**Departmental Minute dated 15th September 2016 reporting contingent liabilities in relation to a Government Guarantee to back a borrowing facility for Historic Royal Palaces**

1. It is normal practice, when a government department proposes to undertake a contingent liability in excess of £300,000 for which there is no specific statutory authority, for the Minister concerned to present a departmental Minute to parliament giving particulars of the liability created and explaining the circumstances; and to refrain from incurring the liability until fourteen parliamentary sitting days after the issue of the Minute, except in cases of special urgency.
2. The proposal relates to a request from Historic Royal Palaces (HRP) for them to extend the period whereby they are permitted borrowing facilities of up to £4,000,000 (four million pounds) to meet short-term cash flow requirements. As a general principle short term borrowing such as this should be explicitly guaranteed by government in order to secure the finest terms. HRP are likely to be able to negotiate a favourable rate of interest with Barclays Bank in view of the business which they entrust to them as their main banker. It is unlikely that HRP would be able to gain a better rate of interest from another bank without transferring a significant part of their banking arrangement.
3. The renewed Guarantee will be available until 30 September 2021 and HRP will only enter into borrowing facilities at such times and within such monetary limits as the Department shall agree. The overdraft facility and guarantee were originally placed in 2002 and have since been extended on a rolling basis. Neither the overdraft facility or guarantee has been called during that period and the expectation of it being called in the renewed period is low. If the liability is called, provision for any payment will be sought through the normal Supply procedure.
4. Historic Royal Palaces is a charity established by Royal Charter. By virtue of a contract entered into on 1 April 1998 it carries out the functions of the Secretary of State for Culture, Media and Sport under Section 21 of the Crown Lands Act 1851 of managing the unoccupied Royal Palaces. Historic Royal Palaces does not receive any financial support from the Government, relying instead on income from visitors and other commercial activities within the palaces it manages.
5. Whilst the overall trend in visitor numbers has been good over recent years, HRP has experienced some downturns that highlight their potential vulnerability to factors outside of their control, for example, the volcanic ash cloud in 2010 and the fall in tourist numbers in London during the 2012 Olympics. In addition, the ongoing threat from terrorism leaves HRP with the potential for uncertain trading conditions in the foreseeable future. The borrowing facility is still needed to underpin HRP’s responsibility for caring for some of the country’s most valuable heritage assets and for its commitment to improving public appreciation and understanding of them.
6. The Treasury has approved the proposal in principle. If, during the period of fourteen parliamentary sitting days beginning on the date on which this Minute was laid before parliament, a member signifies an objection by giving notice of a Parliamentary Question or by otherwise raising the matter in parliament, final approval to proceed with incurring the liability will be withheld pending an examination of the objection.

**Department for Culture, Media and Sport**

**15th September 2016**