of £15,613,000.

A key NTSP objective for 2004/05 is the achievement of five minimum volunteering standards across the Trust, and we are in the process of establishing performance indicators associated with each standard.

Developing our people and knowledge	Actual 2003/4	Target 2003/4	Comment
PDRs completed by Feb 2004 (%)	68	100	Performance is better than suggested. Not all completed PDRs were sent to HR
Managers and staff trained in new PDR process by Feb 2004	n/a	80	This training process PDR was deferred mid year to 2004/5
Training needs met within nine months of identification (%)	79	100	Staff availability has been the main issue

**William Proby**  
Chairman of the National Trust Council  
1 July 2004