

Strategic Option Appraisal on the Future of the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS)

Final Report

May 2012

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EXECUTIVE SUMMARY

INTRODUCTION

In November 2011, Scottish Ministers commissioned a strategic option appraisal of the best means of protecting the functions of the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS) in the medium to long term. The review was undertaken in collaboration with both RCAHMS and Historic Scotland as sponsor body and used HM Treasury's Green Book as a basis for its approach. This report sets out the findings of the review process.

REVIEW PROCESS

Following a three stage process of Information gathering; Initial consideration; and Detailed appraisal, the review process:

- Formulated a model of how things operate at present, including both strengths and challenges – summarised in Chapter 3.
- Developed a list of potential future organisational models – Annex 7
- Shortlisted those options to three for detailed appraisal
 - Status quo
 - Merger with Historic Scotland
 - Establishment of a Non Departmental Public Body in legislation
- Identified a number of desired benefits from any change – Chapter 5
- Identified a number of risks associated with any change – Chapter 6
- Considered the current finances of RCAHMS and the potential impact of both of the change options as well as some scenario planning – Chapter 7
- Appraised each of the options against benefits, risks, costs and cost benefits to draw a conclusion – Chapter 8.

FINDINGS

FINANCIAL ANALYSIS

RCAHMS as a group is currently financially sustainable assuming the current, best case funding scenario, meaning that any of the three options are financially viable. Any reductions in future baseline funding would impact all three options, although the potential to manage the impact is greater in the merger option.

The net benefit of a merger compared to an NDPB option is relatively small, but would provide additional resilience and potential for further rationalisation through integration of functions, as well as some additional potential to develop commercial income. Some of this benefit may also be delivered by an NDPB, through the development of shared services and effective collaboration with Historic Scotland.

BENEFITS ANALYSIS

Six benefits were analysed against the three options – (see Chapter 5).

Primary benefits

1. Sustainability of functions
2. Enhanced understanding and interpretation of the historic built environment

Enabling benefits

3. Infrastructure is fit for purpose
4. Governance arrangements are fit for purpose

5. Clarity of role and boundaries
6. Effective financial management ensures continued delivery of outcomes within available resources

The merger option provides greater potential to deliver the primary benefits. Both change options provide a similar profile across the range of enabling benefits. The merger option delivers these by incorporating the RCAHMS functions into an existing corporate framework, the NDPB option retains two public bodies but clarifies and formalises their respective roles, functions and boundaries.

Both change options deliver improvements on the status quo. The merger option offers improved sustainability, greater potential to enhance the understanding and interpretation of the historic environment. The NDPB option offers clearer and more consistent governance arrangements and a more secure foundation for future collaboration with Historic Scotland and the other National Collections.

RISK ANALYSIS

Six overall risks were analysed, broken down in 23 risk statements (see Chapter 6 and Annex 8).

1. The quality of public services is reduced
2. The quality and scope of work is reduced
3. Loss of reputation and stakeholder confidence
4. Funding is insufficient to sustain core functions
5. Changed organisational status impacts delivery
6. Change process leads to a loss of direction and focus

The status quo option carries the lowest risk as it involves no change. There is little difference between the merger and NDPB options in relation to risks 2 and 4, with merger scoring higher on the remaining risks. Overall, the merger option carries the highest risk, scoring 192 out of a total potential risk score of 575. All of the risks are capable of being managed, with only 6.3 falling into the red category. There are also risks associated with the NDPB option, although the total score is lower at 147.

CONCLUSION

Maintaining the status quo would not be desirable. RCAHMS has suffered an extended period of uncertainty over recent years and it seems likely that a decision to retain the status quo would simply be a postponement of a decision for change.

The merger option is more financially sustainable and offers greater potential to deliver the primary benefits, however it would be a major change and so carries the highest risk. The NDPB option is financially sustainable assuming the best case funding scenario and offers a governance model coherent with other National Collections. It is lower risk and would be a more evolutionary change.

Both change options provide an organisational model better fitted than the status quo to the purpose of sustaining the functions of a public body in the long term. The final decision on which of the change options is most likely to deliver the goal of long term sustainability of functions comes down to a single question. Whether it is better to have a single public body deliver all of the required functions or two bodies with different governance and clearly defined functions collaborating on delivery.

CHAPTER 1 – INTRODUCTION

In November 2011, Scottish Ministers asked Historic Scotland, as sponsor unit, to commission a strategic options appraisal of the best means of protecting the core functions of the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS) in the medium to long term. The review followed the most difficult spending review in recent years and was part of their ongoing commitment to secure value for money across the public sector.

This report sets out the findings of that option appraisal and makes recommendations on how best to preserve and develop those functions, ensuring continuity of the valued contribution that the organisation has made since its establishment in 1908.

REMIT OF THE REVIEW

The Cabinet Secretary for Culture and External Affairs agreed the remit for the review with the Chair and Secretary of RCAHMS and the Chief Operating Officer of Historic Scotland on 16 November 2011 and work commenced immediately after that.

It was agreed that the option appraisal should be carried out in an objective and collaborative way, using HM Treasury's Green Book methodology as a basis.

The aims of the options appraisal were to:

- identify the objectives to be met in securing a sustainable long term future for RCAHMS functions;
- identify a range of possible options that might meet those objectives; and
- assess those options against the benefits that they deliver, the risks involved and the cost implications.

It was agreed that no options should be ruled out of initial consideration. The initial consideration would then be used to produce a shortlist of viable options, which would undergo a more detailed assessment to reach a preferred option.

DEFINITIONS

SUSTAINABILITY - is defined as the ability to secure the provision of the functions of the Commission at an appropriate level on a long term basis despite reducing public sector funding. That includes:

- Maintaining a strategic programme of new survey work
- Maintaining access to a sufficient body of skills and expertise to retain the credibility of the service
- Managing the collections in such a way as to ensure their long term availability and preservation
- Providing public access to the collections and appropriate interpretation of them

Long term sustainability was considered to be at least for the next 10 years, with the expectation that the functions should continue to be viable at the end of that period.

FUNCTIONS – a summary of the functions of the organisation was agreed, which set out the functions that the proposed new body would have encompassed. This is available at Annex 1

COLLECTIONS AND THE NATIONAL COLLECTION

RCAHMS, is exempt from the provisions of section 7(4) of the Charities and Trustee Investment (Scotland) Act 2005. The Charity Test (specified Bodies) (Scotland) Order 2006 allows the five National Collection NDPBs (National Galleries of Scotland, National Museums of Scotland, National Library of Scotland, Royal Botanical Gardens of Edinburgh and RCAHMS) to retain their charitable status despite being subject to ministerial power of direction. For the purposes of the legislation and charitable status, RCAHMS as a body is regarded as a National Collection. Where the term National Collection is referred to in this report, it refers to these bodies. The term collection is used in relation to the collections of artifacts that the National Collections, and other bodies such as National Records of Scotland and Historic Scotland hold.

APPROACH

A programme manager with experience of managing complex change programmes and no prior knowledge of either Historic Scotland or RCAHMS was appointed by Historic Scotland from core Scottish Government to lead the work. Supported by a small team, he was charged with undertaking the review in collaboration with both RCAHMS and Historic Scotland.

The process was advised by a Strategic Steering Group with representation from RCAHMS, Historic Scotland and Scottish Government's Culture Division. The Steering Group was chaired by Historic Scotland. The remit and membership of the Strategic Steering group is set out in Annex 2. Additional representatives of both RCAHMS and Historic Scotland participated in two structured workshops to inform key decisions.

External expertise was commissioned to undertake a financial assessment of RCAHMS current financial position and to undertake some modelling of the impact of options and changing funding assumptions. In addition external legal advice was sought in relation to charitable and company status.

SCOPE

The scope of the review included RCAHMS' current functions as well as those functions of Historic Scotland that interact with RCAHMS, with a view to identifying any scope for rationalisation or improved collaboration around the boundaries.

RCAHMS Commissioners and staff were engaged in the work of the appraisal and had the opportunity to contribute to the process through individual interviews, meetings and workshop discussions.

External stakeholders had the opportunity to contribute through a workshop facilitated by Built Environment Forum Scotland, targeted interviews, on-line questionnaire and written contributions to the review.

REVIEW PROCESS

As set out in the remit, the review has taken the form of an option appraisal, considering a range of organisational options to secure a sustainable long term future for the functions of the Commission.

HM Treasury's Green Book provides a best practice guide to option appraisal and has provided a framework for the review. It provides a systematic and objective basis for considering a range of possible options to inform important decisions and has informed the review process and the evaluation of the options.

The review was undertaken in three stages:

STAGE 1 - INFORMATION GATHERING

This stage was to provide a foundation for consideration of the options and provided a range of evidence to inform later considerations of key strengths and areas for improvement.

It consisted of:

- Targeted interviews with 23 key external stakeholders
- Interviews with RCAHMS Commissioners, Senior Managers and a cross section of staff
- Interviews with key Historic Scotland staff
- A full day workshop facilitated by BEFS, involving presentations, discussions and electronic voting and attended by around 40 participants (Annex 3 provides a summary report of the workshop)
- A Survey Monkey questionnaire, which generated 81 responses (Annex 4 provides a summary of responses).
- Written responses from 15 individuals or organisations (Annex 5 provides a list of written contributions and external interviews).
- A financial review was commissioned from external financial consultants, Scott Moncrieff. The brief for this initial assessment is at Annex 6.

From all of the information gathered, a summary of how things work at present was developed. The Current Operating Model sets out areas of strength as well as those with potential for improvement or development across five categories:

- Customers and partners
- Systems and processes
- People
- Organisation and governance
- Strategy

The Current Operating Model provided a focus for discussion with RCAHMS and with the Strategic Group and informed subsequent workshop discussions. Chapter 3 sets out key features of the Current Operating Model.

STAGE 2 - INITIAL CONSIDERATION

There were three main components to the initial consideration stage.

- **Development of a list of benefits and risks against which options would be assessed** – the Current Operating Model provided a basis for consideration of the features of the organisation that would be desirable in any future state as well as those features where change would be desirable. This in turn led to the development of a list of **benefits** – desired outcomes from the review process and **risks** – areas where there is potential to lose or damage existing positive features. These are explored further in Chapters 5 and 6.
- **Consideration of the findings of the financial review** – this provided initial analysis of RCAHMS current financial position as well as a number of pointers for more detailed analysis, which then informed the development of a detailed financial model to support the evaluation of options in the appraisal stage.
- **Shortlisting of options for more detailed analysis** – From the initial evidence gathering stage a number of potential organisational options for RCAHMS' future emerged. The initial shortlisting process assessed each of these options against a set of five criteria:
 - Delivery of the core objective of sustainability
 - Coherence of goals with any proposed partner organisation
 - Coherence of the proposal with Scottish Government policy
 - Feasibility
 - Affordability

A list of all options considered and a summary of the reasons for rejection from or inclusion in the shortlist is at Annex 7.

The shortlist of options for detailed consideration was:

- Retain the status quo – this provides a baseline for appraisal of the other options and is always included in any option appraisal
- Merge RCAHMS and Historic Scotland into a single Executive Agency
- Retain RCAHMS as a separate NDPB but with its functions formally constituted in primary legislation.

These options are referred to in the subsequent chapters as the status quo, merger and NDPB options.

STAGE 3 - DETAILED APPRAISAL

The final stage of the option appraisal was detailed consideration of the three shortlisted options.

There are three components to this:

- **Analysis of benefits and risks**
 - Consideration of the extent to which each option is capable of delivering the identified benefits.
 - Consideration of the risks associated with each option and how, and to what extent, they can be mitigated.

This is explored in chapters 5 and 6

- **Analysis of costs and cost benefits**

- Analysis of the extent to which the status quo is financially sustainable
- Consideration of the extent to which each option will generate additional costs – both short and long term
- Consideration of the potential of each option to generate cost benefits
- Consideration of the impact on each option of best case and worst case funding scenarios

This is explored in chapter 7

- **Target Operating Models** – Target Operating Models for each of the change options were developed. Chapter 4 sets out the vision and key assumptions for the merger and NDPB options.

Chapter 8 draws conclusions based on the analysis in the preceding chapters.

CHAPTER 2 – ABOUT RCAHMS AND HISTORIC SCOTLAND

As background to inform the consideration of options, this chapter summarises the role and functions of RCAHMS. As the remit of the review included consideration of those functions where there is collaboration between RCAHMS and Historic Scotland, and because one of the options involves merger of the two bodies, a summary of Historic Scotland's role and functions is also included.

RCAHMS

The Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS) was established by Royal Warrant in 1908 to '*make an inventory of the ancient and historical monuments and constructions connected with or illustrative of the contemporary culture, civilisation and conditions of life of the people of Scotland from the earliest times to the year 1707... and to specify those which seem most worthy of preservation.*' Its remit has evolved substantially over the last 100 years and the Royal Warrant has been updated to reflect that. The most recent update was in 1992 and the organisation's current mission and goals are set out below.

STATUS

RCAHMS is a Non Departmental Public Body of the Scottish Government, although established by Royal Warrant rather than legislation. In addition it is a registered charity that has two wholly owned subsidiaries for educational and trading purposes. The Scran Trust is a Registered Charity and Scran Ltd, trading as RCAHMS Enterprises, is a wholly owned private limited company. RCAHMS was granted charitable status in 1992 when a new Royal Warrant was issued.

SPONSORSHIP AND FUNDING

RCAHMS funding is provided directly from the Culture and External Affairs portfolio rather than through grant in aid, which is the usual arrangement for NDPBs. Funding is also provided for Scran from the Culture and External Affairs Portfolio and from Education Scotland. Sponsorship of RCAHMS was transferred to Historic Scotland in 2010. Historic Scotland acts as the government sponsor for RCAHMS.

STATUTORY DUTIES

RCAHMS has a duty defined in statute to record listed buildings and buildings in conservation areas for which permission to demolish or part-demolish has been granted under the Town and Country Planning (Scotland) Act 1997. RCAHMS also provides information to the Ordnance Survey for updating 'antiquities' depicted on its map series. The duties identified in the Royal Warrant are not legislative.

GOVERNANCE

The work of RCAHMS is overseen by a board of nine Commissioners and a Chairman who are also trustees of the charity and who are responsible for ensuring that the conduct of RCAHMS is proper, efficient and in line with the highest standards of public service. Some Commissioners are also Trustees of the Scran Trust and Directors of RCAHMS Enterprises. Commissioners receive no remuneration.

PROFESSIONAL RECOGNITION

RCAHMS is a Registered Archaeological Organisation under the accreditation scheme run by the Institute for Archaeologists. RCAHMS has the status of an Independent Research Organisation under the scheme operated by the Arts and Humanities Research Council. This makes RCAHMS eligible to lead research funded by the Research Council.

STAFF AND RESOURCES

RCAHMS has a current staff of around 115, all based in Edinburgh, and receives core Scottish Government funding of £4m per annum. This is supplemented by an additional £2m made up of dedicated project income and income from commercial activities including sales of publications and images. Around half of this additional income comes from other government sources. The core funding is projected to be maintained throughout the current spending review period, although this cannot be confirmed beyond 2012/13.

MISSION AND GOALS

The mission of RCAHMS is to *'help people to value and enjoy their surroundings, to provide a world-class record of the historic and built environment to local, national and international audiences, as well as advancing understanding of the human influence on Scotland's places from earliest times to the present day. We achieve this through strategic field investigation, research and our dynamic national collection, which together provide a unique, authoritative and internationally important resource for the study and management of the historic and built environment.'*

The organisation:

- Identifies, surveys and analyses the historic and built environment of Scotland.
- Preserves, cares for and adds to the information and items in its collections.
- Promotes understanding, education and enjoyment through interpretation of the information it collects and the items it looks after.

Future RCAHMS sets out the organisation's business strategy for 2010-15, setting out four priorities that are linked to the National Performance Framework:

- Inspire learning and intellectual curiosity in our national culture and identity at home and worldwide.
- Continue to update our collections through field investigation, research and selective collecting, and make RCAHMS the first port of call for information about Scotland's places.
- Widen digital access to information on Scotland's places, making it more interactive and an integral part of the burgeoning world-wide network of cultural heritage data.
- Achieve further efficiency, effectiveness and sustainability in the use of government resources, and build on our capacity to generate non government income.

PREVIOUS REVIEWS

The period since the establishment of the Scottish Parliament in 1999 has seen a number of proposals for reform of the organisation, including:

- **2001** – Proposal to establish RCAHMS as a new body under legislation: The National Survey of Archaeology and Buildings. The proposal was ultimately withdrawn from the Public Appointments and Public Bodies (Scotland) Bill at stage 3 of the Bill’s consideration.
- **2006** – Proposals to rationalise the governance of all national collections, including RCAHMS. These proposals formed part of a wider draft Culture Bill, subject to public consultation. The Bill would have established RCAHMS as an NDPB in primary legislation rationalising governance with the other national collections.. Those particular aspects of the draft legislation were not ultimately pursued.
- **2007** – Manifesto commitment from incoming administration to reform the public sector and reduce the number of bodies. This proposed merger of RCAHMS with Historic Scotland. The proposal was subsequently dropped by Ministers and did not appear in the Public Services Reform Bill.

During the period, a number of other options were also considered including establishing a wholly charitable body. As a consequence of previous reviews an air of uncertainty has been created about the long term future of the organisation which has had a negative impact and has coloured stakeholder views of any change.

ABOUT HISTORIC SCOTLAND

STATUS

Historic Scotland is the leading organisation responsible for protecting and promoting Scotland’s historic environment. It is an Executive Agency of the Scottish Government, and sits within the Culture and External Affairs portfolio. The Chief Executive is directly accountable to the Cabinet Secretary for Culture and External Affairs, and its functions and accountability are defined in the *Historic Scotland Framework Document 2012*.

KEY FUNCTIONS

Historic Scotland’s key roles include undertaking, on behalf of Ministers, statutory functions to protect and promote the historic environment. It also acts as leader and enabler to ensure that the historic environment delivers economic, social, cultural and environmental benefits for Scotland, as defined within the National Performance Framework. It does this through historic environment legislation, the provision of information and advice, working in partnership with individuals and organisations, the promotion of traditional skills, and the provision of financial assistance through grant programmes. It is also able to foster a strong sense of identity in telling Scotland’s story through the interpretation of the managed sites in its estate, and through outreach in its broadest sense.

STATUTORY BACKGROUND

Historic Scotland’s work is rooted in primary legislation, the key examples of which are:

- Ancient Monument and Archaeological Areas Act 1979;
- Historic Environment (Amendment) (Scotland) Act 2011;
- Marine (Scotland) Act 2010; and
- Planning (Listed Building and Conservation Areas) (Scotland) Act 1997;
- Town and Country Planning (Scotland) Act 1997

As a consequence, Historic Scotland's principle roles relating to the historic environment include:

- Scheduling sites of national significance;
- Taking sites of national importance into State care and managing them on behalf of Ministers;
- Listing structures for their special architectural or historical interest;
- Maintaining statutory inventories of historic Battlefields and Gardens and Designed Landscapes; and
- Managing and guiding change to the historic environment.

Historic Scotland also has responsibility for setting the Scottish Government's policy for the historic environment.

STAFF AND RESOURCES

Historic Scotland has a staff of around 1,100 people spread around Scotland, but with headquarters based in Edinburgh. It has, in 2011-12, a Scottish Government budget of £47m, supplemented by over £30m in income from entrance fees, publications and memberships. The Spending Review for 2012-15 projects reductions in core funding over the period to a total of £35.7m in 2014/15, which it will work to offset through efficiencies and increased commercial funding.

VISION AND GOALS

Historic Scotland's vision is that Scotland's historic environment provides a strong foundation in building a successful future for Scotland

Its 2012-15 Corporate Plan sets out a vision of a well understood, creatively managed and fully appreciated historic environment. It should be shared and enjoyed by all, continue to make a significant economic contribution and be handed on with pride and confidence to the next generation.

The plan sets a number of key commitments arranged under five strategic priorities:

- Championing Scotland's historic environment
- Contributing to sustainable economic growth
- Managing Scotland's historic environment creatively
- Supporting the transition to a low-carbon economy
- Delivering its business

SPONSORSHIP OF RCAHMS

Since 2010, Historic Scotland has been the sponsor of RCAHMS, although RCAHMS funding comes direct from the Culture and External Affairs portfolio and so is not included in the overall Historic Scotland budget.

CHAPTER 3 - RCAHMS CURRENT OPERATING MODEL

INTRODUCTION

This chapter provides an overview of the main features of how RCAHMS currently operates, using five key categories as a structure:

- Customers and external partners
- Systems and processes
- People
- Organisation and governance
- Strategy

Its purpose is to provide context for both the two potential change options under consideration and the analysis of benefits, risks and costs in the subsequent chapters.

CUSTOMERS AND EXTERNAL PARTNERS

This section outlines the external face of the organisation, its relationship with customers and partners.

CUSTOMERS

RCAHMS has an enviable reputation with its customers and partners who value the quality of its work, the credibility of staff, the range and depth of materials in its collections and the accessibility of expert advice. RCAHMS' collections, consisting of some 15 million items, are publically available via the search room at John Sinclair House. Canmore provides online access to the inventory, catalogue and digitised content of collections as well as providing online sales. Items from the collections can be digitised to order for a fee. The Commission operates five main websites which draw upon the core data and which target specific customer and stakeholder requirements. Three of these also draw on data held by other organisations in real time.

PARTNERS

RCAHMS works collaboratively with a wide range of partners and a growing proportion of its income comes from partnership funding. Partners have reported that they value the expertise that the Commission brings to the partnership. Following the success of the Scotland's Rural Past project, RCAHMS are increasingly incorporating elements of community engagement into new and existing projects.

The Commission also works closely with a range of funding and commercial partners on specific initiatives and has been particularly successful in securing Heritage Lottery Funding for projects. The Commission and its customers and partners value its ability to respond to new opportunities.

HISTORIC SCOTLAND

As the other main public body with responsibility for the historic built environment, and as sponsoring body, Historic Scotland's relationship with RCAHMS is of particular relevance to this review. The nature of the relationship between the bodies is complex and multi-faceted. At an operational level, there are many examples of productive partnership working between staff of both organisations. At a strategic level, relationships have been more difficult. There is no doubt that this has limited the productiveness of the relationship and the potential for effective strategic

collaboration. Stakeholders have commented on this relationship and have characterised it as unhelpfully competitive.

SYSTEMS AND PROCESSES

This section outlines the way the Commission works, focusing on some of its main functions.

RCAHMS COLLECTIONS

RCAHMS manages collections of material relating to the historic built environment. These include photographs, aerial photographs, plans, drawings, maps, books, digital survey data and some architectural models. The collections are made up of material gathered by the survey and recording function since the Commission's establishment in 1908 and donations and acquisitions from a range of other sources.

There is an acquisitions policy, which outlines the type of material to be collected and RCAHMS routinely works with other National Collections and local archives to ensure that historically important material is deposited with the most appropriate organisation. As part of the collections management process, an appraisal policy is being prepared to provide guidance on the assessment of new material as well as weeding of collections deposited earlier. Cataloguing is the process whereby material is made accessible to the public and as with all archives services, there are clear cataloguing priorities which results in varying time gaps between the acquisition of new material and cataloguing. The backlog of items awaiting cataloguing has been growing year on year. The whole process has now been updated to allow high level cataloguing in line with international standards resulting in collections information being available to the public sooner.

A digitisation policy has recently been agreed, which recognises the scale of the task and the need to be both proactive and realistic. It prioritises items that have a higher public value and is supplemented by digitisation on demand, for which an additional fee is paid. Increased digitisation poses new challenges in terms of safe storage and curation of digital data to ensure it is usable by future generations.

RCAHMS has benefited from the integration of Scran and the National Collection of Aerial Photography (NCAP). Both have brought new expertise and focus to the organisation and increased the amount of commercial income generated. Scran and NCAP are explored further in the organisation and governance section.

SURVEYING AND RECORDING

The survey and recording and research activities contribute to the organisation's credibility and alongside the collections, are most commonly reported by stakeholders as underpinning the reputation and value of the organisation.

The survey and recording work involves a balance of identification, recording, analysis and interpretation. This alongside the use of new technologies, has meant a decline over time in the proportion of time spent on new field work. Arguably, the value of such work is being more effectively exploited, through interpretation, publications and educational materials. There is, however, a view from some staff and external stakeholders who have perceived a decline in the volume of new

fieldwork undertaken and expressed concern at the potential for a decline in the quality of work and a perceived loss of specialist knowledge.

Field survey work is a rapidly changing field with new technologies emerging all the time. Maintaining and developing both the skill sets to exploit these and access to the technologies themselves is critical to ensure that the credibility of the organisation is maintained. The efficiency of some new technologies explains much of the reduction in time spent on field work.

The survey and recording strategy focuses on prioritising effort based on four main principles: benefiting people; creating quality records; enhancing knowledge, skills and expertise; and attracting resources and improving efficiency. Stakeholders at the BEFS workshop were strongly of the view that there is a need for a coherent national strategy for the historic built environment within which RCAHMS' work could be properly articulated and positioned. The Commission is guided by the Royal Warrant and in determining survey priorities takes account of any Ministerial requirements or requests by Historic Scotland

EDUCATION AND OUTREACH

The education and outreach function has developed significantly over recent years and now forms an important part of the Commission's purpose. It has allowed the Commission to move from working primarily with professional customers towards making the Collection accessible to a wider range of audiences in line with Ministerial priorities. In addition to online engagement, this is achieved through outreach and community engagement activities across Scotland, publications and exhibitions. The integration of Scran, in particular, has supported the continued development of the organisation's educational purpose.

INFORMATION SYSTEMS AND MANAGEMENT

Information management is fundamental to the work of RCAHMS and underpins its core purpose. The Commission has been very successful in developing its information systems over recent years and has a well integrated IS function. The IS function has proven itself to be flexible and able to respond quickly to new opportunities. External partners have commented favourably on this.

However, the IS team is relatively small for the amount of infrastructure that it is now supporting, which poses a number of continuing challenges. RCAHMS has coped with this through careful use of contractors. The rapid growth of the digital collection has led to new requirements to ensure that it is preserved, secure and will be available for future generations. Trusted Digital Repository status is the standard to which all National Collections are aspiring, to ensure the safety and security of collections both now and for the future. RCAHMS have been making excellent progress towards this standard in partnership with the Archaeology Data Service in England.

The Commission has developed the successful long term SWISH partnership with the Welsh Commission, which provides Information Services for both bodies. This is one of a number of IS partnerships including the developing SURE project which provides database functionality to a number of local authority archaeology departments and other key partners.

ACCOMMODATION

Collections storage is the single most pressing issue facing the organisation. Storage of the collection is spread across John Sinclair House and a number of secondary sites, many on short term leases. This is costly, inefficient and poses an unacceptable risk to the collections. In addition to storage, John Sinclair House provides staff accommodation and the current lease for the building runs out in 2016. Despite extensive, ongoing discussions, facilitated by the Scottish government, there is, as yet, no agreed plan for what should happen after that date and a long lead in time to achieve any change. Finally, there is no permanent exhibition space which, while not essential, would allow greater public visibility and use of the collections.

PEOPLE

This section explores issues around the people who work for the Commission, their skills and expertise, the way they are trained, deployed and developed.

KNOWLEDGE, SKILLS AND EXPERTISE

The Commission's reputation and credibility are based to a considerable extent on the skills and expertise of its staff. Retaining that breadth and depth of specialist skills, knowledge and expertise is critical to the reputation of the organisation, but is challenging for a small organisation. The Commission has been successful in retaining its staff and many have been with the organisation for 20 years or more. As a result, the age profile of experts is higher than the average. A number have retired in recent years and others may take advantage of voluntary early severance schemes. This has an impact on the range of specialist knowledge and expertise available.

SKILLS DEVELOPMENT AND SUCCESSION PLANNING

A skills audit has started within the survey and recording department and is rolling out across the organisation. This will form the basis for succession planning. It is focusing particularly on how to make the best use of all skills and where there are specific gaps how they can be filled.

The Commission has invested a good deal in developing skills within the wider workforce, which has had benefits for both the organisation and the wider sector. For example, it is currently running a successful traineeship scheme in partnership with Historic Scotland and National Trust Scotland, with funding from Heritage Lottery Funding. However, the increased emphasis on fixed term projects, as in all such heritage organisations, may have an adverse effect on the ability to succession plan for the core of the organisation although it has a positive impact on the ability to increase capacity and skills in the wider sector.

RESILIENCE

Resilience will always be a challenging issue for a small organisation, particularly one with such big aspirations. RCAHMS delivers a lot within limited resources. However, that does mean that the organisation is very thinly stretched in some specialist areas with little resilience in the event of losing key individuals. This has been handled to date through contractors, shared services and partnerships.

ORGANISATION AND GOVERNANCE

This section describes the status and functions of the organisation, the way it is organised, managed and led and its relationship to government.

STATUS OF ORGANISATION

RCAHMS is a Non Departmental Public Body of the Scottish Government (NDPB) although unusually for an NDPB, its functions are not set out in legislation but in a Royal Warrant, first issued in 1908 and updated periodically since (the most recent update being 1992). As a Royal Commission, decisions on its future are determined by Ministers rather than, as is the case with NDPBs established by statute, decided by Parliament. The status as a Royal Commission has a number of consequences for the management of the organisation:

- The Commissioners are the Commission. Each Commissioner has an individual Royal Warrant issued by the Queen. However, the corporate status of the organisation is less clear than is the case for an NDPB.
- RCAHMS' functions have no basis in statute.
- The name itself is regarded by many as unhelpful as it does little to indicate what the main purpose of the organisation is.

The lack of a clear statement of functions in legislation requires Commissioners to operate under the terms of the Warrant, however this does not provide a clear foundation for an effective working relationship with government.

ROLE OF COMMISSIONERS

Commissioners are appointed by the Queen on the advice of Scottish Ministers following selection under the public appointments process. They are appointed for their relevant skills and experience in the same manner as Trustees for other NDPBs. The role that they are expected to play does not differ significantly from that of a trustee in a typical NDPB and they are responsible for strategic direction, overview and the governance of RCAHMS. They contribute to the work of the Commission by both attending Board meetings and sitting on a range of committees.

SCRAN

The Scottish Cultural Resource Access Network (Scran) aims to provide educational access to digital materials representing Scottish material culture and history. The service draws on materials from a wide range of UK cultural bodies and has 95% penetration into Scottish schools. It is one of the largest educational online services in the UK supporting over 4,000 schools, libraries, colleges and universities. Scran is a charitable trust with its own articles of association and accounts and also operates a wholly owned trading subsidiary, Scran Ltd, which operates as RCAHMS Enterprises and acts as the vehicle for RCAHMS and Scran's commercial activities. Some Commissioners act as Trustees of Scran (along with some external trustees) and as Directors of Scran Ltd. The staff of Scran are employed by and fully integrated into RCAHMS and there are arrangements in place for re-charging of their costs. Scran was set up with £11.5m funding from the UK Lottery. Scran generates commercial income from sales of services and subscriptions to schools, colleges and universities outside Scotland. A payment is made via grant for Scottish schools access and there is a grant from the Scottish Government Culture and External Affairs portfolio.

NCAP

The National Collection of Aerial Photography is made up of a number of components – The Aerial Reconnaissance Archive (TARA), a UK public record transferred from its former location at Keele University by The National Archives (UK), the Scottish collection of aerial photography, deposited with RCAHMS by the then Scottish Office in 1992 and other significant collections of aerial photographs such as the Aero films collection. TARA is unusual in that it contains aerial photography of places around the world. One of the largest components comprises WWII aerial reconnaissance photographs taken by the Allies across Europe. NCAP generates a significant amount of commercial income, particularly from German planning authorities as survey for unexploded ordnance is part of the planning laws. NCAP income is routed via RCAHMS Enterprises.

CHARITABLE STATUS

There are two charitable bodies, RCAHMS and Scran. RCAHMS is the single member of Scran. Charitable status brings both financial benefits and other more intangible benefits such as public confidence.

FINANCIAL MANAGEMENT AND PLANNING

The Commission has grown its non core funding considerably in recent years. In 1998, 97% of income came from the core grant. In 2011, the core grant made up around 66% of the income. Of the remaining third, half of the income came from other government sources including HS (both for specific projects and services such as the Buildings at Risk Register) and funding for Scran, with the remainder coming from commercial income and other project funding.

Unusually for an NDPB, RCAHMS funding is direct from the Scottish vote. Rather than receiving grant in aid, RCAHMS has a budget line in the Culture and External Affairs portfolio and spends direct from the budget as if it were a core Scottish Government department. This is a legacy of the unusual governance model and poses unique challenges. As a consequence of this arrangement:

- The budget holder whose budget the RCAHMS line sits is not accountable for it.
- Historic Scotland which, as sponsor is accountable, has no budgetary control.
- RCAHMS reports to government on a cash account basis only and must use two accounting systems to produce government and charity and company accounts.
- Audit Scotland only audit RCAHMS as a line in the SG budget rather than as a separate public body.

SPONSORSHIP ARRANGEMENTS

Historic Scotland acts as the Scottish Government sponsor for the Commission, in its capacity as policy lead for the historic built environment. The unusual funding arrangement means that it has proven impossible to finalise the Management Statement and Financial Memorandum which should underpin the relationship between RCAHMS and the sponsor body. While the sponsorship relationship has improved recently, it is problematic and is not meeting either party's expectations.

STRATEGY

This section explores RCAHMS strategy and how that has evolved and relates to government strategy.

Until the early 1990s RCAHMS' survey strategy was fulfilled primarily by undertaking area based inventories (its original remit). Since the publication of inventories ceased due to the impracticality and cost of publication the inventory is now presented electronically and all new inventory work is incorporated into the online database so that results can be delivered more rapidly and flexibly to stakeholders. From 1990, this brought together inventory activities and other activities such as threatened buildings surveys and the collections cataloguing to create a unique integrated national database. This integrated strategy is reflected in, Future RCAHMS. Commissioners and senior managers have a vision and sense of corporate identity, based on Future RCAHMS which does underpin their strategies and plans. Responding to new opportunities has allowed the organisation to grow and develop its remit within the framework of Future RCAHMS.

The Scottish Government does not have a coherent national strategy for the historic built environment, within which RCAHMS' role could be properly understood and articulated. Developing such a strategy was a top priority for stakeholders at the BEFS workshop.

CHAPTER 4 – OPTIONS FOR CHANGE

INTRODUCTION

This chapter sets out a summary of the two options for change appraised by the review – merger with Historic Scotland and the establishment of a reconstituted NDPB in primary legislation. The financial analysis in Chapter 7 confirms that either option is viable in terms of the core goal of the review – to ensure the long term sustainability of RCAHMS' functions - so long as current funding assumptions hold true. However, each of the options would deliver that sustainability in different ways. The analysis below sets out an overall vision for each option and the aspirations of what it might achieve followed by a summary of the assumptions about how the option would deliver that vision.

MERGER OPTION

VISION

The vision for the merger option is to create a single Scottish body responsible for championing the historic built environment. Bringing all of the functions of both bodies into a single organisation would provide new opportunities that might not be achievable by two separate bodies. These include:

- Enhanced interpretation of the historic environment
- Enhanced public value of the combined collections of both bodies
- Enhanced commercial potential

Enhanced interpretation of the historic built environment

A combined organisation would have the skills, resources and capacity to enhance our understanding and interpretation of the historic built environment. It would allow a joined up approach to priority setting through the development of an overall strategy for the historic built environment and an integrated approach to addressing current priorities such as industrial heritage. There would be potential to develop major new thematic programmes of research that made use of the expertise and resources of both bodies and would be more difficult for two separate bodies to deliver as well as making better use of its combined resource through activities such as:

- developing a single integrated Historic Environment Record;
- enhancing recording of threatened buildings through the use of 3D imaging; and
- re-establishing the link between research and advising on sites for scheduling.

Enhanced public value of the combined collections of both bodies

Both bodies have collections of national and international importance and collaborate in different ways with other Scottish, UK and international collections. The nature of those collections is different – buildings and physical artefacts in Historic Scotland's case, photographs, plans, drawings and maps in RCAHMS', but both have the same focus – Scotland's historic built environment. There would be greater potential to develop a thematic celebration of the historic environment, using materials and expertise from RCAHMS, HS and other bodies working in the sector. The combined collection would be of international importance and would be better able to present itself to the public and have greater capacity for exhibition and presentation as well as conservation and curation.

Enhanced commercial potential

There would be significantly enhanced potential for a merged body to exploit commercial opportunities, making effective use of the strengths of both brands. This would include opportunities for product development, marketing opportunities and increased public profile of the HS brand. The commercial potential of a merger could be significant, providing additional income that could be reinvested in service delivery as well as promoting a wider appreciation of the historic built environment.

KEY ASSUMPTIONS

The key assumptions associated with the merger option are set out below and form a basis for consideration of benefits and risks. A separate list of assumptions relating to the financial appraisal is discussed in chapter 7.

Legislative basis for the change

Merger could be effected by the transfer of RCAHMS functions to Scottish Ministers by means of a section 14 order under the Public Services Reform (Scotland) Act 2010. The Royal Warrant would then be rescinded. The effect of this would be to place a duty on Historic Scotland to undertake those functions. Primary legislation could also be an option to achieve a merger.

Status of the new organisation

Merging the two bodies would result in a new organisation, with a significantly changed remit and a range of new legislative duties that would be reflected in the organisation and priorities of the body. Historic Scotland would continue to be an executive agency of the Scottish Government and directly accountable to Scottish Ministers.

There may be some added benefits associated with Historic Scotland becoming an NDPB as a result of the merger. A decision on this is beyond the scope of this review but, in the event of a merger, may merit more detailed consideration. If this route were chosen, then the legislative implications and timescale would be similar to the assumptions in the NDPB option.¹

Integration

The staff of both bodies would be integrated into a unified organisational structure as soon as possible after the merger took place. This builds on the learning from other mergers and creates the earliest opportunity to start delivering proposed benefits.

Timescale

The earliest that a merger could take place would most likely be July 2013, allowing for consultation and the legislative process. It is proposed that planning towards integration would start as soon as a decision was taken, in order to avoid prolonged uncertainty.

¹ Information on the different models of public bodies can be found at:
<http://www.scotland.gov.uk/Topics/Government/public-bodies/pubs/Guide%20to%20public%20bodies>

Staff transfer

Staff would transfer under COSOP (Cabinet Office Statement of Practice on Staff Transfers in the Public Sector) principles and there would be no detriment to individuals from the process. The Scottish Government's commitment to no compulsory redundancies would be honoured in the change process, meaning that where posts were not required in the new structure, post-holders would be subject to redeployment within Historic Scotland or Scottish Government.

Charitable status

A charitable trust would be established and responsibility for the HS and RCAHMS collections would be transferred to it. The trust would be responsible for managing, curating and making accessible to the public the materials in the collection and would be expected to work in an integrated way with other key functions including survey, recording and education. The charitable trust would incorporate a trading company, which generated income from commercial activities associated with the collection. Shortfall in income from commercial activities would be made up by a grant from Historic Scotland. Trust staff would continue to be Historic Scotland employees and would be seconded to the trust. Further analysis would be required in the development of a business case for merger to determine the exact configuration and scope of the trust.

Scran and NCAP

It is assumed that for the purposes of the options appraisal, Scran and NCAP would continue to play an integral role in the delivery of public services. The detail of how this could be delivered would need to be examined in greater detail and agreed with the charity trustees. This is discussed further in the risks and benefits analysis.

Collections

The collection would continue to be recognised as being of national and international importance and existing relationships of both bodies with the other National Collections would continue to be developed. There would be a continued commitment to the security, longevity and public availability of collections, including the digital collection. However, the definition of the whole body as a National Collection for charitable purposes would not apply.

NDPB OPTION

VISION

The vision for the NDPB option is to position the new body very firmly as a National Collection alongside Scotland's other National Collections. It retains two public bodies with functions relating to the historic built environment, but with clearly established remits and modern governance arrangements. This would provide new and enhanced opportunities to build upon the Commission's existing reputation. These include:

- Enhancing the interpretation of the historic built environment
- Consolidating the status as a National Collection
- Modernising governance and the relationship with government
- Providing a stronger foundation for future collaboration

Enhancing the interpretation of the historic built environment

Building on RCAHMS reputation and credibility, the body would:

- Develop a new strategy in consultation with Ministers, historic Scotland and with stakeholders and partners.
- Set and implement standards for research and survey on the historic built environment.
- Provide clear leadership on the development of the integrated national historic environment record at arms length from government.
- Provide independent research and survey for a wide range of stakeholders and partners.
- Work with Historic Scotland on a long term strategy for research and evicence on designated sites.

Consolidating the status as a National Collection

The options appraisal offers an opportunity to reinforce and build upon RCAHMS' foundation as a National Collection that connects people across the world to places in Scotland. It would help ensure that the work of the body contributed to encouraging people and communities to actively engage in culture, in order that culture and creativity can improve quality of life, and that Scotland's diverse cultural heritage thrives and is celebrated. By amassing the information to underpin the management of the historic environment, the body would continue to provide a catalyst for regeneration and business development, helping Scotland to realise its full economic potential. The NDPB option would ensure that the curatorial and cultural judgements relating to the collections, and the research and survey work that actively supports the content, are, similar to most other National Collections, at arm's length from government for the sake of long term sustainability, availability and preservation. As part of the family of National Collections there would also be enhanced opportunities to maximise the commercial potential of RCAHMS' collections in collaboration with others in the family.

Modernising governance and the relationship with government

Legislating to establish the functions of RCAHMS would provide the opportunity for greater clarity of outcomes and accountability to Ministers. Modernised legislation and governance would bring the body into alignment with other National Collections. As an NDPB continuing to have exemption from certain requirements of charities legislation, the body would be able to retain full charitable status, with the associated benefits. It would retain and develop trading activities, enhancing its ability to generate supplementary income. A reconstituted NDPB would form a stronger basis for the relationship with government and clarify and simplify sponsorship and funding arrangements.

Providing a stronger foundation for future collaboration

In a reconstituted NDPB, the National Collection would be able to play a much more significant role within the 'family' of National Collections in Scotland. This would offer opportunities to strengthen existing collaborations and to introduce new partnership initiatives, bringing together staff skills, enhancing the potential for the display and use of the Collection, and providing opportunities to explore innovative collections storage solutions and combined visitor attractions. Clarity of functions and purpose would provide a new focus for effective collaboration with Historic Scotland, including

the wider issues of championing the historic environment, while retaining a separation from regulatory functions.

KEY ASSUMPTIONS

The key assumptions associated with the NDPB option are set out below and form a basis for consideration of benefits and risks.

Legislative basis for the change

The functions of the NDPB would be established in primary legislation, clarifying expected outcomes, accountability and ministerial power of direction. The Royal Warrant would then be rescinded. Technically it would be feasible to achieve the transition through a section 14 order under the Public Services Reform Act 2010 and that option remains open to Ministers.

Status of the organisation

The organisation would be an executive Non Departmental Public Body of the Scottish Government, with its functions prescribed in statute. This would place its governance on an equal status to the other National Collections and place a duty on it body to deliver prescribed outcomes.

Timescale

The earliest slot in the parliamentary schedule would be in the September 2013 – June 2014 session of Parliament. However, the evolutionary nature of the change would mean that the commitment to legislate could deliver some benefits in terms of stability and collaboration ahead of the legislation.

Charitable status

The organisation would retain its charitable status and trading company.

Scran and NCAP

It is assumed, Scran and NCAP would continue to pay an integral role in the delivery of public services.

National Collection

The status as a National Collection would be retained and clarified.

Relationship to Government

Historic Scotland would continue to be the sponsor body, with appropriate engagement with Scottish Government Culture Division on National Collection issues. A formal Management Agreement and Financial Memorandum would establish the relationship with government and provide clarity about functions and priorities. Funding would be provided on a grant in aid basis in line with other NDPBs, enabling reporting of consolidated accounts on an accrual basis.

Collaboration with Historic Scotland

Clarity of respective responsibilities would provide greater opportunity for effective collaboration with HS, while ensuring the continued separation from regulatory functions would avoid any perception of conflict of interest. There would be an enhanced potential for strategic management of the boundary between HS and the

organisation and collaboration on the development of a national strategy for the historic built environment that formed the basis for future developments.

DISCUSSION

The two options both provide different solutions to the challenge of ensuring the long term sustainability of RCAHMS functions.

The strength of the merger option lies in creating a single government body responsible for all aspects of championing and managing Scotland's historic built environment, creating opportunities to enhance the interpretation of the built environment and the public value of the combined collection, alongside achieving efficiencies and enhancing the commercial potential of the collection.

The strength of the NDPB option lies in maximising the potential of the National Collection, placing it on an equal basis with other National Collections and modernising its governance, so that it can contribute effectively to Scotland's wider cultural goals as well as collaborating with Historic Scotland in its role as champion of the historic built environment.

The following chapters explore the ways in which these two quite distinct options would deliver benefits, the risks associated with them and the costs and cost benefits.

CHAPTER 5 ANALYSIS OF BENEFITS

INTRODUCTION

Benefits and risks, alongside costs and cost benefits are the main parameters against which options are assessed in an option appraisal exercise. Together they provide a basis to objectively compare the identified options. This chapter provides an analysis of the benefits offered by each of the three options. Chapter 6 provides an analysis of the risks and chapter 7 provides an analysis of costs and cost benefits.

A **benefit** is defined as a quantifiable and measurable improvement resulting from a change, which is perceived as positive. Benefits are anticipated when a change is conceived and realised through the implementation of that change. In the case of this review, the benefits identify areas where there is potential to improve upon current arrangements.

IDENTIFICATION OF BENEFITS AND RISKS

The Current Operating Model brought together information from a wide range of sources on the strengths and challenges of current arrangements. This was then used in two workshop sessions to identify potential benefits and risks which were then refined through further discussions to a list of six benefits and six risks.

The remainder of this chapter describes the benefits and provides an analysis of the extent to which each of the options would deliver them.

BENEFITS

Six benefits were identified from the review process:

1. Sustainability of functions
2. Enhanced understanding and interpretation of the historic built environment
3. Infrastructure is fit for purpose
4. Governance arrangements are fit for purpose
5. Clarity of role and boundaries
6. Effective financial management ensures continued delivery of outcomes within available resources

The strategic group ranked the benefits in order of priority as a basis of informing the overall assessment set out below. An assessment was then undertaken of the extent to which each option would deliver each benefit, using the following scale:

- No change from status quo
- Small improvement in delivery of the benefit
- Moderate improvement in delivery of the benefit
- Large improvement in delivery of the benefit

OUTCOME FOCUSED BENEFITS

Two of the benefits focus on desired outcomes and are the primary benefits that the review aspires to deliver:

BENEFIT 1 - SUSTAINABILITY OF FUNCTIONS

- Functions are sustained despite reducing public investment.
- The long term resilience of functions ensures continued delivery of outcomes.

Achieving sustainability of RCAHMS' functions is the core purpose of the review. Sustainability is defined in chapter one and focuses on the ability to sustain the functions of the organisation (as set out in Annex 1) rather than purely financial viability. Resilience is defined as:

The ability to ensure that systems and processes are robust and deal flexibly with unexpected events. This includes:

- Maintaining the capacity to continually improve the delivery of services
- Maintaining the ability to identify, manage, mitigate and share risk effectively.

Resilience is a significant challenge for any organisation, particularly one which is dependent on such a breadth and depth of specialist skills as RCAHMS is.

Status quo

The financial analysis concludes that RCAHMS remains financially viable for the spending review period assuming the best case financial scenario. The goal of the review was to ensure sustainability for at least 10 years, but as Chapter 7 explains, reliable financial modelling for such a period was not feasible. It is however reasonable to assume that sustaining functions in the longer term would require continued investment at a similar level. There is also a continuing degree of risk in using a Royal Warrant, which is subject to Ministerial control, rather than legislation, which is subject to parliamentary control, so even updating the Warrant would only have a limited impact on sustainability. There is little scope within the status quo to improve the sustainability of RCAHMS functions

Merger

The merger option offers immediate opportunities to create efficiency savings without impacting on the delivery of core functions (although these would not immediately release cash due to policy on redeployment. The level and nature of those savings are set out in the financial analysis in chapter 7. The merged organisation would also have greater flexibility of resource usage and the potential in the longer term to realise further savings through rationalisation of functions, whilst continuing to improve outcomes. Resilience would also be increased by having a larger pool of people with similar skills and expertise and the ability to make more effective use of subject experts in both organisations.

Merger would also provide the opportunity to maximise commercial income by making use of the resources, skills and networks of both organisations and realise a net financial benefit through joint management of the collections as a charitable enterprise.

The use of legislation to effect the transfer of RCAHMS' functions would provide clarity of anticipated outcomes from the merged body and place HS under a duty to deliver those functions, ensuring that they were sustained in the long term. It is likely that the merger option would lead to a moderate improvement in the sustainability of RCAHMS functions.

NDPB

The NDPB option similarly secures RCAHMS' functions in legislation, providing clarity of outcomes and accountability. This option affords no immediate opportunities for efficiencies and would require the same level of investment as the status quo in order to sustain the organisation's functions. The same provisos on the

longer term position as the status quo apply, meaning that this option would require continued investment at a similar level in order to sustain functions.

There would be potential to increase sustainability by transferring funding for long standing projects into the organisation's baseline and from considering the rationalisation of some functions, such as IT or library services with Historic Scotland. The impact of this has not been considered in detail. It would also be possible to collaborate to optimise commercial income for both organisations. Formal clarification of functions and responsibilities may provide a stronger basis for rationalisation and deliver some longer term efficiencies.

The potential to develop shared services between the National Collections is the subject of current discussions and could be enhanced in the NDPB option. Experience of other National Collections suggests that this might have limited impact on sustainability, but could be useful in enhancing resilience. On balance it is likely that establishing an NDPB in legislation would result in a small improvement in the sustainability of functions.

Discussion

Both of the change options offer some improvement on the status quo in delivery of this benefit. In particular, both place the functions on a legislative basis, which provides a stronger foundation for future development. The merger option offers greater resilience and the potential for immediate efficiencies and longer term savings. The NDPB option assumes level funding in the medium term, although savings could be delivered in the longer term and there is scope for added efficiencies through collaboration.

BENEFIT 2 - ENHANCED UNDERSTANDING AND INTERPRETATION OF THE HISTORIC BUILT ENVIRONMENT

- Public visibility and profile is improved, allowing more people to benefit from services and enhancing the public value of the collection.
- Opportunities for community and stakeholder engagement are developed and extended, widening the appreciation and interpretation of the historic environment.
- Specialist skills, knowledge and expertise required to retain credibility and reputation are sustained, nurtured and effectively deployed to enhance understanding.

This benefit focuses on the purpose of ensuring the sustainability of RCAHMS' functions – to deliver benefits for Scotland. Delivery of this benefit is central to the review and links directly to the Scottish Government's national outcomes, particularly:

- We value and enjoy our built and natural environment and protect it and enhance it for future generations; and, to a lesser extent:
- We take a pride in a strong, fair and inclusive natural identity; and
- We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others.

Status quo

RCAHMS is well respected by stakeholders and customers, who either use the organisation's services or are involved in community based activities. A key strength

is the inter-connectedness of key functions, ensuring that staff expertise is used to good effect in undertaking new research and interpreting the collection. However, it is acknowledged that the name of the organisation can be an unhelpful barrier to a wider public understanding of RCAHMS' functions, which may limit wider engagement. There is potential to re-brand the organisation with a more accessible title, which could be achieved in the status quo option. It would be possible to amend the name under the status quo. There is the potential to deliver a small improvement in the understanding of the historic built environment, if a more effective strategic collaboration with Historic Scotland were developed.

Merger

Merger would bring together the functions and strengths of both organisations to create a single body responsible for the understanding, interpretation, management and protection of the historic built environment with a view to delivering key Scottish Government outcomes in an integrated way. A single approach to strategy, planning and delivery could make more effective use of the total resource.

Properly managed, a merger has potential to produce a joined up nationwide body of work in a way that might be more difficult for two separate bodies. This in turn provides an opportunity to develop a more coherent range of public services, enhance the accessibility and awareness of collections and provide new commercial opportunities.

The merger option also provides opportunities to build the capacity of the survey skill set and bring a larger pool of knowledge, skills and expertise to bear on strategy, research, management and interpretation of the collections. This could significantly enhance developments such as the new focus on industrial heritage, through sharing of expertise and resources.

There is a perceived tension between a merged agency's regulatory functions and the independent management of collections. Legislation would place requirements on the merged agency to manage these tensions. The establishment of a charitable trust to manage the collections would ensure a degree of independence from Scottish Ministers in ensuring its security and longevity.

The merger option offers potential for a moderate to large improvement in the understanding and interpretation of the historic built environment, by delivering a single joined up approach in line with Scottish Government priorities.

NDPB

Benefit is delivered through formal recognition in legislation of the functions of the body as a National Collection. This would have the effect of placing the body on the same footing as Scotland's other National Collections. Which would, in turn, have the effect of contributing further to the way that Scotland presents itself internationally, using the full extent of the cultural as well as the historic environment aspects of the collection, whilst a more relevant name would provide for greater public awareness and provide a renewed opportunity to promote the organisation and the services it offers more widely to the public.

This in itself would represent an improvement on the status quo. Delivering the benefit of enhanced understanding and interpretation of the historic built environment would require a change in the relationship with Historic Scotland. The NDPB option could form the basis for a new and positive collaboration with Historic Scotland, enabling joint strategic planning and prioritising of work to make more effective use of both organisations' resources.

The NDPB option has the potential to deliver a moderate improvement to enhancing the understanding and interpretation of the historic built environment.

Discussion

Both of the change options deliver this benefit to some extent, but in quite different ways. The merger option has the potential to result in a large improvement, through the bringing together of related functions within an overall strategic approach closely aligned to the National Performance Framework, with a strong emphasis on the understanding, interpretation, management and protection of Scotland's historic built environment. The NDPB option focuses primarily on the functions of the body as a National Collection, aligning it strategically with the delivery of Scotland's cultural priorities and identity. It has potential to deliver a moderate improvement in the delivery of this benefit in collaboration with Historic Scotland and the other National Collections.

ENABLING BENEFITS

The remaining four benefits are enabling benefits. They refer to operational changes that would have an impact on improving the outcomes. These have been categorised into three priorities – high, medium and low

BENEFIT 3 - INFRASTRUCTURE IS FIT FOR PURPOSE – HIGH PRIORITY

- Accommodation meets national standards and provides improved public access and efficiency of operations.
- Public access is improved through a coherent and intuitive digital web interface which supports wider community engagement in recording the historic environment.

Sound infrastructure, both physical and digital, underpins the delivery of effective services as well as the long term security of the collections. The inadequacy of the current accommodation arrangements represents the single biggest risk faced by RCAHMS. Any option that improves upon this unsatisfactory situation would therefore bring significant benefit and have a positive impact on the long term sustainability of functions.

Status Quo

Scottish Government's Culture Division is facilitating a joint approach between RCAHMS, the National Library of Scotland and national Records of Scotland to address the issue of storage, which may result in the development of proposals for the future. This is likely to continue in any of the options and there is no additional benefit to be achieved in the status quo.

Digital infrastructure plays an increasingly important element of the long term preservation of the collections and underpins efficient service delivery. Current

delivery is underpinned by a range of partnerships, which would be expected to continue, but are unlikely to make any significant impact on the ability to deliver additional benefit. The status quo therefore offers no additional benefit in improving the infrastructure.

Merger

The merger option offers no immediate solution to the collections storage problem. So far as staff accommodation is concerned, it would be likely that both Longmore House and John Sinclair House would be required, although there would be some potential to move staff between the locations to make for more effective collaboration.

A merger would offer some potential for exhibition space through use of the Historic Scotland estate, with the opportunity to develop location specific exhibitions. Both organisations are currently engaged in collaborative discussions with other collections around storage and this would continue as in the other options.

The collaborative approach to finding a solution in partnership with the other National Collections would continue under this option, meanwhile the opportunities highlighted above may result in some small improvement in certain areas.

On the Information Systems infrastructure, there is scope for improvement for both parties. Historic Scotland could benefit from RCAHMS IT development capabilities. RCAHMS could benefit from more resilience in the IS team and key strategic partnerships would continue to be developed and supported.

Although the merger option does not offer a definitive solution to the issue of infrastructure, there is some potential to improve resilience and the added strength of a larger organisation in ongoing discussions about a joint solution with the other National Collections. On this basis there is potential for a small improvement in the delivery of infrastructure that is fit for purpose.

NDPB

The NDPB option offers little additional potential to improve infrastructure issues as compared to the status quo. The nature and scale of the storage issue would remain unchanged. There is potential to exploit the status as a National Collection to make a stronger case for a solution to be found and to work more collaboratively with other National Collections. The collaboration with other Collections is already in hand, led by the Scottish Government's Culture Division and there is no evidence to suggest that a change in status would make a significant difference in that respect. This option does, however, provide some added potential to share exhibition facilities with other National Collections, both for visitors and online.

So far as the IS infrastructure is concerned, it is assumed that there would be no change in either partnerships or strategy as a result of the NDPB option. The NDPB option would offer no additional benefit as compared to the status quo with regard to ensuring that the infrastructure is fit for purpose .

Discussion

Infrastructure was ranked as the most important of the enabling benefits, however none of the options offers a permanent solution to current challenges. The joint approach to identifying an accommodation solution would continue in any of the options. However, the merger option does deliver some small improvement in relation to both the availability of exhibition and display space and improving the resilience of Information Systems functions.

BENEFIT 4 - GOVERNANCE ARRANGEMENTS ARE FIT FOR PURPOSE – MEDIUM PRIORITY

- Organisational purpose, and relationship to government and to ministers, are formally documented and form a basis for effective governance
- Organisational plans and strategies focus on the outcomes to be delivered and how these relate to government priorities as well as those of the other National Collections and key strategic partners

A Royal Commission is an unusual governance model for a long standing public body. It results in the legislative basis for the functions of the body and its relationship to government and the other National Collections being unclear. The review provides an opportunity to provide that clarity, which would be provided in different ways by each of the options under consideration.

Status Quo

The Royal Warrant establishing the Commission sets out its functions in broad terms, but is unclear about the relationship of RCAHMS to Ministers. It would be possible to refresh the Royal Warrant to better reflect purpose and accountability.

The inability to finalise a Management Agreement and Financial Memorandum has undermined efforts to develop an effective sponsorship arrangement. There is scope to resolve this through switching funding to grant in aid, which would also offer improvements in relation to benefit 6. It would, therefore, be possible to achieve a small improvement in governance arrangements within the status quo.

Merger

In the merger option, RCAHMS' functions would be transferred to the Scottish Ministers and be delivered as part of a single executive agency. The agency would be accountable for all functions relating to the understanding, interpretation, promotion, management and protection of the historic built environment. The legislative basis for the merger would place the agency under a clear duty to provide RCAHMS current functions and to account for their delivery.

The development of a charitable trust to manage the collections would also ensure a degree of independence as well as the continued input of independent trustees. It would provide a strategic opportunity to expand the collections to incorporate aspects of Historic Scotland's collections and to develop the relationships that both bodies currently have with other National Collections.

There is concern among some stakeholders about the loss of independence of advice and the separation of advisory and regulatory functions that a merger could result in. It would be important to understand and manage these concerns in order to

deliver this benefit. Overall, the merger option is likely to deliver a moderate improvement in establishing governance arrangements that are fit for purpose.

NDPB

The NDPB option delivers this benefit through legislation, formally setting out the functions and accountability of the organisation. Whilst this option does not reduce the number of public bodies, nor does it increase them. It would be regarded as modernisation of the governance of RCAHMS, as has also been achieved recently with the passing of the National Library of Scotland Bill, reforming the Library's constitution and setting out clear outcome-focused functions.

This option would place the organisation on a similar footing to most other National Collections, offering an enhanced opportunity to contribute strategically to culture policy as part of the family of National Collections. Sponsorship and funding arrangements could be rationalised to reflect the requirements of the legislation and best practice. Historic Scotland would continue to be the sponsor in order to maximise the potential to deliver benefit 2, although a connection to culture policy and the development of the other National Collections would also be made.

Overall, this option is likely to deliver a large improvement in governance arrangements.

Discussion

The status quo would result in only a small improvement in governance through modernising the Royal Warrant and improving funding arrangements. The merger option would deliver a moderate improvement in governance arrangements, although the establishment of a charitable trust would add a degree of complexity. In order to resolve this, if the preferred option were a single body, there may be benefit in considering whether the merged body should become an NDPB. This would resolve some of the issues inherent in the governance of the merger option, placing all of the functions of both bodies at arms length from government.

The NDPB option would deliver a large improvement in governance arrangements, placing them on a par with other National Collections and ensuring that outcomes and accountability were clearly set out.

BENEFIT 5 - CLARITY OF ROLE AND BOUNDARIES – MEDIUM PRIORITY

- Stability and clarity of role provide a stronger basis for future strategic partnerships.
- Organisational boundaries with key partners are managed actively and flexibly in order to ensure effective delivery.
- Organisational purpose is clearly documented and respective roles and functions are understood by partners and stakeholders.

RCAHMS' remit and functions have evolved significantly over time, as have those of Historic Scotland. It is clear that the evolution of the two bodies has not always been attuned with one another. This has resulted in tensions, missed opportunities and some confusion and frustration for other key partners. Both of the options provide an opportunity, in different ways to provide greater clarity as a basis for more effective strategic partnerships.

Status quo

The status quo has been affected by an extended period of uncertainty, since the late 1990s, about the organisation's future, during which time a variety of possibilities have been proposed. Uncertainty about the future has had an impact on stability and may have limited development opportunities.

Despite this, the organisation has developed itself significantly, diversifying its functions and increasing substantially the proportion of income it generates from other sources. It has also been successful in developing a number of operational and strategic partnerships. The combination of diversification and lack of clarity of government expectations have resulted in tensions that are apparent in evidence considered by the review. Given that these issues have been highlighted there is some opportunity to address them and clarify roles and boundaries in a non statutory way. However, it seems likely that leaving the organisation unchanged would result in further proposals for change in the future. On that basis, the status quo option offers no improvement in the clarity of roles and boundaries.

Merger

The merger option creates a single government body responsible for the historic built environment, removing the organisational boundary between Historic Scotland and RCAHMS and providing an opportunity to bring together the best of both brands. It would have the benefit of making the organisational landscape simpler. Clarity of the functions of the organisation would be provided in legislation and revised framework document and plans for the agency. However, it is likely that considerable effort would be required both to establish a clear vision for the merger internally and to promote the new organisation to stakeholders and customers. Given that merger is a medium to long term process rather than a one off event, it would be necessary to maintain continued focus on the purpose of the new organisation.

There is no reason to assume that external partnerships would not continue to develop, as both organisations have considerable networks of partners, many of them in common. However, it is likely that there would be a period of uncertainty which might have a negative impact on partnerships and would require an ongoing commitment to maintain and develop.

Merger has the potential to deliver a large improvement to the clarity of role and boundaries through having all functions of the two current bodies within a single organisation. However it would require considerable investment of effort in developing and promoting the purpose and vision of the agency and nurturing external relationships.

NDPB

Legislation establishing an NDPB would provide clarity of functions and accountability, meaning that the organisation would be better placed to contribute strategically to government priorities. It would provide certainty and stability for the organisation after a prolonged period of uncertainty. The transition to NDPB would be evolutionary, providing opportunities to clearly state the purpose of the body and build upon the existing brand. The continuity of functions would support the

continuation of existing partnerships and enhanced visibility and clarity of purpose has the potential to provide new partnership opportunities.

Clarity of functions would provide opportunities for greater collaboration with the other National Collections and establish a clear boundary with Historic Scotland. This should provide for greater strategic collaboration between the two bodies. However it is likely that this would require considerable and sustained effort from both parties.

However, retaining two bodies with responsibility for the historic built environment and some similarity of functions leaves some residual potential for confusion and lack of clarity. the NDPB option would therefore result in a moderate improvement in clarity of role and boundaries.

Discussion

The status quo delivers no improvement in terms of clarity of role and boundaries and would leave RCAHMS open to future challenges around its purpose. The merger option offers the greatest improvement in clarity of role and boundaries by establishing a single body which delivers all of the functions of two current bodies. The NDPB option provides clarity in legislation and the potential for an improved strategic relationship with Historic Scotland, but in retaining two bodies, retains some potential for lack of clarity of role and boundaries.

BENEFIT 6 - EFFECTIVE FINANCIAL MANAGEMENT ENSURES CONTINUED DELIVERY OF OUTCOMES WITHIN AVAILABLE RESOURCES – LOW PRIORITY

- The funding arrangements set out clear accountability lines, are appropriately linked to government purpose and agreed outcomes and are managed effectively.
- Financial systems are simplified and support both management accounting and financial reporting purposes to produce consolidated accounts.

Current funding arrangements have resulted in financial management systems that are overly complex and do not support effective and transparent accounting arrangements. Both of the options under consideration and indeed changes within the status quo provide an opportunity to improve financial management and accountability.

Status Quo

The status quo is overly complex in terms of financial management and accountability. The impact of this position is that public and SG reporting on financial performance is disjointed. The position leads to greater complexity in financial management and a lack of transparent accountability for public money. It would be possible to improve this position within the status quo by moving to grant in aid funding which would allow for the reporting of consolidated accounts to Ministers, resulting in a moderate improvement in the delivery of the benefit.

Merger

In the merger option, there would be a single organisational budget consisting of government allocation and anticipated commercial income. Financial management and accounting would be done on an organisation wide basis and accounts published as part of the overall Scottish Government accounts on a resource

accounting basis. There would continue to be a separate charitable trust and trading company that would operate and report separately to relevant regulators. At agency level this option would provide the opportunity to develop a coherent approach to resource planning and utilisation that is more closely attuned to government priorities. It is likely to deliver a moderate improvement in financial management that ensures continued delivery of outcomes within available resources.

NDPB

Establishing an NDPB, along with a shift to grant in aid and agreement of a Management Agreement and Financial Memorandum with the Scottish Government would provide a sound basis for improving financial management and the transparency of accounting. While there would still be separate charities and a limited company, the ability to produce a single set of consolidated accounts, in line with the other National Collections would clarify financial accountability.

Both the legislation and a clear statement of priorities agreed with the sponsor team on an annual basis would provide for greater alignment of resource planning and management with government priorities and expected outcome. The NDPB option would deliver a moderate improvement in financial management, ensuring the continued delivery of outcomes within available resources.

Discussion

All of the options offer similar potential to deliver this benefit. In the status quo and NDPB options this is through moving to grant in aid and the completion of the Management Agreement and Financial Memorandum for the body. In the merger option it is achieved through incorporating the additional functions into existing financial management arrangements.

CONCLUSION

There is some small but significant potential to deliver the proposed benefits in the status quo, particularly around benefits four and six, improving governance and financial management arrangements. Both of the other options deliver greater potential for the delivery of benefits across all six benefit areas, the differential assessment of those benefits is summarised below.

PRIMARY BENEFITS

The table below shows that the merger option provides greater potential to deliver an improvement in sustainability and enhanced understanding and interpretation of the historic built environment.

The differential assessment between the two options is based on two factors – the relatively limited ability to improve sustainability in an organisation that would remain essentially the same, albeit with improved governance and accountability arrangements; and the fact that delivering additional benefit in enhancing the understanding and interpretation of the historic built environment in the NDPB option is dependent on effective strategic collaboration between both bodies rather than being the responsibility of a single body.

Summary of delivery of the primary benefits across each option

Benefit	Status Quo	Merger	NDPB
1. Sustainability of functions	No Improvement	Moderate Improvement	Small Improvement
2. Enhanced understanding and interpretation of the historic built environment	Small Improvement	Moderate to Large Improvement	Moderate Improvement

However, it is important to note that both options do deliver benefits and more closely aligning RCAHMS with the other National Collections may be a desirable goal in itself. In which case implementation would need to give detailed consideration to establishing effective strategic collaboration between the new body and Historic Scotland.

ENABLING BENEFITS

Both of the change options provide a similar profile of potential for improvement across the range of benefits, albeit that each option delivers those benefits in different ways. The merger option delivers the benefits by incorporating the RCAHMS functions into an existing corporate framework and creating a single public body. The NDPB option retains two public bodies but clarifies and formalises their respective roles and functions and the boundaries between them.

Summary of delivery of the enabling benefits across each option

Benefit	Status Quo	Merger	NDPB
3. Infrastructure is fit for purpose	No Improvement	Small Improvement	No Improvement
4. Governance arrangements are fit for purpose	Small Improvement	Moderate Improvement	Large Improvement
5. Clarity of role and boundaries	No Improvement	Large Improvement	Moderate Improvement
6. Effective financial management ensures continued delivery of outcomes within available resources	Moderate Improvement	Moderate Improvement	Moderate Improvement

In conclusion, both of the change options deliver improvements on the status quo. The merger option offers improves sustainability, greater potential to enhance the understanding and interpretation of the historic environment. The NDPB option offers clearer and more consistent governance arrangements and a more secure foundation for future collaboration with historic Scotland and the other National Collections.

CHAPTER 6 – ANALYSIS OF RISKS

INTRODUCTION

Alongside the analysis of benefits, set out in Chapter 5, the options appraisal process requires consideration of the risks associated with each option. This chapter sets out the risks considered in the RCAHMS review and considers each of the options against the risks identified.

A **risk** is defined as a threat that might result from a change and have an adverse impact. Making any change carries a degree of risk and understanding and managing any risk is crucial to the delivery of planned benefits. In the case of this review, the risks identify areas where making a change may threaten aspects of the current organisation and services that are valued.

Risks were identified through workshops with an extended Strategic Group and with RCAHMS Commissioners and senior managers. A total of 23 individual risk statements were identified, which are grouped together to form 6 risks:

1. The quality of public services is reduced
2. The quality and scope of work is reduced
3. Loss of reputation and stakeholder confidence
4. Funding is insufficient to sustain core functions
5. Changed organisational status impacts delivery
6. Change process leads to a loss of direction and focus

The impact and the likelihood of each risk has been assessed using the following five point scales:

Impact	Likelihood
1. Insignificant	1. Rare
2. Minor	2. Possible
3. Major	3. Likely
4. Critical	4. Highly Likely
5. Extreme	5. Almost Certain

Annex 8 provides an overall summary of the impact and likelihood of each risk statement on the basis of which a Red/Amber/Yellow/Green status is allocated using an assessment table derived from Cipfa risk management guidance. This analysis is an assessment of the risk without taking any steps to mitigate it. Mitigation is discussed at a high level under the assessment of each risk.

ANALYSIS OF RISKS

RISK 1 - THE QUALITY OF PUBLIC SERVICES IS REDUCED

		Impact
1.1	Separation of commercial services results in reduction in the quality and accessibility of public services.	Major
1.2	Loss of IS development and support skills damages the ability to operate effectively and leads to a loss of online services	Critical
1.3	Impartiality and independence of advice and information is damaged, particularly regulatory advice.	Major

This risk focuses on the external relationship with customers and stakeholders, acknowledging the potential that any decision taken from the review could have a negative impact on the quality of public services offered.

Cumulative risk score:

	Status quo	Merger	NDPB
RISK 1 - The quality of public services is reduced	4	23	7

Status quo

The status quo poses no risk in terms of 1.1 or 1.3 as it is assumed that the current operations would continue as at present.

1.2 There is however a rare risk in respect of the loss of Information Services support and development skills. The development and maintenance of Information Services is dependent on a small number of highly skilled staff, offering little resilience in the team. The rapid growth of IS over recent years means that more of that developer resource is being drawn into maintenance of an increasingly complex system. The risk is being mitigated through a programme of rationalisation and through the development of partnerships.

Merger

Under the merger option, there is no reason to assume any significant long term impact on the quality and accessibility of services. Both organisations have a good record on quality of public services and a commitment to developing their on-line presence.

1.1 It is assumed that commercial services would continue to be an integrated part of service delivery. However, there is a possible risk of separation impacting on service delivery. There is also a risk that the trustees of Scran would not agree to its transfer to Historic Scotland, which would have a significant impact on delivery. This would need to be managed by careful consideration of how commercial and IT services would be integrated and working with Scran trustees and partners to ensure that their concerns were addressed.

1.2 The risk of loss of Information Services expertise is possible. This option offers:

- the development of a larger pool of expertise to provide maintenance and security;
- desktop and network support being provided on an agency wide basis; and
- the potential for the whole agency to benefit from the particular development expertise of RCAHMS' staff.

Which collectively mean that there is greater resilience and so lesser risk. However, if Scran were not part of the merged body, there would be a significant loss of both IS expertise and infrastructure, which would require significant investment to address.

1.3 It is likely that there would be a real or perceived loss of arms length governance and impartiality of research and analysis in a merger. This is a significant concern amongst some groups of stakeholders and would need to be recognised and managed. The wording of legislation and the establishment of an independent charitable trust to manage the collection would go some way to managing concerns.

It would also be important to engage with stakeholders from the outset of any merger proposal to ensure that these concerns were properly understood and addressed in the business case.

NDPB

The NDPB option is very much an evolution of the status quo, so there is no reason to assume any difference in the quality and accessibility of services. There is no risk to the impartiality and independence of advice.

1.1 While it assumes that commercial services continue as an integrated part of the delivery model there is a rare risk that they might be impacted by the legislation. In particular, it is not clear how, or if, the legislation would deal with Scran Group and what impact that might have on the organisation as a whole. It would be important to understand the implications before instructing legislation.

1.2 The NDPB option would have no immediate impact, positive or negative on the delivery of Information Services, so there remains a rare risk. There are greater potential opportunities to mitigate this risk through the development of shared services with other National collections.

Discussion

The NDPB option is little different in terms of risk to the status quo as it is evolutionary. However there is some risk in relation to the treatment of Scran in any legislation that would need to be managed.

The merger option poses a lesser risk in the management of Information Services, but the potential impact on both commercial and Information Services of the loss of Scran and a higher risk of loss of impartiality and independence of advice mean that merger poses a higher risk to the quality of public services than the other options. A more detailed analysis of the impacts, together with early engagement both internally with Scran Trustees and externally with key stakeholders would be required to mitigate these risks.

RISK 2 - THE QUALITY AND SCOPE OF WORK IS REDUCED

		Impact
2.1	The ability to undertake long term strategic research for the benefit of the historic environment is undermined.	Critical
2.2	There is a lack of recognition of the value of work, with a consequent reduction in the scope and quality of work undertaken	Major
2.3	The security of the digital collection is undermined.	Extreme
2.4	There is a loss of experienced staff, resulting in gaps in expertise and experience and a reduction in academic credibility.	Major

This risk focuses on the ability to maintain the quality and scope of work that RCAHMS has become known and respected for. There are four dimensions to this – capability, credibility, capacity and protection of the existing resource.

Cumulative risk score:

	Status quo	Merger	NDPB
RISK 2 - The quality and scope of work is reduced	33	30	30

Status quo

RCAHMS has built a reputation for the quality and scope of its work over many years and maintaining this is an essential part of retaining RCAHMS' functions for future generations. There is a risk that if there is no change, the quality and scope of work could be damaged.

2.1 There is a possible risk that the ability to undertake long term strategic research is gradually eroded. RCAHMS has been successful over recent years in increasing partnership and project funding and in transitioning to new technologies to make survey work more efficient and less labour intensive, but there is a stakeholder perception that this has been at the expense of a more strategic focus. The lack of any external strategic framework to inform RCAHMS' work has contributed to this perception. This could be mitigated by the development of a new national strategy, within which RCAHMS work could be framed.

2.2 RCAHMS is an executive NDPB of the Scottish Government, but the use of the Royal Warrant as the organisation's governing document and lack of clarity from government on its priorities for the organisation, means that without change there remains a possible risk that the value of the organisation's work and its potential contribution to the Scottish Government's priorities is not properly recognised. There is some potential to manage this within the status quo.

2.3 RCAHMS has made progress towards Trusted Digital Repository status for its digital collection, however, there remains a possible risk to the security of the digital collection as this relies on a small specialist IS team and digital archivists. This is mitigated in part by partnership with the Archaeology Data Service and collaboration with the National Library of Scotland. As well as potential shared services with the other National Collections.

2.4 The combination of retirement and voluntary early severance means that some areas of specialist knowledge and skills will inevitably be lost over the next few years. This would apply to any of the options. This means that there is a likely risk of gaps being created in the skill base. This is being managed through skills gap analysis and succession planning. The range of skills and expertise within a small organisation means this will continue to be challenging, but remains a fundamental priority for the organisation.

Merger

Both organisations have a reputation for the quality and scope of their work and it is assumed that the merged body would have an equal commitment to maintain this. However, there is a risk associated with a larger organisation having a wider range of functions competing for priority.

2.1 There is a possible risk that the ability to do long term strategic work might be damaged in a merged body. However, using a Section 14 order to affect a transfer of

responsibilities would place legislative duties on Historic Scotland to perform those functions. It is likely that such an order would have a strong outcome based focus which would give a strong foundation for strategic survey work.

2.2 There is a possible risk that the value of RCAHMS work is not recognised in a merged body, however both of the change options involve those functions being set out in legislation. The potential to undertake major pieces of strategic research would be enhanced in a merger and the development of a national strategy to give direction to this could enhance rather than diminish this work.

2.3 In addition to the security of the collections as a whole, the security of the digital collection is acknowledged as being of primary importance. There is a possible risk of security being jeopardised. Recognition of the importance of maintaining the digital collection to appropriate standards would be a pre-requisite for success of the merger. It is assumed that external partnerships would be sustained in the merger option.

2.4 There is a possible risk in the short term that experienced staff may be lost as a result of the merger. This is not expected to be significant, as in most cases the merged agency would provide greater career progression than could be offered by a stand alone body. However, considerable work would be necessary to assure staff of the benefits of merger and to assist them with the cultural transition. The combination of retirement and voluntary early severance would apply equally to the merger option and some areas of specialist knowledge and skills will inevitably be lost over the next few years. There is the potential in a merged agency to make more effective use of the skills and expertise of the whole organisation, minimising the impact of loss of expertise.

NDPB

The NDPB option would be an evolution from the status quo, with the added recognition and requirements of legislation to underpin the quality and scope of the organisations work.

2.1 The NDPB would retain the ability to undertake long term strategic research, which would be clarified by the outcome focus of the founding legislation. However, there remains a possible risk that such work is undermined in the absence of a clear strategic framework for the organisation's work. This could, as in the merger option, be mitigated by the development of a new strategy for the historic built environment, which, in this option, would be developed in partnership with Historic Scotland.

2.2 Establishing the work of the body in legislation would ensure proper recognition of its value, which should in turn have a direct impact on the quality and scope of work. There is therefore a rare likelihood of this risk being realised.

2.3 Work on developing and managing a Trusted Digital Repository would continue as in the status quo option and it is assumed that strategic IS and digital collections partnerships would be unaffected and further developed. However, there remains a possible risk to the security of the digital collection as this relies on a small specialist IS team and digital archivists as in the status quo option.

2.4 There continues to be a likely risk of loss of experienced staff over time. The establishment of an NDPB in legislation would make the long term future of the organisation more stable, assuming continued government financial investment. However, the issue of loss of expertise through retirement or voluntary early severance remain the same across all options. The NDPB option does allow greater potential for strategic partnerships with other bodies, which may assist in some areas of expertise.

Discussion

The primary difference between the status quo and the NDPB option is the greater clarity afforded by legislation. This would have a tangible impact on the recognition of the organisation, which in turn would provide greater security around key partnerships. The same challenges as the status quo, particularly around maintaining capacity and capability within a small organisation remain but can be mitigated by prioritising the key skills sets and developing strategic partnerships.

In the merger option, the benefits of a wider pool of expertise would be likely to reduce risks by managing gaps in the portfolio of skills and giving greater capacity for succession planning. The legislative basis of the merger option affords some benefits in clarity and duty to undertake key functions, but must take into account all the functions of the National Collection

RISK 3 - LOSS OF REPUTATION AND STAKEHOLDER CONFIDENCE

		Impact
3.1	Loss of the RCAHMS brand and reputation for successful delivery is damaged as a result of changes in the range or quality of work.	Major
3.2	Skills and expertise are lost diluted, or re-directed to other work, undermining credibility and reputation.	Major
3.3	Loss of Independent Research Organisation status results in a loss of research and partnership funding and reduction in academic credibility.	Major
3.4	Reduction in staff numbers to match available income, impacts on the ability to retain credibility and reputation.	Critical
3.5	Public donations to the collection are withheld or withdrawn due to concerns over security and accessibility.	Major

This risk focuses on the potential for changes to undermine the reputation established by RCAHMS and the consequent loss of stakeholder confidence. There is some overlap with risks 1 and 2, however the focus here is on perceptions of the organisation, particularly its reputation, which are important to recognise and manage through any potential change.

Cumulative risk score:

	Status quo	Merger	NDPB
RISK 3 - Loss of reputation and stakeholder confidence	27	47	36

Status quo

The status quo carries some risk in respect of stakeholder confidence and reputation. There is no likelihood of risks 3.3 and 3.5 being realised as there would be no change to the organisation. However, the continuing challenge of maintaining skills, expertise and reputation in a small organisation pose some potential for the remaining risks being realised.

3.1 Whilst RCAHMS has built up a strong reputation for successful delivery, some stakeholders question whether the range and quality of work has been undermined by a shift in emphasis towards more partnership driven research. There is a possible risk within the status quo that reputation could be damaged by partnership funding being seen to skew priorities. This could be mitigated by having a clear strategic direction, linked to the delivery of outcomes.

3.2 There is a likely risk that there will be reductions in skills and expertise through natural wastage, with particular concerns around the sustainability of subject specialists and ability to develop future generations of expertise. This is being managed through succession planning and it is likely to require continued attention if the credibility of the organisation is to be retained.

3.4 Alongside the loss of expertise, there is the risk of loss of staff numbers from key areas, which can have the impact of placing greater strain on areas that are already stretched. There is likely to be a decline in staff numbers in the medium term even assuming the best case financial scenario and there is a likely risk that this might impact on credibility and reputation. This would need to be managed by increased commercial or partnership income or greater efficiencies through shared services if credibility were to be retained.

Merger

The merger option does pose some risks to the credibility and reputation of RCAHMS work, that would need careful management, particularly during the transitional period if a merger was to be a success.

3.1 The RCAHMS brand would be lost in a merger option posing a likely risk of consequent loss of reputation for delivery. Learning lessons from the English Heritage merger, it would be important to make clear from the start that the agency was a different organisation, rather than attempt to retain something of the old brand, but at the same time establish a clear and visible commitment to the credibility of its work.

3.2 There is a likely risk of effort being diverted or diluted in a merger, because of the wider range of responsibilities that the body would have. However, it is also likely that a larger organisation would be better at retaining a wider network of subject specialists across the organisation, There would be a commitment to maintain RCAHMS functions in the duties set out in a Section 14 Order, which would help to mitigate this risk. Continued stakeholder engagement in developing and delivering a strategic framework for new research would also help in re-building reputation.

3.3 There is a highly likely risk that Independent Research Organisation status would be lost in the short term. The Arts and Humanities Research Council has indicated

that a re- application would need to be made and a decision would need to be taken on whether it was being sought on an organisation wide basis or a more defined remit. The likely loss of research income, based on success so far would be small, but there would be an impact on academic credibility, were IRO status lost. This could be mitigated in part by research partnerships with other academic bodies rather than seeking funding direct but would have some impact on income generation which is one of the benefits of IRO status.

3.4 There would be a possible risk that reduction in staff numbers to match income would have an impact on credibility. Significant savings could be achieved through the rationalisation of corporate and support functions without having an impact on the quality of services. There may also be added efficiencies in joint operations that could be realised.

3.5 There would be no change to the security or accessibility of collections, but there is a possible risk that public perceptions may have an impact on donations to the collections. Management of the collection by a charitable trust may help reassure existing and potential donors of its separation from government. However donors will require assurance of its preservation for future generations as well as its long term availability to the public.

NDPB

The NDPB option, being an evolution from the status quo, shows little change in the profile of risk as compared to the status quo, although it offers some potential additional mitigation, through collaboration and shared services with the other National Collections.

3.1 There is a possible risk of loss of reputation and credibility associated with the loss of the RCAHMS brand. New legislation would create a new name for the organisation and it would be important in promoting that to ensure that there was a direct connection to the reputation of the existing body. The evolutionary nature of any change would provide effective mitigation.

3.2 There is a likely risk of loss of skills and expertise through natural wastage, although the legislative foundation of the NDPB would set out expectations in terms of the range and standards required for the body, which should minimise the impact. It would be necessary to maintain and develop current skills audit and succession planning work. The NDPB option also provides some additional opportunity to develop a wider external specialist network to support the functions of the organisation.

3.3 There is a possible risk of the loss of Independent Research Organisation status, in that the Arts and Humanities Research Council has indicated that any change in status would require a re-application. It is likely that such a re-application would be successful.

3.4 There is little change, compared to the status quo, in the risk of reducing staff numbers affecting credibility and reputation. The NDPB option would provide a stronger foundation for developing shared services with the other National Collections which may assist with producing further efficiencies.

3.5 The evolutionary nature of the change means that the likelihood of there being any change in public donations under this option is rare.

Discussion

Once again, there is considerable similarity between the status quo and NDPB options, reflecting the evolutionary nature of the change. There is a small increase in the risk that IRO status would be lost due to the need to re-apply. The NDPB option provides enhanced opportunity for mitigation of risks through the further development of shared services to drive increasing efficiencies.

The merger option poses increased risk of loss of confidence amongst some groups of stakeholders, which would need to be carefully managed through providing a visible long term commitment to functions and sharing a clear strategy and plans for delivery. The legislative basis for the transfer of functions would place clear requirements on the agency to deliver RCAHMS functions. If the status of the collections is to be secured, the legislation under Section 14 is likely to be very similar in content to a new Bill for an NDPB.

RISK 4 - FUNDING IS INSUFFICIENT TO SUSTAIN FUNCTIONS

		Impact
4.1	Quality and scope of work cannot be maintained within available funding leading to the loss of reputation and stakeholder confidence.	Major
4.2	Inability to generate supplementary income leaves a gap between income and expenditure.	Major
4.3	Inability to maintain SWISH partnership leads to shortfall in income to support information systems.	Major

Ensuring the long term sustainability of RCAHMS’ functions was the core remit of this review. The risk that they might not be is therefore of central importance to this analysis. There is some overlap with risk three in relation to 4.1. both of the other risks relate to specific sources of funding and the ability for them to be retained and developed within each of the options.

Cumulative risk score:

	Status quo	Merger	NDPB
RISK 4 - Funding is insufficient to sustain functions	21	18	21

Status quo

RCAHMS received exceptional treatment in the spending review on the assumption that they would be unable to sustain the functions without receiving flat cash funding for the spending review period. However, as the financial analysis in Chapter 7 now shows, assuming the current level of funding, the organisation is financially sustainable. However, it cannot be assumed that the indicative allocation of flat cash funding for the remainder of the period can be sustained, which would pose a significant risk to the status quo.

4.1 There is a likely risk of the level of funding having an impact on the deliverability of core functions in the status quo. This can be managed, however it does have an

impact on stakeholder perceptions of the organisation and any reduction in planned government income would have a direct impact.

4.2 RCAHMS has been very successful in generating supplementary income from projects and commercial activities. That income is now an important element of the total budget of the organisation. There is a possible risk that some of that income might be lost as the difficult economic climate continues to impact on the public and voluntary sectors. This can be managed in part by reducing project staff to match income, but does have some impact on core staff.

4.3 The SWISH partnership with the Welsh Royal Commission has been beneficial to both organisations. In the partnership, RCAHMS supports the development and delivery of specialist Information Systems for RCAHMS for an annual fee. It is likely that, RCAHMS or its successor would wish to continue the partnership. However, current plans to transfer the functions of the body to one or more other Welsh public bodies poses a possible risk to the partnership.

Merger

The merger option generates efficiency savings without an impact on the delivery of RCAHMS functions. These savings would be savings in kind in the short term due to the policy of no compulsory redundancies, but would release cash when displaced people were successfully redeployed. While initial savings as set out in Chapter 7 are modest, there may be potential for further savings as and when the integration of key functions into the agency is achieved.

4.1 Functional sustainability within a reducing budget is achieved through greater efficiency of the merged functions. While there is a possible risk of the loss of reputation and credibility as a result of this, the legislative basis for the functions and stakeholder involvement in strategy and delivery should ensure that they were protected.

4.2 The merger option poses a likely risk of loss of supplementary income, particularly partnership income from current sources, where smaller bodies may regard HS as a funding body and not expect to be funding projects run by them. This may be offset by the commercial potential of the merged body to develop new income streams. It may also be possible to manage some partnership projects via the charitable trust established to manage the collections.

4.3 The likelihood of the loss of the SWISH partnership in the merger option is rare. Cadw and HS already collaborate on a range of initiatives and a commitment has been made to maintain the partnership in the event of mergers of either body, to the benefit of both parties.

NDPB

The NDPB option is an evolution from the status quo and is therefore very similar to the status quo in respect of this risk.

4.1 There is a likely impact on the quality and scope of work within the current funding model. However, there is greater potential for the NDPB option to support a range of shared services, which may have a positive impact on sustainability. The

likely financial impact of these has not been assessed as most could be achieved in any of the options. There is also the potential for the NDPB to take over some functions from HS, which might, for example, include library services, Information Services or collections management. These possibilities have not been costed as part of the options appraisal, but would have a positive impact on sustainability if agreement could be reached on them.

4.2 The ability to generate supplementary income is unlikely to change from the status quo and poses a likely risk, although the added long term sustainability derived from recognition as an NDPB may help increase supplementary income in the longer term.

4.3 Current plans to transfer the functions of RCAHMW to one or more other Welsh public bodies' poses a possible risk to the future of the SWISH partnership. While it is likely that the successor would wish to continue the arrangement, the implications of any change would need to be assessed and managed.

Discussion

There is little difference in the risk profile between the status quo and NDPB options. The sustainability of functions remains largely unchanged, although the NDPB option does offer enhanced potential to mitigate the risk, through collaboration with National Collections, creating efficiencies through shared services and to expand the functions through a transfer of responsibilities from HS. There is no change in the ability to generate supplementary income and a possible risk to SWISH funding.

The merger option provides a greater opportunity for efficiency savings and so poses a lower risk of loss of quality and scope of the work. There is a likely risk that some supplementary income could be lost, particularly from partnership projects. The impact of this loss could be significant in the short term and would need to be carefully managed. The SWISH partnership has been committed to by both HS and Cadw and so poses only a rare risk.

RISK 5 - CHANGED ORGANISATIONAL STATUS IMPACTS DELIVERY

		Impact
5.1	Loss of independent board members results in a loss of expertise, knowledge, advice and focus.	Major
5.2	Functions are not valued, leading to dilution and dispersal of expertise.	Major
5.3	The ability to respond quickly and creatively to new opportunities is reduced.	Minor
5.4	There is a loss of charitable status and the associated financial and organisational benefits.	Critical

This risk focuses on a number of specific points relating to the organisation as currently constituted that may be impacted by a change in status and so may have an effect on the ability to deliver the current range and quality of services.

Cumulative risk score:

	Status quo	Merger	NDPB
RISK 5 - Changed organisational status impacts delivery	0	27	20

Status quo

As the status quo does not involve a change in organisational status, there is no likelihood of this risk being realised.

Merger

The merger option involves the most significant change in organisational status and so the highest risk overall, although this increased risk is specifically in relation to risks 5.1 and 5.4.

5.1 There is a likely risk that the input of independent board members would be reduced in the merger option. There would not be a complete loss of independent expertise as the creation of a charitable trust to manage the collections would require independent trustees and potentially some existing RCAHMS Commissioners would take on that role. It is also possible that one or more might become non executive directors of the agency, bringing an RCAHMS perspective to the governance of the whole agency.

5.2 While there is no evidence to suggest that functions would not be valued in a merger, it remains a possible risk. To mitigate this risk, legislation and a strategy for the historic built environment would provide a focus for the continued development of functions.

5.3 RCAHMS has been very effective in responding quickly to new development opportunities with external partners. There is a possible risk that being merged into a larger organisation may have a negative effect on the ability to maintain this level of responsiveness. In practice, there is ample evidence that individual functions within HS are able to respond quickly and creatively to new opportunities. It would be important for a merged agency to ensure that appropriate devolved decision making processes allowed for continued responsiveness.

5.4 There is a possible risk of losing some charitable benefits in the merger option. The proposed organisational model for the merger option includes the establishment of a charitable trust to manage the collections, thus potentially retaining some of the organisational and financial benefits. At present, as a National Collection, the whole of RCAHMS is a charity in order to deliver its charitable purposes, as well as being a public body. The proposed charitable trust would have a more limited remit and there would be a need for the agency to work closely with legal advisors, OSCR and existing charity trustees to establish the most beneficial balance.

NDPB

Establishing an NDPB would be evolutionary, based on the current operations and functions of RCAHMS. However, there remains a degree of risk associated with the change process.

5.1 The move from Commissioners to Trustees would be a change, so poses a possible risk of loss of expertise. Not all Commissioners may become Trustees and their role may be changed as a result of the new legislation. In practice this risk could be readily mitigated, ensuring a smooth transition from one organisational type to another.

5.2 The functions of the NDPB would be prescribed in statute. However, there is a possible risk that the legislation may not provide a clear framework for the functions of the body, leading to erosion or over-emphasis of some functions. The drafting of the founding legislation would therefore be critical and would need to create sufficient flexibility whilst at the same time providing clarity and a focus on the expected outcomes.

5.3 As the NDPB option is evolutionary, there is unlikely to be a major change in the ability to respond to new opportunities. However, the founding legislation and the associated Ministerial power of direction pose a possible risk that this flexibility may be more limited. It would be important in considering legislation to be clear about the extent of freedoms for the body and the proper role of the sponsor in making significant decisions.

5.4 There is unlikely to be any change in charitable status.

Discussion

As this risk focuses on the change in organisational status, the status quo poses no risk. Although the NDPB option is essentially an evolution of the status quo, it does involve some risk. Most notably, it involves new legislation, which would have some impact on the functions and accountability of the body and would need careful consideration and drafting. The merger option poses a higher level of risk, particularly in relation to both charitable status and the role of independent trustees, where the scope of each would be more limited and the same risk in terms of drafting of legislation. Careful consideration to the remit and scope of the charitable trust would be required in order to get the greatest benefit from it.

RISK 6 - CHANGE PROCESS LEADS TO A LOSS OF DIRECTION AND FOCUS

		Impact
6.1	Effort is directed to managing change and not on maintaining core business.	Major
6.2	Delays in implementation result in a prolonged period of uncertainty.	Minor
6.3	Attitudes towards the change make successful implementation difficult.	Critical
6.4	Poor leadership and management of the change process results in potential benefits not being delivered.	Major

This risk focuses on the change process. Delivering the anticipated benefits requires change and the risk highlights four significant components of risk associated with those changes – displacement of effort; extended periods of uncertainty; the impact of attitudes towards the change and poor leadership and management of the change.

Cumulative risk score:

	Status quo	Merger	NDPB
RISK 6 - Change process leads to a loss of direction and focus.	0	47	28

Status quo

The status quo does not involve change, therefore there is no likelihood of this risk being realised.

Merger

Merger is the most complex of the three options to complete and has the greatest potential to be disruptive to both organisations as the transition takes place. Experience of other mergers suggests that this disruption would exist for a minimum of 2 years. This option therefore scores the highest in relation to this risk.

6.1 It is highly likely that merger would result in effort being diverted to management of the change process as a range of people at all levels in both organisations would need to be actively engaged in this. Without proper management of the transition period, there is a risk that this could result in disruption to existing programmes of work, and to public services as well as limiting new developments and partnerships. To maintain a proper focus on business, it would be important to have a properly resourced change plan and clear agreement on business priorities and how they would be delivered during the transitional period.

6.2 In any change process, the early realisation of benefits is vital to both the staff involved in the change and to external stakeholders who may be sceptical about the value of the change. A key learning point from the English Heritage merger was that *'a full and thorough merger of teams and functions should happen as early as possible and this includes a re-casting of budgets at a high level to move away from historic allocations'*. Because of the need for legislation, the earliest that RCAHMS' functions could be transferred to Scottish Ministers would likely to be July 2013, resulting in a delay of at least a year, which poses a likely risk of uncertainty during the change period. In order to mitigate such a risk, it would be important to commence the transition as soon as possible, using joint processes for planning and management of the change.

6.3 There is an almost certain risk that attitudes towards a merger would make implementation difficult. Some, but not all, groups of stakeholders contributing to the review have expressed concern about a merger throughout the review process, based on a number of factors:

- concern that lessons would not have been learnt from the English Heritage merger;
- concern that RCAHMS' functions would be neglected in a merger in favour of higher priorities;
- concern about the status of collections;
- lack of understanding of Historic Scotland's current role; and
- concern over a perceived conflict of interest between statutory and non statutory functions of the two bodies and the independence of data collection, research and analysis.

These are all legitimate concerns that would need to be actively managed for any merger to be a success. It would be important to understand the extent to which these contributors are representative of stakeholder opinion in general and the reasoning behind their concerns, in order to ensure that measures were in place to

provide necessary assurances. This exercise would need to be undertaken before the legislative consultation could be considered.

6.4 There is a likely risk that the benefits could not be realised due to inadequate leadership and management of the process. A merger would represent a major change for both organisations, which would require skilled leadership from both parties to deliver benefits. Merger would require a joint leadership team from the outset to ensure a continued commitment to delivery, supported by a programme board and change managers in both organisations and full engagement with staff and trade unions of both organisations.

NDPB

The change in the NDPB option would be more evolutionary than the merger option, nevertheless, there is still a significant change, which poses risks compared to the status quo.

6.1 There is a significant amount of work required to deliver a Bill and there would need to be extensive engagement from RCAHMS senior managers in both this and achieving consequential changes to the organisation. There is therefore a possible risk that there is a loss of emphasis on core business. This could be managed by ensuring that the change process was properly resourced and operational priorities for the transition period were agreed.

6.2 It is highly likely that there would be a delay in implementation with the NDPB option. It is likely to require primary legislation, which could not be laid before the Sept 2013 – June 2014 session, so may not come into force before April 2015. There is a risk about the prolonged uncertainty over status but clarity of direction and evolutionary change with a clear change transition plan from the status quo could create the opportunity to commence the realisation of some benefits ahead of the legislation.

6.3 Significant groups of stakeholders would be likely to broadly support the proposed change. However the Bill would require public consultation, so there is a possible risk that some aspects of the proposed change would be challenged. It would be important to have a stakeholder engagement plan to ensure that all relevant views are properly taken account of in the management of the process.

6.4 The NDPB option is very similar to the status quo in terms of the functions and operation of the body. While the change would have the potential to deliver tangible benefits, there is a possible risk that poor leadership could result in the benefits not being delivered as the relatively small transition could lead to a perception that it was the same body with a different name. This could be effectively managed by ensuring that the change process is properly resourced to ensure that benefits are delivered.

Discussion

Because of the focus on change, the status quo bears no risk in this area. The NDPB option is an evolutionary change, although the likelihood of delay and the relatively small changes in status that are expected to result in significant benefits would mean that proper attention to managing the change process was essential if the planned for benefits were to be delivered.

The merger option is the most significant change and carries the greatest risk. For a merger to be successful, it would be important to put in place strong and coherent leadership of the change process, a clear transitional process that starts to deliver tangible benefits as early as possible and to properly engage with all stakeholders to understand and respond to their concerns.

CONCLUSION

Looking across all six risks, the status quo option carries the lowest risk as it involves no change. However, some of the risks inherent in the current operation, such as the ability to retain reputation, stakeholder confidence and the quality and scope of work remain unchanged, leaving the status quo dependent on the current level of investment to sustain the organisation.

Annex 8 summarises the overall score for each risk across each of the options. What this overall summary shows is that there is little difference between the merger and NDPB options in relation to risks 2 and 4.

Overall, the merger option carries the highest risk. However, it is worth noting that the total risk score is 192 out of a total potential risk score of 575. All of the risks are capable of being managed, with only 6.3 falling into the red category. Successful implementation of the merger option would need extensive work with stakeholders, careful management of the change process and a long term commitment to maintain the functions of RCAHMS in order to succeed. There are clear lessons to be learnt from the English Heritage merger and these should be considered as part of any risk mitigation plan.

There are also some risks within the NDPB option, although the total score is lower at 147. Effective management of the change process would still be required if the anticipated benefits were to be realised. In particular, the fact that there is little change in the scope of functions means that some risks inherent in the status quo remain in the NDPB option.

CHAPTER 7 – FINANCIAL ANALYSIS

INTRODUCTION

An important dimension of the options appraisal process is the identification of any costs or cost benefits associated with each option, which alongside risks and benefits informs the outcome. A number of areas for initial investigation were identified and are outlined in Annex 6. Scott Moncrieff a firm of chartered accountants were engaged to provide specialist advice and analysis and worked closely with RCAHMS and the review team. There are essentially four components to the financial analysis:

- analysis of current situation;
- developing a baseline finance model;
- identifying potential finance implications of options; and
- scenario planning.

The initial report provided an analysis of the current situation and an executive summary is provided in Annex 9. Further specific analysis was then commissioned to provide analysis of the other three bullet points.

ANALYSIS OF CURRENT FINANCE SITUATION

A key finding of the report is the complexity that surrounds the various accounting methodologies that are in operation.

There are three bodies that make up the RCAHMS group:

- RCAHMS which is both an NDPB and a registered charity and which receives funding through the Scottish Government vote. This operates on a cash basis with transactions routed through SEAS. Expenditure of the core grant appears as part of Scottish Governments overall accounts. A consolidated set of annual audited accounts reflecting RCAHMS charity are also prepared and submitted to OSCR.
- Scran Trust which is a registered charity and company limited by guarantee. It is a single member organisation and that member is RCAHMS. The Trust receives all of its income from government as a grant and for payment of subscriptions to its services for schools. Annual accounts are prepared on an accrual basis and submitted to both OSCR and Companies House.
- Scran Ltd which is a company limited by shares and which is a wholly owned subsidiary of Scran Trust. This operates as RCAHMS Enterprises and operates the trading activities of its charitable parent company RCAHMS. Commercial income that feeds through this company includes income from RCAHMS activities, Scran and NCAP. Annual accounts are prepared on an accruals basis and submitted to Companies House.

All sets of accounts are in the public domain, although due to the lack of progress in agreeing the Management Agreement and Financial Memorandum the full consolidated accounts provided to OSCR are not reported as a matter of course to Scottish Government Finance. Other NDPB's receiving grant in aid would be subject to review by Audit Scotland, however as RCAHMS receives its funding via the vote Audit Scotland's oversight is only as part of the oversight of Scottish Government accounts.

The conclusion of the Scott Moncrieff report in respect of funds was as follows;

- RCAHMS is forecasting a balanced cash budget for the current year and surpluses within the Scran group (Scran group includes Scran Trust and RCAHMS Enterprises (Scran Ltd)).

Given that RCAHMS receives its funding via the vote it would be unusual for budgets not to balance at the end of the year.

BASELINE FINANCE MODEL

The next stage of financial analysis involved the development of a finance model to fully understand the financial and cash position of the group of companies. The summary sheet of the “as is” model is attached as Annex 10.

Whilst the definition of sustainability for the review was set as a ten year period, it was considered that for this financial analysis, to project further ahead than a three year period would not provide any reliable information. The model reflects two years past and projects the current year and two years forward.

The model shows the following surplus and cash assets for the RCAHMS Group and the Scran Group which is a sub set of RCAHMS group.

Current financial situation of RCAHMS projected to 2014-15

	2010/11	2011/12	2012/13	2013/14	2014/15
RCAHMS Group					
Net Surplus	£390,409	£275,685	£56,278	£117,112	£113,524
Cash Assets	£1,332,076	£1,728,320	£1,765,715	£1,968,530	£2,158,453
Scran Group					
Net Surplus	£189,544	£288,153	£131,609	£134,217	£138,740
Cash Assets	£1,284,899	£1,687,698	£1,744,011	£1,882,840	£2,024,178

If there were no reductions in Scottish Government baseline and project funding and the level of income generation was maintained then the RCAHMS group would be financially sustainable at least up to 2014-15.

It is worth noting that a significant amount of the cash assets sit in the Scran group and that from 2011/12 onwards it is the Scran Group that realises a surplus with RCAHMS individually delivering a net deficit.

POTENTIAL IMPLICATIONS OF OPTIONS BEING CONSIDERED

The next stage involved identifying areas where there maybe potential costs, both ongoing and transitional associated with the two change options as well as potential areas for savings. Areas of costs were broadly categorised as

- staffing;
- information technology;
- governance;
- accommodation;
- charitable status; and
- implementation.

For each of these areas assumptions were developed on the likely implications of each option. The assumptions made can be found in Annex 11 and inform both the analysis and the consideration of costs and cost benefits below. This information was then used to create two further models representing the merger and NDPB options.

The outturn for the two options is presented in the table below the full summary sheets can be found in Annex 10 and 12. It should be noted that only ongoing savings and costs were included in the models and as only transition costs arise in the NDPB model, the baseline acts for both.

Potential costs and savings of the two options being considered

	2012/13	2013/14	2014/15	Total
Merger				
Total transitional costs	£97,555	£231,110		£328,665
Total ongoing costs		£251,144	£251,144	
Total ongoing savings		£76,000	£407,700	
Total ongoing saving			£156,556	
NDPB				
Total transitional costs	£42,330	£67,330		£109,660

COSTS

As expected, the transition costs for the merger option are significantly higher than those to create a new reconstituted NDPB (detail of costs and savings can be found in Annex 13).

There are no ongoing additional costs in the NDPB option. For the merger, ongoing costs reflect a potential increase in software licensing and additional VAT that may arise from the creation of a new charitable body.

The transition period may also have a negative impact on both options in terms of staff time diverted to implementation and a consequent loss of income. This impact would be greater in the merger option due to the greater complexity of change.

COST BENEFITS

Merger

The merger option realises an ongoing saving of £156,556. While the model identifies this in 2014/15, in practice it is dependent on the successful redeployment of people in surplus posts. While this may take longer than 2014/15 to realise, there is a benefit in kind in the interim resulting from their redeployment to other work.

There is also potential for income from sale of HS images to be increased, capitalising on RCAHMS sales system, for RCAHMS image, subscription and publication income to increase capitalising on HS brand and access to outlets and to develop marketable products from RCAHMS collection. There may also be potential to optimise the benefits arising out of the new charitable trust, specifically in relation to buildings rate relief and charitable discounted rates for goods.

In addition to potential cash savings there may be other benefits that it has not been possible to quantify within the level of detail that this appraisal allows. The full list of these can be found in Annex 14.

NDPB

For the NDPB option there may be efficiency savings driven through the development of shared services with other National Collections. Some aspects of these shared services would also benefit the merger option but may be easier to realise in the NDPB option. It is worth noting that some areas identified as potential for costs saving and income generation could be delivered under the status quo and are indeed currently being pursued by RCAHMS.

CONCLUSION

Overall when considering costs, savings, income generation and efficiencies there is potentially greater benefit delivered with the merger option.

SCENARIO PLANNING

The next stage involved asking the question what if? It is assumed that the current funding situation of level funding from the Scottish Government for the rest of the spending review period is the best case scenario, as it was not possible to consider a situation where funding increased in the current financial climate. For a worst case scenario, it was agreed to plan for a reduction in the baseline grant from Scottish Government for 2013-14 and 2014-15 in line with the percentage reductions proposed for Historic Scotland over the period.

The effect of this for all three options is broadly the same and is presented in the table below. There would be a significant deficit for all three options. Full summary sheets can be found in Annex 15.

Effect of reducing Scottish Government Baseline Funding - Worst Case Scenario (Transition costs removed)

RCAHMS Group	2013-14	2014-15
Baseline		
Net surplus/deficit	£344,038d	£752,195d
Cash Assets	£1,560,410	£931,137
Merger		
Net surplus/deficit	£519,182d	£595,639d
Cash Assets	£1,388,942	£909,264
NDPB		
Net surplus/deficit	£344,038d	£752,195d
Cash Assets	£1,560,410	£931,137

The important issue in understanding the impact of this position would be how each of the three models could react to the potential deficit in the short and long term. As previously outlined (Annex 14) there are a number of ways that efficiency savings and increased income could be achieved. These are explored in chapters 5 and 6 on benefits and risks respectively. The conclusion of which is that a larger organisation would be more resilient to the effects of budget reductions while preserving key functions.

CONCLUSIONS

A clear finding of this review is that the existing funding and accounting methodology does not provide for transparent public and government reporting. It is feasible to address this position under any of the options being considered and the ways that each would deal with it are explored in chapters 5 and 6.

RCAHMS as a group is currently financially sustainable assuming the current best case funding scenario. However, consideration should be given to the relationship between the parent body and Scran group which creates the surplus and holds the net cash. This is not within the scope of the review to consider, but discussions have commenced with Scottish Government finance officials in order to better understand the relationship between Scran group and RCAHMS group so that the existing sponsorship arrangement can be made fit for purpose and the full implications of each of the options properly understood.

Any reductions in future baseline funding from Scottish Ministers would impact all 3 options to a similar extent. Although the potential to manage the impact in a larger organisation, without the loss of critical expertise, is greater.

The net benefit of a merger compared to the NDPB option is relatively small. However the merger would provide additional resilience and the potential for further rationalisation through the integration of functions as well as some additional potential to develop commercial income. Some of this benefit may also be delivered by an NDPB, but is dependent on the development of shared services and effective collaboration with Historic Scotland.

Further financial analysis would be required in the development of a business case for any preferred option.

CHAPTER 8 – CONCLUSION

INTRODUCTION

The remit of the option appraisal was to:

- identify the objectives to be met in securing a sustainable long term future for RCAHMS functions;
- identify a range of possible options that might meet those objectives; and
- assess those options against the benefits that they deliver, the risks involved and the cost implications.

During six months of evidence gathering and analysis, the review team has worked closely with both RCAHMS and Historic Scotland as their sponsor taken account of the views of the Strategic Group advising the review process.

The process has followed broadly the Treasury Green Book guidance on options appraisal although, at the suggestion of the Strategic Group, some of the more detailed appraisal has deviated from the letter of the guidance to allow a more discursive analysis of the issues.

FINDINGS

The financial analysis has confirmed that the status quo is financially viable for the remainder of the spending review period. That, in effect, means that all three of the options under consideration might be considered as financially viable, assuming the best case funding scenario of no reductions in the Scottish Government allocation. Appraisal of the options has concluded that organisationally and functionally each is a viable option. However, the nature of option appraisal inevitably means that this assessment is undertaken at a high level. Once a preferred option is selected, a full business case should be developed before confirming the decision to proceed with it.

STATUS QUO

Without changing the status quo, it would be feasible to update the Royal Warrant, revise the funding arrangements and improve the sponsorship arrangement. Collectively, these would result in some significant improvements and provide a better foundation for the relationship with Historic Scotland and with the Scottish Government's priorities and outcomes.

However, the status quo does little to improve the functional sustainability of RCAHMS in the longer term. It would require a continued commitment to the best case funding scenario and the lack of clarity about the legal status of functions allocated in a Royal Warrant rather than legislation would pose a continued risk of further review or challenge in the future. The status quo might therefore be regarded as a postponement of a definitive decision on the future of the Commission and was not supported by the Strategic Group.

MERGER OPTION

The merger option is more financially sustainable than either of the other two. It creates medium term savings of £156,000 per annum without impact on key functions, with the potential for further savings through rationalising functions and maximising both the tax position and commercial potential. It does however have higher transitional costs, estimated at £328,000, as opposed to £109,000 for the

NDPB option. The detailed costs and cost benefits would need to be assessed as part of any business case.

Of course, the review has focused on functional sustainability rather than financial sustainability. There is a risk that as a small part of a larger organisation, the value of RCAHMS' functions is lost. It would be important to acknowledge that and ensure that any legislation effecting a merger ensured the long term requirement to both fulfil those functions at an appropriate level to deliver required outcomes.

The merger option offers the greatest potential to deliver the identified benefits, particularly in relation to benefit 2 - Enhanced understanding and interpretation of the historic built environment, where the establishment of a single body provides new opportunities to capitalise on the resources, skills and expertise of both current organisations.

However, it carries higher risks than the other options considered. Merger should not be undertaken lightly and success would require clear leadership and a visible long term commitment, underpinned by a clear vision and strategy for what is to be achieved. It would be important to ensure that external stakeholders were fully involved in the process and that their legitimate concerns were understood and actively managed. That said, the overall risk is not excessive and could be managed as part of a change programme. Learning from the establishment of English Heritage would be vital in informing the detailed implementation of a merger.

NDPB OPTION

The NDPB option is financially sustainable for the remainder of the spending review period, assuming that the best case funding scenario can be sustained. Establishing the organisation in primary legislation, would undoubtedly add further functional sustainability to the organisation, setting out a clear remit for the organisation and placing it on a similar foundation to other Scottish National Collections. Being more formally a part of the existing family of National Collections would also offer potential for greater collaboration, enhancing resilience. This option offers little new scope for efficiencies, other than through shared services. Experience of other National Collections suggests that these are beneficial in improving resilience but less so in terms of making real efficiencies.

The NDPB option delivers the desired benefits through aligning the organisation more closely with the Scottish Government's cultural goals and ensuring that the potential of both the RCAHMS collections and those of the other National Collections are fully exploited in celebrating Scotland's cultural identity and heritage. It places all National Collections on a similar legislative footing and provides the chance to modernise the governance of RCAHMS, setting a 21st Century context for their work. Successful delivery of benefit 2 - Enhanced understanding and interpretation of the historic built environment would be dependent on effective collaboration with Historic Scotland and the National Collections.

The NDPB option carries a lesser overall risk, and would represent a less dramatic change, than a merger. Nevertheless, effective leadership and a long term commitment to delivery would still be required to achieve success. Achieving the new NDPB status would not, on its own, deliver the expected benefits, but rather

create the circumstances that would allow them to be delivered. It would be important to ensure that the opportunity, afforded by the new status, was taken to put in place the right strategic collaborations and partnerships in order for benefits to be realised.

DISCUSSION

Both of the change options provide an organisational model that is better fitted than the status quo to the purpose of sustaining the functions of a public body in the long term. Each offers a distinctive solution to the issue and both are likely to deliver the desired benefits in a different way. At the heart of the issue lies two questions:

- whether it is better to have a single public body responsible for all functions relating to the understanding, celebration and management of the historic built environment or two separate bodies with distinctive functions that each play discrete but related roles; and
- whether an executive agency is an appropriate vehicle for managing a National Collection or the need for separation from ministerial direction dictates a requirement for an NDPB to undertake RCAHMS' functions alongside other National Collections.

There is a strong argument that the public sector simplification agenda would be better served by establishing a single body responsible for all of the functions associated with championing the historic built environment, from new research, through curating, preserving and presenting collections, to managing and protecting the built environment. It would be more sustainable, have scope for greater efficiency and the opportunity to build upon the reputation for excellence of both bodies. It would however require a significant short and long term commitment and a clear vision for what was to be achieved.

However, having a single executive agency responsible for all of the functions would, in effect mean that Scottish Ministers were responsible for directly managing an important cultural collections. While this could be managed and the independence of the collections retained in the merger option through the development of a charitable trust, it would be out of step with the governance of other National Collections and would add some complexity to the organisation and governance of the agency.

Whilst the review has not specifically considered the question, if the preferred option was to have a single public body, there may be value in considering whether that body should, in itself become a new NDPB rather than an executive agency. This would require careful consideration, as it would be a significant change and carry benefits and risks of its own that have been beyond the scope of this review.

The strength of the NDPB option lies in establishing appropriate governance for RCAHMS. It would be in line with the public sector simplification agenda through modernising the governance of an existing public body. Doing so would place decisions on its future at parliamentary rather than ministerial discretion and provide a clear statement on the priority and importance of the RCAHMS collection, positioning it more firmly alongside other National Collections in Scotland's cultural heritage landscape.

However, a reconstituted NDPB would require a long term commitment from government to maintain the current level of funding in order to ensure the sustainability of functions. Success is also dependent on effective strategic and operational collaboration between the NDPB, Historic Scotland and the other National Collections.

CONCLUSION

Maintaining the status quo would not be desirable and is not supported by the Strategic Group advising the review. RCAHMS has suffered an extended period of uncertainty over recent years, where various options for their future have been considered. The use of a Royal Commission to deliver long term government functions is an unsatisfactory model and it seems likely that any decision to retain the status quo would simply be a postponement of a decision for change.

The final decision on which of the change options is most likely to deliver the goal of long term sustainability of functions comes down to a single question. Whether it is better to have a single public body deliver all of the required functions or two bodies with different governance and clearly defined functions collaborating on delivery.

NEXT STEPS

The analysis of the options provided in this report is necessarily high level and based on a number of assumptions. In order to achieve the potential benefits and understand and manage the full extent of any risks, a full business case on a preferred option would be required to inform a final decision. In the case of the merger option, it might also be desirable to consider whether the merged body should, itself become an NDPB

ANNEX 1- SUMMARY OF ROLE AND FUNCTIONS

The role of the Royal Commission on the Ancient and Historical Monuments of Scotland is-

- to identify, survey and interpret structures and places which it considers to be of historical, archaeological or architectural interest,
- to record and retain information obtained in its survey role
- to establish, care for, preserve and add to a collection of objects of historical, archaeological or architectural interest,
- to manage as a national resource the information and collection of objects held by it, having particular regard to objects pertaining to Scotland,
- to ensure that-
 - the objects in its collection are exhibited to the public and interpreted in such manner as the Commission considers appropriate, and
 - the information collected by it is made available to the public and interpreted in such manner as the Commission considers appropriate,
- to ensure that the objects in its collection, including the information collected by it, are made available to individuals seeking to examine them in connection with study or research,
- to give advice and assistance as appropriate to other persons in relation to compiling, maintaining and improving records of structures and places in Scotland which are of historical, archaeological or architectural interest,
- to give guidance as appropriate to other persons in relation to the functions of the Commission, and
- to provide education and carry out research relating to the functions of the Commission.

The Royal Commission on the Ancient and Historical Monuments of Scotland carries out these functions with a view to-

- encouraging and enabling as many people as possible to access the resources held in its collection, and
- promoting the public's enjoyment and understanding of those resources.

The Royal Commission on the Ancient and Historical Monuments of Scotland provides, as required or appropriate, the Scottish Ministers with advice on any matter relating to the functions of the Commission.

ANNEX 2 - STRATEGIC GROUP REMIT AND MEMBERSHIP

Purpose

On 16 November 2011, the Cabinet Secretary for Culture and External affairs commissioned an options appraisal of the long term future of the Royal Commission for the Ancient and Historical Monuments of Scotland. The purpose of the review is to consider options on securing a sustainable future for the work and expertise of the Commission against a backdrop of reducing public expenditure.

Strategic Group

The review process is to be overseen by a Strategic Group, which will:

- Advise the programme manager on the structure and approach to the work of the review
- Decide how and when progress with the review should be communicated to stakeholders and how they should be engaged in informing the review process
- Advise on additional areas for investigation as appropriate
- Consider emerging findings from the review and the implications of them
- Agree the process of reviewing options and who should be involved in it
- Advise on the content of the final report and any interim reports it considers appropriate.

Membership

The membership of the group will be:

Ian Walford	Historic Scotland (chair)
Barbara Cummins	Historic Scotland
Linda Ellison	Historic Scotland (later replaced by Myriam Madden)
Diana Murray	RCAHMS
Adam Jackson	RCAHMS
Paul Jardine	RCAHMS
David Seers	Culture Division SG
Wendy Wilkinson	Culture Division SG
Michael Proctor	Programme Manager

In attendance

Denise Havard	Programme Officer
Hannah Chadwick	Secretariat

Wendy Wilkinson and David Seers will share membership of the group, so that at least one of them is able to attend. There will be no substitutes for group members and the small size of the group and complexity of the work requires full attendance other than in exceptional circumstances.

Specialist advice

Where appropriate, the group may invite other members to join discussions on an ad hoc basis to provide specialist advice on relevant subjects.

Frequency of meetings

The group will meet monthly throughout the process and will conclude its work when the final report of the review is agreed. Longer workshop sessions will be held at appropriate points to allow detailed discussion of the options.

Papers may be circulated for comment between meetings where appropriate and exceptional meetings may be called where necessary to resolve specific issues.

ANNEX 3 - BEFS SUMMARY REPORT FROM STAKEHOLDER WORKSHOP

Introduction

BEFS held a stakeholder consultation workshop on the RCAHMS options appraisal on Wednesday 8th February 2012. The event was attended by circa 40 participants from Government, the third and private sectors – the majority of participants were from the voluntary sector.

Simon Gilmour, Vice-chair of BEFS chaired the morning session and introduced Michael Proctor, who outlined the context for the options appraisal, emphasising that the outcome is not a foregone conclusion and that the objective is to find a way to secure a long term sustainable solution for the work that RCAHMS does. It was explained that the appraisal is looking at the sustainability of functions and that there is no direction from Ministers as to the outcome.

In a plenary question and answer session questions covered: sponsorship arrangements (financial and policy responsibility); scope of the appraisal and whether it will cover other bodies (national collections, regional frameworks); the composition of the steering group for the appraisal; whether cognisance is being taken of the experiences of sister Royal Commissions in England and Wales; scope to expand RCAHMS' role; the issue of size and experiences of similarly sized organisations (A+DS and the Crofters' Commission); how this appraisal relates to the review of Historic Scotland's archaeology functions; use of the Treasury green book methodology which can be "quite brutal".

The participants broke into four groups for three break-out sessions, two before lunch and one after. Key findings arising in each are summarised below. Each addressed the same questions and key points were fed back to the full group.

Session 1: Experiences of RCAHMS

The aim of the session was to allow participants to discuss their experiences of RCAHMS, whether as a service user or partner.

1 As a user or customer of RCAHMS' services which aspect(s) of what they do you value?

Participants held the **expertise** and scholarly work of the organisation in high regard – the organisation was referred to as a "beacon of excellence with an international reputation". The culture of the organisation was another key theme - an organisation with **passion**, and an ability to convey this increasingly through its **outreach** work with community groups (for example the Scotland's Rural Past project), its **publications**, and **skills transfer**. The ability of the organisation to work **collaboratively**, bringing groups together and taking a key role in projects was recognised. The **impartiality** and neutrality of the organisation came through as another significant factor. **Accessibility** of the archive, not only online but also the physical archive was identified. And finally, the development of **cutting edge digital** projects and an ability to learn from, and share, these experiences. Work on the development and delivery of geo-spatial technologies was described as "innovative and visionary". RCAHMS was also described as "the definitive source of heritage information".

- 2 *Are there aspects of RCAHMS' services that could be improved, if so what?*
 There was discussion as to whether the **survey/recording** function is diminishing, with the strengthened emphasis on outreach. The latter must be additional to the former. There remains **huge potential** in the resources held by RCAHMS and systems that it operates. The expertise within the staff, which is greatly valued, also means that the organisation is vulnerable to staffing changes/loss of expertise – **legacy planning** must improve this. Specialisms can also hamper wider engagement with thinking in the sector. **Project work** can be left hanging, pending decisions on future finance, and progress can be slow. In addition, the slow rate of **accessioning information and collections** was highlighted as requiring improvement. Overall, a clarification of remit and strategy would allow for **better prioritisation** of activity throughout the organisation and a more proactive rather than reactive approach. Externally, **functional relations** with the other national collections could be improved. **Relations with Historic Scotland** were highlighted as being of significant cause for concern.
- 3 *As a partner with RCAHMS in the delivery of a service or project, what do you believe they bring to the partnership and how does that benefit your organisation?*
 RCAHMS has many partnerships. Perhaps accordingly, **comments varied** – benefits ranging from excellent, better ten years ago, to very limited. Benefits cited include **expertise, equipment, enthusiasm, skills, provides leverage, IT functionality**. Skills in **data visualisation/usability, data management, information dissemination and aiding interpretation** were all identified. The organisation is generous with time and expertise, is professional and honours commitments. It is **agile**, imaginative, empowers and encourages.
- 4 *What is your experience of partnership with RCAHMS?*
 Overall, **staff are very open**, welcoming and collaborative. At corporate level, mention was made of the relationship with local authorities, which is sometimes strained, however the HER forum is improving this. **Project management, budgeting and resource planning could be improved**. RCAHMS represents good value for money currently. **Ownership of data** is an issue – participants highlighted that material is kept for the benefit of the nation.

Session 2: Benefits and Risks

The aim of this session was to build upon the outputs from session one and allow participants to identify the outcomes that they would like to see from the review process.

- 1 *Have you noticed any significant differences in what the organisation does, or how it does it, over recent years? Have they had a positive or negative impact?*
 There has been a **shift in emphasis to public outreach**, on different scales, and education, which is positive, however this has not been without negative impact. Participants perceived that the focus on engagement has been to the detriment of field recording and accessioning information and collections. Also that expertise, and access thereto, has been diluted. Publications have become more populist in character, which is positive, but this should not be at

the expense of more scholarly presentation. Some participants perceived the focus on outreach as “sandbagging” to maintain interest from Ministers and funders. Greater **commercialisation** is another shift which has brought both positive and negative impacts. The risk is that both of these shifts detract the organisation from its **core function of survey and recording**. Much comes back to the **need for a clear strategy** within the broader picture of the historic environment sector. A final very positive change has been the **advances in work on geo-spatial technology**, in which the organisation “punches above its weight”.

2&3 *At the end of the review process what would you most like to see retained and changed?*

Retain (and develop)	Change
Functions	
National archive and associated skills	“Reclaim that which is ours”, redistributing functions with other organisations where appropriate e.g. 3D scanning/Scottish 10, combining national and local data sets – avoid duplication of records. Avoid erosion of skills.
Field survey and recording , and associated skills and investment in equipment to remain cutting edge	Listed buildings/Scheduled Monuments role? (<i>a point of debate hinging on the provision of expert advice on potential subjects for designation</i>) + see above – Historic Scotland’s role in recording (Scottish 10) was questioned. Avoid erosion of skills.
Digital access and outreach, including promoting international work, research and collaboration	Develop crowd-sourcing as both engagement and practical method to improving RCAHMS’ resources. Expand international participation (INSPIRE Directive as a potential lever). Use of Canmore and other digital resources for tourism purposes and as a model to sell overseas.
Direct access to physical archive	Avoid moving to an appointments system/reducing hours of access. Better alignment of access to documents applied to all national collections. Improve speed of accessioning.
Quality publications	Publications policy required to define broader range of user groups.
Empowerment /training delivered to other organisations	Further development of mentoring and support role.
Culture	
Impartiality and objectivity (some	

discussion on merits of charitable status).	
Expertise coupled with academic rigour – gold standard (recognition of high fixed costs associated with expertise.)	
Expertise at management level within the organisation	
Partnership working/in easy reach of other organisations	Strengthen communications with wider market
	A strategy to develop audience and needs. Define role within the context of external relationships with Historic Scotland, national collections, academia. Stronger prioritisation of activities within this wider context.
	Greater recognition of national remit .
	Better sponsorship arrangement with direct link to funding source.
	An expanded role for RCAHMS.
	An end to uncertainty .

Session 3: Options

In advance of the break-out session Michael Proctor outlined four broad options currently being considered. In the plenary following this, the following questions were raised: how could a cross-border merger with English and/or Welsh bodies work?; can a merger with Historic Scotland be posed as a specific electronic voting question?; further information sought on the financial review; how does this appraisal process fit with the wider historic environment review process being undertaken within Historic Scotland?; is the status quo really an option?

The aim of the third session was to allow participants to discuss potential organisational options for the future of RCAHMS that the review might consider.

1 *What organisational options for the future of RCAHMS should the review consider?*

Capacity within the third and academic sectors should be considered as part of the process. Discussion tended to focus on the second question below:

2 *What are participant's views on the relative merits of different options?*

Not all of the groups were able to give collective comment on specific options at this stage, although some individuals were able to give clear views on the four options. Generally the status quo was thought not be tenable (although see comments below). In at least two of the groups there was little support for merger options – the focus of discussion was much more on support for an **expanded role for RCAHMS** which might ensure future sustainability. A number of functions being undertaken by Historic Scotland could logically sit with RCAHMS. The core functions of RCAHMS must be retained and RCAHMS become a centre of excellence. This will require proper resourcing and support from Government which should include a direct sponsorship arrangement with Government.

One group collectively felt that the **overall strategy for the historic environment in Scotland is not yet in place** to guide the specifics of particular options for delivery. RCAHMS' and others' functions and purpose within the wider heritage landscape must be more clearly defined. Until that point the status quo should be maintained, otherwise we risk losing what we value. A merger with Historic Scotland was thought not to be a desirable option and stakeholders would wish opportunity to express reasons for this. An "accretion" model could be pursued, exploring options by adding and deleting functions. Similarly another group identified the need for a "national collections strategy" which would provide the strategic overview and could enable core costs (HR, finance etc) to be shared. RCAHMS should have legal status on a par with the four other collections.

Summary

Electronic voting throughout the day provided answers to a series of questions posed by the review team. The results are available in a separate document. In summarising the day, Cliff Hague, Chairman of BEFS, highlighted the following points:

- That RCAHMS is clearly a well-respected organisation
- That it has visibility, credibility and support – and is widely recognised as an organisation with passion for what it does.
- It is an organisation that is not averse to development and change, and undertakes this with care and sensitivity.
- In improving the organisation, we must take care not to lose what we have. A strategy is required first, to provide the context for the detailed consideration of operational options.

The full BEFS report is available to view online:

http://www.befs.co.uk/index.php?option=com_docman&task=cat_view&gid=61&Itemid=90

ANNEX 4 - SUMMARY OF RESPONSES FROM SURVEY MONKEY

Overview

As part of the review process, interested stakeholders were invited to respond to a series of questions listed on the RCAHMS website. The questionnaire ran from 16 January 2012 to 10 February 2012. 81 responses were received. Below is the list of questions asked, which broadly reflect those discussed at the stakeholder workshop:

- As a user or customer of RCAHMS services which aspect(s) of what they do do you value?
- Are there aspects of RCAHMS services that could be improved, if so what?
- As a partner with RCAHMS in the delivery of a service or project, what do you believe they bring to the partnership and how does that benefit your organisation?
- What is your experience of partnership with RCAHMS?
- Have you noticed any significant differences in what the organisation does, or how it does it, over recent years? Have they had a positive or negative impact?
- At the end of the review process, what would you most like to see preserved and developed?
- At the end of the review process, what would you most like to see change?

The majority of respondents commented favourably on the work that RCAHMS does. Respondents praised the high quality survey and recording work, the richness of the collection and the enthusiastic, knowledgeable staff who provide expert advice. Respondents also valued the publications, online resources and RCAHMS education and out reach activities – in particular their efforts to engage with local communities and schools.

Respondents, when asked what they would like to see developed or changed, replied asking for increased digitisation of the collection and extended opening hours. Responses regarding Canmore were mixed: some respondents praising the database while others complained of gaps in the information and asked that it be updated or reconsidered completely.

In answering the question about what they would most like to see change, 7 respondents were in favour of no change at all, 25 respondents want to see some sort of change (increased digitisation of the collection, updating of Canmore, extended opening hours), 4 respondents supported a merger with Historic Scotland and 2 respondents were in favour of splitting RCAHMS functions amongst other public bodies. Three respondents called for the end of the review process, which

they felt were having a negative effect on the organisation and its ability to work effectively.

Who responded?

The survey was completed by a wide range of stakeholders including:

- Users – academic and personal interest
- Partners
- Volunteers
- Commercial/ private organisations

What people would like to see changed/ improved?

Accessibility and Visibility

The two main areas people most commented on was a desire to see more of the collection digitised and to have extended opening hours.

Increased digitisation

Whilst many respondents commended the efforts RCAHMS has already made to make its collection digitally available, a common theme throughout the survey responses was a desire to see more of the collection digitised.

Opening Hours

Several respondents asked that RCAHMS extend its opening hours. A few noted that access was an issue – particular for those living outside of Edinburgh or for those who worked full-time.

Reading Rooms

One respondent asked that the reading rooms be improved.

Visibility

A recurring theme in the responses was the need for RCAHMS to become more 'visible,' through better marketing. Several respondents noted that RCAHMS was 'unheard' of outside the heritage sector and that, unlike the NTS or Historic Scotland, the general public have little or no awareness of who they are and what they do.

Service

The majority of the comments regarding the services that RCAHMS provides were positive, praising the knowledge and expertise of the staff, the richness of the collection, and the high quality of the survey / field work and the range of education and outreach activities. There were a few areas that respondents wished to see improved:

Canmore

Respondents referred to both Canmore and the NMRS, these comments have been amalgamated and reflected in this section. Whilst most respondents praised Canmore – acknowledging that it was better than what was available in England.

Many felt that resources need to be directed into updating and addressing gaps in Canmore. A few respondents commented on the need for Canmore to be updated with more editorial control as some entries included have no descriptions. One respondent argued that the work on Canmore duplicates the work of local authorities and suggested the savings could be made if the Canmore budget was distributed to local authorities.

Pricing

A few respondents noted that they felt the price for RCAHMS' services was too high. One respondent asked for a student price to be introduced.

Publications

Most comments regarding RCAHMS publications were positive, centring on their high-quality. One respondent did call for a 'consistent and coherent' publications policy to be developed and another respondent suggested that more publications be available for young people.

Strategy

One respondent noted that they felt the long term goals of RCAHMS had been compromised due to the requirement to obtain funding for 'short term, specific and narrowly-focused projects.'

What do people value?

The majority of respondents were very positive in their views on the Commission. They valued the following:

The Knowledge and expertise of the staff

Almost all respondents said they valued the knowledge and expertise that the staff at RCAHMS possess. The majority described in their responses the professionalism, enthusiasm and friendliness of the staff. Most were keen to either retain or develop this further.

Survey and field work

A large number of responses also placed high value on the work of the survey and recording teams. The consensus was that the survey and recording work is a major part of RCAHMS core business.

A few respondents commented on, what they perceive to be, a declining emphasis on the survey work. The diversion of funds and energy into new areas, such as education and outreach, has meant that the volume of survey work has declined in recent years. A few respondents expressed concern about the resilience of the surveying function of the Commission – noting the departure of key staff members and the impact of this in terms of volume/ quality of the work they do.

The Collection

Many respondents remarked upon the richness of the collection with one respondent describing it as 'world renowned.'

Most of the comments regarding the collection were concerned with access – many respondents stated a desire to see more of the collection online.

Respondents also recognised the role that RCAHMS staff has in interpreting the collection.

The culture of the organisation

Many respondents remarked upon the change that RCAHMS has undergone in recent years – moving away from a ‘stuffy, elitist’ organisation to a more open, transparent and inclusive one. Many respondents held the culture and ethos of the organisation in high regard.

Education and outreach activities

A few respondents commented that engagement with the public has increased in recent years to create a more ‘outward looking organisation’

Publications

Many respondents commented on the high quality of the publications produced by RCAHMS.

Neutrality and Independence

Several respondents outlined the advantages of retaining RCAHMS’ neutrality and independence from the preservation/ conservation functions of Historic Scotland. They argued that RCAHMS’ neutrality makes them less threatening to land-owners who are more likely to be cooperative and give them access to their property.

The commissions excellent planning and project management skills

A few respondents remarked upon the Commissions skills at planning and project managing, describing them positively.

What would you like to see come out of the review?

7 respondents were in favour of no change at all and were happy with the Commission as it is. Two of the seven respondents used the phrase, ‘if it isn’t broken, don’t fix it.’

25 respondents identified aspects of the Commissions work that they would like to see changed. These ranged from extending opening hours, to increasing the amount of the collection available on-line, to re-thinking the NMRS. One respondent suggested that the relationship between RCAHMS, HS and local authority conservation officers needs to be worked on.

4 respondents supported a merger between RCAHMS and Historic Scotland.

2 respondents suggested dividing RCAHMS functions amongst other public bodies. For example, one respondent suggested that the archival collection be transferred to the National Records of Scotland.

A few respondents called for the end of the reviews that RCAHMS have experienced in recent years. They argued that these reviews undermine RCAHMS’ stability.

A few respondents noted that they wished to see a solution for the historic environment records to be devised during the review. One respondent suggested the reinstatement of county inventories and their supporting teams

Miscellaneous

One respondent suggested offering internships to post-graduate students to free up more time for experienced staff to develop RCAHMS and publish more.

ANNEX 5 – LIST OF INDIVIDUAL CONTRIBUTIONS TO THE REVIEW

5a Interviews

Historic Scotland	RCAHMS	Scottish Government	External
Ruth Parsons	Diana Murray	Maureen Garvie - Estates	George MacKenzie – National Records of Scotland
Ian Walford	John Hume	Ian Gilzean – Chief Architect (Previous Sponsor)	Jo Robertson - BEFS
Gary Love	Adam Jackson	Colin Miller Ian Martin – Public Bodies Team	Miles Glendinning – Edinburgh College of Art
Barbara Cummins	Robin Turner	David Seers - Culture	Martyn Wade – National Library of Scotland
Debbie Mays	Graham Turnbull		Marilyn Lewis and Gwilliam Hughes - CADW
Noel Fojut	Rebecca Bailey		Simon Gilmour – Society of Antiquaries
Linda Ellison	Alan Williams		The Royal Commission on the Ancient and Historical Monuments of Wales: Eurwyn Williams – Chair, Neil Harries – Vice Chair, Jonathon Hudson – Commissioner and Peter Wakelin – Secretary
Martin Fairley	Angela Gannon John Borland (Prospect local reps)		Gordon Rintoul and Jane Carmichael– National Museums Scotland
Olwyn Owen	Kirstie Lingstadt		Peter Hinton – Institute of Field Archaeologists
Sue Mitchell	Rebecca Jones		John Leighton – National Galleries Scotland
John Murphy	Ian Anderson		Peter Drummond - Architecture

	Miriam Macdonald		Heritage Society of Scotland (AHSS)
James Hepher	Piers Dixon		Stephen Blackmore – Botanical Gardens
James Steel	Jo McCoy		Bill Maxwell – Education Scotland
Elizabeth McCrone	Neil Gregory		Kate Mavor / Terry Levinthal – National Trust for Scotland
Lesley MacInnes	Gary Wales		Colin MacLean –Heritage Lottery Fund
Alan Rutherford	Diane Watters		Julian Richards – Archaeology Data Service
Miles Oglethorpe	Buildings at Risk team -Alex Adamson, Isabel Fry, Neil Adams		Laura Hoskins - COSLA
Robert Wilmot	Mike Middleton		Keith Falconer – English Heritage
Sharon Haire	Adam Welfare		James Simpson, Tom Addyman – Simpson & Brown
Aongus MacKechnie	Steve Boyle		Tom Addyman, Nicolas Uglow, Tom Parnell, Tanja Romankiewicz – Simpson & Brown
Kirsty MacDonald	Simon Green		Julie Gibson – Orkney Islands Council
John Raven	Elsbeth Reid		Lindsay Montgomery – NDPB Forum Chair
	Jeremy Huggett		
	Jude Quartson – Mochrie		
	John Hunter		
	Tom Dawson		
	Gordon Masterton		
	Kate Byrne		
	NCAP Team – Allan Williams, Andreas Buchholz, Kevin McClaren, Alan Potts		
	Alan Muirden		
	HLA Team – Richard Craig, Chris		

	Nelson, Sine Hood, Kirsty Millican		
	Peter McKeague		
	Photographers – Ann Martin, Tahra Duncan-Clark, Robert Adam, Derek Smart		
	Alex Hale and George Geddes		
	Steve Wallace, John Borland and Ian Parker		
	Graham Ritchie		
	Dave Cowley		
	Lesley Ferguson		

5b Written responses

Individual	Associated Organisation
Alan Thompson	N/A – Individual
Matt Ritchie	Forestry Commission Scotland
Bill Patterson	Isle of Mull - Comhlan Croag (the Croig Group)
Linda Urquhart	Morton Fraser
Gordon Maxwell	N/A – Individual
Meryl Marshall	North Of Scotland Archaeological Society
John Wells	West Lothian Archaeology
Ewen Smith	Association of Certified Field Archaeologists
Nicholas Kingsley	The National Archives
Tom Welsh	N/A – Individual
Humphrey Welfare	N/A – Individual
Peter van Dommelen	School of Humanities, University of Glasgow
Chris Smout	Historiographer Royal for Scotland
Joanne Orr	Museums Galleries Scotland
David Breeze	N/A – Individual

ANNEX 6 - BRIEF FOR STAGE 1 FINANCE ANALYSIS

Financial analysis

An important element of the options appraisal will be a financial analysis of both the current situation and the potential implication of alternative options. Some specific areas for investigation are summarised below, although it is likely that others will emerge during the review process.

Analysis of current financial situation

RCAHMS has projected a loss in 2012/13, even with no reduction in Government funding. This, in part, triggered the review. Senior managers have now drawn back from that statement and are confident of breaking even. Detailed analysis of financial projections and funding assumptions for the remainder of the spending review period and beyond (particularly in the light of budget reductions facing other funding partners) is required to clarify this position.

Scenario planning

While the organisation may or may not be viable with a funding freeze, the reality is that central government and other government funded bodies are facing year on year reductions in income. Modelling of the impact of year on year reductions in funding through and beyond the spending review period will illustrate the extent to which the current situation is sustainable.

Impact of current operating model

As an NDPB, a registered charity and a limited company, RCAHMS produce three different sets of accounts, which are externally audited. Some analysis of the complexity of this situation and the implications in terms of good governance and accountability to Scottish Ministers would inform discussion on potential alternative models. RCAHMS current external auditor, Jandy Stephenson of Henderson Logie, will be available to inform this analysis.

Charitable status

There is a risk with some alternative models that charitable status could be lost. An assessment of the justification of charitable status, the financial implications of losing it and what would be required to maintain this within any other organisational model is needed.

Organisational cost model

As an increasing proportion of income has been generated from external sources, RCAHMS has evolved a detailed cost model for assessing the costs of staff time that may contribute to projects. An evaluation of the robustness of this cost model is required.

Budgetary analysis over time

Since 1999, the percentage of non core income has increased from 3% to around 33%. With that, the work of the organisation has shifted significantly. An analysis over time of the actual expenditure and the proportion of total expenditure spent on each functional area is required to assess the extent to which the functions of the organisation have changed.

Impact of project funding

As the percentage of project funding has increased there is a perception that the delivery of core functions is being dictated by externally driven factors rather than strategic or ministerial direction. An analysis of a range of separate projects looking at the proportion of funding coming from the project funding body and the proportion from core funding will help inform an understanding of this.

Impact of accommodation issues

The lack of suitable accommodation for the National Collection means that it is being stored in a number of different locations, often on short term leases. The cost of this arrangement needs to be quantified including the costs of short term leases rather than permanent arrangements, transport costs and the costs associated with moving parts of the collection between locations.

Costs and cost benefits of options

As more detailed options evolve and are assessed, it will be important to analyse the costs and cost benefits in order to inform the appraisal of options.

ANNEX 7 - LONG-LIST OF OPTIONS AND REASONS FOR INCLUSION OR REJECTION.

The strategic steering group identified a long list of potential organisational options that might be explored to ensure a sustainable future for the organisation. The group immediately ruled out four options, these were:

- Radical reform of the whole sector
- Merger with the Royal Commission on the Ancient and Historical Monuments of Wales (RCAHMW)
- Merger with RCAHMW and English Heritage
- Retain a core strategic steam and devolve survey to regional teams.

In addition to the status quo, nine change options were considered for inclusion in a shortlist for appraisal:

- Merger with Historic Scotland
- Merger with National Records of Scotland
- Merger with National Library of Scotland
- Reconstituted NDPB with functions established in legislation
- Establish a free standing charitable trust, independent of Government
- Establish a private commercial organisation, independent of Government
- Establish a Chartered Academic Institute with University link, independent of Government
- Merger of collection with NRS and survey work with HS
- Merger of collection with NLS and survey work with HS

In order to decide which of these should be subject to detailed appraisal, an initial short-listing exercise was undertaken in a workshop with the Strategic Steering Group and additional senior staff and commissioners from RCAHMS and Historic Scotland.

Each of the options was described and an initial assessment against five dimensions was carried out by the programme team. The five dimensions were:

- **Sustainability** - To what extent does the proposed option deliver the core objective of sustaining RCAHMS' functions and why?
- **Coherence of goals** (in options that involve a partner) - To what extent is there coherence of goals between RCAHMS and the potential partner organisation(s)?
- **Policy coherence** - To what extent is the proposed option coherent with SG policy and for what reasons?
- **Feasibility** - How practical would the implementation of this option be? To what extent are there likely to be difficulties in delivering this option?
- **Affordability** - To what extent is the option likely to be affordable? Are there likely to be short term transitional costs, if so of what order?

Outcomes from Short listing exercise

Merger with Historic Scotland option

The option was deemed worthy of further analysis on the basis that there is the potential to improve sustainability, coherence of goals between the organisations and with Scottish Government policy and the option is both feasible and affordable.

Merger with National Records of Scotland

This option was rejected on the basis that there is a significant risk to the sustainability of survey and recording functions and a non ministerial department is not seen as an appropriate vehicle for RCAHMS' work.

Merger with National Library of Scotland

This option was rejected on the basis that there would be a significant risk to the survey and recording function and there was insufficient similarity in the functions of the organisations to allow for any efficiencies.

Reconstituted NDPB with functions established in legislation

This option was selected for detailed analysis on the basis that it is feasible and affordable and may deliver some improvement in sustainability. It is also broadly coherent with other relevant SG policy

Establish a free standing charitable trust, independent of government

This option was rejected on the basis that it poses an increased risk to sustainability and the potential loss of income. It is also likely that pension transfer costs for staff would be significant.

Establish a private commercial organisation, independent of government

This option was rejected on the basis that it would be likely to have a negative impact on sustainability, establishing a commercial organisation would be costly and Ministers would be unlikely to agree the transfer of nationally important collections to a commercial organisation.

Establish a Chartered Academic Institute with University link, independent of Government

This option was rejected on the basis that it would be unlikely to improve sustainability, would be likely to be costly to implement and is not coherent with Scottish Government policy.

Merger of collection with National Records of Scotland and Survey work with Historic Scotland

This option was rejected on the basis that any potential benefits would be lost by the additional costs and loss of policy coherence associated with dividing the functions of RCAHMS between two organisations.

Merger of collection with National Library of Scotland and survey work with HS

This option was rejected on the basis that any potential benefits would be more than offset by the additional costs and loss of policy coherence associated with dividing the functions of RCAHMS between two organisations.

ANNEX 8 - SUMMARY OF RISK SCORES

Ref	Description	Impact	Score	Status Quo				Merger				NDPB			
				Likelihood	Score	Overall Score	RAYG Status	Likelihood	Score	Overall Score	RAYG Status	Likelihood	Score	Overall Score	RAYG Status
1	The quality of public services is reduced														
1.1	Separation of commercial services results in reduction in the quality and accessibility of public services.	Major	3	No Risk				Possible	2	6		Possible	1	3	
1.2	Loss of IS development and support skills damages the ability to operate effectively and leads to a loss of online services	Critical	4	Rare	1	4		Possible	2	8		Rare	1	4	
1.3	Impartiality and independence of advice and information is damaged, particularly regulatory advice.	Major	3	No risk				Likely	3	9		No risk			
Cumulative score Risk 1						4				23				7	
2	The quality and scope of work is reduced														
2.1	The ability to undertake long term strategic research for the benefit of the historic environment is undermined.	Critical	4	Possible	2	8		Possible	2	8		Possible	2	8	

2.2	There is a lack of recognition of the value of work, with a consequent reduction in the scope and quality of work undertaken	Major	3	Possible	2	6		Possible	2	6		Rare	1	3	
2.3	The security of the digital collection is undermined.	Extreme	5	Possible	2	10		Possible	2	10		Possible	2	10	
2.4	There is a loss of experienced staff, resulting in gaps in expertise and experience and a reduction in academic credibility.	Major	3	Likely	3	9		Possible	2	6		Likely	3	9	
Cumulative score Risk 2						33				30				30	
3	Loss of reputation and stakeholder confidence														
3.1	Loss of the RCAHMS brand and reputation for successful delivery is damaged as a result of changes in the range or quality of work.	Major	3	Possible	2	6		Highly Likely	4	12		Likely	3	9	
3.2	Skills and expertise are lost diluted, or re-directed to other work, undermining credibility and reputation.	Major	3	Likely	3	9		Likely	3	9		Likely	3	9	
3.3	Loss of Independent Research Organisation status results in a loss of research and partnership funding and reduction in academic credibility.	Major	3	No risk				Highly Likely	4	12		Possible	2	6	

3.4	Reduction in staff numbers to match available income, impacts on the ability to retain credibility and reputation	Critical	4	Likely	3	12		Possible	2	8		Likely	3	12	
3.5	Public donations to the collection are withheld or withdrawn due to concerns over security and accessibility.	Major	3	No risk				Possible	2	6		Rare	1	3	
Cumulative score Risk 3						27				47				41	
4	Funding is insufficient to sustain core functions														
4.1	Quality and scope of work cannot be maintained within available funding, leading to the loss of reputation and stakeholder confidence.	Major	3	Likely	3	9		Possible	2	6		Likely	3	9	
4.2	Inability to generate supplementary income leaves a gap between income and expenditure.	Major	3	Possible	2	6		Likely	3	9		Possible	2	6	
4.3	Inability to maintain SWISH partnership leads to shortfall in income to support information systems	Major	3	Possible	2	6		Rare	1	3		Possible	2	6	
Cumulative score Risk 4						21				18				21	
5	Changed organisational status impacts delivery														
5.1	Loss of independent board members results in a loss of expertise, knowledge, advice	Major	3	No risk				Likely	3	9		Possible	2	6	

	and focus.													
5.2	Functions are not valued, leading to dilution and dispersal of expertise.	Major	3	No risk			Possible	2	6		Possible	2	6	
5.3	The ability to respond quickly and creatively to new opportunities is reduced.	Minor	2	No risk			Possible	2	4		Possible	2	4	
5.4	There is a loss of charitable status and the associated financial and organisational benefits.	Critical	4	No risk			Possible	2	8		Rare	1	4	
Cumulative score Risk 5						0			27				20	
6	Change process leads to a loss of direction and focus													
6.1	Effort is directed to managing change and not on maintaining core business.	Major	3	No risk			Highly Likely	4	12		Possible	2	6	
6.2	Delays in implementation result in a prolonged period of uncertainty.	Minor	2	No risk			Likely	3	6		Highly Likely	4	8	
6.3	Attitudes towards the change make successful implementation difficult.	Critical	4	No risk			Almost Certain	5	20		Possible	2	8	
6.4	Poor leadership and management of the change process results in potential benefits not being delivered.	Major	3	No risk			Likely	3	9		Possible	2	6	
Cumulative score Risk 6						0			47				28	
Total risk score						85			192				147	

ANNEX 9 – INITIAL FINANCE REPORT – EXECUTIVE SUMMARY

The Scottish Ministers have requested an options appraisal to be undertaken with a view to securing a sustainable future for the RCAHMS functions. This financial appraisal was commissioned to inform the above options appraisal. Specific areas included in the scope of the financial appraisal were:

- An analysis of the current financial position
- Assessment of the impact of a funding freeze or future cuts in government funding
- A review of the operating model including the impact of the current charitable status
- A review of the cost model used for allocating costs to projects
- A review of income and expenditure across different functions including the integration of SCRAN and the Aerial Reconnaissance Archive
- The impact of project funding
- The impact of accommodation issues
- High level costs and benefits of the different options being considered

Key conclusions

In our review we make a number of key observations and conclusions, including the following:

- The current governance and funding relationship with the Scottish Government are overly complex and give rise to issues in ongoing financial management and decision making.
- As a result of the funding arrangements RCAHMS operates on a cash basis, whilst the Scran Group operates on an accruals basis
- Funding through the Scottish Government Vote (comprising baseline funding and additional monies for specific purposes) has remained broadly static over the past three years, although the baseline funding has fallen and has been replaced by additional funding for specific purposes
- Trading income (through SCRAN Ltd), particularly for the NCAP Aerial
- Reconnaissance Archive, has grown and appears to generate surpluses
- RCAHMS is forecasting a balanced cash budget for the current year within RCAHMS and surpluses within the SCRAN Group
- The organisation has made significant progress in implementing robust strategic and operational planning linked to ongoing performance management through effective project management
- RCAHMS has increased the level of externally funded projects, which contribute to the overall objectives of the organisation. However, the underlying accounting

systems do not provide sufficiently robust information to identify the true costs of activities

- The cost model used to cost projects, is not as robust as it could be
- The trading company benefits from brought forward tax losses, which is in effect a tax asset that limits the corporation tax payable.
- The collections are assets of the organisation. Any movement of assets to a non-charity may give rise to significant Capital Gains Tax liabilities
- The successor body to the Millennium Commission has a floating charge over the assets of the SCRAN Trust
- The charitable status of the organisation gives rise to some financial benefits, primarily in relation to business rates
- Accommodation costs are relatively static. However, the current accommodation issues create significant inefficiencies and may give rise to additional restoration costs in the future.

In considering the options for the future of RCAHMS, the SCRAN Trust and SCRAN Limited the following need to be considered:

- The continuing use by RCAHMS of SEAS and cash accounting
- The potential impact public funding reductions might have on funding sources other than the Scottish Government Vote – some funding may come under pressure, whilst there may be additional opportunities for increased partnership working
- Restrictions which apply to the transfer of charitable assets and in particular the existing security granted to the Millennium Commission over the assets of the SCRAN Trust
- The need to improve project and activity costing and accounting within RCAHMS and its associated companies as part of the continuing evolution of operational management controls. Whilst improvements have already been made, the current accounting model (cash based, SEAS plus Sun Accounts) is a complication borne out of the current funding arrangements
- A need to clarify the level of baseline funding used to support projects which attract additional external funding, to feed into ongoing project evaluation
- A need for a long term solution for the accommodation needs of the collections particularly given the expiry of the current lease for Bernard Terrace in 2016

Underpinning all of the above is a need to clarify the relationship between RCAHMS and the Scottish Government for the benefit of both. The current governance and

funding arrangements are unnecessarily complex and arise from the unusual history of development that RCAHMS has experienced. We believe there is an opportunity to resolve many of these issues but this is likely to require changes to RCAHMS legal structure, funding arrangements and administrative processes. This may also allow the revised organisation to explore additional shared services with other National Collections or similar organisations.

ANNEX 10 – FINANCE SUMMARY SHEET FOR ‘AS-IS’ AND NDPB MODEL

	2010/11 (Audited Results)		2011/12		2012/13		2013/14		2014/15	
	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group
Income & Expenditure										
Total Income	1,286,829	6,755,994	1,501,123	6,865,878	1,422,528	6,419,940	1,428,104	6,179,073	1,433,680	6,030,561
Total Expenditure	(1,097,285)	(6,365,585)	(1,212,970)	(6,590,193)	(1,290,919)	(6,363,662)	(1,293,887)	(6,061,961)	(1,294,940)	(5,917,037)
Net incoming/(outgoing) resources	189,544	390,409	288,153	275,685	131,609	56,278	134,217	117,112	138,740	113,524
Balance Sheet										
Fixed Assets	38,575	674,227	-	1,001,016	-	991,466	-	981,916	-	972,366
Current Assets										
Cash	1,284,899	1,332,076	1,687,698	1,728,320	1,744,011	1,765,715	1,882,840	1,968,530	2,024,178	2,158,453
Other	151,028	862,342	172,016	665,730	195,742	670,269	196,418	652,416	197,095	641,631
	1,435,927	2,194,418	1,859,714	2,394,050	1,939,753	2,435,983	2,079,258	2,620,945	2,221,273	2,800,083
Creditors (less than one year)	(434,673)	(246,461)	(534,590)	(450,055)	(483,020)	(376,161)	(488,308)	(384,461)	(491,583)	(390,525)
Creditors (greater than one year)	(2,858)	(642,858)	-	(690,000)	-	(740,000)	-	(790,000)	-	(840,000)
Net Assets/ Funds	1,036,971	1,979,326	1,325,124	2,255,011	1,456,733	2,311,289	1,590,950	2,428,401	1,729,690	2,541,925

Cashflow										
Opening balance	996,102	1,045,030	1,284,899	1,332,076	1,687,698	1,728,320	1,744,011	1,765,715	1,882,840	1,968,530
Net Cash Movement	288,797	287,046	402,799	396,244	56,313	37,395	138,829	202,815	141,338	189,923
Closing balance	1,284,899	1,332,076	1,687,698	1,728,320	1,744,011	1,765,715	1,882,840	1,968,530	2,024,178	2,158,453

ANNEX 11 - FINANCE - ASSUMPTIONS FOR PREPARING OPTIONS

	Merger	NDPB
Staffing		
Immediate saving on posts	Recruitment to Head of Corporate Affairs post put on hold while review undertaken. Assume post removed in merger as no redeployment or redundancy issues. Full cost of post released	Assessment on transferring scheduling and listing staff to RCAHMS showed that this is not a feasible option. Separate paper provided
Duplication of posts short term	CS current has a no redundancy policy in place and whilst some of the corporate posts have been identified as surplus should a merger take place, they would have to be housed or marked as redeployees. Current public sector landscapes are such that there is evidence that redeployment has not been a quick or easy practice. As such we estimate that cost for all RCAHMS staff that transfer would continue to be met and this would be unlikely to change significantly within the first year.	
Duplication of Posts medium to long term	In the longer term if there was a rationalising of the corporate post number then this would be carried out between HS staff and RCAHMS staff. The cost savings would be dependent on whether CS redundancy policy changes or people were successfully redeployed. Savings should be based on the RCAHMS average and the HS average staff cost based on the assumption that 10 of the 12 corporate posts were rationalised this would be £331,700.	
Terms and Conditions	RCAHMS staff would transfer under COSOP on existing terms and conditions.	

Assimilation	The scope of this review has not included any assimilation exercise and no costings have been assumed for any future rationalisation of posts over and above those described above. It is worth noting that if there were to be an assimilation exercise, the potential savings generated maybe marginally offset in some cases by the higher level of salaries in RCAHMS.	
Functions		
	In the first instance functions will be integrated into the most appropriate corresponding function in Historic Scotland.	Efficiency savings continue to be developed in relation to the following; shared security for collections; shared transport and delivery from stores; shared online services; combined conservation; shared management and maintenance contracts; disaster planning and business continuity and IT services. Other than corporate services it is assumed that these could be delivered in both options and therefore not included as part of these costings.
Organisational Set up and governance		

	A new "Collections Trust" is set up to manage the collection	
	The new charity would also have a trading subsidiary	
	Sponsorship function removed small saving made	Sponsorship remains with Historic Scotland
Infrastructure		
	Initial integration of IT system. RCAHMS networked with HS	
	Propose first year no development work	
	Discount based on education use of licences retained and discount on charitable basis lost	Assume all discounted rates for educational and charitable use of licences continues
	Potential savings on using HS global software licences not included at this point	
Accommodation		
	Roughly equal amounts of people move between the two buildings	130 desk space available in JSH
	Potentially scheduling and listing/collections move to JSH and Education and outreach/enterprises and IS move to LH	
	Rate relief currently received by RCAHMS for JSH and other storage facilities retained through charitable trust. No potential additional savings included for buildings where HS collection stored, though there maybe some potential to realise	Assume rate relief continues in NDPB
Legislation	section 14 order Public Services Act	New bill required

	Section 14 aspects to be dealt with by SGLD. Costs arise from use of external legal support in areas around charitable status etc. 200 hours costed	SGLD to deliver legislation and external legal support to deal with charitable status, 20 hours costed
Services	SWISH continues	SWISH Continues
Scenario	Best case assumed "as is"/Worst case reduction in base line grant in line with Historic Scotland cuts. (11.5% in 2013-14 and 11.4% in 2014-15)	Best case assumed "as is"/Worst case reduction in base line grant in line with Historic Scotland cuts. (11.5% in 2013-14 and 11.4% in 2014-15)
VAT	Assume that VAT currently recovered by RCAHMS projected £140k in 2012-13 (input VAT) would be similar to proportion of input VAT recoverable by HS and new charitable body. So no net cost.	Assume VAT group can be renegotiated on similar footing to current
	For costing purposes assumption made that no vat recoverable on recharge from HS to new charitable body.	
Income	Assume that while there is potential for increase in commercial income not enough detail to cost at this point.	Baseline model has included forecasts for income generation and confirmed project funding
Capital Gains Tax	Assumes that relief would be granted as charity transferring to another charity	
Corporation Tax	Assuming that a charitable trust is set up to manage the collection and that a trading subsidiary is used to manage commercial income of charity, any surplus would be gift aided back to the charity	
Charitable Trust	VAT will be chargeable on recharge made by Historic Scotland for staff seconded to charitable trust. Includes all collection staff for RCAHMS and HS and some commercial support.	

	Charges for charitable trust use of corporate functions like HR/IT etc Ministerial Approval sought to waiver	
Floating Charge	Expectation that this would be unaffected by the transfer of membership of Scran trust and to remain in place	Expectation that this would be unaffected by the transfer of membership of Scran trust and to remain in place
Implementation	Based on 5 staff working for 18 months at HS average salary to kick in from September 2012	Based on 3 staff working for 1 year based on HS average salary kicks in September 2012

ANNEX 12 – FINANCE SUMMARY FOR MERGER MODEL

	2010/11 (Audited Results)		2011/12		2012/13		2013/14		2014/15	
	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group
Income & Expenditure										
Total Income	1,286,829	6,755,994	1,501,123	6,865,878	1,422,528	6,419,940	1,428,104	6,179,073	1,433,680	6,030,561
Total Expenditure	(1,097,285)	(6,365,585)	(1,212,970)	(6,590,193)	(1,290,919)	(6,363,662)	(1,293,887)	(6,237,105)	(1,294,940)	(5,760,481)
Net incoming/(outgoing) resources	189,544	390,409	288,153	275,685	131,609	56,278	134,217	(58,032)	138,740	270,080
Balance Sheet										
Fixed Assets	38,575	674,227	-	1,001,016	-	991,466	-	981,916	-	972,366
Current Assets										
Cash	1,284,899	1,332,076	1,687,698	1,728,320	1,744,011	1,765,715	1,882,840	1,797,062	2,024,178	2,136,580
Other	151,028	862,342	172,016	665,730	195,742	670,269	196,418	652,416	197,095	641,631
	1,435,927	2,194,418	1,859,714	2,394,050	1,939,753	2,435,983	2,079,258	2,449,477	2,221,273	2,778,210
Creditors (less than one year)	(434,673)	(246,461)	(534,590)	(450,055)	(483,020)	(376,161)	(488,308)	(388,137)	(491,583)	(387,240)
Creditors (greater than one year)	(2,858)	(642,858)	-	(690,000)	-	(740,000)	-	(790,000)	-	(840,000)
Net Assets/ Funds	1,036,971	1,979,326	1,325,124	2,255,011	1,456,733	2,311,289	1,590,950	2,253,257	1,729,690	2,523,337
Cashflow										
Opening balance	996,102	1,045,030	1,284,899	1,332,076	1,687,698	1,728,320	1,744,011	1,765,715	1,882,840	1,797,062
Net Cash Movement	288,797	287,046	402,799	396,244	56,313	37,395	138,829	31,347	141,338	339,518
Closing balance	1,284,899	1,332,076	1,687,698	1,728,320	1,744,011	1,765,715	1,882,840	1,797,062	2,024,178	2,136,580

ANNEX 13 FINANCE – POTENTIAL COSTS AND SAVINGS FOR OPTIONS

Description	Type	2012-13	2013-14	2014-15
Merger				
Relocation	Transitional		£40,000	
Legal	Transitional		£50,000	
Implementation	Transitional	£70,555	£141,110	
IT integration	Transitional		£27,000	
Software licensing	Ongoing cost		£13,450	£13,450
VAT on recharge for staff in charitable trust	Ongoing cost		£237,694	£237,694
Initial staff saving	Ongoing saving		£56,000	£56,000
Medium term staff saving	Ongoing saving			£331,700
Sponsorship	Ongoing saving		£20,000	£20,000
NDPB Option				
Implementation	Transitional	£42,330	£42,330	
Legal costs	Transitional		£5,000	
Re branding	Transitional		£20,000	

List of assumptions provided in Annex 11
Based on full year costs/savings

ANNEX 14 - LIST OF UNQUANTIFIABLE BENEFITS AND/ OR SAVINGS

The following additional costs could be incurred.

- Staff time diverted from organisational activities to implementation to a greater degree for merger option than NDPB.

And the following additional savings made

- In the NDPB option there is some potential to derive savings through shared corporate services with NLS and NGS.
- Efficiency savings could be made in a merger option falling out of the redeployment of staff pre 2014 when potential cash savings kick in.
- Efficiency savings can continue to be developed in both options in relation to the following; shared security for collections; shared transport and delivery from stores; shared online services; combined conservation; shared management and maintenance contracts; disaster planning and business continuity and IT services.
- There maybe some savings arising from the new charitable trust in the merger option including rate relief on buildings housing the HS collection.
- There maybe some savings derived from IT integration, where HS existing global licences maybe able to be used, releasing the need for some of those existing with RCAHMS.

And Income increased

- Potential for income from sale of HS images to be increased capitalising on RCAHMS sales system.
- Potential for RCAHMS image, subscription and publication income to increase capitalising on HS brand and access to outlets.
- Potential to develop marketable products from RCAHMS collection
- Potential for increased income throughout RCAHMS group from rebranding in the NDPB option.

And Income decreased

- Potential reduction in income as a result of the negative impact of transition, which would impact to a greater extent in the merger option than the reconstituted NDPB option.
- Possibility that income from small funding partners may be reduced in a merger as they may not wish to fund a government agency and which in some cases is received via Historic Scotland in the first place.

ANNEX 15 – FINANCE SUMMARY SHEETS WORST CASE FOR BASELINE, NDPB AND MERGER OPTION

15a Baseline and NDPB Model

	2010/11 (Audited Results)		2011/12		2012/13		2013/14		2014/15	
	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group
Income & Expenditure										
Total Income	1,286,829	6,755,994	1,501,123	6,865,878	1,422,528	6,419,940	1,428,104	5,717,923	1,433,680	5,164,842
Total Expenditure	(1,097,285)	(6,365,585)	(1,212,970)	(6,590,193)	(1,290,919)	(6,363,662)	(1,293,887)	(6,061,961)	(1,294,940)	(5,917,037)
Net incoming/(outgoing) resources	189,544	390,409	288,153	275,685	131,609	56,278	134,217	(344,038)	138,740	(752,195)
Balance Sheet										
Fixed Assets	38,575	674,227	-	1,001,016	-	991,466	-	981,916	-	972,366
Current Assets										
Cash	1,284,899	1,332,076	1,687,698	1,728,320	1,744,011	1,765,715	1,882,840	1,560,410	2,024,178	931,137
Other	151,028	862,342	172,016	665,730	195,742	670,269	196,418	617,128	197,095	575,385
	1,435,927	2,194,418	1,859,714	2,394,050	1,939,753	2,435,983	2,079,258	2,177,537	2,221,273	1,506,522
Creditors (less than one year)	(434,673)	(246,461)	(534,590)	(450,055)	(483,020)	(376,161)	(488,308)	(402,203)	(491,583)	(423,832)
Creditors (greater than one year)	(2,858)	(642,858)	-	(690,000)	-	(740,000)	-	(790,000)	-	(840,000)

Net Assets/ Funds	1,036,971	1,979,326	1,325,124	2,255,011	1,456,733	2,311,289	1,590,950	1,967,251	1,729,690	1,215,056
Cashflow										
Opening balance	996,102	1,045,030	1,284,899	1,332,076	1,687,698	1,728,320	1,744,011	1,765,715	1,882,840	1,560,410
Net Cash Movement	288,797	287,046	402,799	396,244	56,313	37,395	138,829	(205,305)	141,338	(629,273)
Closing balance	1,284,899	1,332,076	1,687,698	1,728,320	1,744,011	1,765,715	1,882,840	1,560,410	2,024,178	931,137

15b - MERGER Option

	2010/11 (Audited Results)		2011/12		2012/13		2013/14		2014/15	
	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group	SCRAN Group	RCAHMS Group
Income & Expenditure										
Total Income	1,286,829	6,755,994	1,501,123	6,865,878	1,422,528	6,419,940	1,428,104	5,717,923	1,433,680	5,164,842
Total Expenditure	(1,097,285)	(6,365,585)	(1,212,970)	(6,590,193)	(1,290,919)	(6,363,662)	(1,293,887)	(6,237,105)	(1,294,940)	(5,760,481)
Net incoming/(outgoing) resources	189,544	390,409	288,153	275,685	131,609	56,278	134,217	(519,182)	138,740	(595,639)
Balance Sheet										
Fixed Assets	38,575	674,227	-	1,001,016	-	991,466	-	981,916	-	972,366
Current Assets										
Cash	1,284,899	1,332,076	1,687,698	1,728,320	1,744,011	1,765,715	1,882,840	1,388,942	2,024,178	909,264
Other	151,028	862,342	172,016	665,730	195,742	670,269	196,418	617,128	197,095	575,385
	1,435,927	2,194,418	1,859,714	2,394,050	1,939,753	2,435,983	2,079,258	2,006,069	2,221,273	1,484,649
Creditors (less than one year)	(434,673)	(246,461)	(534,590)	(450,055)	(483,020)	(376,161)	(488,308)	(405,879)	(491,583)	(420,547)
Creditors (greater than one year)	(2,858)	(642,858)	-	(690,000)	-	(740,000)	-	(790,000)	-	(840,000)
Net Assets/ Funds	1,036,971	1,979,326	1,325,124	2,255,011	1,456,733	2,311,289	1,590,950	1,792,107	1,729,690	1,196,468

Cashflow

Opening balance	996,102	1,045,030	1,284,899	1,332,076	1,687,698	1,728,320	1,744,011	1,765,715	1,882,840	1,388,942
Net Cash Movement	288,797	287,046	402,799	396,244	56,313	37,395	138,829	(376,773)	141,338	(479,678)
Closing balance	<u>1,284,899</u>	<u>1,332,076</u>	<u>1,687,698</u>	<u>1,728,320</u>	<u>1,744,011</u>	<u>1,765,715</u>	<u>1,882,840</u>	<u>1,388,942</u>	<u>2,024,178</u>	<u>909,264</u>



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