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## **MINUTES OF HES BOARD MEETING**

**HELD ON 21 AUGUST 2025**

**LONGMORE HOUSE, EDINBURGH**

### **Present:**

Hugh Hall, Chair  
Ian Baxter  
Andrew Davis  
Joe Doogan  
Emma Herd  
Gary Jebb  
Ann Leslie  
Terry Levinthal  
Nkosana Mafico  
Anne-Marie O'Hara  
David Richardson

### **Apologies:**

Simon Hodge  
Gemma Butterfield  
Katerina Brown

### **In attendance:**

Stephen Duncan, Director of Marketing & Engagement  
Craig Marshall, Interim Director of Finance & Corporate Services  
David Mitchell, Director of Cultural Assets  
Lindsey Ross, Director of People  
Alison Turnbull, Director of External Relations & Partnerships  
Elizabeth McCrone, Director of Heritage  
CR, Scottish Government  
LA, Scottish Government  
LD, Audit Director, Audit Scotland  
JE, Head of the Chief Executive's Office  
ZB, Manager, Chief Executive's Office  
SD, Corporate Governance Manager (part)

### **Introduction, Apologies, and Minutes of the Last Meeting**

1. The Chair welcomed everyone to the meeting, especially colleagues from the Scottish Government and Audit Scotland.

2. The Chair noted that apologies were received from Gemma Butterfield and Simon Hodge.
3. Terry Levinthal declared interest in the items involving Holyrood Park and the Edinburgh region given his employers involvement in the area.
4. The minutes of the Board meeting held on 22 May 2025 were approved.
5. The Chair brought the discussion to the Action Tracker. Further updates were provided in relation to Fundraising and Dallas Dhu and risk review of the HLM report.

### **Matters Arising**

6. Apart from the items listed in the Action Tracker, no further matters arising were identified.

### **Occupational Health and Safety, Fire, Physical Security, and Asset Management Compliance**

7. The Chair of the Audit, Risk and Assurance Committee (ARAC) confirmed that they had listened to the updates provided during the meeting. They noted that the newly appointed Programme Manager has successfully pulled together a strong and coherent programme, which is very reassuring. The Board was reminded of the purpose of this item: to gain assurance and to provide an escalation point if necessary.
8. An update was provided regarding the recent fire at Arthur's Seat. The Chair acknowledged that there is currently a significant amount of activity taking place across Holyrood Park. It was agreed that the next meeting should include a comprehensive overview of all aspects, enabling the Board to take stock and consider any necessary reprioritisation.

**Action:** CE Office

### **Chair's Update**

9. The Chair reported on a few recent engagements with other organisations. He attended Scotland's Heritage Environment Forum which reflected well on the achievements of HES and its public sector leadership role within the sector. and He also took part in a deep dive session focused on grants.
10. The Chair introduced the discussion on brand development, clarifying it is an evolution of the brand and not a rebrand. He noted that it has been in development for some considerable time. He provided a brief overview of the project's history, emphasising the need to move it forward and urging relevant colleagues in Scottish Government and HES to meet soonest and agree a way forward.
11. Chris Raftery suggested that potential legal impediments needed to be addressed first. The Director of Marketing confirmed that legal advice had been sought at the outset and there are no legal obstacles to the proposed

changes. However, a further check would be made to ensure that the proposals comply with legal requirements. It was noted that the Scottish Government has not rejected the proposal but has requested that these matters are resolved before the project moves forward.

12. To move matters forward at pace and avoid unnecessary costs for the public purse, it was proposed that HES will formally present the brand development business case to Ministers as soon as practical.

**Action:** Director of Marketing and Engagement

## **CEO Report**

13. The CEO's report was presented by the Director of External Relations and Partnerships. The report was compiled with input from the Executive Leadership Team (ELT).
14. During the discussion, key issues were raised regarding financial performance, operational challenges and strategic initiatives, including ongoing issues with the digital systems and protocols for handling protests. A proposal was put forward to increase board involvement in fundraising efforts by appointing "Board Champions".
15. The Chair thanked the Directors for their extra efforts in recent months and acknowledged the continuing need for increased leadership capacity.

## **Financial Performance to 31 March 2025**

16. The Director of Finance and Corporate Services reported that HES is facing a projected £2.7 million deficit which is largely due to a shortfall in Q1 against the ambitious commercial budget. When combined with potential staff cost increases from ongoing pay negotiations, the total deficit could reach £4 million.
17. The Board noted that while income at the end of Q1 was below budget, revenues are running higher than 2024/25. It was agreed that the matter should be managed proactively and proposals should be brought forward to address the projected deficit.
18. ELT has identified £2 million in potential savings and will meet next week finalise a plan to address the deficit. The Board will be kept informed
19. Board members expressed significant concern about the long-term financial strategy, particularly a cumulative £10 million grant-in-aid reduction over the next five years, which was the quid pro quo for the Scottish Government approving the new business model. The Board urged the ELT to ramp up efforts to develop new income-generating opportunities and improve organisational efficiency through technology.
20. A Corporate Risk Register update was provided to the Board, identifying risks to the financial position, leadership, and procurement governance. Other risks

discussed included IT resources, health and safety compliance, and project prioritisation. The Board asked for an assessment on whether the recent cybersecurity work has lowered the associated risk score.

### **Corporate Performance to 30 June 2025**

21. The Board reviewed the corporate performance for the year. Of the 30 Operating Plan 2024-25 actions, 26 (87%) were “On Track”, 4 (13%) were “At Risk”. It was noted that the financial decisions to be made by ELT will likely affect these outcomes.
22. The Board discussed the progress of the Properties and Collections Strategy (previously referred as Properties in Care Strategy). It was confirmed that the Board will be kept informed of the progress and any substantive actions required.

### **Royal Edinburgh Military Tattoo Operating Agreement**

23. Director of Marketing and Engagement provided an update on the commercial contract with Royal Edinburgh Military Tattoo.
24. It was acknowledged that more time should have been allowed for the Board to consider such an important, very long-term agreement. It was agreed that governance procedures will be reviewed to ensure the Board is kept informed of significant legal agreements and that it has an opportunity for proactive input.

**Action:** CE Office

25. The Board approved the proposed Operating Agreement.

### **Archives and Collections Storage**

26. Director of Cultural Assets updated the Board on critical challenges facing the archives and collections, particularly concerning storage and public access. It was noted that a previous property solution was lost due to an inability to react quickly in the competitive commercial market. The team is now seeking Board endorsement to develop a generic “vault within a larger space” approach, which would allow them to react swiftly when a suitable property becomes available, without having to start the business case from scratch. A potential property in the Edinburgh region has been identified which would meet our criteria and could potentially help other national bodies in the shorter term.
27. The proposed approach involves developing an outline business case by the end of September. It was acknowledged that this solution is likely to require significant capital expenditure for which funding is not currently in place, either within HES’ budget or the Scottish Government’s plans. It was agreed that the Scottish Government should be alerted to the capital funding requirement on completion of the outline business case.

28. It was noted that HES is working alongside other culture cluster bodies who are exploring collaborative solutions for storage, but it is unlikely that this approach will meet HES requirements, nor will it be delivered within the required timescale.
29. The Board noted the opportunity to create a world class showcase for Scotland's archives and heritage collections. This would incorporate a public-facing element, which would increase opportunities for attracting external funding.
30. The Board endorsed the direction of travel and looked forward to receiving a compelling business case and a clear value proposition for different stakeholders to support fundraising efforts.

**Action:** Director of Cultural Assets

*Corporate Governance Manager joined the meeting.*

### **Governance Priorities and Training**

31. The Board discussed a proposed change to the Scheme of Internal Delegation. It was recommended that the authority to appoint an acting Chief Executive should be held by the Board in addition to the Chief Executive. While the Board was in favour of the suggested change, the proper governance process needs to be followed. The Board requested that the Corporate Governance Manager draft the specific wording for formal review.

**Action:** Corporate Governance Manager

32. The Corporate Governance Manager introduced herself and outlined her role in ensuring HES's governance meets the standards expected of a non-departmental public body and registered charity.

33. The discussion also focussed on a review of the Board's governance arrangements and a training session with an external provider, which are planned for later. It was agreed that these topics would be combined to make the best use of time. Additionally, the Board is seeking clarity on which of the Scottish Government's online training modules are mandatory versus recommended.

**Action:** CE Office

34. The Chair noted that the time commitment required from Board members Exceeded the time allocated and the number of days was out of step with other NDPBs. It was agreed that this issue would be discussed at the upcoming governance review session to determine if the allocated time for Board members is sufficient.

**Action:** CE Office

*Corporate Governance Manager left the meeting.*

## **Committee Updates**

35. The Chair of ARAC provided a high-level update, noting several positive developments, including internal audits and the annual fraud report. The committee received a clean audit from the external auditors, with no management letter points. ARAC also reviewed the corporate risk register, which will help guide future in depth reviews.
36. The People Committee did not meet in this period, but a report was given on the People directorate's activities. Key points included driving culture change, pay and grading appeals and wellbeing.
37. The Chair of the Finance Committee reported on the discussion on the financial statements. The Committee also reviewed the annual procurement report and discussed new opportunities for generating income.
38. The Chair of Heritage Assets Committee covered several key topics, including collections and archives. The Committee noted recent incidents, including a hammer attack and the situation with the Stone of Destiny. He confirmed his resignation from the Chair position. The Board invited Members who are interested in taking on the HAC Chair to note their interest with him.
39. The Chair of HESe Board reported that the Board discussed the need to generate new income streams and acknowledged while existing efforts are working, they are not enough to compensate for the reductions in grant in aid over the next five years. The conversation focused on easy wins and new work streams to boost revenue.

## **Any other business**

40. The Board discussed some aspect of the Consumer law and compliance with regulation on Gift Aid.
41. The Board discussed the need to delegate authority for signing leases to a subcommittee or specific board members to avoid delays. This issue was brought up because a lease with Scottish Canals has been held up by legal processes. The Board agreed that the Finance Committee and Director of Cultural Assets would liaise and create a note for a collective approval to establish a clear process for handling future leases.

**Action:** Chair of Finance Committee

**THERE FOLLOWED A CLOSED BOARD MEETING SESSION.**