

# HISTORIC ENVIRONMENT SCOTLAND FRAMEWORK DOCUMENT

## Introduction

1. This framework document has been drawn up by the Scottish Government (SG) in consultation with Historic Environment Scotland (HES). It sets out the broad framework within which HES will operate and defines key roles and responsibilities which underpin the relationship between HES and the SG. While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and should be reviewed and updated as necessary, and at least every 2-3 years. Any proposals to amend the framework document either by the SG or HES will be taken forward in consultation and in the light of SG priorities and policy aims. Any question regarding the interpretation of the document shall be determined by the SG after consultation with HES. Legislative provisions shall take precedence over any part of the document.
2. References to HES include any subsidiaries and joint ventures owned or controlled by HES. HES shall not establish subsidiaries or enter into joint ventures without the express approval of the SG.
3. Copies of the document shall be placed in the Scottish Parliament Reference Centre. It shall also be published on the SG and HES websites.

## Purpose

4. HES is to contribute to the achievement of the SG's primary purpose of increasing sustainable economic growth by aligning its aims and objectives with the SG's published [Economic Strategy](#) and [National Performance Framework](#).
5. HES is a charitable Non-Departmental Public Body (NDPB) whose statutory functions are set out in the Historic Environment Scotland Act 2014. Its primary purpose is to investigate, care for and promote Scotland's historic environment and to manage its collections as a national resource for reference, study and research.
6. Additionally, Scottish Ministers may delegate their functions relating to one or more of the properties in their care and one or more objects in their collections to Historic Environment Scotland or other bodies. Details concerning the specific functions which are delegated and the conditions under which such delegations are undertaken are contained in a scheme of delegation.
7. HES's purpose, strategic aims and objectives, as agreed by the Scottish Ministers and set out below, are published in the HES corporate plan approved by Scottish Ministers. These aims shall support the statutory responsibilities of HES and Ministerial objectives and shall be such as to enable compliance with this Framework Document.
8. HES is the lead public body in protecting, understanding and sharing Scotland's historic environment, for today and in the future.

### *Purpose*

- Care for more than 300 sites of national importance all across the country and are the largest operator of paid visitor attractions in Scotland.
- Look after internationally significant archives and artefacts.
- At the forefront of investigating and researching the historic environment and addressing the impacts of climate change on its future.

- Protect our historic places through designations and consents, promote their sustainable development, and provide millions of pounds each year to local communities to repair and revitalise their historic environment.
- Provide advice and guidance about the historic environment, and offer a wide range of training and learning opportunities.

*Strategic outcomes*

- The historic environment makes a real difference to people's lives
- The historic environment is looked after, protected and managed for the generations to come
- The historic environment makes a broader contribution to the economy of Scotland and its people
- The historic environment inspires a creative and vibrant Scotland
- The historic environment is cared for and championed by a high-performing organisation

## Relationship between Scottish Government and HES

9. Effective strategic engagement between the SG and HES is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Both the SG and HES will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on '[Strategic Engagement between the Scottish Government and Scotland's NDPBs](#)'. In working to achieve its strategic vision, purpose and priorities HES should:

- Seek to maintain good working relationships with the SG and respond to requests from the SG – and otherwise provide appropriate information – timeously, comprehensively and accurately;
- Participate in any further strategy development as requested by, or agreed with, the SG;
- Refer to the [Scottish Public Finance Manual](#) (SPFM) and any Finance Guidance Notes, which may be issued from time to time, to provide guidance on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety;
- When programmes or projects are being developed, consult SG officials at an early stage when these are major<sup>1</sup>, novel or contentious<sup>2</sup>.

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<sup>1</sup> '**Major** investment projects' are those with a total budget of £5m inclusive of VAT. Information on 'major investment projects' can be found in the [Major Investment Projects](#) section of the SPFM, particularly in paragraph 7.

<sup>2</sup> '**Novel**' projects or programmes would include proposed expenditure or financial arrangements of a sort not previously undertaken or entered into or that could not be considered, reasonably, to be standard practice. '**Contentious**' projects or programmes would include proposed expenditure or financial arrangements where there is doubt as to regularity, i.e. compliance with relevant legislation, guidance or propriety. Proposed expenditure or financial arrangements that might be considered to be politically sensitive would also be regarded as **Contentious**. Information on 'novel or contentious projects' can be found in the [Delegated Authority](#) section of the SPFM, particularly in paragraph 13.

## **GOVERNANCE AND ACCOUNTABILITY**

### **Legal origins of powers and duties**

10. HES is an NDPB established by the Historic Environment Scotland Act 2014. HES does not carry out its functions on behalf of the Crown. HES is also registered as a charity by the Office of the Scottish Charity Regulator (OSCR) (No. SC045925) which regulates its activities in that regard.

### **Ministerial responsibilities**

11. The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities of HES and its use of resources. They are not however responsible for day to day operational matters and founding legislation prevents them from directing HES in relation to specific statutory functions. Their responsibilities include:

- agreeing HES's strategic aims and objectives and key targets as part of the corporate planning process;
- agreeing the budget (i.e. the total, annual budget for HES in terms of HMT public expenditure controls) and the associated grant in aid requirement to be paid to HES, and securing the necessary Parliamentary approval;
- carrying out responsibilities specified in the Historic Environment Scotland Act 2014 including
  - appointments to HES's Board, and approval of their selection of Chief Executive;
  - approving the terms and conditions of Board members; and
  - other matters such as approving HES's pay remit in line with SG [Pay Policy](#) and laying the accounts (together with the annual report) before the Parliament.
    - undertaking the Ministerial roles in processes specified in other legislation which is applicable to HES (including legislation amended by the 2014 Act).

12. Scottish Ministers may give HES general and specific directions to which the Board must have regard, in particular but not solely with a view to exercising strategic oversight and to engaging in financial and operational planning cycles. However, Scottish Ministers may not give directions in relation to specific cases, objects or properties.

13. Ministers will maintain an appropriate distance from operational decisions, in particular those which rest solely or primarily upon expert judgement and operational managerial decisions of the Board. The areas in which distance from Ministerial involvement is of particular interest to stakeholders include designation and regulatory work, the allocation of grants and the management of collections. However, Ministers can direct HES with regard to properties in care and associated collections as these remain the responsibility of Ministers.

### **HES Board Responsibilities**

14. The HES Board, including the Chair, normally consists of 10-15 non-executive members appointed by the Scottish Ministers in line with the Code of Practice for Ministerial Public Appointments in Scotland. The role of the Board is to provide leadership, direction, support and guidance to ensure HES delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers. It has corporate responsibility, under the leadership of the chair, for the following:

- taking forward the strategic aims and objectives for the body agreed by the Scottish Ministers;
  - determining the steps needed to deal with changes which are likely to impact on the strategic aims and objectives of HES or on the attainability of its operational targets;
  - promoting the efficient, economic and effective use of staff and other resources by HES consistent with the principles of [Best Value](#), including, where appropriate, participation in [shared services](#) arrangements;
  - ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. (The Board must set up an [audit committee](#) chaired by a non- executive member to provide independent advice and assurance on the effectiveness of the internal control and risk management systems.);
  - (in reaching decisions) taking into account relevant guidance issued by the Scottish Ministers;
  - approving the annual accounts and ensuring Scottish Ministers are provided with the annual report and accounts to be laid before the Scottish Parliament. The Board Chair and the Chief Executive as the Accountable Officer of HES are jointly responsible for signing the annual accounts.
  - ensuring that the Board receives and reviews regular financial information concerning the management and performance of HES and is informed in a timely manner about any concerns regarding the activities of HES or any subsidiaries and joint ventures owned or controlled by HES;
  - appointing with the approval of the Scottish Ministers, the HES Chief Executive, following appropriate approval of the Chief Executive's remuneration package in line with SG [Pay Policy for Senior Appointments](#) and, in consultation with the SG, set appropriate performance objectives which give due weight to the proper management and use of resources within the stewardship of HES and the delivery of outcomes; and
  - demonstrating high standards of corporate governance at all times, including openness and transparency in its decision making.
15. Further guidance on how the Board should discharge its duties is provided in appointment letters and in ['On Board- A guide for Board Members of Public Bodies in Scotland'](#). All of the Board's members are also charitable trustees.

### **HES Chair's Responsibilities**

16. The Chair of the HES Board is accountable to the Scottish Ministers and, in common with any individual with responsibility for devolved functions, may also be held to account by the Scottish Parliament. Communications between the HES Board and the Scottish Ministers should normally be through the Chair. He or she is responsible for ensuring that HES's policies and actions support the Scottish Ministers' wider strategic policies and that its affairs are conducted with probity.
17. In leading the HES Board the Chair must ensure that:
- the work of the Board is subject to regular self-assessment and that the Board is working effectively;
  - the Board, in accordance with recognised good practice in corporate governance, is diverse both in terms of relevant skills, experience and knowledge appropriate to

directing HES business, and in terms of protected characteristics under the Equality Act ;

- the Board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- he or she, together with the other Board members, receives appropriate induction training, including on financial management and reporting requirements and, as appropriate, on any differences that may exist between private and public sector practice;
- succession planning takes place to ensure that the Board is diverse and effective, and the Scottish Ministers are advised of HES needs when Board vacancies arise;
- there is a code of conduct for Board members in place, approved by the Scottish Ministers.

18. The Chair assesses the performance of individual Board members on a continuous basis and undertakes a formal appraisal at least annually. The Chair, in consultation with the board as a whole, is also responsible for undertaking an annual appraisal of the performance of the Chief Executive.

### **Individual Board Members' Responsibilities**

19. Individual Board members should act in accordance with the responsibilities of the Board as a whole and comply at all times with the code of conduct adopted by HES and with the rules relating to the use of public funds and to conflicts of interest. (In this context "public funds" means not only any funds provided to HES by the Scottish Ministers but also any other funds falling within the stewardship of HES, including trading and investment income, gifts, bequests and donations.) General guidance on Board members' responsibilities is summarised in their appointment letters and is also provided in [On Board](#).

### **HES Chief Executive responsibilities**

20. The Chief Executive of HES is employed and appointed by the Board with the approval of the Scottish Ministers. He/she is the Board's principal adviser on the discharge of its functions and is accountable to the Board. His/her role is to provide operational leadership to HES and ensure that the Board's aims and objectives are met and HES's functions are delivered and targets met through effective and properly controlled executive action. His/her general responsibilities include the performance, management and staffing of HES. General guidance on the role and responsibilities of the Chief Executive is contained in [On Board](#). Specific responsibilities to the Board include:

- advising the Board on the discharge of its responsibilities - as set out in this document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers - and implementing the decisions of the Board;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that appropriate financial appraisal and evaluation techniques, consistent with the [Appraisal and Evaluation](#) section of the [Scottish Public Finance Manual](#) (SPFM), are followed;
- ensuring that HES adheres, where appropriate, to the SG's [Programme and Project Management \(PPM\) Principles](#);
- having robust performance and risk management arrangements - consistent with the [Risk Management](#) section of the SPFM - in place that support the achievement of

HES's aims and objectives and that facilitate comprehensive reporting to the board, the SG and the wider public;

- ensuring that adequate systems of internal control are maintained by HES, including effective measures against fraud and theft consistent with the [Fraud](#) section of the SPFM;
- establishing appropriate documented internal delegated authority arrangements consistent with the [Delegated Authority](#) section of the SPFM;
- advising the Board on the performance of HES compared with its aims and objectives;
- preparing HES's corporate and business plans, in the light of the strategic aims and objectives agreed by the Scottish Ministers;
- ensuring effective relationships with SG officials;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the SG; that the SG is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the SG in a timely fashion; and
- ensuring staff pay proposals are in line with SG [Pay Policy](#) and submitted in time and the necessary approvals obtained prior to implementing any annual award.

### **HES Accountable Officer responsibilities**

21. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) will designate the Chief Executive as the Accountable Officer for HES. Accountable Officers are personally answerable to the Scottish Parliament for the exercise of their functions, as set out in the [Memorandum to Accountable Officers for Other Public Bodies](#). These include:

- ensuring the propriety and regularity of HES's finances and that there are sound and effective arrangements for internal control and risk management;
- ensuring that the resources of HES are used economically, efficiently and effectively, and that arrangements are in place to secure Best Value and deliver Value for Money for the public sector as a whole;
- ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM and SG [Pay Policy](#);
- signing the annual accounts and associated governance statements; and
- a statutory duty to obtain written authority from the Board/Chair before taking any action which they considered would be inconsistent with the proper performance of the Accountable Officer functions. The Accountable Officer should also notify the relevant Portfolio Accountable Officer.

22. It is incumbent on the Chief Executive to combine his/her Accountable Officer responsibilities to the Scottish Parliament with his/her wider responsibilities to the Board. The Board / Chair should be fully aware of, and have regard to, the Accountable Officer responsibilities placed upon the Chief Executive, including the statutory duty described above.

## **Portfolio Accountable Officer responsibilities**

23. The Principal Accountable Officer for the Scottish Administration will designate the Director-General for Economy as the Accountable Officer for the SG portfolio budget for HES. The responsibilities of a Portfolio Accountable Officer are set out in detail in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](#). He/she is personally answerable to the Scottish Parliament for ensuring that:

- the financial and other management controls applied by the SG are appropriate and sufficient to safeguard public funds and, more generally that those being applied by HES conform to the requirements both of propriety and of good financial management
- the key roles and responsibilities which underpin the relationship between the SG and HES are set out in a framework document - and that this document is regularly reviewed
- effective relationships are in place at Director and Deputy Director level between the SG and HES in accordance with the strategic engagement principles
- there is effective continuous assessment and appraisal of the performance of the Chair of HES, in line with the requirements of the Code of Practice for Ministerial Public Appointments in Scotland.

## **Scottish Government Director and Deputy Director**

24. The Director for Culture, Tourism and Major Events and Deputy Director for Culture, Tourism and Major Events have responsibility for overseeing and ensuring effective relationships between the SG and HES which support alignment of HES's business to the SG's Purpose and National Outcomes and high performance by HES. They will work closely with the HES Chief Executive and be answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with HES characterised by openness, trust, respect and mutual support. They will be supported by a sponsor unit in discharging these functions. The Director shall be responsible for assessing the performance of the HES Chair at least annually.

## **Sponsor unit responsibilities**

25. The SG sponsor unit for HES is based in the Culture and Historic Environment Division (CHED). It is the normal point of contact for HES in dealing with the SG. The unit, under the direction of the Director and Deputy Director, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of HES and undertakes the responsibilities of the Portfolio Accountable Officer on his/her behalf. Specific responsibilities include:

- discharging sponsorship responsibilities in line with the principles and framework set out in the document '[Strategic Engagement between the Scottish Government and Scotland's NDPBs](#)' and ensuring that sponsorship is suitably flexible, proportionate and responsive to the needs of the Scottish Ministers and HES;
- ensuring that appointments to the HES board are made timeously and, where appropriate, in accordance with the [Code of Practice for Ministerial Appointments to Public Bodies](#) in Scotland
- proportionate monitoring of the NDPB's activities through an adequate and timely flow of appropriate information, agreed with the NDPB, on performance, budgeting, control and risk management

- addressing in a timely manner any significant problems arising in HES, alerting the Portfolio Accountable Officer and the responsible Minister(s) where considered appropriate
- ensuring that the objectives of HES and the risks to them are properly and appropriately taken into account in the SG's risk assessment and management systems
- informing HES of relevant SG policy in a timely manner.

### **Internal audit**

26. HES shall:

- establish and maintain arrangements for internal audit in accordance with the [Public Sector Internal Audit Standards](#) and the [Internal Audit](#) section of the SPFM
- set up an audit committee of its board, in accordance with the [Audit Committees](#) section of the SPFM, to advise both the Board and the Chief Executive in his/her capacity as the HES Accountable Officer
- forward timeously to the SG the audit charter, strategy, periodic audit plans and annual audit assurance report, including the HES Head of Internal Audit opinion on risk management, control and governance and other relevant reports as requested
- keep records of, and prepare and forward timeously to the SG an annual report on fraud and theft suffered by HES and notify the SG at the earliest opportunity of any unusual or major incidents.

27. The SG's Internal Audit Directorate has a right of access to all documents held by HES's internal auditor, including where the service is contracted out. The SG has a right of access to all HES records and personnel for any purpose where this does not contravene Data Protection legislation.

### **External audit**

28. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, the HES annual accounts and passes them to the Scottish Ministers who shall lay them before the Scottish Parliament, together with the auditor's report and any report prepared by the AGS. For the purpose of audit the auditors have a statutory right of access to documents and information held by relevant persons. HES shall instruct its auditors to send copies of all management reports (and correspondence relating to those reports) and responses to the SG.

29. The AGS, or examiners appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness with which HES has used its resources in discharging its functions. The AGS may also carry out examinations into the arrangements made by HES to secure Best Value. For the purpose of these examinations the examiners have a statutory right of access to documents and information held by relevant persons. In addition, HES shall provide, in contracts and any conditions to grants, for the AGS to exercise such access to documents held by contractors and sub-contractors and grant recipients as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

### **Annual report and accounts**



30. HES must publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report must cover the activities of any corporate, subsidiary or joint ventures under the control of HES. It should comply with the [Annual Accounts](#) section of the SPFM, the Government [Financial Reporting Manual](#) (FReM) and the Charities SORP and outline HES's main activities and performance against agreed objectives and targets for the previous financial year.
31. The accounts must be prepared in accordance with relevant statutes and the specific accounts direction (including compliance with the FReM) and other relevant guidance issued by the Scottish Ministers. Any financial objectives or targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit. Any subsidiary or joint venture owned or controlled by HES shall be consolidated in its accounts in accordance with International Financial Reporting Standards as adapted and interpreted for the public sector context.
32. The draft report should be submitted to the SG for comment, and the draft accounts for information, by 30<sup>th</sup> June. The final version should be available in sufficient time for them to meet the statutory date for laying and publishing accounts audited by the AGS but in any case by 31 August. Whilst the statutory date for laying and publishing accounts audited by the AGS is by 31 December, following the close of the previous financial year, there is an expectation on the part of the Scottish Ministers that accounts will be laid and published as early as possible. The accounts must not be laid before they have been formally sent by the AGS to the Scottish Ministers and must not be published before they have been laid. HES shall be responsible for the publication of the annual report and accounts.

## **MANAGEMENT RESPONSIBILITIES**

### **Corporate and business plans**

33. HES must ensure that a corporate plan, agreed with the Scottish Ministers, is in place and published on HES's website. HES shall agree with the SG the issues to be addressed in the plan and the timetable for its preparation and review. The finalised plan shall reflect HES's strategic aims and objectives as agreed by the Scottish Ministers and any priorities set by the Scottish Ministers. It shall demonstrate how HES contributes to the achievement of the SG's primary purpose of increasing sustainable economic growth and alignment with the SG's [National Performance Framework](#) (NPF). The corporate plan for HES should include:
  - the purpose and principal aims of HES
  - an analysis of the environment in which HES operates
  - key objectives and associated key performance targets for the period of the plan, the strategy for achieving those objectives and how these will contribute towards the achievement of the SG's primary purpose and alignment with the NPF
  - indicators against which performance can be judged
  - other matters as agreed between the SG and HES.
34. The corporate plan should inform the development of a separate business plan for each financial year. The business plan for HES should include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified.

A copy of HES's business plan should be provided to the sponsor unit prior to the start of the relevant financial year.

### **Performance management**

35. HES shall operate management information and accounting systems that enable it to review, in a timely and effective manner, its financial and non-financial performance against the strategic aims, objectives, targets and milestones set out in the corporate and business plans. The results of such reviews should be reported on a regular basis to the HES Board and copied to the SG. The SG shall assess HES's performance, proportionately, on a continuous basis and hold a formal review meeting at least twice a year. The Cabinet Secretary for Culture, Tourism and External Affairs shall meet the HES Chair at least once a year.

### **Budget management**

36. Each year, in the light of decisions by the Scottish Ministers on the allocation of budgets for the forthcoming financial year, the SG will send to HES a formal statement of its budgetary provision, and a note of any related matters and details of the budget monitoring information required by the SG. The terms of that letter, referred to as the Budget Allocation and Monitoring letter, should be viewed as complementing the content of this document. The monthly monitoring is the primary means of in-year budgetary control across the SG. As such bodies must comply with the format and timing of the monitoring together with any requests for further information. The statement of budgetary provision will set out the budget within the classifications of resource Departmental Expenditure Limits (RDEL), capital DEL (CDEL) and Ring-fenced (non-cash) (RfDEL). HES will inform the sponsor unit at the earliest opportunity if a requirement for Annually Managed Expenditure (AME) budget is identified. The SG should also be advised in the event that estimated net expenditure is forecast to be lower than budget provision. Transfers of budgetary provision between the different classifications require the prior approval of the SG Finance Directorate. Any proposals for such transfers should therefore be submitted to the sponsor unit. Transfers of provision within the classifications may be undertaken without reference to the SG, subject to any constraints on specific areas of expenditure e.g. the approved pay remit.
37. If the trading and other resource income realised (including profit or loss on disposal of non-current assets) – scored as negative RDEL, or the net book value of disposals of non-current assets – scored as negative CDEL is less than included in the agreed budget HES shall, unless otherwise agreed with the SG and in circumstances beyond HES's control (e.g. weather related events at the end of the financial year), ensure a corresponding reduction in its gross expenditure. (The extent to which HES exceeds agreed budgets shall normally be met by a corresponding reduction in the budgets for the following financial year<sup>3</sup>.) If income realised is more than included in the agreed budgets HES must consult and obtain the prior approval of the SG before using any excess to fund additional expenditure (excluding expenditure incurred in generating additional income) or to meet existing pressures. Failure to obtain prior approval for the use of excess income to fund

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<sup>3</sup> 'The consolidated budgeting guidance offers the following (chapter 4): "Departments will be allowed to keep the negative DEL income that they obtain in the SR period up to the amount that was taken into account in the SR. Income cannot be predicted wholly accurately, and the Treasury wishes to encourage departments to find new income streams where appropriate. Departments may therefore, in any year, also retain negative RDEL income up to 20 per cent above the level envisaged for that year as part of the SR settlement without an adjustment to budgets." HMT treats the SG as one department it is therefore important that SG has sight and control of any excess income.

additional expenditure may result in corresponding reductions in budgets for the following financial year. Subject to footnote 3, approval will not be withheld unreasonably. The only exception is where the income is from gifts, bequests and donations but this must be spent within the same financial year as the receipt, otherwise additional budget allocation will be required. In any event, income from all sources and all planned expenditure should be reflected in the monthly budget monitoring statement.

### **Cash management**

38. Any [grant in aid](#) (i.e. the cash provided to HES by the SG to support the allocated budget) for the year in question must be authorised by the Scottish Parliament in the annual Budget Act. Grant in aid will normally be paid in monthly instalments on the basis of updated profiles and information on unrestricted cash reserves. Payment will not be made in advance of need, as determined by the level of unrestricted cash reserves and planned expenditure. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of HES - and the level of funds required to meet any relevant liabilities at the year-end. Grant in aid not drawn down by the end of the financial year shall lapse. Grant in aid shall not be paid into any restricted reserve held by HES.
39. The banking arrangements adopted by HES must comply with the [Banking](#) section of the SPFM.

### **Risk management**

40. HES shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of generally recognised best practice in corporate governance, and develop an approach to risk management consistent with the [Risk Management](#) section of the SPFM. Reporting arrangements should ensure that the sponsor unit is made aware of relevant risks and how they are being managed. The HES audit committee is also required, at the earliest opportunity, to notify the relevant SG Audit and Risk Committee if it considers that it has identified a significant problem which may have wider implications.
41. In addition HES should take risk-based and proportionate steps to appraise the financial standing of any supplier or other body with which it intends to enter into a contract or to provide funding.

### **Counter fraud arrangements**

42. HES should adopt and implement policies and practices to safeguard itself against fraud and theft, in accordance with the [Fraud](#) section of the SPFM. Application of these processes must be monitored actively, supported by a fraud action plan and robust reporting arrangements. This includes the establishment of avenues to report any suspicions of fraud.

### **Staff management**

#### *Broad responsibilities for HES staff*

43. HES will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:
  - HR policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers

- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG [Pay Policy for Staff Pay Remits](#))
- the performance of its staff at all levels is satisfactorily appraised and HES's performance measurement systems are reviewed from time to time
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve HES's objectives
- proper consultation with staff takes place on key issues affecting them
- adequate grievance and disciplinary procedures are in place
- effective whistle-blowing policy and procedures consistent with the Public Interest Disclosure Act 1998 are in place
- a code of conduct for staff is in place based on the Model Code for Staff of Executive NDPBs

#### *Pay and conditions of service*

44. HES will comply with SG Pay Policy in relation to staff and the chief executive. HES shall submit to the SG for approval (normally annually unless a multi-year deal has been agreed) a pay remit in line with the SG [Pay Policy for Staff Pay Remits](#) and negotiate a pay settlement within the terms of the approved remit. Payment of salaries should also comply with the [Tax Planning and Tax Avoidance](#) section of the SPFM. Proposals on non-salary rewards must comply with the guidance in the [Non-Salary Rewards](#) section of the SPFM. HES will also seek appropriate approval under the SG [Pay Policy for Senior Appointments](#) for the Chief Executive's remuneration package prior to appointment, annually or when a new appointment or change to the remuneration package is being proposed.

#### *Pensions, redundancy and compensation*

45. Superannuation arrangements for HES staff are subject to the approval of the SG. HES staff are eligible for a pension provided by the Principal Civil Service Pension Scheme (PCSPS). Staff may opt out of the occupational pension scheme provided by HES, but the employers' contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level.
46. Any proposal by HES to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the SG. Proposals on compensation payments must comply with the [Settlement, Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the SG of any proposed severance scheme (for example a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal for any other compensation payment. In all instances, HES should engage with the SG prior to proceeding with proposed severance options, and prior to making any offer either orally or in writing.

## Specific financial provisions

***Many of the provisions included in this section - and other sections - of the framework document highlight specific requirements in the SPFM that are considered of particular relevance to HES. It should be noted however that guidance in the SPFM should always be considered in its entirety as and when relevant issues arise.***

### Delegated authorities

47. HES's specific delegated financial authorities - as agreed in consultation between HES and the SG - are set out in the attached **Appendix**. HES shall obtain the SG's prior written approval before entering into any undertaking to incur any expenditure that falls outside these delegations. HES shall also comply with any requirements for prior SG approval included in the SPFM and/or this document.
48. Prior SG approval must always be obtained before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

### Income generation

49. HES shall seek to optimise income - grant in aid does not qualify as income - from all sources, including from the [European Union](#), and ensure that the SG is kept informed. Contentious proposals for new sources of income or methods of fundraising must be approved by the SG. Fees or charges for any services supplied by HES shall be determined in accordance with the [Fees & Charges](#) section of the SPFM.
50. Gifts, bequests or donations received by HES score as income and should be provided for in the agreed resource DEL and capital DEL budgets, updated as necessary in consultation with the SG. However, HES should be able to demonstrate that expenditure funded by gifts etc is additional to expenditure normally supported by grant in aid (i.e. SG core funding) or by trading and other income. Before accepting such gifts etc HES shall consider if there are any associated costs in doing so or any conflicts of interests arising. HES shall keep a written record of any such gifts etc and what happened to them.

### Financial investments

51. HES shall not make any financial investments without the prior approval of the SG. That would include equity shares in ventures which further the objectives of HES. HES shall not invest in any venture of a speculative nature.

### Borrowing

52. Borrowing cannot be used to increase HES's spending power. All borrowing by HES - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the [Borrowing, Lending & Investment](#) section of the SPFM.

### Asset and property management

53. HES shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the [Property: Acquisition, Disposal & Management](#) section of the SPFM. 'Non-current' assets should be disposed of in accordance with the SPFM. The SG's Property Division should be consulted about relevant proposed disposals of property that HES holds for operational purposes (rather than investment) at the earliest opportunity so it may be advertised internally. An [Internal Advertisement](#) form must be

completed and submitted at least one month prior to property being advertised on the open market.

54. HES has three classifications of property assets:
- Assets specified in any Scheme of Delegation under s.s 3 & 8 of the Historic Environment Scotland Act 2014;
  - Specialised operational properties; and
  - Administrative accommodation properties

*Assets specified in any Scheme of Delegation under s.s 3 & 8 of the Historic Environment Scotland Act 2014*

55. This section does not apply to assets specified in any Scheme of Delegation under s.s 3 & 8 of the Historic Environment Scotland Act 2014 which will set out specific requirements on the management by HES of properties and other assets owned by the Scottish Ministers, although many of its provisions will be similar or the same as those in this section.

*Specialised operational properties*

56. Specialised operational properties are those properties which are ancillary to the operation of assets specified in any Scheme of Delegation under s.s 3 & 8 of the Historic Environment Scotland Act 2014. These include but are not limited to depots, collections and archive stores.
57. Any proposal to acquire land, buildings or other rights in property for specialized operational purposes should comply with the SPFM. HES's specific delegated financial authority for such properties is included in the attached **Appendix**.

*Administrative accommodation properties*

58. Administrative accommodation properties are those properties which are used for administrative purposes such as headquarter buildings.
59. Any proposal to acquire land, buildings or other rights in property for administrative accommodation purposes should comply with the SPFM. HES is also subject to the SG Asset Management Policy, including (subject to the delegated authority in the attached Appendix) the requirement for acquisition of a new lease, continuation of an existing lease, decision not to exercise a break option in a lease or purchase of property for administrative accommodation purposes to be approved in advance by Scottish Ministers. The Property Controls Team should be consulted as early as possible in this process.

**Lease arrangements**

60. HES shall not enter into any finance, property or administrative accommodation related lease arrangement above the specific delegated authority set out in the **Appendix** – including the extension of an existing lease or the non-exercise of a tenant's lease break - without the SG's prior approval. Before entering/ continuing such arrangements HES must be able to demonstrate that the lease offers better value for money than purchase and that all options of sharing existing public sector space have been explored. Non-property/ accommodation related operating leases are subject to a specific delegated authority as set out in the **Appendix**. HES must have capital DEL provision for finance leases and other transactions which are in substance borrowing.

## **Tax arrangements**

61. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the SG. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. HES must comply with all relevant rules on taxation, including VAT. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source. It is the responsibility of HES to observe VAT legislation and recover input tax where it is entitled to do so. The implications of VAT in relation to procurement and shared services should be considered at an early stage to ensure that financial efficiency is achieved. HES must also ensure that it accounts properly for any output tax on sales or disposals.

## **Lending and guarantees**

62. Any lending by HES must adhere to the guidance in the [Borrowing, Lending & Investment](#) section of the SPFM on undertaking due diligence and seeking to establish a security. HES shall not, without the SG's prior approval, lend money (out with the terms of a grant scheme approved by the Scottish Ministers), charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the [Contingent Liabilities](#) section of the SPFM), whether or not in a legally binding form. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement. It is for HES to determine if the issue of such lending, guarantees, indemnities or letters of comfort are part of the normal course of business or should be notified to SG for approval.

## **Third party grants**

63. Authority under the normal course of business, as provided in the Historic Environment Scotland Act 2014, Part 1, Section 11, is provided for all proposals to make a grant to a third party, whether one-off or under a scheme except where the proposal is Novel and Contentious. Further guidance on Novel or Contentious issues can be found in the [Delegated Authority](#) section of the SPFM. Such funding will be subject to the guidance in the [State Aid](#) section of the SPFM and to the principles set out in the framework for the control of third party grants provided as an [annex](#) to the 'Grant' and 'Grant in Aid' section of the SPFM. HES grant schemes are subject to approval by the Scottish Ministers. The Historic Environment Scotland Act 2014 provides that Scottish Ministers may not direct HES either to make or not to make a grant or loan in respect of any individual application which is properly constituted under the terms of a grant scheme approved by them.

## **Impairments, provisions and write-offs**

64. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM and the Charities SORP. Where an asset - and that includes investments - suffers impairment it is important that the prospective impairment and background is communicated to the SG at the earliest possible point in the financial year to determine the implications for HES's budget. Similarly any significant movement in existing provisions or the creation of new provisions should be discussed in advance with the SG. Write-off of bad debt and/or losses scores against HES's resource DEL budget classification and is subject to a specific delegated limit.

## Insurance

65. HES is subject to the SG policy of self-insurance. Commercial insurance must however be taken out where there is a legal requirement to do so and may also be taken out in the circumstances described in the [Insurance](#) section of the SPFM - where required with the prior approval of the SG. In the event of uninsured losses being incurred the SG shall consider, on a case by case basis, whether or not it should make any additional resources available to HES. The SG will provide HES with a Certificate of Exemption for Employer's Liability Insurance.

## Procurement and payment

66. HES's procurement policies shall reflect relevant guidance in the [Procurement](#) section of the SPFM and relevant guidance issued by the SG's Procurement and Commercial Directorate. Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving HES's objectives consistent with the principles of [Value for Money](#), the highest professional standards and any legal requirements. All external consultancy contracts over the value of £100,000 or any proposal to award a contract without competition (non-competitive action) over the value of £100,000 must be endorsed in advance by the Chief Executive.
67. Any major investment programmes or projects undertaken by HES shall be subject to the guidance in the [Major Investment Projects](#) section of the SPFM and to the delegated authority in the attached Appendix. The sponsor unit must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. ICT investment plans must be reported to the SG's Office of the Chief Information Officer.
68. HES shall pay all matured and properly authorised invoices relating to transactions with suppliers in accordance with the [Expenditure and Payments](#) section of the SPFM and in doing so shall seek wherever possible and appropriate to meet the SG's target for the payment of invoices within 10 working days of their receipt.

## Gifts made, special payments and losses

69. HES shall not, without the SG's prior approval, make gifts or special payments or write-off of losses above the delegated authorities set out in the **Appendix**. Special payments and losses are subject the guidance in the [Losses and Special Payments](#) section of the SPFM. Gifts by management to staff are subject to the guidance in the [Non-Salary Rewards](#) section of the SPFM.

## Clawback

70. Where HES has financed expenditure on assets by a third party, HES shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without HES's prior consent. HES shall put in place arrangements sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if HES contributed less than the whole cost of acquisition or improvement. HES shall also ensure that if assets financed by HES cease to be used by the third party for the intended purpose an appropriate proportion of the value of the asset shall be repaid to HES.



## **State aid**

71. State aid is a European Commission term which refers to forms of public assistance, given to undertakings on a discretionary basis, which has the potential to distort competition and affect trade between Member States of the European Union. Any activity that HES undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services is subject to state aid rules. A state aid assessment is therefore required prior to disbursing any funding and would be subject to the guidance in the [state aid](#) section of the SPFM.

## **Board expenses**

72. Remuneration (daily fees), allowances and expenses paid to board members must comply with the SG [Pay Policy for Senior Appointments](#) and any specific guidance on such matters issued by the Scottish Ministers.

**EXECUTIVE NDPB MODEL FRAMEWORK DOCUMENT: APPENDIX**

**SPECIFIC DELEGATED FINANCIAL AUTHORITIES**

	<b>Delegated Limit</b>
Commit expenditure, authorise payments	Within HES's agreed overall budget provision.
Major investment programmes / projects	£2,000,000
Operating leases – other than specialised operational property related leases	£250,000 per lease
Specialised operational property leases (ancillary to assets specified in any Scheme of Delegation under s.s 3 & 8 of the Historic Environment Scotland Act 2014)	HES can take a lease at market value of up to 15 years duration with at least one lease break and rental of up to £250,000 per year.
Compensation payments	£50,000 per case
Gifts	£5,000
Special payments	£25,000
Claims waived or abandoned	£25,000
Write-off of bad debt and/or losses	£250,000
Cancelled direct debits	£200,000